2020

ANNUAL REPORT
CANCOM SE

CANCOM

Key figures

CANCOM GROUP

in € million	2020	2019	Δ
Revenues	1,649.4	1,549.3	+6.5 %
Gross profit	473.2	443.8	+6.6 %
EBITDA	123.1	119.2	+3.3 %
EBITDA margin	7.5 %	7.7 %	-0.2 Pp
EBITA	81.7	85.2	-4.1 %
EBIT	63.8	54.4	+17.3 %

	31.12.2020	31.12.2019	Δ
Balance sheet total	1,249.9	1,205.4	+3.7 %
Equity	614.7	577.3	+6.5 %
Equity ratio	49.2 %	47.9 %	+2.7 Pp
Cash and cash equivalents	338.4	364.9	-7.3 %
Employees	3,912	3,555	+10.0 %

CLOUD SOLUTIONS

in € million	2020	2019	Δ
Revenues	356.1	300.6	+18.5 %
EBITDA	83.0	73.0	+13.7 %
EBITDA margin	23.3 %	24.3 %	-1.0 Pp
Annual Recurring Revenue	205.9	183.9	+12.0 %

IT SOLUTIONS

in € million	2020	2019	Δ
Revenues	1.293,2	1.248,7	+3,6 %
EBITDA	60,5	62,0	-2,4 %
EBITDA margin	4,7 %	5,0 %	-0,3 Pp


CANCOM
69

Table of contents

Dear Shareholders,

Fiscal 2020 was a very unusual one for CANCOM. Many companies and areas of public life, including a large number of our customers, were affected by the drastic measures to combat the coronavirus. This led to a course of business that was difficult to predict. Despite all the pandemic-related restrictions, the fourth quarter was the best in the Company's history and, overall, we were able to continue our successful development this year.

Looking back, all this is now overshadowed by a very successful fiscal year, because this crisis has given the topic of digitization unprecedented prominence, and we have benefited from this as a leading cloud and IT partner for our customers. However, the fact that we were able to achieve such good business results overall is not only due to a one-off special demand situation caused by the crisis: It is also primarily the result of our long-term strategic transformation. In recent years, we have consistently expanded the CANCOM portfolio to include service offerings, thus complementing our traditional system house business. The development of our Cloud Solutions segment and recurring service revenues demonstrate the strength of this combination.

In addition to the extraordinary positive effects on the 2020 fiscal year, the fourth quarter also gives us an outlook on the issues that will occupy our customers in 2021. The focus is shifting from the pandemic-related and often short-term procurement of hardware and software with quick solutions for acute problems to the integration of devices and solutions into existing IT infrastructures as well as long-term management concepts. In these complex processes of digital transformation, but also in the outsourcing of special IT tasks, more and more customers are placing their trust in our experts and thus in the CANCOM Group. Examples of these topics include: cyber security, Digital Workplace or Hybrid Cloud Management.

Dear shareholders, what we hope is that you and your families will come through this pandemic well. But what we do know is that our company, the CANCOM Group, will come through this crisis in perfect health: Our solid financial situation and our attractive product offering give us the freedom to grow further in fiscal 2021. CANCOM is in the right market at the right time with the right products.

We thank you for your trust as investors and wish your families and yourself health and a successful year 2021.

Your Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

Report of the Supervisory Board

Dear Shareholders,

The 2020 financial year was dominated by the effects of the Corona pandemic. However, thanks to the high level of commitment of the entire workforce, CANCOM was able to record a commercially successful year, which even ended with a new revenue record despite the difficult general conditions. On behalf of the entire Supervisory Board, and thus as a representative of the shareholders of CANCOM SE, I would like to congratulate the Executive Board and all employees of the CANCOM Group. At the same time, the Supervisory Board would like to thank them for their good cooperation, which has been characterised by openness. Despite the continuing uncertainty due to the pandemic in 2021, the Supervisory Board believes that the CANCOM Group and its parent company CANCOM SE are well prepared for the planned further growth in the current financial year and the challenges of economic competition in the IT industry. Based on the financial results for the 2020 financial year, the Executive Board and the Supervisory Board of CANCOM SE have decided to propose to the Annual General Meeting that a dividend be paid again this year.

