2015

ANNUAL REPORT
CANCOM SE

CANCOM

Group key figures

CANCOM GROUP (IN € MILLION)

	2015	2014	2013	2012	2011
Sales revenues	932.8	828.9	613.8	558.1	544.4
Gross profit	274.2	257.7	186.5	166.2	159.3
EBITDA	63.1	51.6	33.1	28.1	25.0
EBITDA margin in %	6.8 %	6.2 %	5.4 %	5.0 %	4.6 %
EBITA	50.5	40.3	25.3	22.2	21.3
EBIT	41.1	28.8	22.4	20.7	18.5
Earnings per share from continuing operations (basic) in €	1.99 €	1.27 €	1,22 €	1.15 €	1.14 €
Balance sheet	436.3	439.3	319,6	208.6	194.9
Equity	204.3	193.8	162,7	80.8	60.9
Equity ratio in %	46.8 %	44.1 %	50,9 %	38.7 %	31.2 %
Employees as at December 31	2,724	2,909	2,360	2,076	2,044

Impact of amortization from purchase price allocations (PPA)

IFRS amortization from purchase price allocations (PPA) had a negative impact on the figures for operating income (EBIT) and earnings per share (EPS) shown in the consolidated statement of comprehensive income.

IFRS amortization from purchase price allocations (PPA) following acquisitions is recognized as a non-recurring, non-cash charge that reduces over time. This means that EBIT and EPS will show a relative improvement in the future.

Impact of IFRS amortization from purchase price allocations (PPA)

Year	'As if' adjustment to EBIT (in € million)
2011	2.8
2012	1.5
2013	2.9
2014	11.5
2015	9.4
2016	8.0
2017	5.6
2018	3.4
2019	1.9
2020	1.3

Impact of IFRS amortization from purchase price allocations (PPA)

Year	'As if' adjustment to earnings per share (in €)
2011	0.19
2012	0.10
2013	0.11
2014	0.50
2015	0.40
2016	0.31
2017	0.22
2018	0.13
2019	0.07
2020	0.05

The pages „Group key figures" and „At a glance" are provided by way of explanation. They do not form part of the consolidated financial statements based on IFRS.

At a glance

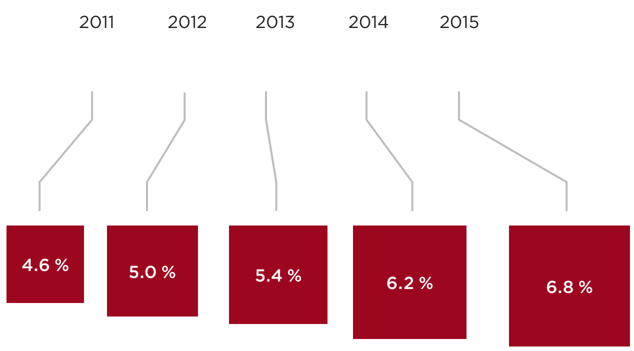
Year	Revenues 2011-2015 (in € million)
2011	544.4
2012	558.1
2013	613.8
2014	828.9
2015	932.8

Year	Gross profit 2011-2015 (in € million)
2011	159.3
2012	166.2
2013	186.5
2014	257.7
2015	274.2

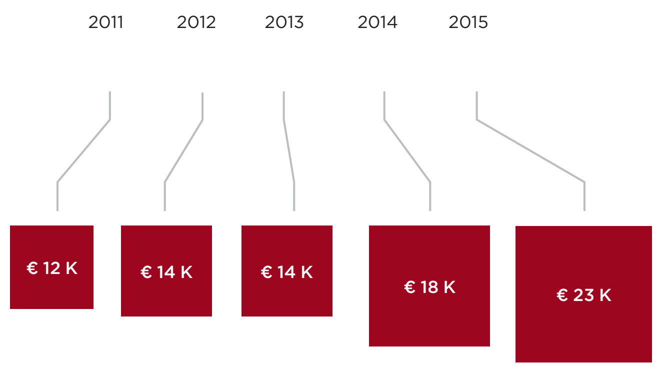
Year	EBITDA 2011-2015 (in € million)
2011	25.0
2012	28.1
2013	33.1
2014	51.6
2015	63.1

Year	Earnings per share 2011-2015 (in €)
2011	1.14
2012	1.15
2013	1.22
2014	1.27
2015	1.99

EBITDA margin



EBITDA per employee




CANCOM

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Dear Stockholders

CANCOM had another very successful fiscal year in 2015 with further improvements in profitability. We are happy with the group's performance and look forward to meeting the challenges of 2016 face-on.

The increasing digitization and networking of companies and industries are causing profound changes, especially in work environments, and are influencing trends such as cloud computing, mobility and security. For many years, the CANCOM group has geared its operations and its product and service portfolio to this trend, and the group's performance demonstrates impressively the success of this policy. CANCOM has also won awards for its expertise and its market position in these growth areas, both from leading research institutions and from manufacturer partners. We believe many companies are still just beginning their transformation to cloud computing. This means not only that the market volume is very large, but also that the changes in the IT environment should continue through the next few years, resulting in continued good growth prospects for us both in Germany and internationally.

In 2015, as in previous years, we were committed to maintaining the strength of the balance sheet and generating a sustained cash flow. CANCOM's solid financial resources and cash position make it independent, facilitating continuous growth. There is a generally high level of interest in CANCOM on the capital market, which reassures us that we are on the right track with our growth strategy and our continuous development of the business model. The latter focuses on IT growth segments such as cloud computing and cloud managed services, security, mobility and big data, and analytics.

On the conclusion of this successful fiscal year, our thanks are due to many people. We would like to thank our employees for their commitment and our clients and partners for their support. Finally, we wish to thank you, our stockholders and investors, for your loyalty and trust.

Sincerely yours

Executive Board of CANCOM SE

Klaus Weinmann
CEO

Rudolf Hotter
COO


Cisco Partner
Summit 2015
Security Partner of the Year
Cancom
CISCO
cloud
Cloud
LEADER
Germany
2015
Mobile Enterprise
LEADER
Germany
2015
awarded by
experton

Report of the Supervisory Board

Dear Stockholders

The Supervisory Board of CANCOM SE congratulates the Executive Board and the employees on the company's successful performance in the fiscal year 2015. As the elected representatives of the stockholders of CANCOM, we would also like to thank them for their hard work as a team and for what they have achieved. We also wish to thank CANCOM's stockholders for their trust.

CANCOM is well prepared for the continued growth of the group and for the challenges that face the IT sector. During the past year, the members of the Supervisory Board supported and guided the work of the Executive Board of CANCOM SE, giving advice when necessary, and are optimistic about the group's future development. Against the background of the conclusion of a successful fiscal year, the management has decided to propose to the general meeting of stockholders that a dividend be paid again this year.

The Supervisory Board carried out the tasks set by law, the company's by-laws and the rules of procedure in the fiscal year 2015. It advised the Executive Board on matters of corporate management, and assisted with and supervised the management and development of the business. To maintain the usual close cooperation between the boards, the Executive Board used a combination of written correspondence, phone calls and face-to-face discussions to inform the Supervisory Board promptly of any matters arising. This meant that the Supervisory Board was updated regularly and comprehensively on the company's situation and its prospects, the principles of corporate policy, the company's profitability and major business transactions. Between the scheduled meetings, the CEO kept in particularly close contact with the members of the Supervisory Board, primarily the Chairperson. The entire Supervisory Board was also kept informed of relevant developments and transactions requiring approval. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance for the company, or where its involvement was required by law, the company's by-laws or the rules of procedure. In urgent cases, the Supervisory Board passed resolutions in writing. Because it was updated promptly, thoroughly and at regular intervals by the Executive Board, the Supervisory Board was able to perform its supervisory and advisory functions at all times. The Supervisory Board therefore considers that the Executive Board acted lawfully, properly and appropriately in every respect.

Meetings and key topics

The IT sector will continue to face great challenges and profound change globally, partly owing to the ever-increasing digitization and networking of the professional and social environment. This trend was the subject of meetings and discussions on the group's strategic orientation and, related to this, the consideration of existing and new markets, and the expansion of its fields of business.

The Supervisory Board held five meetings in the fiscal year 2015, on March 11, June 18, July 6, September 18 and December 8. With the exception of the meeting on September 18, for which one apology was received, the meetings were attended in person by all the incumbent Supervisory Board members.

In the meetings, the Supervisory Board regularly received reports from the Executive Board on the following subjects and discussed them in depth:

- Report on the market and the competitive situation

- Report by the Executive Board in line with Section 90, paragraph 1, numbers 2 and 3 of the German Stock Corporation Act (Aktiengesetz, AktG) on the profitability and the performance of the business, including presentation of the report on the latest key financial figures for CANCOM SE and the CANCOM group on a month-by-month basis

- Report of the Executive Board in accordance with Section 90, paragraph 1, number 4 of the above Act, particularly on planned acquisitions and divestments

The following topics and resolutions relating to the activities of the Supervisory Board are particularly noteworthy:

- At its meeting on March 11, 2015, the Supervisory Board approved the annual financial statements of CANCOM SE, the consolidated financial statements and the combined management report for CANCOM SE and the group. The Supervisory Board also discussed the corporate governance report. Another item discussed at the meeting was the reappointment of Rudolf Hotter as a member of the Executive Board with effect from April 1, 2015 until March 30, 2020 (end of day), following his resignation in agreement with the Supervisory Board with effect from March 31, 2015. This course of action enabled the Supervisory Board to retain Rudolf Hotter in the enterprise for the long term, which it felt was in the interests of the company. In the same meeting, the Chairperson of the Supervisory Board and Chairperson of the Nominating Committee gave a report on the work of the Nominating Committee.

- The Supervisory Board meeting on July 6 included a presentation on and discussion of potential acquisitions.

- In its meeting on September 18, the Supervisory Board discussed the legal requirements for equal representation of men and women in management positions in the private and public sectors, and passed resolutions on the setting of targets for participation by women in the Executive and Supervisory Boards of CANCOM SE.

- In October, the Supervisory Board passed a resolution in writing to acquire all the stocks of XERABIT GmbH, based in Unterschleissheim, Germany.

- In the meeting on December 8, the business plans for 2016 were presented by the Executive Board and approved by the Supervisory Board. The Supervisory Board was also given a report on CANCOM SE's system of internal audit and risk and compliance management. Following the recommendation of the German Corporate Governance Code, the Supervisory Board defined goals for the composition of the Supervisory Board of CANCOM SE. The Supervisory Board also undertook a critical review of the system of Executive Board remuneration, as well as the level of remuneration. With the successful development of the business, the Supervisory Board saw no reason to make adjustments to either the level of remuneration, which it believes is still reasonable, or the remuneration system. Finally, the Supervisory Board undertook an assessment of its own efficiency using a questionnaire prepared for the purpose, and found that there was no need for improvement.

Composition of the Supervisory Board and the Executive Board

There were no changes in the membership of the Executive Board of CANCOM SE during the fiscal year 2015. The members of the Executive Board were CEO Klaus Weinmann and Rudolf Hotter. Klaus Weinmann's contract provides for a term of office until December 31, 2017, while Rudolf Hotter's contract expires on March 31, 2020.

The members of the Supervisory Board in the fiscal year 2015 were Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson), Regina Weinmann, Uwe Kemm, Dominik Eberle and Raymond Kober. Mr Kober was elected to the Supervisory Board in a by-election at the general meeting of stockholders on June 18, 2015. A legal challenge to the election was mounted by one of the stockholders at Munich District Court I. At the time this report was written, the case was not yet resolved.

Work of the committees

To help it to perform its function, the Supervisory Board has formed two committees. The Audit Committee comprises Dr. Lothar Koniarski (Chairperson), Walter Krejci (Deputy Chairperson) and Uwe Kemm. Dr. Lothar Koniarski fulfills the role of an independent Supervisory Board member with expertise in the areas of accounting or audit, as required by Section 100, paragraph 5 of the German Stock Corporation Act. The Audit Committee had a meeting on March 11, 2015, at which all committee members were present.

The Nominating Committee comprises Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson) and Regina Weinmann. The Nominating Committee discussed in depth the filling of vacancies on the Supervisory Board. On March 11, 2015 it held a meeting attended by all committee members. Partly on the basis of previous consultations and discussions, the committee decided to recommend to the Supervisory Board that Raymond Kober be nominated for election at the general meeting of stockholders.

Corporate Governance and declaration of conformity

The Supervisory Board is guided by the regulations of the German Stock Corporation Act (Aktiengesetz, AktG), as well as the recommendations of the German Corporate Governance Code. In its meeting on December 8, the Supervisory Board covered at length the relevant recommendations of the Corporate Governance Code of May 5, 2015, discussing in particular the changes that became effective in 2015. To ensure compliance with the Corporate Governance Code, the Supervisory Board also reviewed the extent to which the Code's recommendations had been implemented. In the past fiscal year, CANCOM complied with all of the recommendations of the Code. In their meeting on December 8, therefore, the Executive Board and the Supervisory

Board resolved to issue a declaration of conformity pursuant to Section 161 of the German Stock Corporation Act, stating that the company now complies with the recommendations of the German Corporate Governance Code set out in the versions of June 24, 2014 and May 5, 2015. The company's corporate governance guidelines are presented in detail on pages 9 to 15 of the corporate governance report.

Annual financial statements of CANCOM SE and the CANCOM group

The annual financial statements prepared by the Executive Board and the combined management report for CANCOM SE and the group for the year 2015 were audited by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, Germany – the auditing firm appointed by the general meeting of stockholders – under the supervision of certified auditor and tax consultant Ulrich Stauber, managing director of S&P GmbH. S&P GmbH Wirtschaftsprüfungsgesellschaft already audited CANCOM in 1999. This is the fourth year that Ulrich Stauber has been the lead auditor for CANCOM SE. The auditor conducted the audit in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch, HGB), in compliance with the German standards for the audit of financial statements laid down by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). The auditor gave his unqualified approval to all the financial statements.

The annual financial statements of CANCOM SE and the consolidated financial statements of the CANCOM group, the combined management report, the auditor's report and the Executive Board's proposal for appropriation of the net retained profit for the year were submitted to all Supervisory Board members in good time for the passing of a resolution to approve them on March 22, 2016. The auditor gave the Supervisory Board a report on the audit process and the main findings, and was available to answer questions, discuss the report and provide additional information where needed. He took part in the Supervisory Board's discussion of the financial statements and the Audit Committee's meeting on March 22, 2016, as well as the meeting of the Supervisory Board to approve the balance sheet on March 22, 2016.

The Audit Committee of the Supervisory Board held a meeting on March 22, 2016. The meeting dealt with the financial statements and the combined management report for CANCOM SE and the group, as well as the Executive Board's proposal for the appropriation of net profit for the year and the payment of a dividend of € 0.50 per stock. The proposal was backed by the entire Supervisory Board. The Audit Committee also made a recommendation on the Supervisory Board's proposal to the general meeting of stockholders regarding the appointment of an auditor. Prior to this, the Supervisory Board had obtained a written independence declaration from the auditor. The Supervisory Board also discussed CANCOM's accounting process and risk management system, the effectiveness of the in-house audit processes, the resources of the internal audit department and its findings, and the issue of maintaining integrity in financial reporting.

After discussing at length the audit reports, the financial statements and the combined management report, the Supervisory Board had no objections to raise. It considered the proposal for the appropriation of the net retained profit to be reasonable. It approved the annual financial statements of the company prepared by the Executive Board, the consolidated financial statements and the combined management report for CANCOM SE and the group for the fiscal year 2015.

We are satisfied that CANCOM is well placed for the future. The success it has achieved is a good foundation for further development. The Supervisory Board would like to thank the members of the Executive Board, the management and all the employees for their great commitment, which will enable us to continue the successful development of our company.

Munich, Germany, March 2016

On behalf of the Supervisory Board

Walter Krejci
(Chairperson of the Supervisory Board)

Corporate Governance Report

Corporate Governance Report

This report on corporate governance at CANCOM is written by the Executive Board and Supervisory Board in accordance with Subsection 3.10 of the current version of the German Corporate Governance Code published on May 5, 2015. The corporate governance report also includes the remuneration report, as part of the management report.

I. CORPORATE GOVERNANCE OVERVIEW

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

The purpose of effective and responsible corporate governance and control is to ensure the future of the company as a going concern and to achieve a sustainable increase in its value. In 2015 the Executive Board and the Supervisory Board of CANCOM SE again devoted much attention to CANCOM's compliance with the recommendations of the German Corporate Governance Code, particularly the new aspects of the Code issued on May 5, 2015. At the Supervisory Board meeting on December 8, 2015, the Executive Board and Supervisory Board issued a joint declaration of conformity with the recommendations of the Code, in accordance with Section 161, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG), which was published immediately. The declaration is permanently displayed on the company's website.

The declaration of conformity published on December 8, 2015, reads as follows:

'The Executive and Supervisory Boards of CANCOM SE declare that, since the previous declaration of conformity on December 10, 2014, the company has been fully compliant with the recommendations of the German Corporate Governance Code issued on September 30, 2014 and May 5, 2015 and published in the German Federal Gazette (Bundesanzeiger) on June 12, 2015.'

2. Basic principles of the corporate governance policy

2.1. Stockholders and the annual general meeting

The general meeting of stockholders is the central decision-making body, at which CANCOM's stockholders can exercise their rights and cast their votes. For the past several years, large numbers of stockholders have attended this meeting. The annual general meeting of stockholders was held in Munich, Germany, on June 18, 2015. The only shares of CANCOM SE in circulation are common bearer shares. All shares carry the same voting rights, and each no-par value share entitles its owner to one vote, in accordance with the company's by-laws. The general meeting of stockholders passes resolutions on matters expressly defined by law and the company's by-laws – in particular on the appropriation of profit, the discharge of members of the Executive Board and Supervisory Board and the appointment of Supervisory Board members – and chooses the auditing firm for the annual financial statements. In accordance with the German Stock Corporation Act, the general meeting of stockholders also determines the object of the company and any changes to the company's by-laws, as well as authorizing any capital increase or reduction or any purchases of the company's own shares.

At the annual general meeting, our stockholders can exercise their voting rights in person or appoint a proxy to vote on their behalf, for example a representative of the company, who is bound to act in accordance with their instructions. Stockholders will be able to take advantage of this opportunity at the next general meeting of stockholders in Munich on June 14, 2016, as they have done in previous years. The agenda and the necessary reports and documents for the general meeting of stockholders will be made available to stockholders on the company's website in due course. There is no provision in the by-laws of CANCOM SE for voting by mail.

2.2. Cooperation between the Executive Board and the Supervisory Board

Good corporate governance depends on open communication. The Executive Board and the Supervisory Board work closely together in the interests of the company. Intensive and continuous dialog between the two boards forms the basis for efficient corporate management at CANCOM. The Supervisory Board assists the Executive Board in an advisory capacity, and is involved in all major corporate decisions. The Executive Board gives regular, timely and comprehensive reports to the Supervisory Board on all matters relevant to the company concerning strategy, planning, business performance, on possible risks and opportunities connected with corporate development, and on risk management and compliance issues. The Executive Board's disclosure and reporting obligations are described in more detail in its rules of procedure. For instance, the Executive Board discusses interim financial reports with the Supervisory Board before they are published. Documents relevant to a decision are forwarded to the members of the Supervisory Board as early as possible before the meeting. The company's by-laws and the rules of procedure for the Executive Board require the agreement of the Supervisory Board for certain important transactions.

2.2.1. The Executive Board

There were no changes in the membership of the Executive Board of CANCOM SE during the fiscal year 2015. The Executive Board of CANCOM has two members, Chief Executive Officer Klaus Weinmann (a graduate in business administration) and Chief Operating Officer Rudolf Hotter (a graduate in business economics). Klaus Weinmann was recently appointed by the Supervisory Board for a term of office that will end on December 31, 2017 (end of day). The Supervisory Board reappointed Rudolf Hotter as a member of the Executive Board with effect from April 1, 2015 until March 30, 2020 (end of day), following his resignation, in agreement with the Supervisory Board, with effect from March 31, 2015. This course of action enabled the Supervisory Board to retain Rudolf Hotter in the enterprise for the longer term, which it felt was in the interests of the company. There is an age limit of 65 years for members of the Executive Board.

The work of the Executive Board is geared towards achieving a sustainable increase in the company's going-concern value in the interests of the enterprise, its stockholders and other stakeholders. The members of the Executive Board bear joint responsibility for the management of the business as a whole. In addition to setting out the schedule of responsibilities, the rules of procedure for the Executive Board govern how the Executive Board members work together, the majority required for a resolution to be passed, and the Executive Board's work with the Supervisory Board. In line with Subsection 4.1.5 of the German Corporate Governance Code, the Executive Board aims to achieve a proportionate representation of women when filling management positions in CANCOM SE. In line with its obligations arising from Section 76, paragraph 4 of the German Stock Corporation Act, therefore, the Executive Board has set targets for the representation of women at the first and second level of management below the Executive Board.

Competence, qualifications and suitability are the main criteria for the appointment of Executive Board members. The diversity within the Executive Board is reflected most notably in the different professional careers and fields of operation of its members, as well as their different ranges of experience. The Supervisory Board has set targets for the representation of women on the Executive Board, in line with its obligations under Section 111, paragraph 5 of the German Stock Corporation Act.

2.2.2. Supervisory Board

The Supervisory Board of CANCOM SE appoints and discharges the members of the Executive Board. It oversees the work of the Executive Board and advises it on the management of the business. In accordance with the by-laws of CANCOM SE, it comprises six members. According to the by-laws and the targets set by the Supervisory Board for its composition, these members are appointed by the general meeting of stockholders for a maximum period of six years, up to an age limit of 70 years. The general meeting of stockholders can specify a shorter term of office when electing Supervisory Board members. In accordance with the agreement between the company and the special negotiating body on codetermination at CANCOM SE, there are no employee representatives on the Supervisory Board.

The current members of the Supervisory Board are: Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson), Dominik Eberle, Uwe Kemm, Raymond Kober and Regina Weinmann, who all bring proven professional expertise into the enterprise.

A by-election was held to fill Supervisory Board positions in 2015. Raymond Kober was elected by the ordinary general meeting on June 18, 2015, for the period up to the end of the general meeting of stockholders that resolves on the discharge of the members of the Supervisory Board for the fiscal year 2019. The other members of the Supervisory Board of CANCOM SE were appointed by the general meeting on June 25, 2014, for the period up to the end of the general meeting of stockholders that resolves on the discharge of the Supervisory Board for the fiscal year 2018.

To help it to perform its function, the Supervisory Board has formed two committees: the Audit Committee and the Nominating Committee. Their tasks, responsibilities and working processes are in line with the requirements of the German Stock Corporation Act and the German Corporate Governance Code. The Chairpersons of the committees give regular reports to the Supervisory Board on the work of their committees.

The Audit Committee comprises Dr. Lothar Koniarski (Chairperson), Walter Krejci (Deputy Chairperson) and Uwe Kemm. The Chairperson, Dr. Lothar Koniarski, fulfills the requirements under Section 100, paragraph 5 of the German Stock Corporation Act for at least one independent member to have expertise in the areas of accounting or financial statement audits. Dr. Koniarski also has special knowledge and experience of applying accounting principles and internal control procedures as required by Subsection 5.3.2 of the German Corporate Governance Code. In particular, the Audit Committee oversees the accounting process and monitors the effectiveness of the internal control system and the in-house audit system. It is also concerned with the annual financial statement audit – particularly the independence of the auditor, the additional services provided by the auditor, the commissioning of the auditor, the determination of the focal points of the audit and the agreement on the fee to be paid, as well as compliance matters.

The Nominating Committee comprises Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson) and Regina Weinmann. This committee suggests to the Supervisory Board suitable candidates for nomination at the general meeting of stockholders. The nominations of candidates should continue to be based primarily on the interests of the company, while taking into account the targets set by the Supervisory Board for its composition. It must be ensured that men and women are proportionately represented in line with the legal requirements on the gender quota.

The Supervisory Board has rules of procedure that govern its work, particularly how its members work together as a team. The Supervisory Board aims to fulfill its role with the greatest care. For this purpose it carries out an evaluation of its own efficiency every year. The self-assessment conducted in 2015 found that the Supervisory Board works efficiently.

In line with Subsection 5.4.1, paragraph 2 of the German Corporate Governance Code, the Supervisory Board has set specific targets for its composition which, while considering the specifics of the enterprise, take into account its international activities, potential conflicts of interest, the number of independent members as defined by Subsection 5.4.2 of the German Corporate Governance Code, and diversity, as well as specifying an age limit and a limit to the length of membership of the Supervisory Board. In accordance with the Code provision, the members of the Supervisory Board as a group must have the knowledge, skills and professional experience necessary to perform their function properly. The knowledge, skills and experience of the individual Supervisory Board members can and should complement each other so as to ensure that as a whole the Supervisory Board is qualified to oversee and advise the Executive Board properly.

When appointing new members, the Supervisory Board bears in mind the following guiding principles:

Appropriate consideration should be give to the international activities of the enterprise. When nominating candidates for election by the general meeting of stockholders, the Supervisory Board endeavors to consider candidates whose origin, education or professional career give them special international knowledge and experience in the company's sales area.

As a rule, no member of the Supervisory Board should perform an executive or advisory role for a major competitor of CANCOM, unless, as an exception, this is in CANCOM's interest. The Supervisory Board endeavors to avoid potential conflicts of interest, including any that could arise from future nominations of candidates for election by the general meeting of stockholders. If any temporary or permanent conflicts of interest should nevertheless arise during the term of office of a Supervisory Board member, they will be dealt with in accordance with the recommendations of the German Corporate Governance Code.

In the view of the Supervisory Board, at least half of its members, as defined in the by-laws, should be independent within the meaning of Subsection 5.4.2 of the German Corporate Governance Code. A Supervisory Board member is no longer deemed to be independent within the meaning of the above provision if he/she has a personal or business relationship with the company, its governing bodies, a controlling stockholder, or a company connected with a controlling stockholder that could constitute a major, non-temporary conflict of interest.

The setting of an age limit for members of the Supervisory Board of CANCOM SE means that candidates nominated for election may not be older than 70 years of age at the time of the election.

In principle, the Supervisory Board shares the view that the composition of the Supervisory Board should be as practical as possible, with a balanced mix of different areas of expertise. However, the Supervisory Board also feels that the competence and capabilities of Supervisory Board members should not in all cases be defined by the length of time that they have served on the Supervisory Board. It is felt that in exceptional cases the company should also be able to avail itself of the expertise of individuals who, due to the length of time they have served on the Supervisory Board, are experienced and, in particular, familiar with the circumstances in the sector and the company. The Supervisory Board has nevertheless set a limit of 20 years for membership of the Supervisory Board.

Diversity in the composition of the Supervisory Board should be reflected most notably by the different professional careers and areas of operation of its members, as well as their different ranges of experience.
With regard to the representation of women on the Supervisory Board, we refer to the statutory targets.

The current composition of the Supervisory Board is in line with the above targets.

Nominations of candidates by the Supervisory Board for election to the Supervisory Board should continue to be in the interests of the company, while taking into consideration these targets. The Supervisory Board is of the view that this can be best achieved by placing the primary emphasis on the special expertise and qualifications of the candidates.

2.3. Conflicts of interest

The members of the Executive Board and the Supervisory Board are obliged to act in the best interests of the enterprise. When making decisions in connection with their work, they must not pursue their own personal interests or exploit any business opportunities intended for the enterprise for their own advantage.

In line with the recommendation of Subsection 4.4.3, sentence 4 of the German Corporate Governance Code, the Executive Board and the Supervisory Board agree that no major transactions will be carried out with persons or companies associated with a member of the Executive Board without the consent of the Supervisory Board.

In accordance with their rules of procedure, the members of the Supervisory Board must disclose without delay any conflicts of interest that arise. The Supervisory Board must mention in its report to the general meeting of stockholders any conflicts of interest that may have arisen, or that could arise, through a consulting, executive or supervisory function performed for clients, suppliers, creditors or other third parties, and how such conflicts of interest are handled.

No conflicts of interest involving either Supervisory Board or Executive Board members arose during the past year. Detailed information on positions currently held by members of the Supervisory Board or Executive Board on supervisory boards or similar controlling boards of other companies can be found on page 94 of the notes to the consolidated accounts.

2.4. Transparency

CANCOM publishes all information and company announcements relevant to the capital market regularly and promptly on the company's website. Ad hoc announcements and corporate news are disseminated simultaneously in German and English via a wide distribution network.

In the fiscal year, CANCOM kept its stockholders informed by means of three quarterly financial reports and the annual report on the group's performance and on its financial, earnings, assets and cash position. CANCOM also provided comprehensive information at the annual general meeting of stockholders, as well as at investor conferences and road shows.

Stockholders are given information on important publication dates and investor relations events in a financial calendar, which is published on the company's website.

The stockholdings of the members of the Executive Board and Supervisory Board of CANCOM SE as at December 31, 2015, were as follows:

The Executive Board	Number of shares	Percentage of capital stock (Figures rounded)
Klaus Weinmann	100,000	0.7 %

Supervisory Board	Number of shares	Percentage of capital stock (Figures rounded)
Raymond Kober	40,000	0.3 %
Dominik Eberle	10,000	0.1 %

2.5. Accounting and annual financial statements audit

The consolidated financial statements and the interim reports are drawn up according to International Financial Reporting Standards (IFRS) as adopted in the EU, and the annual financial statements of CANCOM SE are drawn up according to the provisions of the German Commercial Code (Handelsgesetzbuch, HGB).

The general meeting of stockholders on June 18, 2015 appointed the audit firm S&P GmbH Wirtschaftsprüfungsgesellschaft based in Augsburg, Germany, to audit the annual financial statements for the fiscal year 2015. CANCOM's Supervisory Board and its Audit Committee work closely with the auditor. This encourages an exchange of information and improves the quality of the audit. Before submission of the nominations of candidates for election at the general meeting of stockholders, the Supervisory Board obtained a written independence declaration from the auditor.

The auditor reported to the Supervisory Board on the audit process and the main findings, and was available to answer questions, discuss the report and provide additional information. He took part in the Supervisory Board's discussion of the financial statements and the Audit Committee's meeting on March 22, 2016, as well as the meeting of the Supervisory Board to approve the balance sheet on March 22, 2016.

II. REMUNERATION REPORT

The remuneration report presents the basic principles of the system for remuneration of Executive Board members, and explains the structure and level of Executive Board members' remuneration and the emoluments of the Supervisory Board members.

The report is based on the recommendations of the German Corporate Governance Code and contains details in compliance with the requirements of the German Commercial Code as well as International Financial Reporting Standards (IFRS). The remuneration report below forms a part of the combined management report and the notes to the consolidated accounts.

1. Remuneration of the Executive Board

The Supervisory Board as a whole is responsible for establishing and reviewing the remuneration system and the level of remuneration of the Executive Board. The remuneration is based on factors such as the size of the company, its financial situation, its performance, and its prospects, as well as the level of remuneration of the executive boards of comparable companies, both within and outside the IT sector. Other factors taken into account are the responsibilities and the personal performance of the relevant Executive Board member, as well as the level of remuneration that would be considered normal given the remuneration structure of the rest of the company. The system of Executive Board remuneration used at CANCOM is aimed at the sustainable growth of the enterprise.

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

1.1. Components of Executive Board remuneration

The remuneration of the Executive Board is performance-related. In 2015, the remuneration of Klaus Weinmann and Rudolf Hotter consisted of a fixed payment (basic salary) and a variable bonus. The Executive Board remuneration does not include any equity-based element.

In the fiscal year 2015, the Executive Board members did not have any subscription rights or any other stock-based remuneration regarding shares in CANCOM SE. There were no pension benefits.

The fixed remuneration is paid as a monthly salary. Whether the variable bonus is paid, and how much is paid, depends on whether the target EBITDA of the CANCOM group for the fiscal year 2015 is achieved. Half of the variable bonus is a short-term bonus based on the achievement of objectives (over one fiscal year), and the other half is a long-term bonus (for three fiscal years). The bonus paid to Klaus Weinmann is 1.0 percent of the EBITDA generated, while Rudolf Hotter's bonus is 0.5 percent of the EBITDA. The amount of the bonus payment is capped for the fiscal year in question. If there is a significant worsening of the results within the three-year period of calculation in comparison with the relevant planned figures, the Executive Board members are obliged to pay back in full or in part the bonus payments received, in a type of negative incentive system.

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

Compensation for observing the changed restraint on competition would be deducted from the emoluments paid. In the event that an Executive Board member's contract is terminated early, whether by mutual agreement or without good cause, the Executive Board contracts provide for compensation up to a maximum of two years' annual remuneration. If the remaining term of the employment contract is less than two years, the severance payment is paid pro rata. The severance payment in this case is at least one year's annual remuneration. The amount of the annual remuneration is calculated as the sum of the fixed remuneration and the bonus, without benefits in kind and ancillary benefits, for the last full fiscal year before the end of the employment contract. If the emoluments for the fiscal year during which the employment is terminated are expected to work out considerably higher or lower than for the previous full fiscal year, the Supervisory Board may at its discretion adjust the amount.

1.2. General overview of Executive Board remuneration

Based on the above system of remuneration determined by the Supervisory Board, the total remuneration of the Executive Board for the fiscal year 2015 was € 2,617 thousand. (2014: € 2,442 thousand). The remuneration for the fiscal year 2015 (disclosed below) takes account of the recommendations of the German Corporate Governance Code, in addition to the applicable accounting principles. For this reason the table recommended by the Code is used to present the breakdown of the amounts allowed in 2015.

Following Rudolf Hotter's reappointment as a member of the Executive Board during the fiscal year, his annual fixed remuneration was changed to € 425 thousand. The following table shows the remuneration granted to the individual members of the Executive Board in the fiscal year 2015 (broken down into individual components, with rounded figures):

Amounts allowed (in Euro)	**Klaus Weinmann** CEO				**Rudolf Hotter** Member of the Executive Board			
	2014	**2015**	**2015** (Min)	**2015** (Max)	**2014**	**2015**	**2015** (Min)	**2015** (Max)
Fixed remuneration	554,019	574,107	574,107	574,107	363,230	407,798	407,798	407,798
Ancillary benefits[1]	19,443	1,696	1,696	1,696	4,935	2,850	2,850	2,850
Total	**573,463**	**575,803**	**575,803**	**575,803**	**368,165**	**410,648**	**410,648**	**410,648**
Variable annual remuneration	500,000	500,000	0	500,000	250,000	315,349	0	315,349
Multiannual variable remuneration[2]	500,000	500,000	0	500,000	250,000	315,349	0	315,349
Target achievement dependent on the degree to which the EBITDA target was met in the reporting year and in the past three fiscal years	500,000	500,000	0	500,000	250,000	315,349	0	315,349
Total	**1,573,463**	**1,575,803**	**575,803**	**1,575,803**	**868,165**	**1,041,346**	**410,648**	**1,041,346**
Pension costs	0	0	0	0	0	0	0	0
Total remuneration	**1,573,463**	**1,575,803**	**575,803**	**1,575,803**	**868,165**	**1,041,346**	**410,648**	**1,041,346**

1.3. Payments received

The table below shows the amounts of fixed remuneration, ancillary benefits, annual variable remuneration and multiannual variable remuneration received by the Executive Board members in/for the fiscal year 2015, broken down into the relevant reference years, as well as the pension costs. Unlike the above table, which shows the multiannual variable remuneration allowed for the fiscal year 2015, the table below shows the actual value of the multiannual variable remuneration allowed in previous years and received in 2015.

Payments received (in Euro)	**Klaus Weinmann** CEO		**Rudolf Hotter** Member of the Executive Board	
	2014	**2015**	**2014**	**2015**
Fixed remuneration	554,019	574,107	363,230	407,798
Ancillary benefits[1]	19,443	1,696	4,935	2,850
Total	**573,463**	**575,803**	**368,165**	**410,648**
Variable annual remuneration	333,773	500,000	166,886	250,000
Multiannual variable remuneration[2]	333,773	500,000	166,886	250,000
Target achievement dependent on the degree to which the EBITDA target was met in the reporting year and in the past three fiscal years	333,773	500,000	166,886	250,000
Total	**1,241,008**	**1,575,803**	**701,937**	**910,648**
Pension costs	0	0	0	0
Total remuneration	**1,241,008**	**1,575,803**	**701,937**	**910,648**

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

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

Remuneration of the Supervisory Board

The remuneration for the Supervisory Board was decided at the general meeting of stockholders on June 21, 2012.

The principles of the remuneration system are laid down under Section 13 in the current by-laws for CANCOM, and the level of remuneration was determined by resolution of the general meeting of stockholders on June 21, 2012. The Supervisory Board's emoluments consist purely of a fixed component. The Chairperson and the Deputy Chairperson are paid a higher remuneration than the other Supervisory Board members.

2.1. Components of Supervisory Board remuneration

Each member of the Supervisory Board receives a fixed annual remuneration for his/her activities as Supervisory Board member, which is set by the general meeting of stockholders and remains fixed until a general meeting of stockholders resolves on a change. In accordance with the resolution passed by the general meeting of stockholders on June 21, 2012, each member receives a payment of € 20,000. The Deputy Chairperson receives double the fixed amount paid to the other members, and the Chairperson receives four times the amount. Each member also receives an attendance fee of € 1,000. The attendance fee for the Chairperson of the Supervisory Board is € 2,000. If a Supervisory Board member does not serve a full year, he/she receives the pro rata remuneration for the period served.

The company reimburses the Supervisory Board members for any expenses incurred in direct connection with their position. Sales tax is reimbursed by the company if the relevant Supervisory Board member is entitled to invoice separately for sales tax of the company, and exercises this entitlement.

For his/her duties in a committee, the member will receive the following remuneration: as members of the Nominating Committee or the Audit Committee, the members of the Supervisory Board receive a single annual payment; members of the Nominating Committee receive a remuneration of € 1,000 (the Chairperson of the Committee is paid € 2,000); members of the Audit Committee receive remuneration of € 2,000 (the Chairperson receives € 4,000). If a Supervisory Board member does not serve a full year on a Committee, he/she receives the pro rata remuneration for the period served.

2.2. General overview of Supervisory Board remuneration

The Supervisory Board members received the following remuneration in the fiscal year 2015 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter Krejci, was € 90 thousand (2014: € 65 thousand). The Deputy Chairperson, Dr. Lothar Koniarski, received € 46 thousand (2014: € 39 thousand). Regina Weinmann received € 25 thousand (2014: € 25 thousand), Uwe Kemm € 25 thousand (2014: € 16), Dominik Eberle € 24 thousand (2014: € 15), and Raymond Kober € 13 thousand (2014: € 0 thousand). The total remuneration of the Supervisory Board in the fiscal year 2015 was € 223 thousand (2014: € 226 thousand).

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

3. D & O insurance

The company has directors' and officers' insurance covering legal liability in relation to the activities of the Executive Board, the Supervisory Board and managerial employees. A deductible has been agreed for the D&O insurance covering the Executive and Supervisory Boards.

III. CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration in accordance with Section 289a of the German Commercial Code is published on the company website. It contains a description of the working practices of the Executive Board and the Supervisory Board as well as details of the composition and working practices of its committees, the declaration of conformity in line with Section 161 of the German Stock Corporation Act, relevant details of the principal corporate management practices, as well as the stipulations under Section 76, paragraph 4 and Section 111, paragraph 5 of the German Stock Corporation Act and a statement as to whether the targets set were met during the reference period.

Munich, Germany, March 2016

CANCOM SE

Executive Board Supervisory Board

CANCOM in the capital market

German equity market performance

The German blue-chip index – the DAX – closed the year 2015 at approximately 10,700 points, up 8 percent on the previous year. With conditions volatile at times, the expansionary monetary policy of the European Central Bank (ECB) and the low interest rate continued to provide upward impetus for the German stock market. After reaching its high for the year at 12,374 points in the late spring, the DAX suffered a number of setbacks in the second half of the year, partly caused by the fall in demand in China. It reached its low at 9,427 points in September. The DAX then climbed until the start of December, when it reached 11,382 points, only to fall back to just above 10,000 points by mid-December. It finally closed at 10,743 points. The German technology index – the TecDAX – gained more than 400 points during the year, and closed up around 32 percent at 1,830 points.

CANCOM stock price performance

The CANCOM stock started the year at € 35.40. By the middle of April it had risen to € 41.32, the highest level since its initial public offering. After dipping to € 30.56 in June, the stock recovered in July and rose to € 37.05. However, it then dropped again to its low of € 29.13 at the start of September. In the fourth quarter there was a marked recovery in the price, which reached its peak of € 43.73 until the end of the year on December 30. In the ranking of the German TecDAX technology index, CANCOM is placed 20th in terms of market capitalization as at December 31, 2015. Measured by trading volume, CANCOM is ranked 13th in the course of the year under review.

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

		2015	2014
Price at start of year	€	36.26	30.72
Price at end of year	€	43.73	35.48
High	€	43.73	39.48
Low	€	29.13	25.50
Performance – absolute	€	+7.47	+4.76
Performance – relative	%	+20.60	+15.49
Market capitalization at year-end	€ million	649.6	528.7
Average turnover per trading day (in units)	piece	128,523	132,159
Average turnover per trading day (in euro)	€	4,583,608	4,375,278
Earnings per share fom continuing operation (non-diluted)	€	1.99	1.27
Outstanding stock as at December 31	piece	14,879,574	14,879,574

Closing price Xetra trading system

* all German Stock exchanges

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

ONE YEAR PERFORMANCE OF CANCOM STOCK (GERMAN SECURITIES CODE - WKN - 541910)

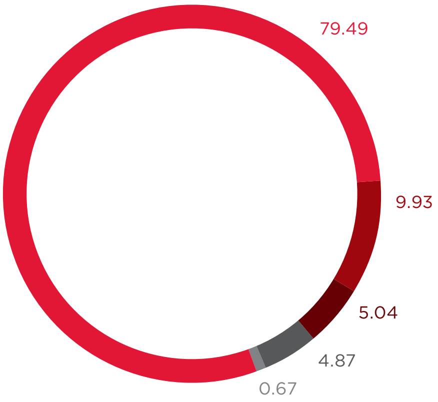
Ownership structure

CANCOM has a multinational ownership structure. Its stockholder base consists of institutional and private investors. We disclose details of significant shares in the voting rights on our website.

RESEARCH COVERAGE

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

OWNERSHIP STRUCTURE AS AT DECEMBER 31, 2015 (IN %)



Free float	79.49 %
Allianz Global Investors GmbH*	9.93 %
Ameriprise International Holdings GmbH*	5.04 %
Allianz Global Investors Luxembourg S.A.*	4.87 %
Klaus Weinmann	0.67 %

* according to the voting rights notifications received

Dividends

Under CANCOM's dividend policy up to now, the Executive Board's target was a dividend payout ratio of between 30 and 50 percent of the after-tax profit. In future, it is planned that the dividend strategy should support the company's growth strategy, which takes precedence over dividend consistency as an objective of the Executive Board. The Executive Board has identified good growth potential in the IT environment, especially in the area of cloud computing, and will therefore give priority to using future profits to finance the growth and development of the business. The objective of this policy is to achieve a long-term increase in the company's going-concern value, and it is thus deemed also to be in the interests of the stockholders. For the fiscal year 2015, the Executive Board and Supervisory Board will propose to the general meeting of stockholders that a dividend of 50 euro cent per stock be paid.

The number of stocks with dividend rights is 16,367,531. The total dividend payment for the fiscal year 2015 is therefore € 8.2 million.

Convertible bond

In March 2014 CANCOM successfully issued a convertible bond issue (German securities code - WKN - A11QF3) for € 45 million. The bond matures in March 2019 and can be converted into around one million new no-par value bearer stocks in CANCOM SE. There is no subscription right for existing stockholders. The conversion price at the time of publication of this annual report is € 42.4948.

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

CANCOM SE maintains a Level 1 American depositary receipt (ADR) program in the United States. ADRs are securities denominated in U.S. dollars that represent underlying equities of a non-U.S. company and can be traded in the U.S.A. This enables U.S. investors to buy bearer stocks in CANCOM SE, which are listed on the Frankfurt Stock Exchange, indirectly on the U.S. market.

General meeting of stockholders

The annual general meeting of stockholders of CANCOM SE took place at the Haus der Bayerischen Wirtschaft conference center in Munich, Germany, on June 18, 2015. The Executive Board and the Supervisory Board of the company welcomed a large number of stockholders and their proxies, who together represented 39.72 percent of the capital stock. The high degree of approval expressed by the stockholders on all agenda items demonstrated the high level of confidence in CANCOM's management.

Investor and public relations – communication with the capital market

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

Maintaining an up-to-date website is very important to CANCOM, as is keeping in personal contact with stockholders, investors and analysts, in addition to business and specialist media. In the fiscal year 2015, CANCOM made numerous contacts at roadshows in Germany and other countries, investor conferences, on the occasion of capital market events, as well as in face-to-face meetings and by phone.

Up-to-date information about the CANCOM stock can be found in the Investor Relations section of our website. Please visit us at www.cancom.com.

Combined management report for CANCOM SE and the CANCOM group

January 1 to December 31, 2015

1. Fundamental information about the group

The CANCOM group is one of the leading providers of IT infrastructure and services in Germany and Austria. With its decentralized distribution and service structure, as well as central services in areas such as finance, purchasing, warehousing, logistics, marketing, product management and human resources, the group is well placed for sustainable, profitable growth. 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.

The structure of the CANCOM group ensures that its control and management is highly efficient. It also provides effective support for operational units through central business divisions, specialized distributors and competence centers.

Areas of business

The cloud solutions segment includes PIRONET NDH Datacenter AG & Co. KG, PIRONET Enterprise Solutions GmbH, and Pironet NDH Aktiengesellschaft, in addition to the divisions of CANCOM GmbH and CANCOM DIDAS GmbH allocated to the cloud solutions segment. This 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 their transition from traditional corporate IT systems to cloud computing. As part of its range of services, the CANCOM group can provide scalable cloud and managed services – in particular shared managed services – to run entire IT departments, or parts of them, for its clients. Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's central sales and marketing activities, the costs of which are allocated to the IT solutions reportable segment.

Following the sale of the content management division of Pironet NDH Aktiengesellschaft, the continuing operations of the Pironet subgroup now only include activities in the cloud solutions segment. As a result, the central units of Pironet NDH Aktiengesellschaft are now all allocated to the cloud solutions division. They are fully reclassified in the previous year's figures in line with IFRS 8.

The IT solutions segment includes CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, NSG ICT Service GmbH (formerly CANCOM NSG GmbH), NSG GIS GmbH (formerly CANCOM NSG GIS GmbH), CANCOM SCS GmbH (formerly CANCOM NSG SCS GmbH), CANCOM ICP GmbH (formerly CANCOM NSG ICP GmbH), CANCOM on line GmbH, Cancom on line B.V.B.A., Pirobase Imperia GmbH (formerly Imperia AG, until June 30, 2015), Xerabit GmbH, CANCOM physical infrastructure GmbH, acentrix GmbH (until March 31, 2015), CANCOM, Inc., and HPM Incorporated, Verioplan GmbH with the exception of the division of CANCOM GmbH allocated to the cloud solutions segment, in addition to the division of CANCOM DIDAS GmbH allocated to the IT solutions segment. This operating segment of the CANCOM group offers comprehensive support for IT infrastructure and applications. The range of services offered includes IT strategy consulting, project planning and implementation, system integration, IT procurement via e-procurement services or as part of a project, in addition to professional IT services and support.

Focus of activities and sales markets

The CANCOM group is one of the largest independent integrated IT systems providers in Germany. It offers IT architecture, systems integration and managed services. As a provider of integrated services, CANCOM mainly focuses on IT services, in addition to distributing hardware and software from well-known manufacturers. The IT services offered by the group include consulting, the design of IT architectures and landscapes, and the design, integration and operation of IT systems – ranging from the performance of individual partial assignments (out-tasking) to taking over the complete operation of a company's IT systems.

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

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

Competitive position

According to the Federal Statistical Office of Germany, the information and communications technology (ICT) sector in Germany consists of approximately 80,000 enterprises, which vary in both size and the range of services they provide. There are around 160 enterprises with more than 500 employees. Of these, only eight integrated systems providers (including CANCOM) generate turnover higher than € 250 million.

According to the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the total volume of the German IT market in 2015 was € 80.4 billion. This means that, with annual sales revenues in Germany of € 845.2 million, the CANCOM group currently has a market share of around one percent. The three largest German integrated IT systems providers in the latest ChannelPartner/COMPUTERWOCHE ranking (CANCOM is ranked third) have a market share of around five percent between them. The remaining market share is held among others by technology manufacturers as well as small and medium-sized, mainly regional, enterprises. This reflects the very fragmented nature of the German IT market.

Explanation of the control system used within the group

To control and monitor the performance of the individual subsidiaries and the operating segments, CANCOM analyzes their monthly figures for, among other things, sales revenues, gross profit, operating expenditure and operating profit, and compares these key figures with the original plan as well as the quarterly forecast. For the purpose of management control, the company also regularly uses external indicators such as inflation rates, interest rates, the general economic trend and the performance of the IT sector, including forecasts. It also takes into account any early warning data or indicators. Further details can be found in the risks and opportunities report.

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 fiscal year 2015, 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.

Environmental report

As an IT trading and services company, CANCOM aims to offer products and services of excellent quality at an attractive price, but also to be as environmentally friendly as possible. CANCOM therefore places great importance on conserving the resources at its disposal. CANCOM offers innovative solutions across its entire range of products and services, in order to make a professional contribution to the environmentally-friendly and resource-conserving use of information technology over the whole life cycle of the equipment. For instance, CANCOM offers its clients the advantages of state-of-the-art, energy-efficient data centers, which bring not only ecological benefits, but also considerable savings on a company's energy costs. CANCOM's use of advanced, intelligent systems for communication and collaboration (for instance, video and web conferencing solutions) also enables resources to be conserved. The resulting reduction in travel by employees leads to lower CO_2 emissions, in addition to benefits such as process optimization and considerable cost savings.

CANCOM 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.

2. Economic report

The general economic situation

Despite many major international events, crises and tensions, the German economy continued to grow in the past year. According to the Federal Statistical Office of Germany, gross domestic product (GDP) rose by 1.7 percent in 2015, compared with 1.5 percent in 2014. The main drivers of the growth were retail consumption, with consumer expenditure remaining stable, and government spending. However, there was also an increase in corporate investment and exports.

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

Germany	+ 1.7
Euro area	+ 1.5
U.S.A	+ 2.4
World	+ 3.1

* Forecast: Deutsche Bank Research, 18 February, 2016.

Although the annual inflation rate was slightly higher than in 2014, the continuation of low energy prices kept it at a low level.

The euro/U.S. dollar exchange rate started the year 2015 with the euro worth $ 1.20. The euro then suffered further significant losses until it reached its low of $ 1.05 in March. At the end of the year the euro was worth around $ 1.10.

The European Central Bank (ECB) has left the key interest rate for the euro area unchanged at its historic low of 0.05 percent since September 2014. The U.S. Federal Reserve increased the prime rate in December 2015 for the first time in nine years, from 0.25 percent to 0.5 percent.

The labor market continued to perform well during 2015. Both the number of people employed and the rate of employment growth continued to rise.

The performance of the information technology sector

Overall, the year 2015 was a good one for the IT sector. According to the latest estimates by the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the German IT market grew by 3.5 percent in 2015. Within the IT sector, the hardware segment grew by 2.8 percent, the software segment by 5.4 percent and the IT services segment by 3.0 percent.

Performance of the German IT market in 2015**
(real change compared with 2014, as a percentage)

IT market as a whole	+ 3.5
Hardware	+ 2.8
Software	+ 5.4
Services	+ 3.0

** Forecast: BITKOM, October 2015

The European Information Technology Observatory (EITO) estimates the global IT market will grow by 3.1 percent. In the EU countries, EITO expects expenditure on IT hardware, services and software to grow by 2.1 percent in 2015.

The impact on the CANCOM group

In the previous year, the CANCOM Executive Board anticipated continued growth in the company with an improvement in profits if the demand for IT products and services remained steady. The forecast for the year 2015 also predicted a further increase in consolidated gross profits and EBITDA. The Executive Board's forecast was based on the growth in consolidated EBITDA exceeding the rate of organic growth in sales revenues, owing to the improved product mix.

The sales revenues of CANCOM group rose by 12.5 percent in the fiscal year 2015, to € 932.8 million compared with € 828.9 million in 2014. This represents considerably stronger growth than that of the German IT market, which grew by 3.5 percent. Of the sales revenues generated in 2015, € 32.9 million was attributable to the companies acquired in 2014 and 2015, which in turn benefited from being part of the group and were able to expand their business as a result. This meant that marketing synergies were exploited through integration and combining of units within the group. The organic component of the group's growth in 2015 was 8.6 percent. The growth of the group is mainly attributable to the continued high demand for innovative, sustainable and integrated IT solutions, which had a positive impact on the performance of both of the group's operating segments. The progressive digitization and networking of the economy, with all its increasing complexity, presents an opportunity for providers such as CANCOM, which have the relevant competence and experience, to reap profits.

There was a quite significant year-on-year increase in both the consolidated gross profit and the consolidated EBITDA, which were up 6.4 percent and 22.3 percent respectively. The group's profitability was improved further, with an EBITDA margin of 6.8 percent. The high-skill services business had a particularly positive impact on profits. Owing to the increasing complexity in areas such as IT landscapes and various types of requirements, IT consulting is becoming more and more important. Additionally, the level of services provided is increasingly demanding and of higher quality. CANCOM has therefore developed its employee structure to increase further the number of qualified staff with the appropriate certification. There were further improvements in both the gross profit and EBITDA per employee in 2015. The recent acquisition of Xerabit GmbH contributed to an increase in the number of staff in areas such as advanced data center solutions and services.

CANCOM endeavors to position itself with its clients as a trusted advisor, and to deliver complete IT solutions from a single source. In the IT solutions operating segment, attractive profit margins were achieved by focusing on selling complete solutions comprising consulting, integration and services. In the cloud solutions segment, the expansion of the cloud and shared managed services business resulted in an increase in recurring revenues. As a result, the profitability, both at group level and within the two operating segments of IT solutions and cloud solutions, remained high or improved further.

The digital revolution and the changes within the IT sector require many companies to realign and develop their current business models. As cloud computing becomes more widely used, the IT services to be provided are increasingly being transferred to data centers. This means that more staff of a high caliber and skill level will be required to perform these higher-end IT services. CANCOM focuses on profitable business in the traditional IT environment and withdraws without hesitation from low-growth or declining areas. Appropriate restructuring measures were consequently implemented in the group entities in the fiscal year 2015, as in the previous year.

CANCOM uses measures including selective acquisitions to consolidate its own market position and to take advantage of economies of scale and synergies. In the fiscal year 2015, therefore, the group benefited again from the fragmented market environment. CANCOM's acquisition of Xerabit GmbH, a provider of consulting and integrated IT solutions for data centers with prestigious enterprise clients, expands the group's consulting expertise in the high-end data center environment, and brings additional major clients and multinational corporations to its client base.

The Executive Board feels the positive development of sales revenues and EBITDA anticipated for the fiscal year 2015 was achieved in the IT solutions segment.
The positive development of sales revenues, gross profit and EBITDA anticipated for the fiscal year 2015 was also achieved in the cloud solutions segment and in the group as a whole.

Significant events and investments

CANCOM regularly optimizes its corporate structure in order to secure and consolidate its position in existing markets and also to tap new markets. Below is a description of events that had a significant effect on the group's business performance, as well as other important events and investments in the fiscal year 2015:

- On May 20, 2015, Pironet NDH Aktiengesellschaft, in which the group holds a majority interest, signed a contract for the sale of its wholly-owned subsidiary Imperia AG with effect from June 30, 2015. Because of the intended sale of the company, which was already announced in an ad hoc disclosure on December 30, 2014, Imperia AG has since January 1, 2014 been classified as a discontinued operation, and included under discontinued operations in the consolidated financial statements of CANCOM SE. The acquirer and the seller have failed to reach an agreement on the relevant completion accounts. In these consolidated financial statements for CANCOM SE, the values have been processed entirely from the perspective of the acquirer. A decision in favor of the seller in a court dispute could therefore result in an improvement in the result from discontinued operations.

- In September 2015 CANCOM SE increased its shareholding in Pironet NDH Aktiengesellschaft to 84.6 percent after the completion of a public (cash) offer to the company's stockholders.

- CANCOM has acquired all the shares of Xerabit GmbH, based in Unterschleissheim near Munich, Germany. The purchase is documented in a notarized agreement dated November 11, 2015. Xerabit is a provider of consulting and integrated IT solutions for data centers. The company has prestigious enterprise clients in the insurance and automobile sectors, among other areas. The company employed 25 people at the time of the acquisition, and in the fiscal year 2014 it generated sales revenues of approximately € 27 million. The acquisition expands CANCOM's consulting expertise in the data center business, and brings additional major clients and multinational corporations to its client base.

Staff

CANCOM employed an average of 2,788 people in the fiscal year 2015, compared with 2,850 in 2014. As at December 31, 2015, the group had 2,724 staff members, compared with 2,909 in 2014.

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

	2015	2014
Professional services	1,888	2,080
Sales and distribution	471	468
Central services	365	361

Number of employees in the CANCOM group, 2014–2015
(as at December 31)

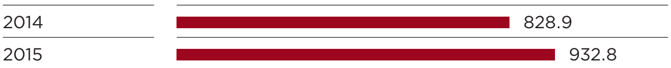
Earnings, financial and assets position of the CANCOM group

There was further improvement in the earnings, financial and assets position during the fiscal year 2015.

a) Earnings position

The sales revenues of the CANCOM group grew from € 828.9 million to € 932.8 million in 2015 – an increase of 12.5 percent. There was further expansion of the group's business in both operating segments, helped by the steady demand from clients for innovative solutions to improve efficiency across all areas of the IT value chain. The acquisitions accounted for € 32.9 million of the sales revenues in 2015. The acquired companies benefit equally from being part of the group and were able to expand their business as a result.

CANCOM group sales revenues 2014 – 2015
(in € million)

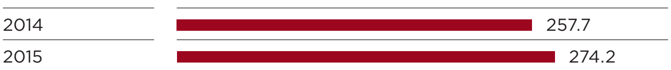


Sales revenues in Germany went up by 12.6 percent, from € 750.7 million to € 845.2 million. In international business, the group's sales revenues rose from € 78.2 million to € 87.6 million.

In the cloud solutions segment, sales revenues were up 22.7 percent at € 131.8 million, compared with € 107.4 million in 2014. Sales revenues in the IT solutions segment rose from € 721.4 million to € 801.0 million – an increase of 11.0 percent. The group's positive performance in terms of sales revenues was driven by the cloud and managed services business and the shared managed services business, as well as related solutions such as IT mobility, IT security, network solutions, and communications and collaboration, which contributed to the positive performance of the integrated IT systems business.

Consolidated gross profits of the CANCOM Group were up by 6.4 percent, from € 257.7 million in 2014 to € 274.2 million in 2015. The gross profit margin decreased from 31.1 percent in 2014 to 29.4 percent in 2015. The Executive Board attributes this mainly to the euro exchange rate at the start of the year, which resulted in manufacturers adjusting the prices of IT products. There was a consequent impact on clients' investment behavior and the terms negotiated for projects, mainly in the first half of the year.

CANCOM group gross profit 2014 – 2015 (in € million)



In the cloud solutions segment, gross profits were up from € 52.4 million in 2014 to € 65.0 million in 2015. In the IT solutions segment, gross profits stood at € 199.8 million, roughly on par with the previous year's figure of € 199.3 million. Owing to the group's increased activity in the higher-margin consulting and services business, staff expenditure rose from € 166.4 million in 2014 to € 169.9 million in 2015. The ratio of staff expenditure to sales revenues improved from 20.1 percent in 2014 to 18.2 percent in 2015, which reflects the change in the staff structure of the group towards more highly-qualified staff. Catering for more complex client requirements in hot IT areas creates greater added value for clients.

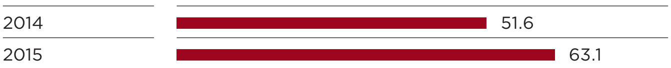
CANCOM group staff expenses 2014 - 2015 (in '000):

	2015	2014
Wages and salaries	145,897	142,867
Social security contributions	23,642	23,279
Pension provisions	352	275
Total	**169,891**	**166,421**

Other operating expenses rose slightly from € 39.6 million to € 41.3 million, owing to the expansion of the group's business activities. The ratio between operating expenses and sales revenues improved to 4.4 percent, compared with 4.8 percent in 2014, because despite the increase in the transaction volume, some costs such as motor vehicle costs, marketing expenditure and office space costs have fallen slightly or have risen at a lower rate than other costs.

Consolidated EBITDA was up 22.3 percent, at € 63.1 million compared with € 51.6 million in 2014. The EBITDA margin improved from 6.2 percent to 6.8 percent.

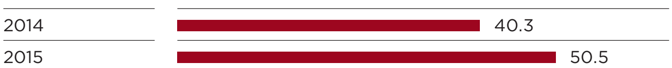
CANCOM group EBITDA 2014 – 2015 (in € million)



EBITDA in the cloud solutions segment rose from € 20.1 million in 2014 to € 29.2 million in 2015. In the IT solutions segment, EBITDA was up from € 40.7 million to € 44.7 million. The increase in earnings was driven by the expansion of the group's business activities in the cloud and shared managed services business, as well as in the traditional integrated IT systems business. There was consequently an increase in the earnings of the group as a whole. Market and cost synergies can usually be generated within the group from acquisitions – for instance, by the use of resources for both existing and acquired units. This means that the relevant earnings cannot meaningfully be quantified or allocated to organic or acquisition-based profit, and for this reason we do not attempt any such quantification or allocation. There was further improvement in the profitability of both segments. The EBITDA margin of the IT solutions segment was 5.6 percent compared with 5.6 percent in 2014, while that of the cloud solutions segment was 22.2 percent compared with 18.7 percent in 2014.

Consolidated EBITA was up 25.3 percent, from € 40.3 million in 2014 to € 50.5 million in the fiscal year 2015. The amortization relates to the IFRS amortization of intangible assets from the purchase price allocation (PPA) from acquisitions, and mainly arises in relation to client lists and orders in hand.

CANCOM group EBITA 2014 – 2015 (in € million)



Consolidated EBIT increased from € 28.8 million to € 41.1 million, representing an increase of 42.7 percent.

CANCOM group EBIT 2014 – 2015 (in € million)

The after-tax earnings from continuing operations after deduction of minority interests amounted to € 29.6 million, compared with € 18.7 million in 2014. This resulted in earnings per share from continuing operations of € 1.99, compared with € 1.27 in 2014.

The loss of € 7.2 million from discontinued operations in 2015 relates to the sale of Pirobase Imperia GmbH (formerly Imperia AG).

The order position

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

b) Financial and assets position

Objectives of financial management

The core objective of the financial management of the CANCOM group is to safeguard its liquidity at all times in such a way that day-to-day business activities can be continued. In addition, the group aims to achieve optimum profitability as well as a high credit status to ensure favorable refinancing rates. To finance its business activities, the CANCOM group takes advantage of its own profitability and strong cash position, looking primarily to the opportunities offered by the capital market.

Notes on the capital structure

The current liabilities amount to € 159.6 million (2014: € 169.5 million), and include trade accounts payable of € 106.8 million (2014: € 108.4 million), in addition to the component of long-term debt due within a year, subordinated loans and capital from profit participation rights, provisions and other current liabilities and other payables. The debt was reduced, partly by the repayment of the mezzanine capital on December 31, 2015.

The non-current liabilities, which amount to € 72.4 million (2014: € 76.0 million), are liabilities with a residual term of at least one year. They consist mainly of a convertible bond with a volume of € 45 million with a maturity date of March 27, 2019. Owing to interest accrued, the carrying amount as at December 31, 2015 is € 40.4 million (2014: € 39.1 million).

The financing structure is distinctly geared towards the long term. Interest-bearing liabilities rose from € 47.1 million in 2014 to € 48.1 million as at December 31, 2015. They consisted mainly of the convertible bond, in addition to long-term loans, profit participation capital and subordinated loans. The short-term loans and the short-term portion of long-term loans only amounted to € 1.4 million, lower than the figure of € 3.7 million recorded in 2014. Other long-term liabilities decreased from € 10.6 million to € 8.1 million, mainly as a result of the reversal of provisions for variable purchase prices of subsidiaries.

Total assets remained almost unchanged at € 436.3 million in comparison to the previous year's figure of € 439.3 million. The nominal equity capital, including capital reserves, rose during the year from € 193.8 million at the end of 2014 to € 204.3 million in 2015. As a result, the equity ratio increased from 44.1 percent in 2014 to 46.8 percent as at December 31, 2015.

On the assets side, current assets went down from € 285.7 million to € 277.4 million. Cash and cash equivalents registered a € 28.5 million decrease to stand at € 85.8 million as at the reporting date. The cash position is covered in the section below. Due to the expansion of the company's business activities, trade accounts receivable rose from € 134.8 million to € 145.8 million. This also resulted in an increase in inventories from € 22.7 million to € 27.9 million.

Non-current assets were up from € 153.6 million to € 158.9 million, mainly owing to an increase of € 2.6 million in tangible fixed assets and a growth in goodwill of € 5.9 million arising in particular from the acquisition of Xerabit GmbH.