In the 2020 financial year, the Supervisory Board performed the duties and obligations incumbent upon it under the law, the Articles of Association and the Rules of Procedure. It advised the Executive Board on the management of the company and both supported and monitored the management and development of the company. As part of the close cooperation, the Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in writing, by telephone and in personal discussions on the situation and prospects, the principles of business policy, the profitability of the company and the main business transactions of the company. Even outside the scheduled meetings, the Chairman of the Executive Board in particular was in personal contact with the members of the Supervisory Board and primarily with the Chairman of the Supervisory Board. In addition, the entire Supervisory Board was kept informed by the Executive Board on an ongoing basis about relevant developments and transactions requiring its approval. The Supervisory Board was directly involved in a timely manner in all decisions of fundamental importance to the Company or in which it was required to be involved by law, the Articles of Association or the Rules of Procedure. In urgent cases, the Supervisory Board had the option of adopting resolutions by written circular if necessary. Thanks to the regular, timely and detailed information provided by the Executive Board, the Supervisory Board was always able to fulfill its monitoring and advisory function. The Supervisory Board is therefore of the opinion that the Executive Board acted lawfully, properly and economically in all respects.

A. Meetings and main topics

As an IT company, CANCOM is permanently faced with major challenges due to rapid innovation cycles in the industry and a strong international competitive environment. At the same time, this, as well as the growing importance of IT systems and the increasing digitalization of business processes, which has increased significantly as a result of the Corona pandemic, also offer a wide range of opportunities for the Company's development. In addition to the issues surrounding the corona pandemic that shaped the 2020 reporting year, these challenges and opportunities for the development of individual business areas were therefore the subject of a regular and intensive exchange of views between the Management Board and the Supervisory Board throughout the 2020 financial year. In addition, extensive talks and discussions took place on the strategic orientation and on the appropriate organizational structure that would do justice to the ambitious growth of the CANCOM Group while at the same time providing resilience in the event of crises.

In the reporting year, the Supervisory Board held a total of nine meetings, namely on 7 January, 2020, 21 February 2020, 25 March 2020, 30 March 2020, 30 April 2020, 30 June 2020, 9 September 2020, 9 December 2020 and 21 December 2020. The meetings on 7 January 2020, 21 February 2020, 30 March 2020, 30 April 2020 and 21 December 2020 were extraordinary meetings held by telephone. In addition, two resolutions were adopted by circular resolution on 18 May 2020 and 8 June 2020.

All members of the Supervisory Board in office at the respective time attended all Supervisory Board meetings, committee meetings (in accordance with their respective membership) and resolutions. In accordance with the recommendation of the German Corporate Governance Code (as amended on December 16, 2019) to hold Supervisory Board meetings without the presence of the Executive Board, the Supervisory Board met without the presence of the Executive Board on 7 January 2020, 21 February 2020, 9 September 2020 (following the meeting with the Executive Board) and 21 December 2020. At these meetings, the Supervisory Board dealt, among other things, with the replacement of the Supervisory Board and the strategic development and composition of the Executive Board.

At the ordinary meetings on 25 March 2020, 30 June 2020, 9 September 2020 and 9 December 2020, the Supervisory Board received and discussed in detail the reports of the Executive Board pursuant to Art. 90 par. 1 sentence 1 nos. 1-3 AktG on the intended business policy, profitability and course of business, including the market and competitive situation. In addition, in accordance with § 90 (1) sentence 1 no. 4 AktG, the Executive Board reported - also at extraordinary meetings - on transactions which may be of significant importance for the profitability or liquidity of the Company and/or the Group, in particular on planned acquisitions.

The following key topics and resolutions from the Supervisory Board's activities in the 2020 financial year are also worthy of mention:

- In the Supervisory Board meeting by telephone on 7 January 2020, the Supervisory Board dealt with the personnel matter of the former CEO Thomas Volk with regard to his premature departure.

- The Supervisory Board meeting by telephone on 21 February 2020 dealt with the replacement of the Supervisory Board.

- At its ordinary meeting on 25 March 2020, the Supervisory Board addressed, among other things, the impact of the Corona pandemic on business development and also on the audit of the annual financial statements.

- The Supervisory Board meeting held by telephone on 30 March 2020 dealt, among other things, with the long-term orientation of the Company and, derived from this, the strategic composition of the Executive Board.

- At the Supervisory Board meeting on 30 April 2020, the auditor's report on the 2019 annual financial statements of CANCOM SE and the CANCOM Group was received, among other things. After detailed discussion, the annual financial statements and consolidated financial statements, together with the combined management report of CANCOM SE and the Group, were approved by the Supervisory Board. The annual financial statements were thus adopted. The Supervisory Board also dealt with the report of the Supervisory Board, the non-financial Group report, and the corporate governance report for financial year 2019.