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

Notes on the changes in the cash flow

Owing to the expansion of business activities, one of the results of which was longer project durations, as well as the lack of factoring in contrast to the previous year, there was a decline in the cash flow from operating activities from € 35.0 million to € 13.6 million in 2015. There was a negative cash flow from investing activities of € 29.9 million, in comparison with minus € 36.1 million in 2014. This was mainly due to cash outflows connected with the acquisition of shares in subsidiaries. There was a negative cash flow of € 13.0 million from financing activities in 2015, mainly as a result of the repayment of loans and the payment of dividends. Overall, this gave rise to cash and cash equivalents of € 85.8 million as at December 31, 2015, compared with € 114.3 million in 2014. At the reporting date, the CANCOM group had credit facilities (including guarantees) of € 47.9 million provided by banks. Of this amount, € 40.2 million was easily available as at December 31, 2015.

On balance, the earnings, assets and financial position of the group improved further in the fiscal year 2015, and can therefore be described as good.

Earnings, financial and assets position of CANCOM SE

CANCOM SE performs the central financial and management role with regard to the long-term equity investments held by the CANCOM group. The risks and opportunities of CANCOM are therefore the risks and opportunities of its long-term equity investments. These are commented on in more detail in the report on risks and opportunities in section 6.

CANCOM SE generated sales revenues of € 7.0 million (2014: € 7.9 million) from intercompany management fees and a net profit for the year of € 30.6 million (2014: € 13.3 million). This figure mainly consisted of income of € 32.4 million from profit transfer agreements with subsidiaries, income of € 9.8 million from equity investments, and intercompany management fees.

The total assets had increased by 9.8 percent to € 249.2 million as at December 31, 2015 (2014: € 226.4 million), mainly as a result of the acquisition of shares in affiliated companies. The equity capital rose by 13.2 percent during the year from € 175.4 million to € 198.6 million, partly due to the net income for the year, but also through the retention of profits. This represents an equity ratio of 79.7 percent as at the balance sheet (2014: 77.5 percent).

Cash and cash equivalents as at December 31, 2015 were € 27.6 million, down from € 50.5 million at the end of 2014. Net liquidity (cash and cash equivalents less liabilities to banks) amounted to € 26.5 million, compared with € 49.1 million in 2014. The reduction in cash and cash equivalents was partly caused by the repayment of mezzanine capital and the payment of the purchase price for the acquisition of Xerabit GmbH.

Overall, CANCOM SE's earnings, assets and financial position continued to be very robust in 2015.

3. Information concerning takeovers

The paragraphs below contain disclosures in accordance with Section 315, paragraph 4 and Section 289, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB). For details, please see the notes to the consolidated financial statements and the notes to the financial statements of CANCOM SE.

Capital stock: amount and division

At December 31, 2015, the capital stock of CANCOM SE amounted to € 14,879,574, divided into 14,879,574 no-par value bearer shares (share without a nominal value). Each share represents € 1 of the capital stock. The shares are evidenced by global certificates, and the stockholders have no claim to the issue of individual physical share certificates.

Each no-par value share carries a voting right at general meetings of stockholders. Different classes of shares do not exist. The same rights and duties are attached to all shares. There are no holders of shares with special rights that confer controlling powers.

For details regarding authorized and conditional capital, please see page 85 of the notes to the consolidated accounts.

Purchase and use of the company's own shares

On June 22, 2010, the general meeting of stockholders of CANCOM authorized the company to purchase a proportion of its own shares representing a notional value of up to 10 percent of the capital stock existing on that date, provided that the shares were purchased on or before June 20, 2015. According to the resolution, the company can purchase its own shares, excluding existing stockholders' subscription rights, in order to use them for any legally permissible purpose, particularly the purpose set out in the resolution, or to withdraw them. At no time may the purchased shares, together with other treasury shares held by the company or attributable to it in accordance with Sections 71d and 71e of the German Stock Corporation Act (Aktiengesetz, AktG), account for more than 10 percent of the capital stock. The authorization to purchase the company's own shares, to withdraw, sell or use them in another way may be exercised once or several times, singly or combined, or in tranches. The shares may be purchased on the stock exchange, via a public offering to all stockholders, or via a public request to stockholders for submission of sales offers.

The Executive Board did not make any use of this authorization in the fiscal year 2015.

Direct or indirect equity investments of 10 percent or more

As at December 31, 2015, CANCOM is not aware of any direct or indirect equity investments exceeding 10 percent of the voting rights.

Appointment and dismissal of members of the Executive Board

The appointment and dismissal of members of the Executive Board is governed by Section 84 paragraph 3 und Section 85 of the German Stock Corporation Act in conjunction with Article 9, paragraph 1 c (ii) and Article 39 of the Council Regulation (EC) No. 2157/2001 on the Statute for a European Company (SE). The Supervisory Board determines the number of members in the Executive Board. CANCOM follows the recommendations of the German Corporate Governance Code when appointing members of the Executive Board, taking into account the company's specific situation.

Changes to the company's by-laws

Changes to the by-laws are governed by Sections 133 and 179 of the German Stock Corporation Act. Any resolution regarding a change to the by-laws must be passed by at least a three-quarters majority vote of the capital stock represented at the general meeting of stockholders. The company's by-laws may differ in this respect from the legal stipulations and impose additional requirements. However, where there is a proposal to change the object of the company, the majority vote required to pass such a resolution may only be increased. Section 15, paragraph 3 of the by-laws of CANCOM SE contains such a provision. According to this provision, resolutions to change the by-laws require a majority of two-thirds of the votes cast, or, if at least half of the capital stock is represented by a simple majority of the votes cast. In cases where the law additionally requires a majority of the capital stock represented in the vote on the resolution, a simple majority of the capital stock represented in the vote on the resolution will suffice, unless stipulated otherwise by law. The general meeting of stockholders may confer on the Supervisory Board the authority to make amendments that merely concern the wording. At CANCOM, this has been done by means of section 11 of the by-laws.

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

Please see section 1.1. of the remuneration report for details of these agreements (see page 13).

4. Remuneration report

The remuneration report contained in the corporate governance report on page 13, in accordance with section 289, paragraph 2, number 5 and section 315, paragraph 2, number 4 of the German Commercial Code, forms a part of the combined management report.

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

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

6. Risks and opportunities report

As an international operator in a fast-moving sector, the CANCOM group faces many risks and opportunities, which may have considerable impact on CANCOM's business performance, and thus also on its financial and assets position and profits. There are always certain risks associated with business opportunities. CANCOM's aim, therefore, is to achieve a sustainable increase in the value of the company for our stockholders by means of an optimal balance between the risks and opportunities.

Risk and opportunity management

One of the basic principles of responsible business management based on stockholder value maximization is that management should exploit business opportunities while at the same time anticipating and controlling the associated risks.

CANCOM's management closely monitors market trends and assesses the competitive situation, using the information it finds to identify potential opportunities in the relevant business areas and set appropriate targets and measures at annual planning meetings with the Executive Board and operational management.

Ongoing risk management, on the other hand, is necessary for efficient monitoring and early identification of risks and is thus also an integral component of the strategic and business development as well as the internal monitoring and control system of the CANCOM group. CANCOM's risk management system is aimed at identifying as early as possible any risks that could endanger the future of the company as a going concern, and/or substantial business risks, and dealing with them in a responsible way.

Risk management system

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

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

The main features of the system are as follows:

- CANCOM has a clear management and corporate structure, in addition to a schedule of responsibilities. Cross-departmental key functions are centrally controlled by CANCOM SE.
- The functions of the business areas with the greatest involvement in the accounting process are clearly divided. The areas of responsibility are clearly allocated.
- Integrity and responsibility in regard to finance and financial reporting are safeguarded by a commitment made to this effect in the company's internal code of conduct.
- CANCOM takes care to analyze new laws, accounting standards and other announcements, as failure to comply with them would pose a major risk to the correctness of CANCOM's accounting processes.
- Appropriate facilities are in place in the IT department to protect CANCOM's financial systems against unauthorized access. Where possible, standard software is used in the financial systems.
- There is an integrated approach to corporate governance, in which all elements – risk management, compliance management, the in-house audit department and the internal control system (ICS) – influence each other. The effectiveness of the various elements is regularly checked.
- An appropriate system of guidelines (for example payment and travel cost guidelines etc.) is in place, and is continuously updated. The main assets of all the companies are regularly tested for impairment, and there is a manual that covers the checking of all accounting-related processes.
- All accounting-related processes are subject to cross-checking.
- Accounting-related processes are inspected by the in-house audit department, which is independent of these processes.
- Both the risk management system and the internal control system have appropriate measures for the control of accounting-related processes.
- Departments and divisions involved in the accounting process are equipped with appropriate resources, in terms of both quantity and quality.
- Accounting data received and passed on is continually checked in order to ensure it is complete and correct. This is done by means of spot checks, among other methods. There is a three-stage system for checking the correctness of financial statements. First, single-entity financial statements are generated by the financial accounting department. In a second control stage, group accounts are prepared and consolidated figures produced; and in the third stage a review is carried out by managerial staff of the finance department.

The internal control and risk management system with regard to the accounting process is intended to ensure that company data is always correctly recorded, processed and acknowledged in the balance sheet, and included in the financial statements.

A proper, consistent and continuous accounting process is dependent on skilled and qualified staff, the use of appropriate software, and clear legal and corporate guidelines. A well-defined demarcation of responsibilities and various controlling and checking mechanisms, as described above (especially plausibility checks and cross-checking), ensure that accounting is carried out correctly and responsibly.

In particular, the process creates the necessary organizational structure for recording, processing and documenting business transactions and entering them immediately and correctly in the accounts in compliance with the legal requirements, the by-laws and the internal guidelines. At the same time the process provides for assets and liabilities in the annual and consolidated financial statements to be accurately recognized, reported and valued, and for comprehensive, reliable and relevant information to be made available quickly.

Risk identification, analysis and documentation

To identify risks and ensure that the risk control system is adequate, the Executive Board has formulated risk principles and appointed a central risk officer to monitor and evaluate possible risks. One of the prime objectives of risk management is the early identification of major risks and those that might jeopardize the future of the company as a going concern, as well as the initiation of appropriate measures as part of the risk control process to minimize or prevent any loss caused to the enterprise when a risk materializes.

CANCOM has put together a risk manual, which documents the organizational rules and measures for risk identification, analysis, evaluation, quantification, management and control. The manual also describes the appropriate way to handle business risks at CANCOM. CANCOM's risk evaluation process starts by grouping the identified risks into thematic clusters. The probability that these risks will materialize is then assessed and the potential loss determined. All the risks identified become the responsibility of a special appointee. If the risks are quantifiable, they are measured with the aid of appropriately defined key figures. If no precisely defined ratios are available, the risks are assessed by the special appointee.

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

PROBABILITY OF OCCURRENCE

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

POTENTIAL LOSS

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

RISK MATRIX

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

For risks to the company as a going concern, CANCOM's risk management system has defined early warning indicators. Changes or trends in these are continually monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officer ensure ongoing and timely control of existing and future risks. They also provide the best possible guarantee that the Executive Board and the Supervisory Board are informed in good time of any possible major risks.

Risks of future development

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

Industry and market risks

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

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

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

The market in which the CANCOM group operates is highly competitive and subject to rapid change. Insufficient knowledge of the market and the competition could result in wrong decisions – or a failure to make decisions – with regard to both the marketing mix and how to approach the market, and the group's strategic and tactical product and pricing policy. This could be detrimental to the group's sales performance and result in perseverance in already saturated markets, as well as risky investments in new business fields with uncertain market success.

CANCOM guards against these risks by means of regular analysis of research information and discussions with clients, experts and IT analysts as well as continuous reviews of market attractiveness, the competitive situation and sales patterns.

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

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

We cannot rule out the possibility that one or more of the risks described might materialize. CANCOM estimates the probability of their occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities, and its assets and earnings position. CANCOM therefore considers the industry and market risk to be high. There has not been any change in the classification of this risk in comparison with 2014.

There are risks from direct sales by manufacturers.

The CANCOM group is increasingly in direct competition with manufacturers of hardware and software. Whereas in the past manufacturers predominantly distributed their products through intermediaries such as CANCOM, there is now an increasing tendency for manufacturers in the sector to engage in retail sales. This creates additional price and competitive pressure for the CANCOM group. If the manufacturers succeed in establishing their direct sales business more firmly, this could have a substantial negative impact on the group's assets, financial and earnings position.

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

We cannot rule out the possibility that this risk might materialize. CANCOM estimates the probability of occurrence as medium. Depending on the individual case, this risk could have a moderate adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be moderate. There has not been any change in the classification of this risk in comparison with 2014.

Product and technology risks

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

The IT sector is subject to rapid technological change. In particular, the market is shaped by rapid development of technologies, frequent introductions of improved or new solutions and services, constant changes in client requirements and regulatory changes, for instance in the area of data protection.

The CANCOM group develops some technology solutions in-house as part of its business activities. These are partly based on standard systems which the CANCOM group customizes for use with client applications, while some of the solutions are developed fully in-house. The success of the CANCOM group therefore depends crucially on its ability to predict well in advance any new trends and developments, such as in cloud computing and data protection. It must constantly adapt and improve existing solutions and services and develop new ones to stay abreast of changes in technologies, regulations and clients' requirements. Every delay in the introduction of improved or new solutions or services as part of the product portfolio, or failure to take account of them, or any lack of acceptance or delayed acceptance of these solutions or services on the market, can have a serious impact on the competitive position and the business prospects of the CANCOM group.

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

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

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

We cannot rule out the possibility that one or more of these risks might materialize. CANCOM estimates the probability of occurrence as medium. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2014.

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

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

The CANCOM group provides IT solutions as part of complex installation, system integration, software, operational management and outsourcing projects. This may give rise to technical risks due to the complexity of the IT solutions and their level of integration into clients' processes. These risks could have a serious impact on clients' business processes. With the AHP Enterprise Cloud platform developed by CANCOM there is a risk that the client may be unable to use the cloud, or unable to use it properly, in the event of malfunctions, incorrect configurations, or in connection with updates. In CANCOM's hosting services business, data center outages or errors could result in the restriction or interruption of clients' operations. As the CANCOM group also leases space in some external data centers, a risk of this kind could materialize through no fault of the CANCOM group. There is a risk of business interruptions, both in the CANCOM group and at suppliers or clients, as a consequence of environmental or natural disasters or similar events. Management risks may also arise from failure to identify interruptions in time, from monitoring failures or from violations of service level agreements in which commitments are made to clients that faults will be remedied without delay. As a result CANCOM may find itself exposed to warranty claims and claims for damages, or even loss of contracts.

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

Additionally, CANCOM is seeking to add limitation of liability clauses, as commonly used in the industry, to the contracts relating to the services and project business concerned.

We cannot rule out the possibility that one or more of these risks might materialize. CANCOM estimates the probability of occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities, and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2014.

Project and business risks

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

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

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

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

In cloud computing, there is also a major risk that various agreed services cannot be provided and that outages of all kinds might result for the client. This could involve substantial costs in time and money, and might entail contract penalties or damage the relationship with the client or even result in the loss of the client.

Before drawing up quotations for projects, CANCOM generally reviews all requests to establish whether they are technically and financially feasible. Its focus is on ensuring that the client receives the best possible solutions, while taking adequate account of the risks connected with the project. Internal reviews are also carried out to establish potential contract risks. Standard contracts are used where possible. These are controlled by the project management during the course of the project. Projects are subject to a risk management process which is integrated into CANCOM's project management system and has coordinated risk and quality management programs to safeguard the implementation process. CANCOM applies various measures and procedures, such as the use of redundant data centers, to ensure that the agreed service can be provided.

We cannot rule out the possibility that one or more of the individual risks connected with projects might materialize. CANCOM estimates the probability of occurrence as high. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2014.

Risks associated with operating as a subcontractor.

CANCOM group companies are often used as subcontractors on large-scale projects. These companies are subcontracted by a general contractor to perform specific tasks as part of an overall IT project. In these cases, the CANCOM group is dependent on subcontracts from these general contractors, and there may be deferrals or reductions in the volume of contracts awarded. CANCOM seeks to minimize this risk by constantly expanding the client base and by maintaining strong relationships with its clients.

We cannot rule out the possibility that this risk might materialize. CANCOM estimates the probability of occurrence as high. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2014. This risk factor is of particular relevance for the IT solutions segment.

Risks from dependence on large clients.

Thanks to its good market position, CANCOM has an extremely broad client base. However, in principle there is a risk from dependence on individual large clients in some sections. A significant reduction in orders from a major client, or the loss of a key account client, could have a severe impact on the business prospects of the CANCOM group, unless the loss can be offset by the acquisition of a new client of similar size or additional projects from existing clients.

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

We cannot rule out the possibility that this risk might materialize. CANCOM estimates the probability of occurrence as high. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2014. This risk factor primarily concerns the IT solutions segment.

Financial risks

Financing, liquidity and counterparty risks.

The CANCOM group uses both borrowed capital and equity capital to finance its business activities A downturn in the cash situation of a company can bring with it considerable risks, which could endanger the future of the company as a going concern. At the reporting date, CANCOM had a liquidity position of € 85.8 million and credit facilities (including guarantees) of € 47.9 million provided by banks. Of this amount, € 40.2 million was easily available as at December 31, 2015. The company regularly monitors the changes in the credit facilities and looks at the extent to which they have been used. In addition to the medium-term financial plan, the group also prepares a monthly cash flow plan. All companies of the reporting entity are included in the planning system.

An adequate credit rating is essential for the procurement of borrowed capital, especially bank loans, and thus for the company's long-term existence. Any marked deterioration in the credit rating therefore constitutes a significant risk for the company's continued existence. Since the equity ratio (calculated according to the method used by banks) is a decisive criterion for the granting of bank loans, it is monitored regularly so that prompt corrective action can be taken if necessary.

The CANCOM group has a solid financial standing, a good equity position and a comfortable cash situation. We do not currently see any financing risks or other risks that could jeopardize CANCOM's continued existence.

Risks from exchange rate and interest rate fluctuations.

The CANCOM group's international business operations generate cash flows in different currencies. However, the majority of transactions are conducted in the euro area, which limits the exchange rate risk. Nevertheless, a significant fall in the value of the euro against other currencies could lead to currency losses. Financial derivative instruments are used as a means of safeguarding sound underlying transactions, such as currency hedging. Hedging is used to secure transactions in different currencies on a daily basis. There are in principle underlying transactions that are secured by hedging. Hedge accounting was not applied to economic hedging activities during the fiscal year. The use of hedging transactions is permitted only to specific individuals and within specific orders of magnitude. Transactions exceeding the relevant limits must be authorized by the Chief Financial Officer/Executive Board. Treasury activities to optimize purchasing conditions could have a negative impact and worsen the purchasing conditions if the hedging transaction is unfavorable. Cash pooling within the group reduces the volume of financing through borrowed capital, and thus optimizes the CANCOM group's interest management, with positive effects on the net interest income. The group derives internal advantages relating to cash investments and borrowing from the cash management system. It facilitates the internal utilization of the surplus funds of group companies to finance the cash requirements of other group companies. Apart from overdraft facilities, CANCOM has only fixed-interest loans or loans subject to a quantifiable interest rate change calculated on the basis of the company's results.

Financial market and stock market price risks.

A major objective of CANCOM is to acquire, hold and sell long-term equity investments in companies, as well as to carry out activities connected with raising capital on the capital market. Dealing in derivatives and structured products is not a core business of the company and is only used – if at all – as a means of safeguarding sound underlying transactions, such as currency hedging for trading and service transactions.

Fluctuations in the price of the CANCOM stock can have a negative impact on the company's financial position, especially with regard to raising capital on the capital market. CANCOM therefore sees active financial communications as one of its central management tasks, and attaches great importance to openness and transparency. In addition to maintaining an extensive Internet presence with a comprehensive website, one of the primary objectives of CANCOM's public relations work is to keep in close contact with stockholders, investors, analysts, and business and IT media in the interests of sustaining the stock price. However, external factors, for instance uncertainty in the economy as a whole or in the capital market with resulting fluctuations in prices, cannot be ruled out.

Default risk.

Default on payment by clients can pose a risk. To counter this risk, CANCOM has a rigorous receivables management system. There are internal guidelines for the issuing of credit limits with regard to both the limits granted and the employees authorized to approve them. Deliveries to clients are generally only made after a credit check has been made. There is also a risk of default on long-term loans or financial receivables.

We cannot rule out the possibility that one or more of the individual risks described under financial risks might occur. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, these risks could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. There has not been any change in the classification of this risk in comparison with 2014.

Human resources risks

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

Larger projects involving services give rise to increased risks connected with the deployment of staff. The loss of big projects can lead to increased staff costs, since often employees cannot be usefully deployed on other projects, or there are delays in readjusting staffing. CANCOM counters the risk of high employee turnover in the group by a culture of open communication and access to information, in addition to appropriate measures for employee motivation and development. The latter are an important cornerstone of human resources policy, as they are designed specifically to build employee loyalty and increase technical competence and expertise in the enterprise. The loss of key staff in the company, on whose knowledge and familiarity with clients CANCOM's success depends, at least in the short term, constitutes a further risk. The CANCOM group's development staff are among those with expert knowledge. If these staff members leave the company and possibly switch to competitors, there is the danger that the CANCOM group would lose not only their expertise, but the rights to software developed in-house.

Continual monitoring of the productivity of individual employees makes it possible to identify at all times the key employees and devote particular attention to them. CANCOM also applies various measures for long-term employee retention. In addition, there are appropriate rules on deputizing, particularly in sensitive and knowledge-intensive areas, to compensate as well as possible for the unexpected absence of an employee, at least in the short term. Nevertheless, there is a risk that the shortage of specialist staff in the IT sector could make future recruitment difficult.

One of the ways in which CANCOM counters this is by appropriate measures to boost its image as an employer and by offering various training measures and further education for employees. For this reason, the management feels that despite the human resources risks described, with CANCOM's current strong market position and the measures in place, it is in a position to continue recruiting and retaining well-qualified specialist staff with the potential to boost CANCOM's business success.

Because CANCOM is a service provider, the employees are major company assets. However, they are also the largest cost item. If the transaction volume declined, there would be a time lag before the company could respond by adjusting its human resources structures to the reduced demand.

Also, CANCOM, and therefore also the enterprise's core staff, is constantly shifting its focus towards the provision of high-value services and the creation of greater value added for its clients. If existing or newly acquired clients cannot be convinced of the value of these services, there is a risk that they may be less willing to pay for these services than expected by CANCOM.

We cannot rule out the possibility that one or more of these risks might materialize. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, these risks could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers these human resources risks to be high. This risk was reclassified during the past year.

Risks from legal changes resulting from the German Temporary Employment Act (Arbeitnehmerüberlassungsgesetz, AÜG), and in connection with entering into works contracts for service provision.

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

In addition, risks may arise in connection with the use of works and service contracts for clients and sub-contractors, if the services to be provided are geared to the needs of the particular client and are listed in a service specification. In the event of a dispute before a labor court, the court could take the view that the person providing the service should be classified as an employee and is integrated into the client's operations. If the contract is classified as a (temporary) employment contract, there is a danger that fines may be imposed on the company, or it may be required to make back-payments of differences in remuneration as well as back-payments of social security contributions.

We cannot rule out the possibility that one or more of the risks described might materialize. However, CANCOM currently estimates the probability of its occurrence as low. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be low. There has not been any change in the classification of this risk in comparison with 2014.

Information risks

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

In our view, the expertise built up by the CANCOM group in the course of its business activities, especially from developing innovative solutions, represents a decisive competitive advantage.
The competitiveness of the CANCOM group depends particularly on the safeguarding of its technological innovations and the expertise connected with them. If this expertise should be partly or fully revealed to third parties, this could result in the erosion of the competitive advantage CANCOM has gained, resulting in a reduction in sales and income opportunities.

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

We cannot rule out the possibility that the risk described above might materialize. CANCOM estimates the probability of its occurrence as medium. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be moderate. There has been no change in the assessment of this risk in comparison with 2014. This risk factor primarily concerns the cloud solutions segment.

Operational risks

Internal risks.

The CANCOM group's value chain covers all steps in its activities, from marketing, consulting, distribution and logistics to training and maintenance. Disruptions within or between these areas could lead to problems, and possibly bring work processes in one or more areas to a temporary standstill. In addition there is the risk of problems with quality, particularly in the areas of the IT solutions segment and the cloud solutions segment where consulting is a major element of the service offered. The company's rapid growth also entails the risk that our administrative structures, as well as our organizational structures and operational processes, cannot be adapted at the same rate as the company grows, and that the control of the group as a whole will suffer as a result. There may be a delay in the introduction of new ERP systems being implemented across the group due to a complete or partial failure to fulfill various tasks connected with the project, or a failure to meet deadlines. This could have a permanent and sometimes severe effect on the business activities of the CANCOM group. The highest possible level of risk control is ensured by experienced employees, the appointment of project managers for the successful implementation of internal projects, as well as the use of tried, tested and trusted administration and controlling systems, along with the risk management system, which is continually adapted to reflect the latest developments and requirements.

Additionally, tax audits can lead to diverging legal viewpoints on data of tax relevance, possibly resulting in demands for back-payments of taxes and levies.

We cannot rule out the possibility that one or more of the individual risks described above might materialize. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the operational risks to be moderate. There has not been any change in the classification of this risk in comparison with 2014.

The CANCOM group is dependent on its suppliers.

CANCOM relies on its manufacturers and/or distributors for the supply of hardware and software. Unexpected supply bottlenecks or price rises – as a result of shortages on the market, for example – can be detrimental to our sales and our profits, since our merchandise inventories at the logistics centers are of a short-term nature for reasons relating to optimization. CANCOM tries to reduce these risks by keeping in close contact with major manufacturers and distributors, and by signing long-term supply contracts. In particular, our broad base of manufacturers and distributors enables us to resort to alternative manufacturers or sources at relatively short notice.

Warehousing risks.

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

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

We cannot rule out the possibility that one or more of the individual risks described above might materialize. CANCOM estimates the probability of their occurrence as low. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's assets and earnings position. CANCOM therefore considers this operational risk to be low. There has not been any change in the classification since 2014.

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

The success and functioning capacity of a company depends to a considerable degree on its IT equipment. There are fundamental information technology risks from operating computer-assisted databases as well as from the use of systems for merchandise management, e-commerce, controlling and financial accounting. The temperamental nature of these IT systems means they are susceptible to failure which, in extreme circumstances, could bring working processes to a standstill. This or a delay in restoring the systems to normal operation could jeopardize the company's continued existence. For instance, the company's ability to supply merchandise might be at risk if the functioning of the IT systems necessary for smooth order processing is no longer safeguarded. In particular, there has recently been a significant increase in cyber attacks. It cannot be guaranteed that the security measures taken will provide sufficient protection. There is therefore a risk that the CANCOM group may also become a victim of a cyber attack. Also, client monitoring could be inadequate if the management tools used are not fully functioning, and this could lead to disruptions for the client. The CANCOM group offers data center services, both in its own data centers and in rented data centers. There is a possibility that it might no longer be able to provide the data center services or any connected services. CANCOM is aware of this risk. The company therefore makes every effort to minimize it in order to ensure the availability of IT systems and data centers as well as possible. However, disruptions or a complete failure of IT systems and data centers could have a negative impact on the course of business and on supplier and client relationships.

We cannot rule out the possibility that one or more of the individual risks described above might materialize. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers these operational risks as a high risk. There has not been any change in the classification of this risk in comparison with 2014.

Legal risks

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

The CANCOM group is not aware of violating any third party's industrial property rights in connection with the products, solutions and services it offers. However, we cannot rule out the possibility that the CANCOM group may violate the property rights of third parties in the course of its business activities, or that third parties may make claims against the group for violation of property rights, or that action may be brought against the CANCOM group as part of a legal dispute. This may result in the group having to pay licensing fees. There is also a possibility that inventions of the CANCOM group cannot be used commercially, or that their commercial use is delayed. Successful claims for breaches of patent could result in the CANCOM group being obliged to pay substantial compensation. Legal disputes of this kind can also involve considerable costs in time, staff and money. At the time this management report was written, there were no contingent liabilities resulting from major legal disputes or relevant litigation risks. Even a claim by a third party that the CANCOM group is violating industrial property rights could lead to economic loss, owing to the crucial role of industrial property rights in the sector in which the CANCOM group operates.

We cannot rule out the possibility that this legal risk might materialize. CANCOM estimates the probability of its occurrence as medium. Depending on the individual case, this risk could have a moderate adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be moderate. There has not been any change in the classification of this risk since 2014.

There are risks connected with the violation of national or international data protection regulations.

The use of data – especially data relating to clients, suppliers or staff – by the CANCOM group is subject to the German Federal Data Protection Act (Bundesdatenschutzgesetz, BDSG) and similar regulations, including international ones. If unauthorized third parties obtain access to data processed by the CANCOM group or stored by it in the context of the provision of storage solutions, or if the CANCOM group itself violates data protection regulations, there could be resulting claims for compensation and damage to the reputation of the group.

We cannot rule out the possibility that this legal risk might materialize. CANCOM estimates the probability of its occurrence as medium. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be high. This risk was reclassified during the past year.

M&A risks

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

Both in its long-term equity investments and in its acquisition of companies or parts of companies, CANCOM occasionally ventures into business fields that are new to it. The acquisition of companies and long-term equity investments presents a considerable risk. We cannot rule out the risk that these acquisitions and business fields might not perform as well as anticipated, or that risks might materialize that were not identified or that were wrongly assessed in the due diligence process. Additionally, key employees from the acquired companies could leave the relevant company as a result of the acquisition by the CANCOM group. Consequently, owing to the loss of these key employees, it may not be possible to meet the targets expected to be met by the acquisition. There is also a risk that clients of the acquired company might not place any orders with, or enter into any related contracts with, the CANCOM group and might switch to competitors. In addition, the organizational integration of further companies into the CANCOM group can involve considerable expenditure in terms of both time and money. There is also a possibility that there may be difficulties in implementing the strategy on which the acquisition was based, and that the targets and anticipated synergy effects cannot be realized to the extent planned. If one or more of these risks materialize, this could result in the partial or entire loss of any money invested and, in certain circumstances, the necessity that assets must be written down in the balance sheet due to impairment.

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

The acquisition or disposal of companies or stakes in businesses could expose the CANCOM group to various risks.

In the past few years the CANCOM group has acquired and disposed of some companies and stakes in companies. In M&A processes there is a risk connected with contract negotiations and contractual arrangements. There is also the risk that it could emerge later that certain guarantees and/or warranties and/or obligations entered into by the seller/buyer have not been met. If this only occurs after they have lapsed, and/or the seller/buyer cannot settle any claims for compensation that may arise, there could be resulting financial losses for the relevant CANCOM group company. Any determination of purchase prices based on current or future profits could also prove unfavorable for CANCOM.

We cannot rule out the possibility that one or more of the M&A risks described above might materialize. CANCOM estimates the probability of their occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be high. There has not been any change in the classification of this risk since 2014.

Review of overall risk

Overall, there was no major change in the evaluation of the individual risks described in comparison with 2014. Against the background of the overall risk situation, therefore, the management of CANCOM SE does not consider the company's future as a going concern to be in any danger.

In view of CANCOM's position in the market, its committed employees and the flexible group structure and structured processes for early identification of risks, the Executive Board of CANCOM is confident that in 2016 we can continue to successfully meet the challenges arising from the risks described.

In addition to CANCOM's own bullish self-assessment, external assessments of its future performance are also positive. Dun & Bradstreet (D&B), one of the largest companies in the world providing commercial information to businesses, gives CANCOM a 'minimal risk' rating. Independent banks also give CANCOM a positive assessment in their annual ratings: UniCredit considers it 'sound investment grade' with a rating of M9 on a scale of M1 to M18, while Landesbank Baden-Württemberg (LBBW) gives it a 1(A-) rating on a scale of 1A4444 to 18.

Opportunities of future development

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

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

General market trends

The fiscal year 2016 will be dominated by the trend towards digitization. The focus will be mainly on practical implementation and the confluence of the trends that have emerged in recent years. Cloud computing has established itself strongly in companies. At the same time, with the enormous increase in the number of smartphones, notebooks and tablets, the use of mobile technology at work and in people's everyday lives has become much more prevalent. These developments have led to an increase in data volumes and user traffic, and have influenced IT to such an extent that social media, mobile and cloud computing and big data are now being referred to as the 'third platform'. This is also fundamentally changing IT operations. Traditional IT infrastructure can now hardly cope with the challenges in terms of efficiency and scalability.

The consulting firm Capgemini believes that 37 percent of companies will increase their IT budgets in 2016, with almost 15 percent increasing by two-digit growth rates. Market research company IDC forecasts that the expansion of digital business strategies within the next 24 months will take up more than half of companies' IT expenditure and that this proportion will increase by up to 60 percent by the year 2020. In order to implement digital business initiatives successfully, it is essential that companies master the third platform of computing. 'Cloud first' is therefore becoming the mantra of corporate IT strategies. Hardly any of the technologies of the third platform or of the central digital initiatives can be implemented without cloud computing.

IDC expects that global expenditure by companies on cloud services, hardware and software for cloud support, and implementation and management of cloud services will exceed the $ 500 billion dollar mark. That is more than three times the amount currently being spent.

It is therefore necessary to run existing systems and services well and in a cost-conscious manner. IT innovations must also be introduced and integrated swiftly and effectively. IT innovations are now being driven by specialist departments other than the IT department. The use of technologies such as big data and analytics, social media, mobile technology and cloud computing is stimulating the development of new products and services, in addition to business models, processes and value chains. IT is becoming a business enabler, making it an important factor in a company's competitiveness and a driver of growth. The German Association of the Information Industry, Telecommunications and New Media (BITKOM) expects revenue from software, IT services and hardware to grow by 3.1 percent to € 82.9 billion in 2016. It believes the software and IT services businesses will experience the strongest growth, with demand in areas such as big data and cloud computing growing fastest. CANCOM will be one of the enterprises to benefit from the fact that companies in all sectors are now going digital. These positive estimates indicate that many companies have already planned projects which, owing to their strategic importance, they could implement even if there is a slow-down in the economy.

Trends

The subject of the digital transformation of German businesses and the associated technologies will continue to dominate the IT market in 2016. The success of companies' digital transformation will depend on agile, flexible and scalable IT infrastructure systems. IT is the key driver of innovation. Cloud computing will continue to form the basis for new high-tech trends. More than 85 percent of German small and medium-sized enterprises are devoting serious attention to the subject and are at the planning or implementation stage, or their new technologies are already operational. Single-cloud architecture will be the exception in the companies of the future. The majority of German small and medium-sized enterprises will implement hybrid and multi-cloud architecture (68.8 percent), according to IT research and consulting company Crisp Research.

A recent survey of ICT sector companies in Germany conducted by BITKOM identified what companies see as the major IT trends in 2016. It found that IT security and cloud computing will remain the hottest topics in the digital sector. Industry 4.0, big data, the Internet of Things and Services were the next most talked-about. Analysts at IT market research institute Gartner have identified trends and developments up to the year 2020 in the field of robotics and intelligent systems, which are based on the efficient use of cloud systems and the integration of growing quantities of data from all kinds of sources and devices.

Cloud and mobility

In every fourth German small or medium-sized enterprise, the Executive Board and/or management are in support of cloud computing activities. This shows clearly the strategic relevance of the subject.

By 2018, at least half of all IT spending will go into cloud-based solutions, because cloud computing is the basis both for new digital products and services and for other third platform technologies. There is increasing demand for flexible cloud solutions that allow companies to respond by making adjustments where necessary. Cloud adaptation will be driven by the need for IT mobility – mobile access to a company's internal IT resources – and the hot topics of the future, the Internet of Things and big data and analytics. The private cloud remains the most sought-after option since, in contrast to the public cloud, it can be adapted to companies' specific requirements and preferences, and also allows hybrid models. There is a trend towards what are referred to as hybrid cloud or multi-cloud strategies. In a hybrid cloud model, data and applications are provided out of various clouds (private and/or public clouds). CANCOM is already responding proactively to the developments of the market and is planning to expand its range to include hybrid and multi-cloud environments. The demand for flexible, agile cloud solutions in all areas of companies could have a positive impact on CANCOM's solutions and services business.

The research company Experton Group has awarded CANCOM the title of Cloud Leader in a total of seven categories, clearly demonstrating that CANCOM is in a good position to provide complete, integrated solutions to satisfy the wide-ranging needs of medium and large enterprises setting up cloud structures. According to Crisp Research, the majority of German medium-sized enterprises continues to depend on external support throughout the entire cloud life cycle. This presents opportunities for providers such as CANCOM in areas ranging from strategic planning, architecture and design, to the implementation and subsequent operation of the systems. With CANCOM's knowledge of the complex connections that exist between IT structures, which in many companies have evolved over time, along with its many years of project experience, the wide range of IT solutions it provides in its own competence centers, and its extensive cloud solution portfolio, CANCOM is well placed to offer support for both the transition to and the operation of state-of-the-art IT environments.

CANCOM was among the leading IT vendors and service providers which won a Leader Award from the Experton Group in its Mobile Enterprise Vendor Benchmark 2015. The award was made to IT vendors and service providers offering a varied, highly attractive portfolio of enterprise mobility products and services, as well as having a particularly strong market position and excellent competitive strength. Companies are focusing more attention on the use of mobile devices and terminals and the impacts on business processes. Without efficient integration into company IT systems, mobile devices such as smartphones and tablets, running on different operating systems and using diverse mobile applications, represent a cost driver without any real added value, and may even present a security risk. On the one hand, mobile access to company data increases flexibility and mobility as well as the productivity of staff and processes and thus of the company as a whole. On the other hand it also increases the demands on company IT departments in terms of access, management and security. In order to structure and considerably accelerate the integration of the new categories of device or terminal, CANCOM has developed standardized, secure and modular mobility architecture. CANCOM provides a complete portfolio of services for analyzing, planning, building and running mobile architecture. There are great opportunities for CANCOM as an integrated service provider of mobile enterprise solutions, and a one-stop shop offering companies advanced workplace solutions that will run on any operating system or device.

In October 2015 the ruling of the European Court of Justice on the ‘Safe Harbor’ agreement was the focus of much attention. The ‘Safe Harbor’ agreement is no longer valid as a legal framework for the transfer of personal data to the U.S.A. The aim of the ‘E.U.-U.S. Privacy Shield’ negotiated as a replacement for the Safe Harbor agreement is to create greater legal certainty for transatlantic data transfers for thousands of companies in Europe, but it leaves many questions unanswered. The continuing legal uncertainty and the fears with regard to data security and protection fueled by the PRISM scandal could have a positive impact on the market for cloud technology in Germany. The company believes that the domicile of a cloud provider will in the future be one of the key criteria for its selection – having a registered office in Germany, as CANCOM has, will be a distinct advantage in this regard.

The PRISM scandal has also sensitized companies in Germany to the risks of cloud computing with regard to data security and protection. The domicile of a cloud provider is a major consideration for many companies for this reason as well. For enterprises such as the CANCOM group, the fact that their data centers and servers are located in Germany and are subject to strict data protection laws could possibly represent a competitive advantage over enterprises based in other countries, as there would be fewer security concerns.

IT Security

IT security is also becoming increasingly important. According to IDC, 70 percent of IT departments will change their approach to IT security in 2016, from ‘protecting and defending’ to ‘containing and controlling’. Digital transformation must therefore go hand in hand with the evolution of IT security measures at all levels.

Companies increasingly have to be prepared for attacks from organized crime gangs in addition to traditional industrial espionage. According to Crisp Research, the age of mobile working demands an IT security strategy with a global reach. Part of the IT security services will therefore have to come from the cloud. The objective must be to detect cyber attacks as early as possible. A solution providing flexible protection against individual threats is the only way to achieve this. A survey by BITKOM has found that half of all German companies have been affected by cyber attacks at least once during the past two years. Medium-sized enterprises are most affected. At around 61 percent, the proportion of these companies that have been attacked is noticeably higher than the proportion of large or small enterprises. Yet, according to a study by the Association of German Chambers of Industry and Commerce, German medium-sized companies are almost completely unprotected against these attacks A study by the Ponemon Institute has found that in more than 65 percent of cases of data theft, the attackers overcame the existing preventive security barriers, with 55 percent of the victims not even noticing the intruders. These figures demonstrate that an upgrade of IT security structures is essential for German companies in 2016. Also, any companies failing to address the issue of data security will lose out on Industry 4.0.

This also presents opportunities for the development of the CANCOM group's business, with its broad portfolio of IT security solutions. CANCOM also offers professional solutions for centralization, consolidation and virtualization to satisfy the increasing requirements for integrated system landscapes, as well as safeguarding the business continuity of its clients and increasing their IT efficiency. By awarding CANCOM the title of Security Partner of the Year, leading global security provider Cisco has acknowledged the group's success with the development, implementation and marketing of IT security solutions.

Big data and analytics

We can already receive information not only in text form, but in audio and video format. Sensor and context-based data will become increasingly important in the future, inundating us with an extensive supply of information from every direction. Companies should already be developing suitable strategies and technologies to enable them to compile and process information from all kinds of data sources, so as to be able to gain information and ultimately a return for companies and clients from the data. According to experts at IT market research institute Gartner, 'New semantic tools and classification and analysis methods will decode the often chaotic information deluge.' It is precisely the new business and IT drivers – digitization and the Internet of Things – that are encouraging the use of big data and analytics.

According to Pierre Audoin Consultants (PAC), rapid analysis of large quantities of structured and unstructured data from various sources is giving rise to new data-based business models and strategies. According to BITKOM, up to 2016 revenues from big data solutions and services have been growing at an average annual rate of 46 percent. They are set to increase almost eightfold within five years. New types of database, linguistic analyses and visualization tools are used for the interpretation of data sets. As improved analysis and use of information becomes more important in 2016, so also does data quality and master data management. Both issues have been considered important for many years and have been the subject of many new projects. However, according to Capgemini, the many new sources of data being connected, including data from the Internet of Things, are making the digital data world increasingly complex. Data quality and master data management are important in safeguarding the quality of both structured and unstructured data. There is therefore a trend toward dynamic infrastructure, which includes both existing data centers and future requirements for big data projects. For the next few years, the priority is thus to develop a data center strategy that offers the greatest possible flexibility. With its many years of expertise in the data center market, CANCOM has a lot to offer its clients in this area.

Internet of Things and Industry 4.0

For a good while, the mobile Web has ceased to be the preserve of only smartphones and tablets. Wearables, connected cars, smart-home and other Internet of Things (IoT) devices: the number of devices we use to obtain access to information or communicate with each other is rising steadily. According to Gartner, companies have to adjust even more effectively to this network of devices and terminals constantly surrounding mobile users. This will involve better networking, cooperation and communication between the different devices and terminals.

The Internet of Things plays a prominent role in digital transformation. IDC anticipates a doubling of the number of networked devices worldwide to more than € 22 billion. This in turn would result in the development of 200,000 new apps and solutions. These devices and solutions have the potential to redefine competitive advantage in almost every sector. For companies, this means big changes in data center requirements, as Internet of Things workloads will use around a fifth of new server capacity by 2018. Data and IT security will also become more important. To keep up with this trend, planning must be significantly advanced and firmed up in 2016.

The concept of Industry 4.0 applies the principles of the Internet of Things to the manufacturing industry, merging the physical world with the virtual world in production. According to a forecast by BITKOM, this will enable productivity to be increased by approximately € 78 billion by the year 2025 in six major economic sectors. Machinery and plant manufacturers, the automotive industry and suppliers to the automotive industry, electronic equipment and the chemical industry will benefit most from the fourth industrial revolution. By 2020, German industrial enterprises plan to spend € 40 billion per year – almost 3.5 percent of their annual turnover – on Industry 4.0. With its industrial solutions portfolio, which is tailored to the needs of the sector, the CANCOM group could also take advantage of this.

Workplace of the future

Digitization fundamentally changes the way companies organize their work processes. The number of companies in Germany that provide their staff with mobile workplaces is steadily increasing. The reason for this is that the success of a company is more and more dependent on its staff being able to access data and documents quickly and flexibly from their laptops, smartphones or tablets when they are on the move or based at various company locations. According to an analyst at market research company IDC, companies are currently in a phase of sweeping changes in technology of a magnitude only seen every 20 to 25 years. The main drivers of this change are the use of cloud services, the increasingly widespread use of mobile devices and apps and the huge growth in data quantities. This development, it is suggested, prompts companies to scrutinize established business models and processes to determine whether they are future-proof.

AHP Enterprise Cloud, the cloud reference architecture developed in-house by CANCOM, demonstrates what state-of-the-art workplaces can be like. It optimizes the secure provision and management of company applications and data from a data center and delivers a complete IT workplace on any device or terminal desired. With the CANCOM AHP Enterprise Cloud solution, staff can have access to all relevant company data and applications at any time, anywhere and on any device. This could present business development opportunities for CANCOM.

Overall view of trends

Efficient means of handling information will be crucial to a company's competitiveness more than ever in the future. New concepts will be required for organizing work processes, as well as for data security and workplace design. Clients will need service providers that can offer the right IT components under one roof and complement these with managed information services and scalable cloud solutions. This could present opportunities for CANCOM.

Organization and staff

CANCOM offers more than two decades of experience in IT consulting and integration combined with innovative services. It gives independent advice, and creates economical and technically optimized systems infrastructures. The group faces changes in the market by being flexible and constantly optimizing and efficiently adapting the portfolio, structures and processes within the group. Competence centers facilitate the focus on particular IT segments by providing dedicated technical know-how. The expertise of the specialist sales staff is available to the sales and services units of all CANCOM group companies. With a comprehensive range of ICT services and over 1,800 highly skilled employees in its professional services division, CANCOM offers IT solutions and managed services tailored to individual needs, so creating added value for clients. CANCOM employees have many years of project experience and have been certified by major manufacturers for the latest technologies. On top of this, CANCOM has established various measures to attract, develop and retain high-potential employees – highly qualified skilled staff and managers.

Organic growth and selective takeovers

CANCOM's business policy is based on continuing its path of growth. For this purpose it plans to bundle and strengthen its existing business activities, moving further towards high-end integrated ICT solutions through both organic and acquisition-based growth.

This will create an opportunity for a further increase in sales revenues. Taking advantage of synergy effects and economies of scale – for example improved purchase terms, centralized administrative tasks and better access to large projects – can contribute to accelerated growth in profits. Additionally, the planned expansion of the services business could lessen the group's dependence on hardware price trends.

The German market for integrated IT systems providers has for some years been in a phase of strong consolidation, and CANCOM wishes to continue taking advantage of this trend. Against this background, and in view of the group's solid assets position and strong financial resources, there will continue to be opportunities for the group to consolidate its market position further through appropriate acquisitions.

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

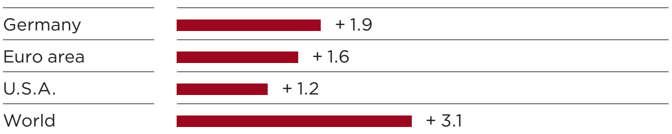
7. Events of particular significance after the reporting date

CANCOM SE carried out a capital increase against cash contributions, which was recorded in the commercial register on March 4, 2016. Part of the authorized capital (2015/I) was used to increase the capital stock from € 14,879,574 to € 16,367,531 by issuing 1,487,957 new no-par value bearer shares. The stockholders' subscription right was excluded. The new shares carry dividend rights from January 1, 2015. The total issuing value of the new shares is € 66.2 million, which will be used to strengthen the equity base for the further organic and inorganic growth of the group.

8. Forecast

Despite the current weakness in the euro, the favorable oil price, low interest and inflation rates – all of which are the right conditions for high levels of economic activity – not all economists are euphoric in their predictions for gross domestic product in 2016. Forecasts vary greatly. Optimists anticipate a GDP increase of more than 2 percent. However, pessimists expect economic growth of just over 1 percent. The main risks affecting the forecasts are international crises – for instance in the Middle East – and the cooling-off of the Chinese economy. Opportunities are believed to be presented by the strong consumer spending in Germany.

Gross domestic product 2016*
(real change compared with 2015, as a percentage)



* Forecasts: Deutsche Bank Research, February 18, 2016

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.

The German Association of the Information Industry, Telecommunications and New Media (BITKOM) expects revenues from software, IT services and IT hardware to grow by 3.1 percent to € 82.9 billion in 2016 – significantly faster than the economy as a whole. However, great variations are anticipated in the performances of the individual market segments. The software and IT services businesses are expected to experience the strongest growth, with demand in areas such as big data and cloud computing solutions growing fastest as a result of the digitization of companies in all sectors. Market research company IDC predicts that German companies' IT spending will increase by an annual average rate of 2.7 percent in the next few years. The findings of a study by Capgemini, in which 153 IT managers in large enterprises in Germany, Austria and Switzerland took part, are more detailed. It found that 37 percent of companies plan to expand their IT budgets in 2016, with almost 15 percent increasing by two-digit growth rates.

According to a recent study by market research company Lünendonk, further solid growth is anticipated during the next few years in IT consulting and systems integration enterprises as well as IT services companies. The market for consulting and systems integration is expected to grow at a faster rate than the market for IT services companies. Larger companies expect stronger growth than the average for the market as a whole.

Digitization and new trends such as cloud computing are also causing a revolution within the IT sector, resulting in the realignment of business models, especially in the market for traditional IT services. According to market analysis and consulting company PAC, providers whose typical business model is based to a large extent on traditional infrastructure outsourcing are finding it particularly difficult to reorient themselves. These IT service providers are facing great cost pressure, according to analysts, because clients are only agreeing to extend expiring contracts if they are offered large discounts. The consequences of this trend include job cuts, restructuring, and ultimately the possible sale of entire IT divisions in order to make the IT services business more profitable. However, providers are also placing their hopes in the expansion of their business models by adding new services – for instance in the cloud business – and in the further automation of their IT operations, especially in the commodity services segment.

Cloud computing has brought about profound change in corporate IT systems. However, analysts at Experton Group believe that this change has most likely only just started. The growth prospects for this segment of the IT market are accordingly positive, including the long term. According to the latest forecasts, expenditure by German companies on cloud technologies, cloud services and related consulting and integration services (cloud transformation) should grow to € 21.0 billion in 2018. The cloud market volume in the corporate client market should rise by 34 percent to more than € 12 billion in 2016, according to a forecast by Experton Group.

Anticipated performance of the CANCOM group

The IT market is currently marked by major changes. This change is driven by the digital revolution, which is affecting the whole economy and which the CANCOM management believes is set to continue for the next few years. IT trends such as security, mobility, networks, big data and cloud computing are gaining increased importance. This should create great opportunities for growth in the IT sector, especially in the cloud environment. However, the demand for mobile IT solutions and data security is also rising, owing to the increase in complexity and in networking.

Thanks to its proven expertise and outstanding market position in the IT growth areas referred to above – cloud computing, 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 IT market as a whole, 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 service 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. In addition, the increasing complexity of information technology is stretching smaller integrated IT systems providers to the limits of their capabilities. This could result in the CANCOM group gaining new clients and orders – with positive impacts on the IT solutions and cloud solutions business.

In order to take advantage of the trends and efficiently translate them into solutions for its clients, CANCOM provides support for individual employees who wish to undergo further professional training and obtain skills certification. With this aim in mind, CANCOM is building on strong, close partnerships with the manufacturers of leading technologies. It uses professional recruitment to gain highly-qualified specialists as employees, while continuously developing the group's existing high-potential staff and encouraging them to acquire the relevant technical qualifications and project management skills.

In the past fiscal year, the Executive Board set the course for further growth and good performance in the future. CANCOM focuses on profitable business in the traditional IT environment and withdraws without hesitation from low-growth or declining areas. In the fiscal year 2015 the group implemented further restructuring measures, which should lead to a lasting increase in profits. Attractive margins can be attained in the IT solutions operating segment by selling complete IT solutions consisting of consulting, integration and services, rather than just selling products, optimizing processes in the trading business or standardizing processes and services as part of e-procurement concepts. The increase in digitization, cloud transformation and the continuing enhancement of existing technologies and development of new ones, could generate a higher volume of transactions in the traditional business owing to the necessity for investments in standard IT and data center infrastructure.

In the cloud solutions operating segment, the expansion of cloud and shared managed services should lead to profitable growth in recurring revenue. The cloud solutions business is characterized by high margins but also longer-term projects, which tie up capital. CANCOM intends to make rapid gains in its market share in the cloud environment and sees the growth and the speed of expansion of skills and client relationships in this area as crucial factors. 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 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 marketing 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 continues to aim for a high level of quality in the consulting and services provided to clients, as well as a further improvement in the efficiency of work processes.

Basis for forecasts

Our forecasts take into account all events that were known at the time this report was drawn up that could have an impact on the future performance of the CANCOM group. The outlook is based, among other things, on the economic growth forecasts referred to above, and on the performance of the IT market. This forecast does not take into account the impact of legal or regulatory matters.

Outlook for the CANCOM group

Against the background of the group's successful performance in 2015 and in view of its favorable positioning in the IT market as a whole and in the growth market of cloud computing, the Executive Board expects further growth and an improvement in the profits of the group if the demand for IT products and services remains steady.

Of the 12.5 percent growth achieved by CANCOM in the fiscal year 2015, 8.6 percent was organic. The group has given priority to profitable growth rather than simply increasing sales volumes, and this strategy is evident from the significant improvement in profits.

Unforeseen events could influence the anticipated performance of both the group as a whole and of the reportable segments, IT solutions and cloud solutions. 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 2016. The growth of the CANCOM group should continue to exceed the growth of the German IT market, which is the market of particular relevance to the group. In the fiscal year 2016, the Executive Board anticipates a further increase in the EBITDA of the CANCOM group, which should grow at a higher rate than the organic growth in sales revenues owing to the improved product mix.

CANCOM believes in an increase in the sales revenues, gross profit and EBITDA generated by the IT solutions operating segment. The group aims to achieve growth in these key figures at a higher rate than that of the German IT market, which is the market of particular relevance to the group. For the cloud solutions operating segment, the Executive Board expects significant increases in sales revenue, gross profit and EBITDA.

Munich, Germany, March 8, 2016

Klaus Weinmann Rudolf Hotter

The Executive Board of CANCOM SE

Disclaimer regarding forward-looking statements

This document 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 as at December 31, 2015

ASSETS

(in €'000)	Notes	Financial statements Dec. 31, 2015	Financial statements Dec. 31, 2014
Current assets			
Cash and cash equivalents	C.1.	85,802	114,295
Assets held for sale	C.2.	0	2,291
Trade accounts receivable	C.3.	145,760	134,846
Other current financial assets	C.4.	7,844	7,522
Inventories	C.5.	27,948	22,658
Orders in process	C.6.	565	560
Prepaid expenses and other current assets	C.7.	9,477	3,535
Total current assets		**277,396**	**285,707**
Non-current assets			
Property, plant and equipment	C.8.1	40,326	37,654
Intangible assets	C.8.2	28,682	34,295
Goodwill	C.8.3	72,780	66,923
Long-term financial assets		65	67
Financial assets accounted for using the equity method	C.8.4	452	393
Loans	C.8.5	2,401	1,501
Other financial assets	C.9.	7,431	4,662
Deferred taxes arising from temporary differences	C.10.	2,398	3,071
Deferred taxes arising from tax loss carryover	C.10.	2,983	4,238
Other assets		1,407	771
Total non-current assets		**158,925**	**153,575**
Total assets		**436,321**	**439,282**

EQUITY AND LIABILITIES

(in €'000)	Notes	Financial statements Dec. 31, 2015	Financial statements Dec. 31, 2014
Current liabilities			
Short-term loans and current component of long-term loans	C.11.	1,386	1,711
Profit-participation capital and subordinated loans short-term portion		12	1,985
Trade accounts payable		106,781	108,440
Prepayments received		7,724	9,040
Other current financial liabilities	C.12.	6,205	3,629
Other provisions	C.13.	3,782	4,753
Deferred income	C.14.	2,917	2,413
Income tax liabilities	C.15.	4,258	7,186
Other current liabilities	C.16.	26,528	28,295
Liabilities in connection with assets held for sale		0	2,022
Total current liabilities		**159,593**	**169,474**
Non-current liabilities			
Long-term debt	C.17.	2,865	3,632
Convertible bonds	C.18.	40,434	39,144
Profit-participation capital and long-term loans	C.19.	4,761	4,332
Deferred income	C.14.	3,867	3,130
Deferred taxes arising from temporary differences	C.20.	8,891	10,552
Pension provisions	C.21.	1,744	1,796
Other non-current financial liabilities	C.22.	1,757	2,843
Other long-term liabilites	C.13.	8,122	10,588
Total non-current liabilities		**72,441**	**76,017**
Equity			
Capital stock	C.23.	14,880	14,880
Capital reserves		110,197	110,197
Net income (incl. retained income)	C.23.	72,534	59,967
Currency translation difference and exchange rate price difference		1,092	519
Minority interest	C.24	5,584	8,228
Total equity		**204,287**	**193,791**
Total equity and liabilities		**436,321**	**439,282**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in €'000)	Notes	Jan. 1, 2015 - Dec. 31, 2015	Jan. 1, 2014 - Dec. 31, 2014
Sales revenues	E.1.	932,800	828,861
Other operating income	E.2.	1,305	1,240
Other own work capitalized	E.3.	1,773	1,569
Gross revenue		**935,878**	**831,670**
Cost of purchased materials and services		-661,649	-573,972
Gross profit		**274,229**	**257,698**
Human resources expenses	E.4.	-169,891	-166,421
Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets		-22,007	-22,864
Other operating expenses	E.5.	-41,268	-39,639
Operating result		**41,063**	**28,774**
Interest and similar income	E.6.	643	450
Interest and other expenses	E.6.	-3,441	-2,968
Other financial result: income	E.7.	3,179	0
Other financial result: expenses	E.7.	-64	0
Income from equity investments		7	0
Write-downs of financial assets	E.8.	-1,414	0
Profit/loss from associated companies accounted for using the equity method		58	119
Currency translation gains/losses		47	-9
Profit before taxes		**40,078**	**26,366**
Income tax expense	E.9.	-10,791	-9,069
After-tax profit/loss from continuing operations		**29,287**	**17,297**
Profit/loss from discontinued operations	E.10.	-7,188	-6,000
Net income for the period		**22,099**	**11,297**
thereof attributable to the stockholders of the parent		22,365	12,660
thereof attributable to minority interests	E.11.	-266	-1,363
Average number of shares outstanding (basic)	E.12.	14,879,574	14,748,767
Average number of shares outstanding (diluted)	E.12.	15,935,094	15,558,481
Earnings per share from continuing operations (basic) in €	E.12.	**1.99**	**1.27**
Earnings per share from continuing operations (diluted) in €	E.12.	**1.93**	**1.20**
Earnings per share from discontinued operations (basic) in €	E.12.	**-0.48**	**-0.41**
Earnings per share from discontinued operations (diluted) in €	E.12.	**-0.45**	**-0.39**
Earnings per share from net income for the period attributable to the stockholders of the parent (basic) in €	E.12.	**1.50**	**0.86**
Earnings per share from net income for the period attributable to the stockholders of the parent (diluted) in €	E.12.	**1.48**	**0.81**

STATEMENT OF COMPEHENSIVE INCOME

(in €'000)	Jan. 1, 2015 - Dec. 31, 2015	Jan. 1, 2014 - Dec. 31, 2014
Net income for the period	**22,099**	**11,297**
Other comprehensive income		
Items possibly to be reclassified in profit or loss in subsequent periods		
Currency translation difference	831	789
Securities price difference	-1	0
Income taxes	-257	-241
Items not to be reclassified in profit or loss		
Change of actuarial gains/losses from pensions	74	-386
Deferred taxes from change of actuarial gains/losses from pensions	-23	118
Comprehensive after-tax income for the period	**624**	**280**
Comprehensive income for the period	**22,723**	**11,577**
thereof attributable to stockholders of the parent	22,989	12,940
thereof attributable to minority interests	-266	-1,363

CONSOLIDATED CASH FLOW STATEMENT (IN ACCORDANCE WITH IAS 7)

(in €'000)	Notes	Jan. 1, 2015 - Dec. 31, 2015	Jan. 1, 2014 - Dec. 31, 2014
Cash flow from ordinary activities			
Profit for the year before tax and minority interest		40,078	26,366
Adjustments			
+ Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets		22,007	22,864
+ Write-downs of financial assets		1,414	0
+ Interest result and other financial result		-317	2,518
+/- Changes in long-term provisions		796	-1,197
+/- Changes in short-term provisions		-326	387
+/- Gains/losses on the sale of intangible assets, property, plant and equipment and financial assets		-314	-775
+/- Changes in inventories		-5,171	-2,948
+/- Changes in trade accounts receivable and other accounts receivable		-19,196	-10,137
+/- Changes in trade accounts payable and other accounts payable		-5,757	7,816
- Interest paid		-269	-304
+/- Interest tax paid and refunded		-19,610	-8,710
+/- Non-cash expenses and income		-34	-150
+/- Cash inflow/outflow from discontinued operations		282	-704
Net cash from operating activities		**13,583**	**35,026**
Cash flow from investing activities			
+/- Acquisition of subsidiaries and equity instruments of other companies		-15,613	-31,439
+/- Cash from acquisitions		5,426	19,180
+/- Cash inflow/outflow from sale of former consolidated subsidiaries		-854	378
- Purchase of financial assets		-2,332	0
- Payments for additions to intangible assets and property, plant and equipment		-16,309	-24,953
+ Income from disposal of intangible assets, property, plant and equipment and financial assets		1,175	391
- Cash transferred on the sale of financial assets		-2,076	-79
+ Interest received		642	450
Net cash used in investing activities		**-29,941**	**-36,072**
Cash flow from financing activities			
+/- Capital increase expenses		0	-5
+ Income from issuance of bonds		0	44,102
- Repayment of long-term financial liabilities (incl. short-term portion)		-3,271	-874
+/- Changes in short-term financial liabilities		90	68
- Interest paid		-949	-579
- Dividends paid		-7,564	-5,847
+/- Cash inflow from/outflow for finance lease		-1,346	387
Net cash used in financing activities		**-13,039**	**37,252**
Net change in cash and cash equivalents		**-29,397**	**36,206**
+/- Changes in value resulting from foreign currency exchange		904	417
+/- Cash as at beginning of period		114,295	77,733
Cash and cash equivalents at end of period	F	**85,802**	**114,356**
Structure::			
Cash		85,802	114,295
Cash from discontinued operations		0	61
		85,802	114,356

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 reserves	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**
December 31, 2013	**14,616**	**14,616**	**94,578**	**28,597**	**-32**	**0**	**0**	**-153**	**24,978**	**162,584**	**95**	**162,679**
Capital increase	264	264	9,681							9,945		9,945
Changes in reserves: Costs of capital increase			-4							-4		-4
Convertible bonds			5,942							5,942		5,942
Appropriation net retained profits/capital reserves				6,023					-6,023	0		0
Payout in fiscal year									-5,847	-5,847	0	-5,847
Comprehensive income for the period					548	3	-268		12,660	12,943	-1,363	11,580
Acquisition of minority interests										0	10,586	10,586
Effect from disposal of minority interests										0	-1,090	-1,090
December 31, 2014	**14,880**	**14,880**	**110,197**	**34,620**	**516**	**3**	**-268**	**-153**	**25,768**	**185,563**	**8,228**	**193,791**
Appropriation net retained profits/capital reserves				5,856					-5,856	0		0
Payout in fiscal year									-7,440	-7,440	-124	-7,564
Comprehensive income for the period					574	-1	51		22,365	22,989	-266	22,723
Changes due to acquisition of non-controlling interests				-2,409						-2,409	-2,150	-4,559
Effect from disposal of minority interests										0	-104	-104
December 31, 2015	**14,880**	**14,880**	**110,197**	**38,067**	**1,090**	**2**	**-217**	**-153**	**34,837**	**198,703**	**5,584**	**204,287**

Segment information – IFRS

Segment information	Cloud Solutions		IT Solutions	
	Dec. 31, 2015 €'000	Dec. 31, 2014 €'000	Dec. 31, 2015 €'000	Dec. 31, 2014 €'000
Sales revenues				
- External sales	131,753	107,391	801,028	721,403
- Intersegment sales	2,199	1,322	5,491	2,384
- Total sales revenues	133,952	108,713	806,519	723,787
- Cost of purchased materials and services	-66,741	-55,033	-601,765	-521,614
- Human resources expenses	-30,424	-26,254	-131,756	-133,402
- Other operative income and expenses	-7,624	-7,292	-28,318	-28,074
EBITDA	29,163	20,134	44,680	40,697
- Depreciation, amortization and write-downs	-6,576	-5,947	-14,986	-16,592
Operating income (EBIT)	22,587	14,187	29,694	24,105
- Interest income	289	213	393	283
- Interest expenditure	-57	-68	-2,556	-1,635
- Other financial result: income	0	0	3,162	0
- Other financial result: expenses	0	0	0	0
- Income from long-term equity investments	0	0	0	0
- Write-downs of long-term financial assets	0	0	-655	0
- Profit/loss from associated companies accounted for using the equity method	58	119	0	0
Result from ordinary activities	22,877	14,451	30,038	22,753
- Currency exchange gains/losses				
Profit before taxes	22,877	14,451	30,038	22,753
- Income taxes				
- Discontinued operations	-5,330	94	-1,858	-7,353
Consolidated net income for the year				
thereof attributable to the stockholders of the parent				
thereof attributable to minority interests				