- At the ordinary meeting on 30 June 2020 following the Annual General Meeting, the Supervisory Board dealt in detail with the course of business, Corona crisis management, and the Group's IT strategy, among other topics.

- At its meeting on 9 September 2020, the Supervisory Board addressed strategic issues in the areas of IT and human resources (such as employer branding and talent acquisition and development), among other things. In the further course of the Supervisory Board meeting without the Executive Board, the Board exchanged views on the strategic development and composition of the Executive Board.

- At the Supervisory Board meeting on 9 December 2020, the business plans for the 2021 financial year were presented by the Executive Board and approved by the Supervisory Board. The Supervisory Board also adopted new rules of procedure for the Executive Board and Supervisory Board. The recommendations of the German Corporate Governance Code (GCGC) were discussed in detail with regard to their applicability to CANCOM SE. As a further item on the agenda, the Supervisory Board reviewed the self-assessment (efficiency) of its activities in accordance with the recommendation of the Code, and found no objections. The declaration of conformity with the GCGC was also adopted. In addition, the Supervisory Board approved the acquisition of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH, based in Hanover, after detailed information and discussion. In addition to these topics, the Executive Board provided an update on all GRC topics (governance, risk management and compliance), focusing in particular on the areas of compliance and risk management, which were then discussed with the Supervisory Board.

- In the Supervisory Board meeting by telephone on 21 December 2020, the Supervisory Board dealt with the change in the chairmanship of the Supervisory Board between Dr. Koniarski and Mr. Kober. The composition of the Audit Committee and the Nomination Committee was also adjusted to reflect the change. Furthermore, Prof. Dr. Welpe was appointed as an ESG expert on the Supervisory Board.

B. Composition of the Executive Board and Supervisory Board

There was one personnel change on the Executive Board of CANCOM SE in the reporting year. Mr. Thomas Volk left the Company's Executive Board prematurely as of 31 January 2020. Mr. Hotter assumed the role of Chairman of the Executive Board of CANCOM SE as of 1 February 1 2020. Mr. Thomas Stark remained a member of the Executive Board of CANCOM SE.

The members of the Supervisory Board of CANCOM SE in the reporting year were: Dr. Lothar Koniarski, Stefan Kober, Martin Wild, Prof. Dr. Isabell Welpe, Hans-Ulrich Holdenried (until 5 February 2020), Regina Weinmann and Uwe Kemm (from 30 June 2020). The Supervisory Board was chaired or deputy chaired by: Dr. Lothar Koniarski (Chairman), Stefan Kober

(Vice Chairman). Effective 1 January 2021, Stefan Kober was appointed Chairman of the Supervisory Board and Dr. Lothar Koniarski was appointed Deputy Chairman. CANCOM SE has members on the Supervisory Board with expertise in the fields of accounting or auditing in accordance with section 100 (5) 1st half of the AktG.

The Supervisory Board position left vacant by the resignation of Hans-Ulrich Holdenried was filled by the election of Uwe Kemm at the Annual General Meeting on 30 June 2020.

In accordance with the recommendation of the German Corporate Governance Code (version dated 16 December 2019), CANCOM SE generally supports the members of the Supervisory Board in training and development measures. Due to the current composition of the Board with very experienced and competent Supervisory Board members, as well as the more difficult framework conditions due to the Corona pandemic, no external training measures took place in the reporting year. However, in meetings of the Supervisory Board, the Supervisory Board dealt with new statutory regulations that are of particular relevance to Supervisory Board activities.

C. Composition and work of the committees

The Supervisory Board has formed two committees to fulfill its duties, namely an Audit Committee and a Nomination Committee.

The members of the Audit Committee in the reporting year were Dr. Lothar Koniarski, Stefan Kober, Hans-Ulrich Holdenried (until 5 February 2020) and Prof. Dr. Welpe (from 21 February 2020). The Audit Committee of the Supervisory Board was chaired and vice-chaired by Hans-Ulrich Holdenried and Stefan Kober (Chairman), respectively, and Dr. Lothar Koniarski (Vice-Chairman). The Audit Committee as a whole had relevant industry expertise at all times.