Total operating segments		Other companies		Reconciliation		Consolidated	
Dec. 31, 2015 €'000	**Dec. 31, 2014 €'000**	**Dec. 31, 2015 €'000**	**Dec. 31, 2014 €'000**	**Dec. 31, 2015 €'000**	**Dec. 31, 2014 €'000**	**Dec. 31, 2015 €'000**	**Dec. 31, 2014 €'000**
932,781	828,794	19	67				
7,690	3,706	62	0	-7,752	-3,706		
940,471	832,500	81	67	-7,752	-3,706	932,800	828,861
-668,506	-576,647	0	0	6,857	2,675	-661,649	-573,972
-162,180	-159,656	-7,711	-6,765	0	0	-169,891	-166,421
-35,942	-35,366	-3,143	-2,495	895	1,031	-38,190	-36,830
73,843	60,831	-10,773	-9,193	0	0	63,070	51,638
-21,562	-22,539	-445	-325	0	0	-22,007	-22,864
52,281	38,292	-11,218	-9,518	0	0	41,063	28,774
682	496	1,446	1,000	-1,485	-1,046	643	450
-2,613	-1,703	-2,313	-2,311	1,485	1,046	-3,441	-2,968
3,162	0	17	0	0	0	3,179	0
0	0	-64	0	0	0	-64	0
0	0	0	0	7	0	7	0
-655	0	-759	0	0	0	-1,414	0
58	119	0	0	0	0	58	119
52,915	37,204	-12,891	-10,829	7	0	40,031	26,375
				47	-9	47	-9
52,915	37,204	-12,891	-10,829	54	-9	40,078	26,366
				-10,791	-9,069	-10,791	-9,069
-7,188	-7,259	0	1,259	0	0	-7,188	-6,000
						22,099	**11,297**
						22,365	12,660
						-266	-1,363

Schedule of changes in non-current assets

	ACQUISITION OR PRODUCTION COSTS						
	At Jan. 1, 2015 €'000	Currency translation differences 2015 €'000	Additions from first-time consolidation 2015 €'000	Additions 2015 €'000	Disposals 2015 €'000	Transfers 2015 €'000	At Dec. 31, 2015 €'000
Property, plant and equipment	68,548	62	150	13,194	9,976	0	71,978
Intangible fixed assets							
Software and others	13,561	3	33	2,744	3,059	0	13,282
Client lists	45,365	1,151	2,875	370	472	0	49,289
Goodwill	86,494	1,428	4,488	0	59	0	92,351
Long-term financial assets	2,036	0	0	0	2	0	2,034
Financial assets accounted for using the equity method	893	0	0	59	0	0	952
Loans	99	0	0	3,733	1,431	0	2,401
Total	**216,996**	**2,644**	**7,546**	**20,100**	**14,999**	**0**	**232,287**

Fiscal year 2014

	ACQUISITION OR PRODUCTION COSTS						
	At Jan. 1, 2014 €'000	Currency translation differences* 2014 €'000	Additions from first-time consolidation 2014 €'000	Additions 2014 €'000	Disposals 2014 €'000	Transfers 2014 €'000	At Dec. 31, 2014 €'000
Property, plant and equipment	34,306	30	23,264	21,587	9,806	-833	68,548
Intangible fixed assets							
Software and others	10,614	0	23,526	5,894	6,139	-20,334	13,561
Client lists	22,209	1,177	22,123	45	189	0	45,365
Goodwill	50,933	1,460	34,906	0	0	-805	86,494
Long-term financial assets	72	0	1,959	5	0	0	2,036
Financial assets accounted for using the equity method	28,940	0	774	119	0	-28,940	893
Loans	60	0	37	4	2	0	99
Total	**147,134**	**2,667**	**106,589**	**27,654**	**16,136**	**-50,912**	**216,996**

* In 2013 currency translation differences were included in disposals, for goodwill, respectively, included in additions from first-time consolidation

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS							CARRYING AMOUNTS	
At Jan. 1, 2015 €'000	Currency translation differences 2015 €'000	Additions from first-time consolidation 2015 €'000	Additions 2015 €'000	Transfers 2015 €'000	Disposals 2015 €'000	At Dec. 31, 2015 €'000	At Dec. 31, 2015 €'000	At Dec. 31, 2014 €'000
30,895	15	103	9,729	0	9,090	31,652	40,326	37,653
7,855	0	20	2,464	0	2,975	7,364	5,918	5,706
16,776	407	0	9,814	0	472	26,525	22,764	28,589
19,571	0	0	0	0	0	19,571	72,780	66,923
1,969	0	0	0	0	0	1,969	65	67
500	0	0	0	0	0	500	452	393
0	0	0	1,414	0	1,414	0	2,401	99
77,566	**422**	**123**	**23,421**	**0**	**13,951**	**87,581**	**144,706**	**139,430**

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS							CARRYING AMOUNTS	
At Jan. 1, 2014 €'000	Currency translation differences* 2014 €'000	Additions from first-time consolidation 2014 €'000	Additions 2014 €'000	Transfers 2014 €'000	Disposals 2014 €'000	At Dec. 31, 2014 €'000	At Dec. 31, 2014 €'000	At Dec. 31, 2013 €'000
13,813	8	17,728	9,388	-833	9,209	30,895	37,653	20,493
5,088	0	18,279	9,233	-20,334	4,411	7,855	5,706	5,526
5,124	241	0	11,600	0	189	16,776	28,589	17,085
19,571	0	0	0	0	0	19,571	66,923	31,362
10	0	1,959	0	0	0	1,969	67	62
0	0	500	0	0	0	500	393	28,940
0	0	0	0	0	0	0	99	60
43,606	**249**	**38,466**	**30,221**	**-21,167**	**13,809**	**77,566**	**139,430**	**103,528**

Notes to the consolidated financial statements for the fiscal year January 1 to December 31, 2015

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM SE and its subsidiaries ('the CANCOM group' or 'the group') for the fiscal year 2015 were drawn up according to the International Financial Reporting Standards (IFRS) or the International Accounting Standards (IAS).

The corporate objective of CANCOM SE and its consolidated subsidiaries is IT architecture design, system integration and the provision of a range of managed services. As a provider of integrated solutions, CANCOM's main focus is on IT services, in addition to the distribution of hardware and software. Its IT services range includes the design of IT architectures and IT landscapes, design and integration of IT systems, and systems operation.

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

The fiscal year covers the period from January 1 to December 31, 2015. The address of the company's registered office is Erika-Mann-Strasse 69, 80636 Munich, Germany.

The shares of the common stock are traded on the Regulated Market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse, FWB) and are admitted to the Prime Standard under ISIN DE0005419105.

2. Adoption of new accounting standards

CANCOM SE has adopted all standards (IFRS and IAS) published by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) that were effective in the EU as at December 31, 2015. The relevant transitional provisions were observed. The necessary explanations required by the German Commercial Code (Handelsgesetzbuch, HGB) or the German Stock Corporation Act (Aktiengesetz, AktG) were added to the consolidated financial statements.

New reporting standards – implemented

The following accounting standards relevant to the CANCOM group were adopted by the company for the first time in the fiscal year 2015:

In May 2013, the IASB published IFRIC 21 Levies, which provides guidance on when to recognize a liability for a levy imposed by a government in accordance with legislation. The obligating event for the recognition of a liability is identified as the activity that triggers the payment of the levy in accordance with the relevant legislation. A liability to pay a levy is recognized only when the obligating event occurs. The obligating event can also occur over a period of time, in which case the liability is recognized progressively. IFRIC 21 was adopted retrospectively. The adoption of this interpretation had no major impact on the consolidated financial statements.

In December 2013, IASB published minor amendments and clarifications to IFRS 1, IFRS 3, IFRS 13 and IAS 40 under its annual IFRS improvements project for the 2011-2013 cycle. The amendments are effective for fiscal years beginning on or after January 1, 2015. IFRS 1 clarifies the meaning of effective IFRSs. The amendment to IFRS 3 clarifies the scope of exception for joint ventures. IFRS 13 clarifies the scope of portfolio exception. The amendment to IAS 40 clarifies the interrelationship of IFRS 3 and IAS 40 when classifying real estate as investment property or owner-occupied property.

The adoption of these amendments had no impact on the consolidated financial statements.

Accounting standards published – not yet implemented

The IASB and the IFRIC published the pronouncements described below, which were not mandatorily effective in the fiscal year 2015 or had not yet been formally adopted by the European Union. The pronouncements are only adopted by CANCOM from the date at which their adoption becomes mandatory. The pronouncements below only include those expected to apply to the consolidated financial statements of CANCOM SE.

In November 2013, the IASB published amendments to IFRS 9, IFRS 7 and IAS 39 with regard to hedge accounting. The object of the amendments was to broaden the hedged item and hedging instruments to be considered. In addition, there was a departure from the previous interval definition to determine the hedge effectiveness. Under the IFRS 9 model, it is necessary for there to be an economic connection between the hedged item and the hedging instrument, without the existence of quantitative thresholds. The amendments also provide for increased hedge accounting disclosure requirements. Particularly affected by this are disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2018.

In November 2013, the IASB published amendments to IAS 19 Employee Benefits, which clarified how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are effective for annual periods beginning on or after February 1, 2015. They are not expected to have a major impact on the CANCOM group.

In May 2014, IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets with regard to acceptable methods of depreciation and amortization. The amendments provide guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The amendments are effective for annual periods beginning on or after January 1, 2016. They are not expected to have a major impact on the group.

Also in May 2014, the IASB published 'Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)'. The amendments clarify the rules relating to accounting for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The CANCOM group currently has no joint operations as defined by IFRS 11.

Also in May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. According to IFRS 15, the recognition of sales revenue should depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Sales revenues are recognized when control is expected to pass to the customer. IFRS 15 also specifies the recognition of performance bonuses or performance obligations arising from the contract. These are presented as contract liabilities or contract assets, depending on the relationship between the entity's performance and the customer's payment. The new standard also requires entities to report a range of quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue, as well as the related interpretations. The standard is mandatorily effective for annual periods beginning on or after August 1, 2018. CANCOM is currently investigating the impact that adoption of IFRS 15 will have on the company's financial statements.

In July 2014, the IASB completed its project to replace IAS 39 Financial Instruments: Recognition and Measurement with the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a consistent approach for the classification and measurement of financial assets. As a basis, the standard refers to the cash flow characteristics and the business model according to which they are controlled. It also provides for a new expected loss impairment model.

IFRS 9 also contains new rules for the use of hedge accounting to reflect an entity's risk management activities, especially with regard to the control of non-financial risks. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. CANCOM SE is currently investigating the impact that adoption of IFRS 9 will have on the company's financial statements.

In September 2014, the IASB published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements. They clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. CANCOM SE is currently investigating the impact the amendments will have on the consolidated financial statements.

In December 2014, the IASB published 'Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)'. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after January 1, 2016. Since CANCOM SE does not qualify as an investment entity, no impact on the group is anticipated.

Also in December 2014, the IASB published 'Disclosure Initiative (Amendments to IAS 1)'. The amendments aim to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after January 1, 2016. The company is currently investigating whether the amendments will have any impact on the consolidated financial statements.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments are effective for annual periods beginning on or after February 1, 2015. They are not expected to have any major impact on the CANCOM group.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, a collection of amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after July 1, 2016. They are not expected to have any major impact on the CANCOM group.

In January 2016, the IASB published IFRS 16 Leases. The central idea of the new standard is to bring most leases and the rights and obligations arising under them on-balance sheet for lessees, eliminating the distinction between finance and operating leases required by IAS 17. However, the rules for lessor accounting are similar to those required by IAS 17, with the leases continuing to be classified as either finance or operating leases.
The new rules are mandatorily effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that IFRS 15 is also applied.

In January 2016, IASB published amendments to IAS 7 Statement of Cash Flows under its disclosure initiative. The amendments aim to improve information about the changes in an entity's liabilities. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. Entities do not need to provide comparative information for the previous year when they first apply the amendments. The group anticipates that the amendments will give rise to extended disclosures in the Notes to the accounts.

Also in January 2016, the IASB published 'Recognition of Deferred Tax Assets for Unrealized Losses', which contains amendments to IAS 12 Income Taxes. The amendments clarify that impairments on the acquisition cost of debt instruments measured at fair value as a result of a change in the market interest rate, give rise to deductible temporary differences. The IASB also clarifies that deductible temporary differences should generally be assessed together to determine whether sufficient taxable income is expected to be generated in the future to enable these to be utilized and thus recognized at this rate. An independent assessment should only be made if and in so far as the tax law distinguishes between different types of taxable profits. The IASB has also added rules and examples to IAS 12 that clarify how the future taxable income for the accounting of deferred tax assets should be calculated. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2017. They are not expected to have any major impact on the CANCOM group.

3. Reporting entity

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

Acquisitions in the fiscal year 2015

CANCOM SE has acquired all of the shares of Xerabit GmbH, based in Unterschleissheim, Germany, for the nominal sum of € 100 thousand. The acquisition is documented by a contract of sale signed on November 11, 2015. The purchase price was € 8,500 thousand. Incidental acquisition costs of € 117 thousand are disclosed under other operating expenses in the statement of income.

Xerabit GmbH provides consulting and integrated IT solutions for business-critical data center infrastructure, as well as IT processes, software and services.

The company has three locations in Germany. In 2015 it employed an average of 22 people and generated EBITDA of € 1.6 million, with sales revenues of around € 27 million.

The company was included in the consolidated financial statements with effect from November 30, 2015.

Change in the reporting entity in 2015:

Name and registered office of the company	Date from which included in the consolidated financial statements	Stake-holding (in percent)	Voting rights (in percent)
Xerabit GmbH, Unterschleissheim, Germany	November 30, 2015	100	100

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at November 30, 2015, the date from which Xerabit GmbH was included in the consolidated financial statements.

	Fair value € '000	Carrying amount € '000
Cash and cash equivalents	5,426	5,426
Trade accounts receivable	410	410
Other current financial assets	8	8
Inventories	89	89
Prepaid expenses and other current assets	1,900	1,900
Current assets	**7,833**	**7,833**
Property, plant and equipment	47	47
Intangible assets	2,889	14
Other financial assets	1	1
Deferred tax resulting from temporary differences	15	15
Other assets	17	17
Non-current assets	**2,969**	**94**
Total assets	**10,802**	**7,927**
Trade accounts payable	2,461	2,461
Prepayments received	803	803
Other current financial liabilities	7	7
Provisions	142	142
Deferred income	1,742	1,742
Income tax liabilities	254	254
Other current liabilities	519	519
Current liabilities	**5,928**	**5,928**
Deferred taxes	850	0
Other non-current liabilities	12	12
Non-current liabilities	**862**	**12**
Total liabilities	**6,790**	**5,940**
Net assets acquired	**4,012**	**1,987**

The acquisition of the company resulted in goodwill of € 4,488 thousand at the acquisition date, which is not tax-deductible. The main reason for the acquisition itself, and for recognizing goodwill, was to acquire Xerabit GmbH's network and gain access to its clients.

The sales revenues from Xerabit GmbH included in the consolidated sales revenues since the time of acquisition amount to € 1,358 thousand, and the profit included in the consolidated profit amounts to € 62 thousand.

Disposals in the fiscal year 2015

CANCOM GmbH (subsidiary of CANCOM SE) has sold its shares in acentrix GmbH. The transaction is documented in a stock purchase and transfer agreement dated March 25, 2015. The shares were transferred on March 31, 2015.

The purchase price was € 132,376.00

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

	Balance as at March 31, 2015 € '000
Cash and cash equivalents	-43
Trade accounts receivable	-811
Other current financial assets	-9
Orders in process	-159
Prepaid expenses and other current assets	-121
Total current assets	**-1,143**
Property, plant and equipment	-115
Intangible assets	-15
Goodwill	-59
Deferred taxes from temporary differences	-35
Total non-current assets	**-224**
Total assets	**-1,367**
Trade accounts payable	-79
Other current financial liabilities	-30
Provisions	-3
Other current liabilities	-299
Total current liabilities	**-411**
Deferred taxes from temporary differences	-30
Other non-current financial liabilities	-663
Other non-current liabilities	-2
Total non-current liabilities	**-695**
Total liabilities	**-1,106**
Net assets acquired	**-261**

Pironet NDH Aktiengesellschaft, a subsidiary of CANCOM SE, has sold its shares in Pirobase Imperia GmbH (formerly Imperia AG). The sale is documented in a contract of sale dated May 19/20, 2015. The shares were transferred on June 30, 2015.

The purchase price was € 1.

The assets and liabilities were presented as held for sale, owing to their classification as discontinued operations.

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

	Balance as at June 30, 2015 € '000
Assets held sor sale	-9,040
Total current assets	**-9,040**
Total assets	**-9,040**
Liabilities directly associated with assets held for sale	-6,109
Total current liabilities	**-6,109**
Total liabilities	**-6,109**
Net assets sold	**-2,931**

4. Accounting and valuation policies

The basic accounting and valuation policies used to prepare the consolidated financial statements are explained below. The methods described were used consistently for the reporting periods shown, unless declared otherwise.

There has been no early adoption of standards that came into effect after the accounting date, so these standards have had no impact on the earnings, financial and assets position of the group.

Preparation of the single-entity financial statements included in the consolidated statements

The financial statements of the German and non-German companies included in the consolidated financial statements were prepared as at the balance sheet date for CANCOM SE.

Principles of consolidation

The consolidated financial statements are based on the single-entity financial statements of the companies consolidated in the financial statements of CANCOM SE.

The single-entity financial statements of the subsidiaries were included in the consolidated statements according to the acquisition method. Assets, liabilities and contingent liabilities identifiable within the scope of a business combination are valued at their acquisition-date fair value when they are first included in the consolidated accounts. The excess of the acquisition cost over the group's share in the fair value of the net assets is recognized as goodwill. In line with IFRS 3 Business Combinations, IAS 36 Impairment of Assets and IAS 38 Intangible Assets, goodwill is no longer subject to an amortization plan. Instead, an impairment test must be carried out at least once a year to establish whether downward revaluation is necessary. The reviews of goodwill based on market values are to be carried out at business unit (cash generating unit) level. For the purposes of this rule, a business unit is an operating segment or one level below.

Profits, losses, revenues, expenses and income within the group, and accounts payable and receivable between the group companies, are eliminated. Interests held by other shareholders are shown as a separate adjusting item under the equity capital.

Estimates and assumptions

Discretionary decisions must be made when applying the accounting and valuation policies. The points below describe the most significant assumptions made about the future, and other major sources of uncertainty existing at the reporting date with regard to estimates. On account of these, there is a risk that an adjustment in the carrying amounts of assets and liabilities will be necessary within the next fiscal year:

- The fair values of assets and liabilities and the useful life of assets are calculated on the basis of assessment by the management, as is the impairment of property, plant and equipment, intangible assets and financial assets.

- There are bad debt provisions in order to make allowances for doubtful accounts arising from clients' inability or unwillingness to pay.

- Assumptions must also be made when calculating current and deferred taxes. The possibility of generating corresponding taxable income plays a particularly important role in assessing whether deferred tax assets can be used.

- The estimation of realizable profits plays an important role in the reporting and measurement of other provisions, especially in connection with variable purchase price components.

- In addition, the main estimated values in reporting and measuring pension provisions are discount factors, expected salary and pension trends, staff turnover and expected mortality.

Where the above uncertainties regarding valuations exist, the best available knowledge given the circumstances at the balance sheet date is used. The actual amounts may differ from the estimates. The carrying amounts that are included in the financial statements and that are subject to these uncertainties can be found in the balance sheet and/or the corresponding explanations in the notes.

At the time of compilation of the consolidated financial statements, no material changes in the assumptions forming the basis of the reporting and valuation are to be expected. In this respect no noteworthy adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities in the fiscal year 2015 are currently expected.

Currency conversion principles

Foreign currency business transactions in the single-entity financial statements of the companies are recognized at the exchange rate applicable at the time of the initial entry. Gains and losses from exchange rate fluctuations are recognized in the statement of income. Conversion of the financial statements of international subsidiaries is carried out according to the concept of functional currency. Within the CANCOM group, all international subsidiaries are financially independent, and therefore the relevant national currency of the subsidiary is the functional currency. The assets, liabilities and equity are accordingly converted at the rate of exchange applicable on the reporting date, while income and expenditure are converted at the average rate for the year. Differences from the conversion rate on the reporting date in the previous year and between the net income for the year shown in the balance sheet and in the statement of income are recognized directly in equity and shown separately under other comprehensive income.

Currency	2015	2014	2013
US dollar			
Rate on reporting date	EUR 1 = USD 1.0887	EUR 1 = USD 1.2153	EUR 1 = USD 1.3767
Average rate	EUR 1 = USD 1.1095	EUR 1 = USD 1.3286	EUR 1 = USD 1.3281
Swiss francs			
Rate on reporting date	EUR 1 = CHF 1.0835	EUR 1 = CHF 1.2024	EUR 1 = CHF 1.2267
Average rate	EUR 1 = CHF 1.0679	EUR 1 = CHF 1.2146	EUR 1 = CHF 1.2310
British pounds			
Rate on reporting date	EUR 1 = GBP 0.7340	EUR 1 = GBP 0.7785	
Average rate	EUR 1 = GBP 0.7258	EUR 1 = GBP 0.7891	

The currency translation differences recorded result in income of € 47 thousand. The currency translation differences shown in the financial statements for the fiscal year as a separate item under equity amount to € 572 thousand (2014: € 548 thousand). As at December 31, 2015, the reserve for currency translation amounts to € 1,093 thousand (2014: € 516 thousand).

Realization of income/sales revenues

Revenues from sales of hardware and software are realized when ownership and risk passes to the client, if payment is pre-arranged or determinable by contract and it is probable that the receivables relating to the sale will be recovered. Sales revenues relating to the professional services segment are realized only after acceptance by the client, or installation, if this is an essential condition for the initial operation of the product. Sales revenues are shown less discounts, price reductions, client bonuses or rebates.

Service contracts in progress are recognized using the percentage of completion (POC) method in accordance with IAS 18 and IAS 11. The stage of completion is calculated from the ratio between the costs of the contract at the balance sheet date and the estimated total costs of the contract, unless this would distort the representation of the stage of completion. If the outcome of a contract can be estimated reliably, revenues and costs are recognized at the balance sheet date in proportion to this stage of completion. If the outcome of a contract cannot be reliably estimated, revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. An explanation of the sales revenues calculated using the POC method can be found in section E.1.

Payments on an operating lease are recorded as expenses in the statement of income using the straight-line method over the term of the lease contract, unless another systematic fundamental corresponds more closely to the changes in the benefit to the company over the term. An operating lease is one in which not all major risks and opportunities are assigned to the lessee by the leasing contract. The company reviews all lease contracts at regular intervals to establish whether operating or finance lease terms apply.

In finance leases in which the company is the lessee, the leases are recognized in the balance sheet at the beginning of the term of the lease as assets and liabilities of equal value. They are measured at the fair value of the leased asset at the beginning of the term of the lease or at the present value of the minimum lease payments, if this is lower.

In finance leases in which the company is the lessor, the asset values of the lease are recognized in the balance sheet and presented as an account payable at the net investment value of the lease.

The rental agreement concluded for the premises in Erika-Mann-Strasse 69, in Munich, Germany, represents a major lease agreement. The lease term ends in 2022. There is no purchase option, but there is an option to extend the lease.

Leases in which the company is lessor	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Financial income not yet realized	Total minimum lease payments
	< 1 year	< 1 year	> 1 < 5 years	> 1 < 5 years	> 5 years	> 5 years		
	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000
Operating lease	79	0	6	0	0	0	8	86
Finance lease	4,127	3,698	7,828	7,387	0	0	870	11,955

Leases in which the company is lessee	Net carrying amount at Dec. 31, 2015	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Total subleases	Recognized lease payments in 2015*
		< 1 year	< 1 year	> 1 < 5 years	> 1 < 5 years	> 5 years	> 5 years		
	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000	€‘000
Operating lease (operating segment)	0	7,966	0	11,991	0	4,271	0	0	9,114
Finance lease	1,657	470	410	2,550	482	1,959	765	3,020	0

*minimum lease payments only

The finance leases where the company is the lessor relate to leases of hardware and software components. The total minimum lease payments amount to € 11,955 thousand (2014: 7,413 thousand), less the total interest income not yet fully realized of € 870 thousand (2014: € 678 thousand). This results in an aggregate present value of € 11,085 thousand (2014: € 6,735 thousand).

In finance leases where the company is the lessee, the total minimum lease payments amount to € 3,020 thousand (2014: € 3,455 thousand), less the total interest income not yet fully realized of € 1,363 thousand (2014: € 1,433 thousand), resulting in an aggregate present value of € 1,657 thousand (2014: € 2,022 thousand).

There are generally no options to extend or purchase with the above lease agreements. Apart from the lease contract for Erika-Mann-Strasse 69, in Munich, Germany, for which the rent payments are linked to the national consumer price index, there are no adjustment clauses. There are incidental costs in relation to this rental agreement, but there are no other restrictions in relation to the lease agreements that would affect dividends, additional liabilities or other lease agreements.

Interest income is accrued under the relevant period, taking into account the outstanding loan amount and the applicable interest rate. The applicable interest rate is the interest rate that discounts the anticipated future cash inflows over the life of the financial asset with regard to the carrying amount of the asset.

Dividend income from financial investments is recognized as soon as a shareholder becomes entitled to a dividend.

Earnings per share

Earnings per share are measured in accordance with IAS 33 Earnings per Share. The basic earnings per share are calculated by dividing the consolidated profit/(loss) less minority interests by the weighted average number of common shares outstanding in the fiscal year. For details on how the earnings per share are calculated, please see the statement of income.

Current assets

Inventories are valued at the lower of cost and net realizable value in accordance with IAS 2.9. Cost includes direct materials costs and, where applicable, direct production costs as well as any overheads incurred in bringing the inventories to their current location and condition. It is calculated according to the weighted average method and measured item-by-item according to the lower of cost or market principle. The net realizable value is the estimated selling price less all estimated costs up to completion and the cost of marketing, sales and distribution. Items with reduced marketability are valued at the lower net realizable value.

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

Any borrowed capital costs associated with manufacturing are capitalized.

Contracts in progress are valued by the percentage of completion method, in which revenue and costs are recognized in proportion to the stage of completion of contract activity, in accordance with IAS 18 and IAS 11.

Accounts receivable are shown at their net sale proceeds value, allowing for a write-down for receivables that may not be recoverable. Where the agreed interest rate for long-term receivables is less than the market rate, the nominal amount of the receivable is discounted. Trade receivables are not discounted. If a receivable is unlikely to be recoverable, the amount is written down.

Other assets are shown at their nominal values, less specific allowances for bad debts, if necessary.

Cash and cash equivalents include cash in banks and cash in hand, and cash deposits that are not subject to any considerable value fluctuation and can be turned into cash within a period of maximum three months.

Prepaid expenses are accrued to charge expenses to their relevant accounting period, and are measured at their nominal value.

Property, plant and equipment

Property, plant and equipment are carried at cost less depreciation in accordance with IAS 16. They are depreciated over their useful lives using the straight-line method and valued on the basis of the following useful lives:

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

Cost includes expenditure directly attributable to acquisition. Subsequent costs are only recorded as part of the asset costs or – where relevant – as separate assets if it is probable that the group will obtain economic benefit from them in the future and the asset costs can be reliably determined. All other repair and maintenance costs are recorded as expense in the fiscal year in which they occur. The carrying amounts and useful lives are reviewed at every balance sheet date and adjusted where necessary. Low-value assets with costs of € 150 or less are written off in full as operating expenses in the year of their acquisition.

Asset values are written down when there is expected to be permanent impairment as a consequence of changed circumstances. At each balance sheet date assets are reviewed to look for any indication of impairment. If such indications are present, the company makes an estimate of the recoverable amount for the relevant asset. The recoverable amount is the higher of the value in use of the asset and the fair value less costs to sell. To calculate the value in use, the estimated future cash flows are discounted to their present value, taking as a basis a discount rate before tax which reflects the current market expectations in terms of the interest effect and the specific risks of the asset. If the fair value cannot be calculated reliably, the value in use of the asset is taken as the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and written down to its recoverable amount. If necessary the impairment charges are included in a separate expense item.

The need for partial or complete write-up is reviewed as soon as there are indications that the reasons for the depreciation carried out in the preceding fiscal years because of impairment no longer exist. A previously determined impairment charge must be derecognized if there has since been a change in the estimates used as a basis for calculating the recoverable amount. If this is the case, the carrying amount of the asset must be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would result after taking into consideration the depreciation if no impairment charge had been recorded in the earlier years. Such a write-up is immediately included in the result of the fiscal year. Once a write-up has been carried out, the provision for depreciation in future reporting periods is adjusted in order to distribute the adjusted carrying amount of the asset, less any residual carrying amount, systematically over its remaining useful life. There were no impairments in the year under review.

Intangible assets

In line with IAS 38, goodwill and other intangible assets acquired are recognized at cost and the estimated residual carrying amount is written down using the straight-line method over the expected useful life of the assets. Assets are written down uniformly throughout the group using the straight-line method over the period in which the relevant company expects to benefit from the asset (generally over a useful life of 3 to 12 years). Goodwill from acquisitions is not amortized according to plan. Instead, it is subject to an impairment test at least once a year (in line with IFRS 3 and IAS 36). IAS 38 distinguishes between intangible assets with finite lives and those with indefinite lives. Only intangible assets with finite lives are amortized according to plan, in contrast to intangible assets with indefinite lives. These are assessed for impairment at least once a year in accordance with IAS 36. With the exception of goodwill, all intangible assets have finite lives.

The costs of development activities are capitalized if the development costs can be calculated reliably, the product or the process is technically and economically realizable and future economic benefit is probable. The company must also have the intention and sufficient resources to conclude the development and to use or sell the asset.

Goodwill and first inclusion of acquired companies in the group financial statements

Group companies are included in the consolidated financial statements by the acquisition method. Under this method the acquired company's assets, liabilities and contingent liabilities identified according to IFRS 3 are valued at their acquisition-date fair value, and the costs of the acquirer are balanced against these (purchase price allocation). The interests in the fair values of assets and liabilities not acquired are shown as non-controlling interests.

Any excess of the acquisition costs over the value of the acquired equity is capitalized as goodwill and subsequently subjected to a regular annual impairment test at the end of each fiscal year. In line with IAS 36, goodwill is tested for impairment at reporting unit (cash generating unit) level, following segment reporting. In this process the carrying amounts of cash generating units are compared with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the unit's value in use.

Financial assets accounted for by the equity method

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

If there are such indications, CANCOM calculates the necessary write-down from the difference between the realizable amount and the carrying amount of the associate.

Financial assets / financial instruments

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

Financial assets are divided into the following categories:
- financial assets recognized at fair value in the statement of income;
- held-to-maturity investments;
- available-for-sale financial assets;
- loans and receivables.

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

Loans are categorized as loans and receivables. These are valued according to the effective interest rate method at carrying amounts less any impairment.

Investments are assigned to the category of available-for-sale financial assets. If no market values can be calculated reliably, they are valued at their carrying amounts.

If there are objective, substantial indications of impairment of financial assets in the categories of loans and receivables, held-to-maturity investments or available-for-sale financial assets, an assessment is carried out to establish if the carrying amount exceeds the present value of the expected future cash flows which are discounted with the current market returns of a comparable financial asset. If this is the case, the asset is written down by the amount of the difference. Indications of impairment include a company making an operating loss over several years, a fall in the market value, a significant deterioration in credit rating, a particular contract violation, a high probability of insolvency or another form of financial restructuring of the debtor.

If the reasons for impairment losses previously assessed no longer apply, corresponding write-ups are made, although not beyond cost. No write-ups are carried out on available-for-sale equity securities, which are valued at carrying amounts.

Financial assets are derecognized when the contractual rights for payments from the financial assets expire or the financial assets are transferred with all major risks and opportunities.

Fair value measurement

The group measures certain financial instruments (e.g. derivatives) at fair value at each reporting date. The fair value is the price that would be received or paid for the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. In measuring the fair value it is assumed that the transaction to sell the asset or transfer the liability takes place either

- in the principal market for the asset or the liability; or
- in the absence of a principal market, in the most advantageous market for the asset or the liability.

The group must have access to the principal market or the most advantageous market.

The fair value of an asset or a liability is measured according to the assumptions on which the market participants would base the pricing of the asset or the liability. It is assumed that the market participants are acting in their own economic best interests.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefit from the highest and best use of the asset or by selling it to another market participant, who finds the highest and best use for the asset.

The group uses measurement techniques that are appropriate under the relevant circumstances and for which sufficient data is available for measurement of the fair value. Both observable and unobservable inputs are used.

All assets and liabilities for which the fair value has been determined or presented in the financial statements are categorized in the fair value hierarchy below. Where the inputs used to measure their fair values are categorized in different levels of the fair value hierarchy, the measurement is categorized in its entirety in the same level of the hierarchy as the lowest level input that is significant to the measurement:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – Method of measurement in which the input of the lowest level that is significant to the entire fair value measurement is observable in the market, either directly or indirectly

Level 3 – Method of measurement in which the input of the lowest level that is significant to the entire fair value measurement is not observable in the market.

For assets and liabilities recorded in the financial statements on a recurring basis, the group decides whether any changes in the groupings between the levels of the hierarchy have taken place by reviewing the classification at the end of each reporting period (based on the input of the lowest level that is significant to the entire fair value measurement).

The staff responsible for the group accounting process and the Executive Board together set guidelines and procedures for recurring and non-recurring fair value measurement.

To fulfill the disclosure requirements with regard to fair values, the group has defined groups of assets and liabilities on the basis of their nature, characteristics and risks, and the levels of the fair value hierarchy explained above.

Deferred taxes

Deferred taxes are included for the differences between the carrying amount of the assets and liabilities in the consolidated financial statements and the corresponding tax recognition in the calculation of taxable income, and are added to the balance sheet according to the asset and liability method. Deferred tax liabilities are included in the balance sheet for all assessable temporary differences. Deferred tax assets are included if it is likely that assessable profits are available for which the deductible temporary differences can be used. Deferred taxes are not recognized if the temporary differences are the result of goodwill.

The carrying amount of the deferred tax assets is checked each year at the reporting date and lowered if it is no longer likely that there is sufficient taxable income available to realize the claim.

Deferred taxes are calculated on the basis of the tax rates expected to apply at the time of the fulfilment of the liability or the realization of the asset. The valuation of deferred tax claims and tax liabilities reflects the tax consequences that would arise from the way in which the group expects to fulfil the liability or realize the asset at the balance sheet date.

Deferred tax claims and tax liabilities are balanced when there is an enforceable right to set off current tax claims with current tax liabilities, and when they are associated with income taxes which are levied by the same tax authority.

Provisions and liabilities

Provisions for employee benefits mainly include performance-based pension obligations, which are determined on the basis of actuarial reports using the projected unit credit method and taking into account future increases in salary and pensions. Under defined contribution pension schemes, provisions are only made for the value of contributions still outstanding at the reporting date. In the event of any unforeseen changes in pension obligations or plan assets, there may be actuarial gains or losses which are not recognized in the statement of income. The version of IAS 19 effective from 2013 is mandatorily effective for the fiscal year 2015, so the only effective method is now the other comprehensive income (OCI) method. This means actuarial gains and losses are recognized directly in equity.

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

Other provisions are made where there is an uncertain current obligation arising from an event that occurred in the past with a legal or factual cause, which is expected to be claimed and which can be reliably quantified. The obligation is valued on the basis of best estimate, taking into account unit costs and overheads. General administrative, distribution and development costs are not taken into account.

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

Utilized overdraft facilities are shown in the balance sheet as short-term loans under short-term financial liabilities.

B. Details of financial instruments

Classification of financial instruments

Financial assets and financial liabilities are grouped into different classes of financial instruments, in line with IAS 39 and IFRS 7. The categories are also presented in aggregated form.

	Category in line with IAS 39 and IFRS 7	Carrying amount Dec. 31, 2015 €'000	Fair value Dec. 31, 2015 €'000	Carrying amount Dec. 31, 2014 €'000	Fair value Dec. 31, 2014 €'000
Assets					
Cash and cash equivalents	LaR	85,802	85,802	114,295	114,295
Securities held as fixed assets	AfS	65	65	67	67
Trade accounts receivable	LaR	145,760	145,760	134,846	134,846
Other financial assets	LaR	15,164	15,164	12,184	12,184
Other financial assets	FApl *	111	111	0	0
Other assets	LaR	7,062	7,062	1,909	1,909
Liabilities					
Short-term loans and current component of long-term loans	FLAC	1,386	1,386	1,711	1,711
Capital from profit participation rights and subordinated loans (short term portion)	FLAC	12	12	1,985	1,985
Trade accounts payable	FLAC	106,781	106,781	108,440	108,440
Long-term loans	FLAC	2,865	3,210	3,632	4,146
Convertible bonds	FLAC	40,434	41,069	39,144	40,117
Capital from profit participation rights and subordinated loans (short term portion)	FLAC	4,761	7,020	4,332	7,238
Other financial liabilities	FLAC	7,962	7,962	6,472	6,472
Other liabilities	FLAC	34,650	34,650	38,883	38,883
of which aggregated according to categories in line with IAS 39:					
Financial Assets at fair value though profit or loss (FApl)		111	111	0	0
Loans and Receivables (LaR)		253,788	253,788	263,234	263,234
Held-to-Maturity Investments (HtM)		0	0	0	0
Available-for-Sale Financial Assets (AfS)		65	65	67	67
Financial Assets Held for Trading (FAHfT)		0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)		198,851	202,090	204,599	208,992
Financial Liabilities Held for Trading (FLHfT)		0	0	0	0

* first time in financial year 2015

Cash and cash equivalents, trade accounts receivable and other receivables mainly have short remaining terms. Their carrying amounts at the balance sheet date are therefore roughly equivalent to their fair value.

In the same way, trade accounts payable and other liabilities usually have short remaining terms. The amounts recognized are roughly equivalent to their fair value.

The table below shows the financial instruments measured at fair value according to their hierarchy levels.

Class of financial instrument	Reporting date	NPrices at which listed on active markets (level 1) €'000	Main observable inputs (level 2) €'000	Main unobservable inputs (level 3) €'000	Total €'000
Long-term investments	Dec. 31, 2015	-	65	-	65
Currency futures	Dec. 31, 2015	-	111	-	111
Long-term investments	Dec. 31, 2014	-	67	-	67
Currency futures	Dec. 31, 2014	-	0	-	0

Financial assets classified as available for sale are not payable at term, are not held for commercial purposes and are available for sale at any time.

The fair values of the securities are equivalent to the quantities multiplied by the prices quoted at the balance sheet date.

Financial derivatives for which there is no hedge relationship are recognized at their fair value in the statement of income in the category of 'at fair value through profit or loss'. The net gains and losses are calculated by comparing the fair values.

Net gains or losses from financial assets and liabilities classified as available for sale are shown under other comprehensive income in accordance with IFRS 7.20. There were net gains of € 111 thousand (2014: € 0) from financial assets measured at fair value and recognized in the statement of income. Hedging instruments as defined by IFRS 7.22-23 were not in use as at December 31, 2015.

The fair values of loans, convertible bonds, capital from participation rights and subordinated loans, as well as other financial liabilities, are calculated as the present values of the payments arising from the debts and on the basis of the market interest rates of comparable financial instruments.

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

The effective interest rate is the interest rate that discounts the estimated future payments (including all fees and charges that are part of the effective interest rate, transaction costs, and other premiums and discounts) over the expected life of the debt instrument, or a shorter period where applicable, to their carrying amounts at the time of their first inclusion in the financial statements.

Where the remaining term is less than one year, the amounts recognized are roughly equivalent to their fair values.

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

Using the effective interest rate method to measure financial liabilities not recognized at their fair value gives rise to an interest expense of € 687 thousand, which is recognized in the statement of income. This relates to the FLAC category.

Risk management

CANCOM's risk policy is geared towards the early identification of severe or serious risks that could endanger the future of the company as a going concern, and aims to handle them in a responsible manner. To define an adequate system of risk controlling and ensure it can be applied, the Executive Board has drawn up a risk policy and appointed a central risk officer who regularly monitors, measures and controls any risks that may emerge.

As part of CANCOM's risk analysis procedure, risks are regularly classified and valued according to the probability of their occurrence and their severity, and the information is then arranged in a risk matrix. All these risks become the responsibility of a special appointee. If the risks are quantifiable, they are measured with the aid of appropriately defined key figures. If no precisely defined ratios are available, the risks are assessed by the special appointee.

For risks to the company as a going concern, the system for early identification of risks includes the definition of early warning indicators. Changes or trends in these are continually monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officer ensure the sustained and timely control of present and future risks.

Liquidity risk
CANCOM's exposure to liquidity risks is limited due to its strong equity position and the long-term nature of borrowed funds, in addition to its use of non-recourse factoring.

For a number of years CANCOM has been using a liquidity management system with daily monitoring of the changes in liquidity and assessment of the liquidity risks, with both short-term and long-term liquidity planning.

CANCOM has maintained a sufficient level of net liquidity through retention of profits and the increase in the capital stock. In addition, short-term liquidity is guaranteed at all times by credit facilities and factoring agreements. Long-term liquidity is safeguarded through long-term bank loans and ample equity. Loans have been significantly reduced and they are almost all long-term at the balance sheet date.

Early refinancing of financial liabilities minimizes the liquidity risk. The table below was derived from the balance sheet and the contractual bases in addition to other lease contract records, and shows the maturities:

	2016 € '000	2017 € '000	2018-2020 € '000	2021 and thereafter € '000
Trade accounts payable	106,781	0	0	0
Liabilities to banks	1,386	784	2,081	0
Convertible bonds	0	0	40,434	0
Capital from profit participation rights and subordinated loans	12	633	4,128	0
Other financial liabilities	5,795	97	261	152
Financial leases	410	482	765	
Other financial obligations	7,966	4,374	7,617	4,271
Interest payments	772	715	7,230	0

The group has access to credit facilities. As at December 31, 2015, the group had credit and guarantee facilities of € 47,945 thousand (2014: € 38,800 thousand. The full amount not yet utilized as at the balance sheet date is € 40,226 thousand (2014: € 32,423 thousand). There were no delays in the payment of interest or capital on loans during the fiscal year 2015.

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

CANCOM does not engage in currency speculation and has an ongoing currency management policy. This involves hedging against any foreign exchange risks that may arise from orders. The operating units are not allowed to take out loans or make investments in foreign currencies for speculative purposes. For funding or investments within the group, preference is given to use of the functional currency or hedging. For currency transactions involving sums in excess of € 20 thousand, there is an approval system where hedging decisions are taken on an individual basis.

At December 31, 2015, the carrying amount of the group's monetary assets and liabilities in foreign currencies is as follows:

	Dec. 31, 2015 '000	Dec. 31, 2014 '000
Assets in USD	29,250	37,022
Liabilities in USD	15,721	28,077
	13,529	**8,945**
Assets in CHF	0	0
Liabilities in CHF	3	2
	-3	**-2**
Assets in GBP	5	3
Liabilities in GBP	0	9
	5	**-6**

Currency risks did not result in any significant concentration of risks arising from financial instruments in the fiscal year 2015.

Interest risk
Due to the mainly long-term nature of its funding, CANCOM is not exposed to any serious interest risks. In the past, fluctuations in interest rates have had only minimal effects on the net income for the year. CANCOM's strong equity position also gives the group access to credit at favorable rates.

There is a risk management system in place to optimize interest risks. This involves continually observing market interest rates and the rates paid by the group, and also maintaining constant contact with banks. Master loan agreements provide for interest rates to be adjusted. Concrete plans for interest hedges only exist in the case of heavy fluctuation.

Default risk
There is a credit risk for CANCOM in that the value of the assets could be impaired if transaction partners do not comply with their obligations. To minimize the credit risks, deals are concluded only subject to predetermined risk limits.

The default risks are the prevailing market risks. These are allowed for by appropriate provisions. The group is not subject to any material default risks of a contract party or a group of contract parties with similar characteristics. The group defines contract parties as having similar characteristics if they are related companies. In view of the financial market crisis, the internal guidelines for credit insurance and for the issuing of credit limits have been stepped up.

The maximum theoretical default risk for the categories shown above is equal to the carrying amounts shown. With the exception of the foreign currency hedging mentioned above, the group has no other securities that would reduce the default risk.

Market risks

Sensitivity analyses are conducted for currency risks, and interest risks are then quantified.

Currency risk
Currency risks arise particularly when there are, or will be, receivables, liabilities, cash and cash equivalents, and planned transactions in a currency other than the domestic currency of the company.

In an analysis of the foreign exchange risk, the scenario technique was used to find out to what extent significant fluctuations in the value (increases or decreases of 5 percent in the exchange rate) of the relevant currencies have an impact on CANCOM's business performance. The finding was that if there were a negative outcome the result for the period would be reduced by € 2 thousand and the equity would be reduced by € 300 thousand.

Both effects are negligible in the overall context and thus do not necessitate any further measures.

Interest risk
All interest risks that the group is exposed to depend on its profits. They only arise when the company makes a profit.

Financial market risk
CANCOM SE's risk manual was reviewed in 2015 to take into account any risks arising from the financial market crisis.

Dealing in financial instruments and structured products is not a core business of the company, and is only used – if at all – as a means of safeguarding sound underlying transactions that are exposed to currency risks. Foreign exchange exposures of NOK 16.8 million, USD 1.8 million and GBP 0.1 million were hedged. The financial market risk is confined to the price risk of the currency futures concluded by the company as at the reporting date (€ 111 thousand).

Only the Executive Board and the Executive Vice President are authorized to purchase or sell structured products from or to banks. This is intended to avert the possibility of any inexperienced person carrying out transactions of this kind.

C. Notes to the consolidated balance sheet

1. Cash and cash equivalents

Cash and cash equivalents consist exclusively of cash in banks payable on demand and cash in hand.

2. Assets held for sale

As agreed in a meeting of its Executive Board on December 30, 2014, Pironet NDH Aktiengesellschaft intended to sell Pirobase Imperia GmbH (formerly Imperia AG) in the near future.

The assets and liabilities of Pirobase Imperia GmbH were presented in the consolidated balance sheet as held for sale until the sale of the company on June 30, 2015.

3. Trade accounts receivable

The trade accounts receivable are as follows:

	Dec. 31, 2015 € '000	Dec. 31, 2014 € '000
Accounts receivables before write-downs	146,180	134,952
Write-downs	420	106
Carrying amount of accounts receivable	**145,760**	**134,846**

The accounts receivable are written down uniformly throughout the group, depending on their age structure.

Group receivables are written down on the basis of their age structure, the likely necessity of legal proceedings, or the most positive outcome to be expected regarding defaults.

Generally, all group receivables that are more than two years old are written off in full. At the reporting date, receivables more than two years old amounted to € 163 thousand.

Receivables are automatically written down after 120 days. An age analysis of receivables that are overdue but not impaired shows that those between one and two years old are written down by 50 percent, if no other reasons or circumstances are known to suggest they will not be paid. At the reporting date, the value of these receivables was less than 0.5 percent of total receivables.

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

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

In 2015, the impairments included individually adjusted trade accounts receivable amounting to € 121 thousand (2014: € 8 thousand) in which insolvency proceedings had been instituted against the debtors. The impairment included was the difference between the carrying amount of the receivable and the present value of the anticipated liquidation proceeds. The group has no security for these balances.

There were no impairments for trade accounts receivable, which total € 43,091 thousand (2014: € 33,723 thousand) and were due at the reporting date, because no major change in the credit rating of these debtors was established and the outstanding amounts are expected to be paid. Of the overdue accounts receivable, € 38,662 thousand is less than three months overdue; € 1,332 thousand more than three but less than six months overdue; €3,013 thousand more than six but less than 12 months overdue; and € 83 thousand more than 12 months overdue. The accounts receivable that were due at the reporting date included invoices that were payable immediately without reduction.

The fair value of the trade accounts receivable is equal to the carrying amount. Additions to the provisions in the fiscal year are posted in the statement of income under other operating expenses, while reversals are shown under other operating income.

The trade accounts receivable are due within a year.

4. Other current financial assets

This item includes claims to the payment of a purchase price relating to lease projects (€ 3,698 thousand; 2014: € 2,150 thousand), bonuses due from suppliers (€ 2,385 thousand; 2014: € 3,972 thousand), marketing revenue (€ 812 thousand; 2014: € 758 thousand), receivables from staff (€ 430 thousand; 2014: € 147 thousand), creditors with a debit balance (€ 408 thousand; 2014: € 423 thousand) and assets relating to financial derivatives (€ 111 thousand; 2014: € 0). In the previous year the item also included assets in the form of receivables from disposal of affiliated entities (€ 62 thousand) and receivables from former shareholders (€ 10 thousand).

5. Inventories

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

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

	Dec. 31, 2015 € '000	Dec. 31, 2014 € '000
Finished products and goods	27,760	22,286
Prepayments made	188	372
	27,948	**22,658**

The cost of goods, raw materials and supplies in the fiscal year 2015 was € 609,691 thousand (2014: € 522,238 thousand).

Inventories were written down by € 583 thousand (2014: € 208 thousand) owing to excess inventory, obsolescence, reduced marketability or follow-up costs for finished products.

There are no inventories that will be converted into cash in a period of more than 12 months.

No inventories were pledged as security.

6. Contracts in progress

The contracts in progress are orders calculated according to the percentage of completion method. They amount to € 566 thousand (2014: € 560 thousand). The costs accumulated for current projects as at the balance sheet date amounted to € 531 thousand (2014: € 518 thousand). Gains resulting from current projects as at the reporting date totaled € 35 thousand (2014: € 42 thousand).

7. Prepaid expenses and other current assets

This item mainly consists of other current assets such as tax refunds (€ 6,124 thousand; 2014: € 1,095 thousand), commission income (€ 600 thousand; 2014: € 444 thousand), insurance refunds (€ 150 thousand; 2014: € 145 thousand) and receivables from social insurance institutions (€ 28 thousand; 2014: € 19 thousand).

The prepaid expenses (€ 2,563 thousand; 2014: € 1,802 thousand) include deferred insurance premiums and expenses paid in advance.

8. Non-current assets

Changes in, and the composition of, non-current assets in 2015 are shown in the consolidated statement of changes in non-current assets (page 56+57).

8.1 Property, plant and equipment

Property, plant and equipment mainly consists of land and buildings, (€ 11,247 thousand); and features, fittings and equipment, in particular motor vehicles (€ 13,892 thousand), data centers (€ 2,565 thousand), assets held for rental (€ 1,463 thousand), the unified communications and collaboration (UCC) system (€ 952 thousand) and equipment for the logistics center (€ 296 thousand). Computer equipment, tenant's fittings, and office furnishings and equipment are also shown under this item. Motor vehicles valued at € 2,001 thousand were pledged as security for the loans from Stadtsparkasse Augsburg.

8.2 Intangible assets

The intangible assets include client lists (€ 18,779 thousand; 2014: € 23,838 thousand), purchased software (€ 4,133 thousand; 2014: € 4,319 thousand), orders in hand (€ 758 thousand; 2014: € 1,709 thousand), restraint on competition (€ 1,897 thousand; 2014: € 1,610 thousand), brand name (€ 1,330 thousand; 2014: € 1,432), prepayments made (€ 830 thousand; 2014: € 755 thousand) and capitalized development costs (€ 955 thousand; 2014: € 632 thousand).

Client lists, orders in hand, restraint on competition and brand name are mainly based on acquisitions made in prior years and in 2015. They are written down over their expected useful lives.

8.3 Goodwill

Goodwill totaling € 72,780 thousand (2014: € 66,923 thousand) as at the reporting date is attributable to CANCOM GmbH (€ 20,015 thousand; 2014: € 20,015 thousand), the Pironet NDH Aktiengesellschaft group (€ 19,974 thousand; 2014: € 19,974 thousand), HPM Incorporated (€ 13,710 thousand; 2014: € 12,282 thousand), CANCOM on line GmbH (€ 7,049 thousand; 2014: 7,049 thousand), Xerabit GmbH (€ 4,488 thousand; 2014: € 0), CANCOM DIDAS GmbH (€ 3,305 thousand; 2014: € 3,305 thousand), NSG ICT Service GmbH (formerly CANCOM NSG GmbH) (€ 2,522 thousand; 2014: € 2,522 thousand) and CANCOM a + d IT solutions GmbH (€ 1,717 thousand; 2014: € 1,717 thousand).

Translation of the financial statements of HPM Incorporated into the presentation currency in line with IAS 21 and IFRS 3 resulted in an increase in the value of the goodwill by € 1,428 thousand.

The group checks these figures once a year by testing for impairments in accordance with IAS 36. The recoverable amount is calculated on the basis of the value in use.

The value in use is calculated by means of valuation methods based on discounted cash flows.

These discounted cash flows are based on five-year forecasts which are drawn up in accordance with finance plans approved by the management. The cash flow forecasts take into consideration the experiences of the past and are based on the management's best estimate of future developments. External market studies (by the German Association for Information Technology, Telecommunications and New Media, BITKOM) were also taken into account. The cash flow forecasts are prepared on the basis of sales forecasts of the individual companies. The sales growth forecasts for the major companies in the CANCOM group for the fiscal year 2016, not taking into account non-recurring items, were calculated at between 0.5 percent (NSG Group) and 26.9 percent (PIRONET NDH Aktiengesellschaft subgroup). For the years 2017 to 2020, it is assumed that sales revenues will grow steadily at rates between 2.8 percent and 5.2 percent. Parts of the CANCOM group are therefore expected to outperform the rest of the IT sector and the market, with hardware increasing by 2.8 percent, software by 5.4 percent and IT services by 3.0 percent (figures from BITKOM for the German IT market in 2016).

Cash flows outside the planning period are extrapolated without growth rates. The most important assumptions on which the calculation of the fair value less the costs to sell and the value in use is based are as follows:

	2015	2014
Risk-free interest	1.57%	1.86%
Market risk premium	6.50%	6.00%
Beta coefficient	0.94	1.02
Capitalization rate (weighted average cost of capital - WACC)	7.27%	7.66%
Input tax - WACC:	10.46%	11.02%

The impairment tests carried out in the fiscal year 2015 did not result in any write-downs. There was therefore no impairment charge at the end of the reporting period (at the start of the reporting period there was an impairment charge of € 0 thousand).

These premises and the underlying methodology may have a considerable effect on the respective values and ultimately on the amount of a possible impairment of the goodwill.

Sensitivity analyses are carried out on the key assumptions used in the impairment tests conducted for the cash generating units. These confirm that, as in the previous year, no write-down is necessary.

8.4 Equity-accounted investments

The CANCOM group holds a 19.88 percent stake in prudsys AG, Chemnitz, Germany through its subsidiary Pironet NDH Aktiengesellschaft. As employees of the CANCOM group are members of the supervisory board of prudsys AG, the group has a controlling interest in the associate. The company's net income for the fiscal year 2015 was € 243 thousand (2014: € 599 thousand, provisional figure). The related profit from the equity-accounted investment is therefore € 48 thousand (2014: € 119 thousand, provisional figure). A profit of € 10 thousand from the previous year was recognized subsequently because the final accounts for prudsys AG were not available at the time the balance sheet was prepared in the previous year.

Summarized financial information on prudsys AG:

	2015 € '000	2014 € '000
Sales revenues	3,563	3,870
After-tax profit from continuing operations	243	649
Total profit	**243**	**649**
Total profit attributable to the group	**48**	**129**
Current assets	2,994	2,950
Non-current assets	76	58
Current liabilities	-798	-979
Non-current liabilities	0	0
Net assets	**2,272**	**2,029**
Group's share of the associate's net assets at the start of the year	393	274
Total profit attributable to the group (provisional figure for 2014)	48	119
Adjustments to previous year's figure	10	0
Dividends received during the year	0	0
Group's share of the associate's net assets at the end of the year	**451**	**393**
Carrying amount of the investment in the associate at the end of the year	**451**	**393**

8.5 Loans

The loans consist of loans to two former subsidiaries (€ 2,302 thousand; 2014: € 1,402) and the asset value from reinsurance, amounting to € 99 thousand (2014: € 99 thousand).

9. Other non-current financial assets

This item includes long-term claims to the payment of a purchase price relating to lease projects (€ 7,387 thousand; 2014: € 4,586 thousand) and receivables from staff (€ 44 thousand; 2014: € 76 thousand).

10. Deferred tax assets

The deferred tax assets are as follows:

Deferred tax from	**Temporary differences € '000**	**Tax loss carryovers € '000**
As at January 1, 2015	3,071	4,238
Addition owing to recognition of assets directly in equity because of first-time inclusion in consolidated financial statements	14	0
Derecognition owing to deconsolidation, directly in equity	-470	0
Addition owing to recognition of acturial losses from pension provisions directly in equity	-20	0
Tax expense/income from profit and loss calculation	257	-1,255
Tax expense from profit and loss calculation relating to discontinued operations	-470	0
Currency exchange gains/losses	16	0
As at December 31, 2015	**2,398**	**2,983**
As at January 1, 2014	1,074	196
Addition owing to recognition of assets directly in equity because of first-time inclusion in consolidated financial statements	1,287	4,753
Addition owing to recognition of acturial losses from pension provisions	118	0
Tax expense/income from profit and loss calculation	380	-711
Income tax expense from profit and loss calculation realting to discontinued operations	197	0
Currency exchange gains/losses	15	0
As at December 31, 2014	**3,071**	**4,238**

* directly recognized in equity

As at December 31, 2015 the CANCOM group had corporate tax loss carryovers of € 8.7 million (2014: € 14.7 million) and trade tax loss carryovers of € 9.6 million (2014: € 15.7 million).

The unused corporate tax losses for which no deferred tax claim was recognized in the balance sheet amounted to € 0.0 million (2014: € 2.4 million), and the trade tax loss carryovers for which no deferred tax claim was recognized amounted to € 0.0 million (2014: € 1.8 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 intangible assets (€ 735 thousand), property, plant and equipment (€ 665 thousand), other financial liabilities (€ 408 thousand), pension provisions (€ 369 thousand), other provisions (€ 122 thousand) and other liabilities (€ 97 thousand).

11. Short-term loans and current portion of long-term loans

This item shows liabilities to banks. These comprise the utilization of credit facilities provided by banks, and those parts of the long-term loans that are due for repayment within one year.

12. Other current financial liabilities

Other current financial liabilities includes liabilities to former affiliated companies (€ 2,750 thousand; 2014: € 0), debtors with a credit balance (€ 2,329 thousand; 2014: € 1,291 thousand), purchase price liabilities (€ 410 thousand; 2014: € 392 thousand), outstanding bills of charges (€ 330 thousand; 2014: € 544 thousand), Supervisory Board remuneration (€ 294 thousand; 2014: € 265 thousand), rent obligations (€ 82 thousand; 2014: € 82 thousand) and liabilities to former shareholders (€ 10 thousand; 2014: € 6 thousand). In 2014 this item also included the repayment of a purchase price in connection with the sale of a former subsidiary in 2011 (€ 1,049 thousand).

13. Other provisions

The changes in other provisions during 2015 are detailed below: (see table below)

The total provisions include long-term provisions of € 8,122 thousand (2014: € 10,588 thousand), which are recognized under other non-current liabilities. These are mainly for the purchase price of shares in HPM Incorporated (€ 5,929 thousand; 2014: € 9,277 thousand), copyright fees (€ 922 thousand; 2014: € 0), guarantees and warranties (€ 658 thousand; 2014: € 618 thousand), anniversaries (€ 255 thousand; 2014: € 188 thousand), decommissioning and restoration liability (€ 117 thousand; 2014: € 93 thousand), archiving costs (€ 113 thousand; 2014: € 111 thousand), termination and severance payments, for which a provision is legally mandatory in Austria (€ 81 thousand; 2014: € 251 thousand) and additional leasing costs (€ 27 thousand; 2014: € 30 thousand). As the period of the copyright fee changed from current to long-term during the fiscal year 2015, it is presented under long-term liabilities.

	Jan. 1, 2015 € '000	First-time consolidation (addition) € '000	Used € '000	Reversal and transfer € '000	Addition € '000	Currency € '000	Dec. 31, 2015 € '000
Purchase price of shares in affiliated companies	11,597	0	2,482	2,871	0	1,221	7,465
Guarantees and warranties	1,373	71	683	48	767	0	1,480
Termination and severance payments, salaries	1,438	0	785	290	645	0	1,008
Copyright fees	0	0	0	0	922	0	922
Financial statement costs	223	50	215	4	175	0	229
Archiving costs	135	18	0	7	0	0	146
Decommissioning and restoration liability	93	0	0	0	24	0	117
Additional leasing costs	123	15	85	6	68	0	115
Uncertain risks	223	0	217	0	92	0	98
Others	136	0	50	45	283	0	324
	15,341	**154**	**4,517**	**3,271**	**2,976**	**1,221**	**11,904**

The allocation of these provisions to long-term liabilities is based on their expected due dates, as shown below.

	Expected due date
Purchase price of shares in HPM Incorporated	1 to 2 years
Provisions for guarantees and warranties	Warranty by law or contract
Provisions for termination and severence payments	Date of termination of the employment of relevant staff member
Provisions for anniversary payments	Together with salary payments
Archiving costs	1 to 6 years
Decommissioning and restoration liability	1 to 2 years
Additional leasing costs	1 to 2 years

14. Deferred income

In addition to deferred sales revenues, this item includes deferrals for government grants. The latter are based on discounted interest rate differences (differences between the market rates and the contractually agreed rates over the entire remaining term), and amount to a total of € 2,152 thousand (see comments under E.2. Other operating income).

15. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2014 and 2015.

16. Other current liabilities

Other current liabilities mainly include staff bonus payments (€ 9,840 thousand; 2014: € 10,627 thousand), sales tax (€ 9,483 thousand; 2014: € 9,391 thousand), holiday and overtime entitlements (€ 2,840 thousand; 2014: € 2,833 thousand), tax on salaries and church tax (€ 2,288 thousand; 2014: € 2,371 thousand), employers' liability insurance association (€ 798 thousand; 2014: € 827 thousand), interest liability relating to the convertible bond (€ 299 thousand; 2014: € 299 thousand); wages and salaries (€ 250 thousand; 2014: € 195 thousand), compensation levy for non-employment of the severely handicapped (€ 239 thousand; 2014: € 261 thousand) and social security contributions (€ 128 thousand; 2014: € 166 thousand). In the previous year this item also included the copyright fee of € 586 thousand. In the fiscal year 2015 this is presented under other non-current liabilities, owing to a change in the period of the copyright fee.

17. Long-term loans

Long-term loans consist purely of liabilities due to banks with a remaining term of at least one year. The part of these loans that is due for repayment within the next twelve months is shown under short-term loans and current portion of long-term loans.

Loans from Stadtsparkasse Augsburg and Sparkasse Günzburg-Krumbach are valued by the effective interest rate method. Subsidies from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW), for the loans are distributed over the term. The market interest rate when the loans were taken out was between 4.5 percent and 5.53 percent.

18. 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.

On the balance sheet, the convertible bond is split into an equity component and a debt component. This value was calculated using the binomial model. The resulting value of the equity component is € 5,942 thousand and is recognized under additional capital reserves. An interest expense of € 1,683 thousand was recognized for the bond in the fiscal year 2015.

19. Capital from profit participation rights and subordinated loans

Capital from profit participation rights and subordinated loans includes two subordinated loans from Sparkasse Günzburg-Krumbach of € 642,958.28 (loan proceeds € 1,000,000, minus repayment of € 128,800 in 2012) and € 733,616.79 (loan proceeds € 1,000,000); and four subordinated loans from Stadtsparkasse Augsburg of € 1,594,717.33 (loan proceeds € 1,995,600), € 311,709.48 (loan proceeds € 392,500), € 978,501.05 (loan proceeds € 1,621,000) and € 511,424.44 (loan proceeds € 846,000). The subordinated loans from Sparkasse Günzburg-Krumbach and the subordinated loans from Stadtsparkasse Augsburg are valued by the effective interest rate method. By this method, the fees for the subsidy from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW), for the loans from Sparkasse Günzburg-Krumbach and Stadtsparkasse Augsburg are distributed over the term. The market interest rate is between 10 percent and 10.5 percent.

Mezzanine capital of € 4,000,000.00 (loan proceeds) was granted under a mezzanine capital agreement dated December 27, 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on December 31, 2007. Partial repayments of € 1,000,000 each were made on December 30, 2011 and December 21, 2012. The remainder of the mezzanine capital, amounting to € 2,000,000, was repaid on December 23, 2015 with interest charged at a fixed rate of 6.6 percent per annum. An interest expense of € 144 thousand was recognized for the capital in the period January 1 to December 31, 2015.

Two loans of € 1,000,000.00 each (loan proceeds) were granted by Sparkasse Günzburg-Krumbach on December 21, 2010. Interest of 5.1 percent per annum is payable on the loan. These are specific-purpose loans out of funds from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW). The scheduled start of repayment is March 30, 2018, with 11 quarterly instalments of € 83,334 on each loan, followed by a final instalment of € 83,326 on each loan. An unscheduled repayment of € 128,800 was made on one of the loans on April 10, 2012. The scheduled repayments for this loan will be reduced to € 72,600 per quarter from March 30, 2018.

A loan of € 1,995,600 (loan proceeds) from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on September 23, 2009 and € 495,600 on December 8, 2009. Interest of 4.25 percent per annum is payable on the loan. This is another specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment, in 12 quarterly instalments of € 166,300, will commence on December 30, 2016.

A further loan of € 392,500 (loan proceeds) from Stadtsparkasse Augsburg was granted on December 8, 2009. Again, this is a specific-purpose loan from Kreditanstalt für Wiederaufbau (KfW), on which the annual rate of interest is 4 percent. Repayment will commence on December 30, 2016, with payment of 11 quarterly instalments of € 32,709 followed by a final instalment of € 32,701.

A further loan of € 1,621,000 (loan proceeds) was granted by Stadtsparkasse Augsburg on November 26, 2010, at an interest rate of 2.9 percent per annum. This is a further specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment will begin on March 30, 2018, with 11 quarterly instalments of € 135,084 each, followed by a final instalment of € 135,076.

A further loan of € 846,000 (loan proceeds) from Stadtsparkasse Augsburg was granted on December 2, 2010, at an interest rate of 2.9 percent per annum. Again, this is a specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment will begin on March 30, 2018 in 12 quarterly instalments of € 70,500.

20. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€ '000
As at January 1, 2015	10,552
Addition owing to recognition of liabilities directly in equity because of first-time inclusion in consolidated financial statements	850
Derecognition owing to deconsolidation, directly in equity	-183
Tax expense/income from profit and loss calculation	-3,008
Tax expense from profit and loss calculation relating to discontinued operations	120
Currency exchange gains/losses	560
As at December 31, 2015	**8,891**
As at January 1, 2014	5,210
Addition owing to recognition of liabilities directly in equity because of first-time inclusion in consolidated financial statements	9,423
Derecognition owing to deconsolidation, directly in equity	-142
Income tax expense/income from profit and loss calculation	-3,141
Income tax expense from profit and loss calculation relating to discontinued operations	-1,423
Currency exchange gains/losses	625
As at December 31, 2014	**10,552**

* 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 (€ 6,702 thousand; 2014: € 8,632 thousand), other financial assets (€ 707 thousand; 2014: € 849 thousand), software development costs (€ 296 thousand; 2014: € 195 thousand), intragroup payables (€ 270 thousand; 2014: € 256 thousand), loans to affiliated companies (€ 251 thousand; 2014: € 0), convertible bonds (€ 265 thousand; 2014: € 208 thousand), property, plant and equipment (€ 262 thousand; 2014: € 263 thousand), goodwill (€ 155 thousand; 2014: € 0), other provisions (€ 17 thousand; 2014: € 61 thousand), prepaid expenses (€ 31 thousand; 2014: € 6 thousand), contracts in progress (€ 11 thousand; 2014: € 40 thousand), other liabilities (€ 18 thousand; 2014: € 0), equity-accounted investments (€ 5 thousand; 2014: € 4 thousand), other assets (€ 1 thousand; 2014: € 0), long-term investments (€ 1 thousand; 2014: € 0). In the previous year the deferred tax liabilities also included trade accounts receivable (€ 33 thousand) and capital from profit participation rights and subordinated loans (€ 5 thousand).

An explanation of the differences arising from the first inclusion of Xerabit GmbH in the consolidated financial statements can be found in section A.3 (page 61).

In line with IAS 12.39, deferred tax liabilities are not recognized for temporary differences connected with shareholdings in subsidiaries, which amount to € 22,948 thousand.

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

21. Pension provisions

This item only includes provisions for staff pensions (€ 1,744 thousand; 2014: € 1,796 thousand) based on defined benefit obligations assumed as a result of acquisitions.

The pension obligations for pension schemes in Germany are basically measured according to the number of years of service and the remuneration of the employees in question.

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

The projected unit credit method is used as an actuarial valuation method, in line with IAS 19.67-68.

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

	2015 € '000	2014 € '000
Changes in pension obligation		
Defined benefit obligation (DBO) as at January 1	2,160	110
Service cost: present value of claims accrued in	60	29
Actuarial gain/loss arising from demographic assumptions	0	0
Actuarial gain/loss arising from financial assumptions	-72	387
Interest cost	48	45
Pension payments	-15	-8
Business combinations	0	1,597
Defined benefit obligation (DBO) as at December 31	**2,181**	**2,160**
Changes in plan assets		
Fair value of plan assets as at January 1	463	60
Expected return on plan assets	-4	68
Employer's contributions	80	0
Pension payments	-3	0
Business combinations	0	335
Fair value of plan assets as at December 31	**536**	**463**
Composition:		
Provisions for pensions	1,744	2,160
Other loans	-99	-463
	1,645	**1,697**

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

	Dec.31, 2015 € '000	Dec. 31, 2014 € '000
Defined benefit obligation	2,181	2,160
Fair value of plan assets	536	463

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

	2015 percentage	2014 percentage
Interest rate	2.30	2.15
Expected return on plan assets	2.40	2.40
Salary trend	2.00	2.00
Pension trend	1.50	1.50
Staff turnover	0.00	0.00

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

	2015 € '000	2014 € '000
Current service costs	60	29
Acturial gains/losses	-72	387
Interest cost	48	45
Benefit payments	-15	-8
Expected return/cost on plan assets	4	-68
	25	**385**

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

		Increase € '000		Reduction € '000
Assumed interest rate	1.30%	549	3.30%	-414
Salary trend	2.50%	29	1.50%	-28
Pension trend	1.75%	79	1.25%	-78

The above sensitivity analyses were carried out using a method of actuarial computation that shows the impact on the defined benefit obligation at the end of the reporting period resulting from realistic changes in the most important assumptions.

The pension payment expense in the fiscal year 2016 is expected to be € 110 thousand (2014: € 108 thousand), and the contributions to plan assets € 80 thousand (2014: € 80 thousand). Benefit payments in the fiscal year 2016 are expected to be the same as the payments made in 2015. The additional obligations mainly have a term of more than one year.

22. Other non-current financial liabilities

Other non-current financial liabilities include purchase price liabilities of € 1,247 thousand (2014: € 1,631 thousand), rent obligations of € 506 thousand (2014: € 592 thousand) and a motor vehicle loan amounting to € 4 thousand (2014: € 9).

23. Equity

Changes in the equity capital are shown on page 53.

Capital stock

The company's capital stock at December 31, 2015 was € 14,879,574 (2014: € 14,879,574), divided into 14,879,574 (2014: 14,879,574) notional no-par value shares.

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 7,439,787 as at December 31, 2015. The details of the authorized capital are as follows:

A resolution passed at the general meeting of shareholders on June 18, 2015 authorizes the Executive Board to increase the capital stock once or in several steps by up to a total of € 7,439,787 by 'issuing up to 7,439,787 new notional no-par value bearer shares for a cash or non-cash consideration (authorized capital I/2015). The shares must be issued by June 17, 2020 and any issue of shares is subject to the approval of the Supervisory Board. In general, shareholders will be granted subscription rights, but the Executive Board is authorized to exclude the shareholders' statutory subscription rights in the following cases with the approval of the Supervisory Board:

- for fractional amounts;

- if a capital increase for a cash consideration does not exceed 10 percent of the capital stock and the issue price of the new shares is not significantly lower than the stock market price (Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act. If this authorization is used and shareholders' subscription rights are excluded in accordance with the above Act, the disapplication of subscription rights on the basis of other authorizations in accordance with the same Act must be taken into account;

- for capital increases for a non-cash consideration to grant new shares for the purpose of acquiring companies or equity interests in companies or parts of companies, or for a debt-for-equity swap.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the conditions for carrying out capital increases, subject to the approval of the Supervisory Board.

The Executive Board did not make use of the above authorization during the fiscal year 2015.

In accordance with the company's by-laws, the conditional capital at December 31, 2015 amounted to € 1.450.000. The details of the conditional capital are as follows:

The capital stock has been increased conditionally by up to € 1,450,000 by the issue of up to 1,450,000 new no-par value shares (contingent capital (2013) I). The conditional increase in capital will only be implemented to the extent that holders of the convertible bond issued on March 27, 2014 exercise their conversion rights in line with the terms and conditions of the bond. The shares will be issued at the relevant conversion price under the terms and conditions of the bond. The new shares will carry dividend rights from the beginning of the fiscal year for which, at the time of their issue, no resolution of the general meeting of shareholders has been passed on the appropriation of the net retained profits/(net accumulated losses). The Executive Board is authorized to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

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

Net retained profits/(net accumulated losses)

In accordance with the resolution of the general meeting of shareholders, a dividend of € 0.50 per share (total € 7,440 thousand) was paid in 2015 from the net retained profits/(net accumulated losses) generated in the previous year.

24. Minority interests

Minority interests relate to the share of the equity held by the minority shareholders of Pironet NDH Aktiengesellschaft.

Summarized financial information on the Pironet NDH Aktiengesellschaft subgroup, compiled in accordance with IFRS:

	2015 € '000	2014 € '000
Sales revenue	46,519	42,287
Net income/(loss) for the year	-964	-4,249
Net income/(loss) attributable to non-controlling interests	-234	-929
Other comprehensive income	0	0
Total comprehensive income**	**-964**	**-4,249**
Total comprehensive income attributable to non-controlling interests	-234	-929
Current assets	29,528	30,766
Non-current assets	18,430	18,893
Current liabilities	-9,454	-8,833
Non-current liabilities	-2,222	-2,997
Net assets	**36,282**	**37,829**
Net assets attributable to non-controlling interests	5,584	8,288
Cash flows from operating activities	6,619	6,784
Cash flows from investing activities	-7,606	-25,842
Cash flows from financing activities	-584	0
Net increase in cash and cash equivalents	**-1,571**	**-19,058**
Dividends paid to non-controlling interests during the year*	124	0

* Included in the cash flows from financing activities

** Total comprehensive income includes the net income/(loss) from discontinued operations

25. Capital risk management

The group manages its capital with the aim of maximizing the return to stakeholders through the optimization of the debt and equity balance. It is ensured that all entities in the group can operate under the going concern premise. The capital structure of the group consists of debt, cash and the equity attributable to equity holders of the parent. This comprises issued shares, retained earnings, other reserves, equity differences due to currency translation and minority interests.

The objectives of the capital management system are to ensure that the group will be able to continue as a going concern and to obtain an adequate interest rate for the equity. For implementation, the group balances its capital and the overall capital structure.

The capital is monitored on the basis of the economic equity. The economic equity is the balance sheet equity. The borrowed capital is defined as current and non-current financial liabilities, provisions, other liabilities, liabilities connected with disposals, and deferred income.

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

		Dec. 31, 2015	Dec. 31, 2014
Equity	€ million	204.3	193.8
Equity as a percentage of the total capital	percent	46.8	44.1
Borrowed capital	€ million	232.0	245.5
Borrowed capital as a percentage of the total capital	percent	53.2	55.9
Total capital (equity and borrowed capital)	€ million	436.3	439.3

Some of the company's loan contracts contain minimum capital requirements (covenants), which are calculated by the banks using various calculation methods. The relevant covenants are monitored on an ongoing basis to ensure that they are complied with in line with the company's capital risk management policy.

The group's capital structure is reviewed at regular intervals as part of the risk management process.

D. Segment information

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

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

Description of the segments subject to mandatory reporting

The cloud solutions operating segment comprises PIRONET NDH Datacenter AG & Co. KG, PIRONET Enterprise Solutions GmbH, Pironet NDH Aktiengesellschaft, in addition to the divisions of CANCOM GmbH and CANCOM DIDAS GmbH allocated to the cloud solutions segment. This operating segment comprises the CANCOM group's cloud und shared managed services business, including sales revenues from cloud hardware allocated to the projects.

This ranges from analysis and advice to delivery, implementation and services. Clients are thus offered the necessary orientation and support for the conversion from traditional corporate IT systems to cloud computing. As part of its range of services, the CANCOM group can provide scalable cloud and managed services – in particular shared managed services – to run entire IT departments, or parts of them, for its clients. Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's general sales and distribution, the costs of which are allocated to the IT solutions reportable segment.

Following the sale of the content management division of Pironet NDH Aktiengesellschaft, the continuing operations of the Pironet subgroup now only include its activities in the cloud solutions segment. As a result, the central units of Pironet NDH Aktiengesellschaft are now all allocated to the cloud solutions segment. They are fully reclassified in the previous year's figures in line with IFRS 8.

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

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

Basis of valuation of the profits of the segments

The accounting methods used for internal segment reporting are in line with the accounting policies described in section A. 4. The only differences arise from the translation of foreign currency, and these give rise to slight deviations between the data for internal reporting and the relevant disclosures for the external presentations of financial statements.

Internal sales are recorded on the basis of either their cost or their current market prices, depending on the type of service or product sold.

The segment reporting system was brought into line with the internal reporting system during the fiscal year 2015. For this reason the segment assets, liabilities and investments are not presented, as the internal reporting system is only based on earnings figures, broken down into segments for the purpose of group management.

Reconciliation

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

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

Information on geographical regions

	Sales revenues according to customer location		Sales revenues according to company location	
	2015 € '000	**2014 € '000**	**2015 € '000**	**2014 € '000**
Germany	785,149	713,818	845,182	750,674
Outside Germany	147,651	115,043	87,618	78,187
Group	932,800	828,861	932,800	828,861

	Non-current assets	
	Dec. 31, 2015 € '000	**Dec. 31, 2015 € '000**
Germany	131,528	136,828
Outside Germany	21,916	9,241
Group	153,444	146,069

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

E. Notes to the consolidated statement of income

1. Sales revenues

The sales revenues are broken down as follows:

	2015 € '000	2014 € '000
From the sale of goods	694,097	599,957
From the provision of services	238,703	228,904
Total	**932,800**	**828,861**

The sales revenues include order revenue of € 979 thousand calculated using the POC method.

2. Other operating income

The other operating income is made up of the following:

	2015 € '000	2014 € '000
Rent	4	4
Income not relating to the period	679	613
Government grants	530	481
Compensation	11	4
Other operating income	81	138
Total	**1,305**	**1,240**

Income not relating to the period mainly includes income from derecognition of debtors with a credit balance, and the proceeds of the sale of non-current assets.

Government grants include the profit allocated to the fiscal year 2015 from availing of loans at a favorable interest rate.

For more information see details on loans in sections C. 17. and C. 19. (page 81 + 82).

3. Other own work capitalized

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

Other own work capitalized comprises the following:

	2015 € '000	2014 € '000
Capitalized development costs	629	743
Own work capitalized for acquired intangible assets	939	415
Own work capitalized for acquired property, plant and equipment items	205	411
Total	**1,773**	**1,569**

Research and development costs were not capitalized if they did not meet the criteria for recognition under IAS 38. They amounted to less than € 0.1 million (2014: € 0.1 million).

4. Human resources expenses

The human resources expenses consist of the following:

	2015 € '000	2014 € '000
Wages and salaries	145,897	142,867
Social security contributions	23,642	23,280
Pension expenses	352	274
Total	**169,891**	**166,421**

5. Other operating expenses

The other operating expenses consist of the following items:

	2015 € '000	2014 € '000
Premises costs	9,243	8,997
Insurance and other charges	982	937
Motor verhicle costs	5,306	5,555
Advertising costs	2,443	2,966
Stock exchange and entertainment costs	385	514
Hospitality and travelling expenses	5,070	5,165
Delivery costs	3,465	2,675
Third-party services	2,873	2,593
Repairs, maintenance, leasing	2,017	1,922
Communication and office expenses	2,700	2,217
Professional development and training costs	1,531	1,293
Legal and consultency fees	1,889	1,774
Fees and charges; costs of money transactions	823	924
Adjustment to the value of accounts receivable	368	0
Other operating expenses	2,173	2,107
Total	**41,268**	**39,639**

The other operating expenses include a loss of € 24 thousand from the sale of acentrix GmbH.

6. Interest income and expenses

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

7. Other financial result

The other financial result mainly includes income from the reversal of provisions for variable purchase prices for subsidiaries, and expenses arising from additional purchase price payments in accordance with the contract of sale.

8. Write-downs of long-term financial assets

Owing to the insolvency of Glanzkinder GmbH, a CANCOM subsidiary sold in the previous fiscal year, a long-term financial receivable of € 1,414 thousand was written off.

9. Income tax

The rate of income tax for the German companies was 30.96 percent (2014: 30.58 percent). This is made up of corporate tax, trade tax and solidarity surcharge. The slight increase in the income tax rate is owing to the increase in the average rate of trade tax.

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

	2015 € '000	2014 € '000
Earnings before tax	**40,078**	**26,366**
Expected tax expense at rate for German companies (30.96 percent; 2014: 30.58 percent)	**12,408**	**8,063**
- Difference from tax paid outside Germany	112	-76
- Change in value adjustment of deferred tax assets on loss carryforwards	-499	288
- Tax-exempt income / non tax-relevant losses on disposals	-1,516	80
- Actual income tax not relating to the period	41	188
- Permanent differences	-1,162	0
- non-deductible operating expenses, as well as additions and reductions in relation to trade tax	1,362	533
- Effects of tax rate changes	9	11
- Miscellaneous	36	-18
Total group income tax expenses	**10,791**	**9,069**

The actual tax rate is calculated as follows:

	2015 € '000	2014 € '000
Income before tax	40,078	26,366
Income tax	10,791	9,069
Actual tax expense rate	26.92%	34.40%

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

	2015 € '000	2014 € '000
Income tax paid	12,801	11,842
Deferred taxes:		
Assets	998	331
Liabilities	-3,008	-3,141
	-2,010	-2,810
Deferred taxes recognized directly in equity	0	37
Group income tax	**10,791**	**9,069**

The calculation of income tax in accordance with IAS 12 takes account of tax deferrals resulting from different methods of measurement used for the tax balance sheet, as well as from realizable loss carryforwards, from differences in the results produced by the measurement of tax in the single-entity financial statements of the consolidated subsidiaries and those produced by the group's standard method, and from the consolidation processes, in as far as these balance out over the course of time. Deferred tax claims relating to the carrying forward of tax losses which have not yet been utilized are capitalized if results can be expected to be positive within the next five years. The deferred taxes are calculated on the basis of the tax rates expected to apply in the period in which an asset is realized or a liability satisfied. The tax rates are those that apply or will apply on the balance sheet date. Deferred taxes on items charged directly to equity relate to the costs of increasing the capital stock.

10. Discontinued operations

The impact of discontinued operations on the consolidated statement of income was a loss of € 7,188 thousand (2014: € 6,000 thousand). Of this amount, a loss of € 1,444 is attributable to minority interests (2014: loss of € 1,086 thousand).

This amount consists of income (including other own work capitalized, other operating income and income from long-term equity investments) of € 4,162 thousand and expenditure of € 10,502 thousand, resulting in a pre-tax loss of € 6,340 thousand. The respective income tax expense amounts to € 848 thousand. The after-tax loss (€ 7,188 thousand) includes a loss of € 3,736 thousand from the sale of Pirobase Imperia GmbH. The sale did not give rise to any income tax. The current after-tax loss on discontinued operations amounts to € 3,452 thousand, which is also included.

The discontinued operations only include Pirobase Imperia GmbH.

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

11. Minority interests

Minority interests account for 21.91 percent at the start of the year and 15.39 percent at the end of the year of the net loss for the year of Pironet NDH Aktiengesellschaft (€ 234 thousand), in addition to 49 percent of the net loss for the year of acentrix GmbH (€ 32 thousand) in the period from January to March 2015. Please see page 53 for changes in minority interests in the equity capital.

12. Earnings per share

The group carried out a successful capital increase on March 3, 2016, in which 1,487,957 new shares carrying dividend rights were issued from authorized capital. If the increase had taken place before the reporting date of December 31, 2015, the earnings per share would have been affected as follows, based on the new shares being in circulation from January 1 to December 31, 2015:

	2015	**2015 Including impact of capital increase**
Average number of shares in circulation (basic)	14,879,574	16,367,531
Average number of shares in circulation (diluted)	15,935,094	17,423,051
Earnings per share from continuing operations (basic) in €	1.99	1.81
Earnings per share from continuing operations (diluted) in €	1.93	1.77
Earnings per share from discontinued operations (basic) in €	-0.48	-0.44
Earnings per share from discontinued operations (diluted) in €	-0.45	-0.41
Earnings per share from net income for the period attributable to shareholders of the parent company (basic) in €	1.50	1.37
Earnings per share from net income for the period attributable to shareholdesr of the parent company (diluted) in €	1.48	1.35

The figure for diluted earnings per share includes 1,055,520 shares as well as the actuarial rate connected with the convertible bond.

F. Notes to the statement of cash flows

The consolidated statement of cash flows is prepared in accordance with IAS 7 Statement of Cash Flows. This requires that a distinction be made between cash flows from operating activities, investing activities and financing activities. The cash and cash equivalents shown in the statement of cash flows comprise cash in hand and cash at banks.

The indirect method was used to establish the cash flow from current operating activities. There was an increase of € 21.4 million in the cash flow from ordinary activities in comparison with the previous year.

The cash resources of € 85,802 thousand (2014: 114,356 thousand) include the cash and cash equivalents shown in the balance sheet. This comprises cash in hand and cash at banks.

G. Other disclosures

1. Related party disclosures

CANCOM SE has prepared these consolidated financial statements as the parent company with ultimate control. They are not included in the consolidated financial statements of any other group.

For the purposes of IAS 24, Klaus Weinmann can be considered a related party who can exercise a significant influence on the CANCOM group 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:

- Kober Beteiligungs GmbH and its subsidiaries;
- ABCON Holding GmbH and its subsidiaries;
- WFO Vermögensverwaltung GmbH and its subsidiaries;
- AURIGA Corporate Finance GmbH;
- Aurawida GmbH;
- Dr. Vielberth Verwaltungsgesellschaft mbH; and
- Elber GmbH.

Full details and a breakdown of the individual components regarding the Executive Board and Management Board remuneration for the fiscal year 2015 can be found in the remuneration report on page 13 of the corporate governance report. The corporate governance report forms a part of the combined management report.

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

The transaction volumes of goods sold and services provided to related parties under IAS 24 were as follows: Kober Beteiligungs GmbH and its subsidiaries purchased goods/services amounting to € 3,070 thousand (gross) (2014: € 3,049 thousand), of which € 339 thousand (2014: € 294 thousand) was outstanding at the balance sheet date.

The transaction volume of goods and services purchased from related parties under IAS 24 was € 0 in 2015 and € 4 thousand in 2014, which had been paid in full by the balance sheet date. This amount relates to goods/services purchased from Kober Beteiligungs GmbH and its subsidiaries.

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

Stockholder	Number of no-par value shares	percentage
Klaus Weinmann	100,000	0.6721
Dominik Eberle	10,000	0.0672
Raymond Kober	40,000	0.2688

3. Guarantees, contingent liabilities and other financial obligations

The financial obligations of the companies in the CANCOM group under tenancy and leasing agreements were as follows:

Due	2016 € '000	2017 € '000	2018 € '000	2019 € '000	2020 € '000	later € '000	total € '000
under tenancy agreements	6,860	3,974	2,885	2,407	2,190	4,271	22,587
under leasing agreements	1,106	400	108	27	0	0	1,641
	7,966	**4,374**	**2,993**	**2,434**	**2,190**	**4,271**	**24,228**

The leasing agreements are for operating leases.

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

4. Declaration of conformity with the German Corporate Governance Code

In the Supervisory Board meeting on December 8, 2015, the Executive Board and the Supervisory Board issued a joint declaration of conformity with the German Corporate Governance Code in accordance with Section 161, paragraph 1 of the German Stock Corporation Act, which was published immediately. The declaration is permanently displayed on the company's website for public access.

5. Auditors' fees

The following fees (total fees plus expenses, excluding value-added tax) were charged in the fiscal year 2015 by the auditors appointed in accordance with Section 318 of the German Commercial Code, including affiliated companies and subsidiaries as defined by Section 271, paragraph 2 of the same Code:

	2015 € '000	2014 € '000
a) Financial statements*	185	146
b) Other audit-related services	18	17
c) Tax consultancy	2	0
d) Other services	13	85

* thereof attributable to fiscal year 2014: € 3 thousand(2013: € 4 thousand)

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

6. Employees

	2015	2014
Average number of employees during the year	2,788	2,850
Employed at the reporting date	2,724	2,909

The average number of employees is divided between the following functions: professional services (1,935; 2014: 1,940), sales (473; 2014: 538), and central services (380; 2014: 372).

7. Details of equity interests in CANCOM SE

As at December 31, 2015, the company had the following details of equity interests subject to mandatory disclosure in accordance with Sections 21 ff. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG):

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

Allianz Global Investors GmbH, Frankfurt am Main, Germany, informed us on March 27, 2015 that its share of the voting rights in CANCOM SE had fallen below the 10 percent threshold on March 26 and on that day amounted to 9.93 percent (equivalent to 1,477,079 voting rights). In line with Section 22, paragraph 1, sentence 1, number 6 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), 7.56 percent of the voting rights (equivalent to 1,124,989 voting rights) are attributable to the company.

Ameriprise International Holdings GmbH, Zug, Switzerland, informed us on July 3, 2015 that its share of the voting rights in CANCOM SE had exceeded the 3 percent and 5 percent thresholds on June 29 and on that day amounted to 5.04 percent (equivalent to 749,332 voting rights). In line with Section 22, paragraph 1, sentence 1, number 6 and sentence 2 of the above Act, 5.04 percent of the voting rights (equivalent to 749,332 voting rights) are attributable to the company. The attributed voting rights are held through Threadneedle Investment Funds ICVC, whose share of the voting rights in CANCOM SE amounts to 3 percent or more.

8. Members of the Executive Board and Supervisory Board

The members of the Executive Board are:

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

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

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

- Klaus Weinmann :
  AL-KO Kober SE

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

- Thomas Stark, graduate in industrial engineering (Diplom-Wirtschaftsingenieur), Wittislingen, Germany
- Markus Saller, graduate in business administration (Diplom-Kaufmann), Garmisch-Partenkirchen, Germany

- Thomas Stark is on the supervisory boards of other companies:
  - AL-KO Kober SE
- Markus Saller is on the supervisory boards of other companies:
  - prudsys AG

Supervisory Board

The members of the Supervisory Board are:

- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany, Chairperson
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH and Elber GmbH, Regensburg, Germany, Deputy Chairperson
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of Abcon Holding GmbH and WFO Vermögensverwaltung GmbH, Munich, Germany
- Uwe Kemm, independent organizational, sales and marketing consultant
- Dominik Eberle, online marketing and e-commerce consultant
- Raymond Kober, Managing Director of Kober Beteiligungs GmbH, (since June 18, 2015)

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

- Raymond Kober:
  AL-KO Kober SE
- Dr Lothar Koniarski:
  ZMD AG (until December 2015)
  Corona Equity Partner AG (since January 2016)

9. Significant events after the reporting date

CANCOM SE carried out a capital increase against cash contributions, which was recorded in the commercial register on March 4, 2016. Part of the authorized capital (2015/I) was used to increase the capital stock from € 14,879,574 to € 16,367,531 by issuing 1,487,957 new no-par value bearer shares. The stockholders' subscription right was excluded. The new shares carry dividend rights from January 1, 2015. The total issuing value of the new shares is € 66.2 million, which will be used to strengthen the equity base for the further organic and inorganic growth of the group.

10. Proposal for the appropriation of net retained profit of CANCOM SE

The Executive Board of CANCOM SE has resolved to propose to the Supervisory Board and the general meeting of shareholders that the € 30,638,473.03 net retained profit from the fiscal year 2015 be used for a dividend payment of € 0.50 per eligible notional no-par value share, and that the balance of the retained profit remaining after the dividend payment be transferred to other reserves.

11. Approval of consolidated financial statements in accordance with IAS 10.17

These consolidated financial statements were approved for publication by the Executive Board on March 8, 2016.

12. Statement of ownership in accordance with Section 313 of the German Commercial Code

Subsidiaries:	**Company's registered office**	**Stockholding (in percent)**
1. CANCOM GmbH	Jettingen-Scheppach, Germany	100.0
and its subsidiaries		
• CANCOM (Switzerland) AG	Caslano, Switzerland	100.0
• CANCOM Computersysteme GmbH	Graz, Austria	100.0
and its subsidiaries		
• CANCOM a + d IT solutions GmbH	Perchtoldsdorf, Austria	100.0
2. NSG ICT Service GmbH	Munich, Germany	100.0
and its subsidiaries		
• NSG GIS GmbH	Jettingen-Scheppach, Germany	100.0
• CANCOM SCS GmbH	Munich, Germany	100.0
• CANCOM ICP GmbH	Munich, Germany	100.0
3. CANCOM on line GmbH	Berlin, Germany	100.0
4. Pironet NDH Aktiengesellschaft	Cologne, Germany	84.6
and its subsidiaries		
• PIRONET NDH Datacenter AG & Co. KG	Hamburg, Germany	84.6
• PIRONET Enterprise Solutions GmbH	Cologne, Germany	84.6
• PIRONET NDH LLC	Atlanta, USA	84.6
• PIRONET NDH Beteiligungs GmbH	Cologne, Germany	84.6
5. CANCOM DIDAS GmbH	Langenfeld, Germany	100.0
6. CANCOM physical infrastructure GmbH	Jettingen-Scheppach, Germany	100.0
7. Xerabit GmbH	Unterschleißheim, Germany	100.0
8. Verioplan GmbH	Munich, Germany	100.0
9. CANCOM, Inc.	Palo Alto, USA	100.0
and its subsidiaries		
• HPM Incorporated	Pleasanton, USA	100.0
10. Cancom on line BVBA	Elsene, Belgium	100.0
11. CANCOM Ltd	London, UK	100.0
12. CANCOM Financial Services GmbH	Jettingen-Scheppach, Germany	100.0
13. CANCOM VVM GmbH	Jettingen-Scheppach, Germany	100.0
Associated companies:		
1. prudsys AG	Chemnitz, Germany	19.9*

* stockholding of Pironet NDH Aktiengesellschaft

CANCOM GmbH and NSG ICT Service GmbH have availed of the exemption option provided by Section 264, paragraph 3 of the German Commercial Code.

Munich, Germany, March 8, 2016

Klaus Weinmann Rudolf Hotter

The Executive Board of CANCOM SE

Responsibility Statement of the consolidated financial statement

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

Munich, Germany, March 8, 2016

Klaus Weinmann   Rudolf Hotter

Executive Board of CANCOM SE

Auditors' report

We have audited the consolidated annual financial statements (consisting of balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the accounts) prepared by CANCOM SE, as well as the management report of CANCOM SE and the CANCOM Group for the financial year from 1 January to 31 December 2015. It is the responsibility of the Executive Board of CANCOM SE to prepare the consolidated annual financial statements and Group management report in accordance with IFRS as applicable in the EU, and in line with the requirements of German commercial law according to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). Our task is to issue an opinion on the consolidated annual financial statements and the Group management report on the basis of our audit.

We have carried our audit of the consolidated annual financial statements in accordance with Section 317 of the German Commercial Code, in compliance with the German standards for the audit of financial statements laid down by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). These require us to plan and conduct our audit in such a way that any inaccuracies or irregularities significantly affecting the asset, financial and earnings position presented by the consolidated annual financial statements prepared in compliance with statutory accounting requirements, and by the combined management report of CANCOM SE and the CANCOM Group, can be detected with reasonable certainty. In establishing the audit procedures, we took into consideration our knowledge of the Group's business activities, and of the economic and legal environment in which it operates, as well as our expectations with regard to possible errors. The audit reviews the efficacy of the internal controlling system relating to the accounting system, and seeks proof for the details provided in the consolidated financial statements and the combined management report of CANCOM SE and the CANCOM Group primarily on the basis of random checks. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, of the demarcation of the scope of consolidation, of the accounting principles and consolidation policy applied, and of the significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the facts by the consolidated annual financial statements and the combined management report of CANCOM SE and the CANCOM Group.

We believe that our audit provides a reasonable basis for our opinion. Our audit did not give rise to any objections. In our opinion, based on the information we have obtained during our audit, the consolidated financial statements conform with IFRS as applicable in the EU, and the requirements of German commercial law according to Section 315a (1) of the German Commercial Code and give a true and fair view of the assets, financial situation and earnings of the Group, while complying with these requirements. The combined management report of CANCOM SE and the CANCOM Group is in line with the consolidated financial statements, it gives a true overall picture of the Group's situation, and presents an accurate view of the opportunities and risks of future development.

Augsburg, Germany, 8 March 2016

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

SE Company balance sheet as at December 31, 2015

ASSETS

	Dec. 31, 2015 €	Dec. 31, 2014 €
A. FIXED ASSETS		
I. Intangible fixed assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights	247,100	137,024
II. Property, plant and equipment		
1. Technical equipment and machinery	92,161	113,090
2. Other equipment, operating and office equipment	540,762	486,077
	632,923	599,166
III. Long-term financial assets		
1. Shares in affiliated companies	161,919,096	138,423,817
2. Loans to affiliated companies	8,335,134	6,121,728
3. Long-term securities	0	1,504
4. Other loans	0	758,933
	170,254,231	145,305,982
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable from affiliated companies	48,871,163	29,160,135
2. Other assets	998,978	698,387
	49,870,141	29,858,522
II. Cash in hand, central bank balances, cash at banks and checks	27,617,265	50,498,810
C. PREPAID EXPENSES	52,323	47,278
	248,673,982	**226,446,782**

EQUITY AND LIABILITIES

	Dec. 31, 2015 €	Dec. 31, 2014 €
A. EQUITY		
I. Subscribed capital	14,879,574	14,879,574
II. Capital reserves	112,602,238	112,602,238
III. Revenue reserves		
1. Statutory reserves	6,666	6,666
2. Other reserves	40,469,976	34,613,368
	40,476,642	34,620,033
IV. Net retained profits/(net accumulated losses)	30,638,473	13,296,396
	198,596,927	175,398,241
B. PROVISIONS		
1. Tax provisions	2,473,249	176,256
2. Other provisions	2,427,760	2,148,480
	4,901,009	2,324,736
C. LIABILITIES		
1. Bonds		
a) Convertible bond	40,968,355	39,820,285
b) Capital from profit participation rights and subordinated loans	2,388,100	4,388,100
2. Liabilities to banks	1,119,675	1,418,105
3. Trade accounts receivable	113,944	44,378
4. Liabilities to affiliated companies	65,856	0
5. Other liabilities	509,391	3,040,626
	45,165,320	48,711,495
D. DEFERRED INCOME	10,726	12,310
	248,673,982	**226,446,782**

Statement of income for the period from January 1 to December 31, 2015

	2015 €	2014 €
1. Sales revenues	7,043,265	7,871,410
2. Other own work capitalized	100,586	0
3. Other operating income	675,037	1,124,802
4. Human resources expenses		
a) Wages and salaries	-5,511,472	-5,323,190
b) Social security, post-employment and other employee benefit costs	-489,339	-469,222
	-6,000,811	-5,792,412
5. Depreciation, amortization and write-downs		
Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of property plant and equipment	-178,114	-207,971
6. Other operating expenses	-2,410,417	-3,759,268
7. Income from long-term equity investments	9,846,942	4,000,037
8. Profits received under a profit transfer agreement	32,385,942	17,377,544
9. Other Interest and similar income	1,445,405	998,893
10. Write-downs of long-term financial assets	-758,948	-249,576
11. Interest and similar expenses	-1,831,414	-1,583,261
12. Earnings from ordinary activities	**40,317,472**	**19,780,199**
13. Extraordinary expenses	0	-1,053,940
14. Extraordinary result	0	-1,053,940
15. Income tax	-9,676,726	-5,426,485
16. Other taxes	-2,273	-3,378
17. Net income/(net loss) for the year	**30,638,473**	**13,296,396**
18. Retained profits/(accumulated losses) brought forward	13,296,396	11,869,345
19. Appropriation to revenue reserves to other revenue reserves	-5,856,609	-6,023,028
20. Dividend payments	-7,439,787	-5,846,316
21. Net retained profits/(net accumulated losses)	**30,638,473**	**13,296,396**


CANCOM

Statement of changes in fixed assets

	COSTS			
	Balance as at Jan 1, 2015 €	**Additions 2015 €**	**Disposals 2015 €**	**Transfers 2015 €**
I. Intangible fixed assets				
Purchased concessions, industrial and similar rights and assets, and licenses in such rights	150,044.01	168,752.05	41,335.90	277,460.16
	150,044.01	168,752.05	41,335.90	277,460.16
II. Property, plant and equipment (tangible fixed assets)				
1. Technical equipment and machinery	340,998.34	0.00	0.00	340,998.34
2. Other equipment, operating and office equipment	1,070,705.85	204,732.51	94,152.89	1,181,285.47
	1,411,704.19	204,732.51	94,152.89	1,522,283.81
III. Financial assets				
1. Shares in affiliated companies	138,423,816.55	23,495,279.62	0.00	161,919,096.17
2. Loans to affiliated companies	6,121,727.71	2,290,961.51	677,554.88	7,735,134.34
3. Equity investments	0.00	0.00	0.00	0.00
4. Long-term securities	1,503.99	0.00	1,503.99	0.00
5. Other loans	758,933.32	5,015.00	763,948.32	0.00
	145,305,981.57	25,791,256.13	1,443,007.19	169,654,230.51
Total	**146,867,729.77**	**26,164,740.69**	**1,578,495.98**	**171,453,974.48**

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS				CARRYING AMOUNTS	
Balance as at Jan. 1, 2015 €	Additions 2015 €	Disposals 2015 €	Balance as at Dec. 31, 2015 €	Balance as at Dec. 31, 2015 €	Balance as at Dec. 31, 2014 €
13,020.00	17,340.53	0.00	30,360.53	247,099.63	137,024.01
13,020.00	17,340.53	0.00	30,360.53	247,099.63	137,024.01
227,908.64	20,928.60	0.00	248,837.24	92,161.10	113,089.70
584,629.26	139,845.12	83,950.59	640,523.79	540,761.68	486,076.59
812,537.90	160,773.72	83,950.59	889,361.03	632,922.78	599,166.29
0.00	0.00	0.00	0.00	161,919,096.17	138,423,816.55
0.00	0.00	0.00	0.00	7,735,134.34	6,121,727.71
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	1,503.99
0.00	758,948.32	758,948.32	0.00	0.00	758,933.32
0.00	758,948.32	758,948.32	0.00	169,654,230.51	145,305,981.57
825,557.90	**937,062.57**	**842,898.91**	**919,721.56**	**170,534,252.92**	**146,042,171.87**

Notes to the company accounts for the fiscal year 2015

A. General information

The company is a large joint-stock company, for the purposes of Section 267, paragraph 3 of the German Commercial Code (Handelsgesetzbuch, HGB). The accounting and valuation methods are subject to the provisions of the German Commercial Code on financial reporting for joint-stock companies, in addition to the supplementary provisions of the German Stock Corporation Act and Council Regulation (EC) Directive 2157/2001 on the Statute of a European Company (SE).

B. Accounting and valuation principles

Intangible fixed assets

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

Property, plant and equipment (tangible fixed assets)

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

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

Low-value assets with acquisition costs of € 150 or less are written off in full as operating costs in the year of their acquisition.

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

Long-term financial assets

Long-term financial assets are valued at acquisition cost or at the lower fair value in the event of permanent impairment.

Accounts receivable and other assets

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

Provisions

Provisions have been measured at their settlement values according to reasonable commercial assessment, and take account of all identifiable risks, contingent liabilities and anticipated losses.

Liabilities

Liabilities are recognized at their settlement values.

Deferred taxes

If a tax burden is expected overall in future fiscal years, an excess of deferred tax liabilities is recognized for the differences between the financial and tax recognition of assets, liabilities and prepaid expenses/deferred income. If a future tax benefit is expected overall, the company does not recognize deferred tax assets, which is an option offered by Section 274, paragraph 1, sentence 2 of the German Commercial Code. Loss carryovers are taken into account to the extent that they can be offset against taxable income within the next five years. Additionally, differences between the financial and tax recognition of the assets, liabilities and prepaid expenses/deferred income of subsidiaries are taken into account to the extent that future tax burdens and tax benefits are anticipated from the reversal of temporary differences at the parent company, CANCOM SE.

Deferred taxes are measured on the basis of the tax rates applicable in the future fiscal year in which the temporary differences in measurement are reversed, provided that the future tax rates are already known. The income tax rate is 30.9 percent (2014: 30.8 percent) and consists of corporate tax and trade tax as well as the solidarity surcharge. The slight increase in the income tax rate compared with the previous year is owing to the increase in the average trade tax rate.

Basis for currency conversion

Accounts payable and receivable in foreign currencies within the Group are converted at the average spot rate on the balance sheet date. Monetary balance sheet items in foreign currencies were also converted at the rate applicable on the reporting date. Accounts payable and receivable with a remaining term to maturity of less than one year are converted at the average spot rate on the reporting date in line with Section 256a of the German Commercial Code. Accounts payable with a remaining term to maturity of more than one year are converted at the higher rate if applicable, while accounts receivable and other monetary assets with a remaining term to maturity of more than one year are converted at the lower rate on the reporting date, where applicable. This can give rise to gains or losses from exchange rate fluctuations.

C. Explanations and disclosures concerning individual balance sheet items

Fixed assets

Changes in fixed assets are shown in the statement of changes in fixed assets (Annex 3, page 10).

For the composition of the financial assets and the net income/(loss) for the year of the subsidiaries, please see the statement of stockholdings in companies (Annex 3, pages 11 and 12).

Loans to affiliated companies relate to a long-term loan to CANCOM Inc. of € 8,335 thousand (2014: € 6,122 thousand).

In the previous year, the item of other loans included a loan of € 759 thousand to Glanzkinder GmbH. The loan was fully written off due to the insolvency of Glanzkinder GmbH.

Accounts receivable and other assets

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

Accounts receivable from affiliated companies amount to € 48,871 thousand (2014: € 29,160 thousand). These relate to CANCOM GmbH (€ 27,497 thousand; 2014: € 19,708 thousand), NSG ICT Service GmbH (formerly CANCOM NSG GmbH) (€ 10,402 thousand; 2014: € 4,873 thousand), CANCOM on line GmbH (€ 4,290 thousand, 2014: € 0), CANCOM DIDAS GmbH (€ 2,375 thousand; 2014: € 1,441 thousand), CANCOM Computersysteme GmbH (€ 1,820 thousand, 2014: € 1,749 thousand), CANCOM ICP GmbH (formerly CANCOM NSG ICP GmbH) (€ 884 thousand, 2014: € 27 thousand), NSG GIS GmbH (formerly CANCOM NSG GIS GmbH) (€ 725 thousand, 2014: € 52 thousand), CANCOM Inc. (€ 422 thousand; 2014: € 665 thousand), CANCOM on line BVBA (€ 198 thousand, 2014: € 6 thousand), CANCOM physical infrastructure GmbH (€ 144 thousand; 2014: € 4 thousand), Verioplan GmbH (€ 60 thousand; 2014: € 0 thousand), Pironet NDH Datacenter AG & Co. KG (€ 24 thousand; 2014: € 0 thousand), CANCOM a+d IT solutions GmbH (€ 22 thousand; 2014: € 22 thousand), CANCOM SCS GmbH (formerly CANCOM NSG SCS GmbH) (€ 3 thousand; 2014: 4 thousand), Pironet Enterprise Solutions GmbH (formerly Pironet NDH Enterprise Solutions GmbH and Pironet NDH EDI-Services GmbH) (€ 3 thousand; 2014: € 0 thousand), and Pironet NDH Aktiengesellschaft (€ 2 thousand; 2014: € 0 thousand). In 2014, accounts receivable from acentrix GmbH (€ 609 thousand) were also included.

Of the accounts receivable from affiliated companies, loans account for € 17,216 thousand (2014: € 8,689 thousand), other current assets for € 30,659 thousand (2014: € 18,854 thousand) and trade accounts receivable for € 996 thousand (2014: €1,617 thousand).

Capital stock

As at December 31, 2015, the company's capital stock was € 14,879,574 (2014: € 14,879,574), divided into 14,879,574 notional no-par value bearer shares (shares without nominal value) (2014: 14,879,574).

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 7,439,787 as at December 31, 2015; and is regulated as follows:

A resolution passed at the general meeting of shareholders on June 18, 2015 authorizes the Executive Board to increase the capital stock once or in several steps by up to a total of € 7,439,787 by issuing up to 7,439,787 new notional no-par value bearer shares for a cash or non-cash consideration (authorized capital I/2015). The shares must be issued by June 17, 2020 and any issue of shares is subject to the approval of the Supervisory Board. In general, shareholders will be granted subscription rights, but the Executive Board is authorized to exclude the shareholders' statutory subscription rights in the following cases with the approval of the Supervisory Board:

- for fractional amounts;
- if a capital increase for a cash consideration does not exceed 10 percent of the capital stock and the issue price of the new shares is not significantly lower than the stock market price (Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act. If this authorization is used and shareholders' subscription rights are excluded in accordance with the above Act, the exclusion of subscription rights on the basis of other authorizations in accordance with the same Act must be taken into account;
- for capital increases for a non-cash consideration to grant new shares for the purpose of acquiring companies or equity interests in companies or parts of companies, or for a debt-for-equity swap.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the conditions for carrying out capital increases, subject to the approval of the Supervisory Board.

The Executive Board did not make use of the above authorization during the fiscal year 2015.

In accordance with the company's by-laws, the conditional capital at December 31, 2015 amounted to € 1.450.000. The details of the conditional capital are as follows:

The capital stock is increased conditionally by up to € 1,450,000 by the issue of up to 1,450,000 new no-par value shares (contingent capital 2013/I). The conditional increase in capital will only be implemented to the extent that holders of the convertible bond issued on March 27, 2014 exercise their conversion rights in line with the terms and conditions of the bond. The shares will be issued at the relevant conversion price under the terms and conditions of the bond. The new shares will carry dividend rights from the beginning of the fiscal year for which, at the time of their issue, no resolution of the general meeting of stockholders has been passed on the appropriation of the net income for the year.

The Executive Board is authorized to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

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

Capital reserves

The capital reserves consist of the following:

	2015 € '000	2014 € '000
Capital reserves at January 1, 2015	112,602	96,896
Increase in capital stock (Section 272, paragraph 2, no. 1 of the German Commercial Code)	0	9,680
Increase in capital stock (Section 272, paragraph 2, no. 2 of the German Commercial Code)	0	6,026
Capital reserves	**112,602**	**112,602**

Other revenue reserves

The other revenue reserves consist of the following:

	2015 € '000	2014 € '000
Other revenue reserves at January 1	34,613	28,590
Allocation from retained profit	5,857	6,023
Other revenue reserves	**40,470**	**34,613**

Net retained profit

Net retained profit consists of the following:

	2015 € '000	2014 € '000
Amount brought forward at January 1	13,296	11,869
Dividend distribution	-7,440	-5,846
Reclassification to other revenue reserves	-5,857	-6,023
Net income for the year	30,638	13,296
Net retained profit	**30,638**	**13,296**

Provisions

The other provisions are mainly for bonus payments (€ 1,748 thousand; 2014: € 1,594 thousand), emoluments to Supervisory Board members (€ 204 thousand; 2014: € 197 thousand), outstanding invoices (€ 168 thousand; 2014: € 65 thousand), financial statements and audit fees (€ 144 thousand; 2014: € 132 thousand), variable salary components (€ 38 thousand; 2014: € 32 thousand), benefit from rent-free period (€ 37 thousand; 2014: € 43 thousand), holiday entitlements (€ 29 thousand; 2014: € 21 thousand), future tax audits (€ 32 thousand; 2014: € 38 thousand), and provisions for printing costs (€ 17 thousand; 2014: € 17 thousand).

Liabilities

For a breakdown of liabilities, please see the statement of liabilities (Annex 3, page 13).

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

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

On the balance sheet, the convertible bond is split into an equity component and a debt component. The market value of the debt component to be recognized is € 38,975 thousand, taking into account the issuing costs. This value was calculated using the binomial model. The resulting value of the equity component is € 6,026 thousand. This is recognized under additional capital reserves. An interest expense of € 1,542 thousand was recognized for the bond in the period January 1 to December 31, 2015.

Capital from profit participation rights and subordinated loans includes two subordinated loans of € 1,995,600 and € 392,500 (Stadtsparkasse Augsburg).

Mezzanine capital of € 4,000,000 was granted under a mezzanine capital agreement of December 27, 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on December 31, 2007. Two partial repayments of € 1,000,000 each were made on December 30, 2011 and December 21, 2012. The remainder of the mezzanine capital, amounting to € 2,000,000, was repaid on December 23, 2015 with interest charged at a fixed rate of 6.6 percent. An interest expense of € 144 thousand was recognized for the capital in the period January 1 to December 31, 2015.

A loan of € 1,995,600 from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on September 23, 2009 and € 495,600 on December 8, 2009, at an interest rate of 4.25 percent per annum. This is a specific-purpose loan out of funds from Germany's publicly-owned development bank, Kreditanstalt für den Wiederaufbau (KfW). Repayment in 12 quarterly instalments of € 166,300 each will commence on December 30, 2016.

A loan of € 392,500 from Stadtsparkasse Augsburg was granted on December 8, 2009, at an interest rate of 4 percent per annum. This is another specific-purpose loan from Kreditanstalt für den Wiederaufbau (KfW). Repayment in 11 quarterly instalments of € 32,709 each and a final instalment of € 32,701 will commence on December 30, 2016.

D. Explanations and disclosures concerning the statement of income

The statement of income was prepared according to the total cost accounting principle.

Revenues for 2015 mainly consist of group allocations (€ 7,007 thousand; 2014: € 7,805 thousand).

Other operating income includes income not relating to the period, amounting to 9 thousand (2014: € 82 thousand), as well as income arising from currency conversion totaling € 82 thousand (2014: € 48 thousand). It also comprises accounting profits from the sale of property plant and equipment (€ 5 thousand; 2014: € 4), income from the reversal of provisions (€ 2 thousand; 2014: € 41 thousand), and bonuses of € 2 thousand (2014: € 70) from a car manufacturer for cars purchased. In 2014, this item included commission income of € 37 thousand from 2013.

Write-downs of current assets where the amount is in excess of the level normal in a joint-stock company mainly comprises a write-down of the loan to a former subsidiary, which amounts to € 250 thousand.

Profits received under a profit transfer agreement consists of CANCOM GmbH's net income for the year (€ 29,399 thousand; 2014: € 17,327 thousand) and that of CANCOM ICT Service GmbH (€ 2,987 thousand; 2014: € 51 thousand), which were transferred to CANCOM SE.

Interest and similar income comprises interest income of € 1,430 thousand (2014: € 974 thousand) from affiliated companies, and the expense of interest accrued on the convertible bond, which amounts to € 1,829 thousand (2014: € 1,441 thousand).

Write-downs of long-term financial assets, which amounts to € 759 thousand, consists of the write-off of a loan to a former subsidiary owing to the insolvency of that company.

The extraordinary result amounts to € 0 thousand. In 2014, this item consisted of non-recurring expenses of € 1,000 thousand plus interest of € 49 thousand relating to the refund of the purchase price in connection with the sale of the former HOH Home of Hardware GmbH in 2011, as well as costs of € 5 thousand for the capital increase.

E. Other disclosures

Disclosures in compliance with Section 285, no. 29 of the German Commercial Code

In the fiscal year 2015 there were differences between the financial balance sheet and the tax balance sheet which would have given rise to both deferred tax assets and deferred tax liabilities. However, there is an excess of deferred tax assets over deferred tax liabilities. Section 274, paragraph 1, sentence 2 of the German Commercial Code offers an option to capitalize these assets, but the company did not exercise this option.

The resulting net deferred tax assets are made up of deferred tax liabilities on the tax adjustment items of the subsidiaries, stockholdings in affiliated companies and accounts receivable from affiliated companies (exchange rate difference), as well as deferred tax assets on goodwill and provisions.

Other financial obligations

Obligations under current tenancy and lease agreements are as follows:

	due in 2016 €'000	**total €'000**
Tenancy agreements	112	583
of which from affiliated companies	18	18

SCHEDULE OF LIABILITIES

	Remaining term		
	up to 1 year €	over 1 year €	over 5 years €
1. Bonds			
a) Convertible bonds	0.00	40,968,354.94	0.00
b) Profit participation rights and subordinated loans	199,009.00	2,189,091.00	0.00
2. Liabilities to banks	298,784.06	820,891.00	0.00
3. Trade accounts payable	113,943.51	0.00	0.00
4. Liabilities to affiliated companies	65,856.00	0.00	
5. Other liabilities	509,390.95	0.00	0.00
(of which taxes)	*118,723.64*	*0.00*	*0.00*
(of which social security contributions)	*0.00*	*0.00*	*0.00*
	1,186,983.52	**43,978,336.94**	**0.00**

Contingent liabilities

As at the reporting date, there are guarantees for CANCOM GmbH (€ 11,642 thousand; 2014: € 11,642 thousand), CANCOM NSG ICT Service GmbH (€ 5,192 thousand; 2014: € 3,692 thousand), CANCOM on line GmbH (€ 3,000 thousand; 2014: € 3,000 thousand), CANCOM physical infrastructure GmbH (€ 150 thousand; 2014: € 150 thousand), CANCOM Inc. ($ 2,500 thousand; 2014: $ 0 thousand), and a joint guarantee of € 200 thousand (2014: € 200 thousand) for CANCOM GmbH, CANCOM physical infrastructure GmbH, NSG GIS GmbH, CANCOM SCS GmbH and CANCOM ICP GmbH.

In 2014, CANCOM SE provided a parent company guarantee on behalf of PIRONET NDH Datacenter AG & Co. KG for a € 4.5 million project for a major client. The company does not currently expect any claim to be made under the guarantee, as the project is progressing well and PIRONET NDH Datacenter AG & Co. KG has a strong financial standing.

	Dec. 31, 2015 €'000	Dec. 31, 2014 €'000
Joint and several liability for financial guarantees and other loans	6,892	3,034

The guarantees, which amount to € 6,892 thousand (2014: € 3,034 thousand) relate entirely to affiliated companies.

CANCOM SE only gives guarantees or other commitments after careful assessment of the risks, and strictly only in respect of its own affiliated companies, or companies that engage in related business activities.

Based on the company's continuous assessment of the risk situation regarding the guarantees or other commitments it has given, and in consideration of its observations up to the time that these financial statements were compiled, CANCOM SE anticipates at present that the commitments on which the guarantees are based can be fulfilled by relevant the principal debtors. CANCOM SE therefore assesses the likelihood of a loss on any of the guarantees listed as remote.

Dec. 31, 2015 €	Dec. 31, 2014 €	Secured by lien or similar rights €	Secured by lien or similar rights Type
40,968,354.94	39,820,285.30		
2,388,100.00	4,388,100.00		
1,119,675.06	1,418,105.38	2,000,744.97	Assignment of motor vehicle as security
113,943.51	44,378.42		
65,856.00	0.00		
509,390.95	3,040,625.99		
118,723.64	*1,660,700.65*		
0.00	*0.00*		
45,165,320.46	**48,711,495.09**	**2,000,744.97**	

Management

The members of the Executive Board are:

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

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

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

- Klaus Weinmann:
  - Pironet NDH Aktiengesellschaft
  - AL-KO Kober SE
  - CANCOM GmbH
- Rudolf Hotter:
  - Pironet NDH Aktiengesellschaft
  - NSG ICT Service GmbH

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

- Thomas Stark, graduate in industrial engineering (Diplom-Wirtschaftsingenieur), Wittislingen, Germany
- Markus Saller, graduate in business administration (Diplom-Kaufmann), Garmisch-Partenkirchen, Germany

- Thomas Stark is on the supervisory boards of other companies:
  - AL-KO Kober SE
  - Pirobase Imperia GmbH (formerly Imperia AG) (until June 30, 2015)
- Markus Saller is on the supervisory boards of other companies:
  - Prudsys AG

Supervisory Board

The members of the Supervisory Board are:

- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany, Chairperson
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH and Elber GmbH, Regensburg, Germany, Deputy Chairperson
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of Abcon Holding GmbH and WFO Vermögensverwaltung GmbH, Munich, Germany
- Uwe Kemm, independent organizational, sales and marketing consultant
- Dominik Eberle, online marketing and e-commerce consultant
- Raymond Kober, managing director of Kober Beteiligungs GmbH, Kammeltal, Germany, (since June 18, 2015)

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

- Raymond Kober:
  - AL-KO Kober SE
- Dr. Lothar Koniarski:
  - ZMD AG (until December 2015)
  - Corona Equity Partner AG (since January 2016)

Employees

The average number of employees working for the company during 2015 was 75 (2014: 69). This includes part-time employees but excludes trainees, interns and the members of the Executive Board.

Auditors' fees

The disclosures according to Section 285 no. 17 of the German Commercial Code are omitted because they are included in the consolidated financial statements of CANCOM SE.

Declaration of conformity with the Corporate Governance Code

In the Supervisory Board meeting on December 8, 2015, the Executive Board and the Supervisory Board issued a joint declaration of conformity with the German Corporate Governance Code in accordance with Section 161, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG), which was published immediately. The declaration is permanently displayed on the company's website for public access.

Total emoluments paid to the Executive Board and the Supervisory Board

The total emoluments paid to the Executive Board in 2015 amounted to € 2,617 thousand (2014: 2,442 thousand).

The total emoluments paid to members of the Executive Board are subdivided into fixed and variable components. The variable components are dependent on the attainment of defined performance targets. No stock options were granted to the members of the Executive Board in 2015.

Full disclosures in compliance with Section 285, no. 9a, sentences 5 to 9 of the German Commercial Code (Handelsgesetzbuch, HBG) can be found in the management report.

The total emoluments of the Supervisory Board in 2015 amounted to € 223 thousand (2014: 226 thousand).

Details of equity interests in CANCOM SE

As at December 31, 2015, the company has the following details of equity interests subject to mandatory disclosure in accordance with Sections 21 ff. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG):

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

Allianz Global Investors GmbH, Frankfurt am Main, Germany, informed us on March 27, 2015 that its share of the voting rights in CANCOM SE had fallen below the 10 percent threshold on March 26 and on that day amounted to 9.93 percent (equivalent to 1,477,079 voting rights). In line with Section 22, paragraph 1, sentence 1, number 6 of the German Securities Trading Act, 7.56 percent of the voting rights (equivalent to 1,124,989 voting rights) are attributable to the company.

Ameriprise International Holdings GmbH, Zug, Switzerland, informed us on July 3, 2015 that its share of the voting rights in CANCOM SE had exceeded the 3 percent and 5 percent thresholds on June 29 and on that day amounted to 5.04 percent (equivalent to 749,332 voting rights). In line with Section 22, paragraph 1, sentence 1, number 6 and sentence 2 of the above Act, 5.04 percent of the voting rights (equivalent to 749,332 voting rights) are attributable to the company. The attributed voting rights are held through Threadneedle Investment Funds ICVC, whose share of the voting rights in CANCOM SE amounts to 3 percent or more.

Proposal for the appropriation of net retained profit

The Executive Board has resolved to propose to the Supervisory Board and the general meeting of stockholders that the net retained profit of € 30,638,473.03 for the fiscal year 2015 be used for a dividend payment of € 0.50 per eligible notional no-par value share and that the balance of the retained profit remaining after the dividend payment be transferred to other reserves.

Parent company

CANCOM SE, Munich, Germany, is the company that prepares the consolidated financial statements. The consolidated financial statements of CANCOM SE are published on the company's website. They are also available on the electronic German Federal Gazette (Bundesanzeiger) at www.bundesanzeiger.de.

STATEMENT OF STOCKHOLDINGS

Name and registered seat of company	Stockholding as a percentage	Equity capital Dec. 31, 2015 €'000	Net income/loss 2015 €'000
Stockholding of more than 20 percent			
1. CANCOM GmbH, Jettingen-Scheppach, Germany	100.0	42,786	0 [*1]
2. NSG ICT Service GmbH (formerly CANCOM NSG GmbH), Munich, Germany	100.0	1,347	0 [*1]
3. CANCOM on line GmbH	100.0	7,409	2,660
4. Cancom on line BVBA, Elsene, Belgium	100.0	28	15
5. CANCOM DIDAS GmbH, Langenfeld, Germany	100.0	4,568	1,151
6. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0	543	190
7. NSG GIS GmbH (formerly CANCOM NSG GIS GmbH), Jettingen-Scheppach, Germany	100.0 [B)]	1,102	321
8. CANCOM SCS GmbH (formerly CANCOM NSG SCS GmbH), Jettingen-Scheppach, Germany	100.0 [B)]	130	105
9. CANCOM ICP GmbH (formerly CANCOM NSG ICP GmbH), Munich, Germany	100.0 [B)]	238	213
10. Xerabit GmbH, Munich, Germany	100.0	2,111	138
11. Verioplan GmbH, Munich, Germany	100.0	25	37
12. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0	93	0
13. CANCOM VVM GmbH, Jettingen-Scheppach, Germany	100.0	11	0
14. CANCOM Computersysteme GmbH, Graz, Austria	100.0 [A)]	1,391	213
15. CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.0 [C)]	1,744	439
16. CANCOM (Switzerland) AG, Caslano, Switzerland	100.0 [A)]	-3 [1)]	-1
17. CANCOM, Inc., Palo Alto, USA	100.0	2,799 [2)]	2,392
18. HPM Incorporated, Plasanton, USA	100.0 [D)]	22,317 [2)]	1,996
19. CANCOM Ltd, London, UK	100.0	8 [3)]	19
20. Pironet NDH Aktiengesellschaft, Cologne, Germany	84.6	27,211 [4)]	130
21. PIRONET NDH Datacenter AG & Co. KG, Hamburg, Germany	84.6 [E)]	3,068 [4)]	0 [*2]
22. Pironet NDH Enterprise Solutions GmbH, Cologne, Germany	84.6 [E)]	1,687	995
23. PIRONET NDH LLC, Atlanta, USA	84.6	0	0
24. PIRONET NDH Beteiligungs GmbH, Cologne, Germany	84.6	25	1
		120,638	**11,014**

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

1) Conversion at reporting date - CHF 1 = EUR 1.08
2) Conversion at reporting date - USD 1 = EUR 1.09
3) Conversion at reporting date - GBP 1 = EUR 0.73
4) Prior to crediting to the partnership account

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

Munich, Germany, March 8, 2016

Klaus Weinmann   Rudolf Hotter

Member of the Executive Board of CANCOM SE

Responsibility Statement of the financial statement

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

Munich, Germany, March 8, 2016

Klaus Weinmann Rudolf Hotter

Member of the Executive Board of CANCOM SE

Auditors' report

We have audited the annual financial statements (consisting of the balance sheet, income statement and notes to the accounts) prepared by CANCOM SE, Munich, Germany, including the accounts and combined management report of CANCOM SE and the CANCOM Group for the financial year from 1 January to 31 December 2015. The accounting system and the preparation of the financial statements and management report according to German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. Our task is to submit an opinion, based on our audit, on the annual financial statements, including the accounting system used, and on the combined management report of CANCOM SE and the CANCOM Group.

We have conducted our audit of the Company's annual financial statements in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch, HGB), in compliance with the German standards for the audit of financial statements laid down by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). These require us to plan and perform the audit in such a way that inaccuracies or irregularities significantly affecting the asset, financial and earnings position of the Company presented by the Company annual financial statements prepared in compliance with the principles of proper accounting, and by the combined management report of CANCOM SE and the CANCOM Group, can be detected with reasonable certainty. In establishing the audit procedures, we took into consideration our knowledge of the Company's business activities, and of the economic and legal environment in which the Company operates, as well as our expectations with regard to possible errors. The audit reviews the efficacy of the internal controlling system relating to the accounting system and seeks proof for the details provided in the accounts, the financial statements and the management report of CANCOM SE and the CANCOM Group primarily on the basis of random checks. The audit includes an assessment of the accounting principles applied, and the significant estimates made by the Company's legal representatives, as well as an appraisal of the overall presentation of the facts by the annual financial statements and the combined management report of CANCOM SE and the CANCOM Group.

We believe that our audit provides a reasonable basis for our opinion. Our audit did not give rise to any objections. In our opinion, based on the information we have obtained during our audit, the annual financial statements conform with the legal requirements and the supplementary provisions of the articles of association, and give a true and fair view of the assets, financial situation and earnings of the Company, while complying with the principles of sound accounting practice. The combined management report of CANCOM SE and the CANCOM Group is in line with the financial statements, it gives a true overall picture of the Company's situation, and presents an accurate view of the opportunities and risks of future development.

Augsburg, Germany, 8 March 2016

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber Certified auditor	Johann Dieminger Certified auditor

CANCOM SE financial calendar

IMPORTANT DATES

Publication of financial results as at 31 March/first quarter 2016	May 12, 2016
Annual General shareholders' meeting in Munich, Germany: Location: Alte Kongresshalle Theresienhöhe 15 80339 Munich, Germany	June 14, 2016
Publication of financial results as at 30 June/second quarter 2016	August 10, 2016
Publication of financial results as at 30 September/third quarter 2016	November 10, 2016
Analysts' Conference at the German Equity Forum in Frankfurt, Germany Start: Time is not yet determined Location: Sheraton Frankfurt Airport Hotel and Conference Center Airport/Terminal 1 Hugo-Eckener-Ring 15 60594 Frankfurt, Germany	November 21 – 23, 2016

Note:
The German Securities Trading Act (WpHG) requires issuers to promptly publish any information which will significantly impact share price. This means that we may publish our quarterly or fiscal-year-end results before the dates listed above.

Publication Details

Published by
CANCOM SE
Erika-Mann-Straße 69
D-80636 München
Germany
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Designed and produced by
CANCOM SE, München, Germany
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Printed and bound by
viaprinto I CEWE Stiftung & Co. KGaA
Otto-Hahn-Str. 21
D-48161 Münster

Translation
Verbum versus Verbum, Rosbach v. d. H.
E-Mail: verbum.versus.verbum@t-online.de

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