In the past fiscal year, the Audit Committee met on 23 April 2020, 30 April 2020, and 17 November 2020, with all committee members present. The subject of the first meeting in April, which was attended by the auditor and the Chief Financial Officer, among others, was the status of the audit and current financial developments due to the Corona pandemic. At the meeting on 30 April 2020, the Audit Committee dealt mainly with the financial statements and the combined management report for the 2019 financial year. In addition, the Audit Committee proposed KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg, to the full Supervisory Board as the auditing firm for 2020. At the meeting on 17 November 2020, the committee dealt primarily with the topic of governance, risk management and risk & compliance, addressing, among other things, the company's risk management system, as well as the effectiveness, equipment and findings of the internal audit function and compliance with integrity in financial reporting. After the end of the reporting period, Dr. Lothar Koniarski took over as Chairman of the Audit Committee as of 1 January 2021, and Stefan Kober moved to the position of Vice Chairman.

The members of the Nomination Committee in the reporting year were Dr. Lothar Koniarski, Stefan Kober, Martin Wild (until 30 June 2020) and Regina Weinmann (from 30 June 2020). The Supervisory Board Nomination Committee was chaired and deputy chaired by Dr. Lothar Koniarski (Chairman) and Stefan Kober (Deputy Chairman). After the end of the reporting period, Stefan Kober took over as Chairman of the Nomination Committee as of 1 January 2021, and Dr. Lothar Koniarski moved to the position of Vice Chairman.

The Nomination Committee dealt with the composition of the Supervisory Board. In the past fiscal year, it held a meeting on 21 February 2020 with all committee members present. The subject of the meeting was the appointment of new members to the Supervisory Board.

D. Corporate Governance and Declaration of Conformity

The Supervisory Board's work is based on the provisions of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code. In particular, at the meeting on 9 December 2020, the Supervisory Board dealt intensively with the applicable Code recommendations in the new version of the Code dated 16 December 2019, and reviewed the extent to which these are complied with and will be complied with in the future. The Executive Board and Supervisory Board of CANCOM SE have declared that they complied with the Code recommendations in the past financial year, with the exception of the recommendations in C.15 sentence 2, D.1 and F.2, and plan to comply with these recommendations again in the future.

A detailed presentation of the Company's corporate governance can be found in the Corporate Governance Statement on the Company's website.

E. Annual and consolidated financial statements

The financial statements prepared by the Executive Board and the combined management report for CANCOM SE and the Group, each for the 2020 financial year, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg, appointed by the Annual General Meeting, under the direction of auditor and tax advisor Karl Braun as the auditor responsible for the audit. KPMG AG Wirtschaftsprüfungsgesellschaft conducted the audit of CANCOM's financial statements for the second time for the 2020 financial year. The annual financial statements of CANCOM SE and the combined management report for CANCOM SE and the CANCOM Group were prepared in accordance with German statutory accounting requirements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and in accordance with the additional requirements of German law pursuant to Section 315a (1) of the German Commercial Code (HGB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditors' Report (VO (EU) No. 537/2014) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and issued an unqualified audit opinion in each case.

The Audit Committee of the Supervisory Board held meetings on 25 and 29 March 2021. The Supervisory Board also met on these dates. The auditor attended the meetings of the Audit Committee and of the Supervisory Board to advise the Supervisory Board on the annual and consolidated financial statements. The annual financial statements, the consolidated financial statements, the combined management report, the auditors' report on their audit and the Executive Board's proposal for the appropriation of net income were made available to all Supervisory Board members in good time before the meetings.

At its meetings, the Audit Committee dealt with the financial statements and the combined management report for CANCOM SE and the CANCOM Group, focusing in particular on the key audit matters described in the respective audit opinion. The Audit Committee also examined the Executive Board's proposal for the appropriation of net profit and the payment of a dividend of €0.75 per share.

At the meeting of the Audit Committee on 25 March 2021, and at the meeting of the Supervisory Board also on 25 March 2021, the auditors reported on the progress and main findings of their audit and the status of the audit, and were available to answer questions, discuss matters and provide additional information. On 29 March 2021 the auditors presented the annual and consolidated financial statements to the Audit Committee and the Supervisory Board. Following detailed discussion of the audit reports, annual financial statements and combined management report, the Supervisory Board approved the results of the audit on this date. Following the final results of the audit by the Audit Committee and its own examination, the Supervisory Board had no objections to raise. It therefore approved the annual financial statements of CANCOM SE prepared by the Executive Board, the consolidated financial statements, and the combined management report of CANCOM SE and the CANCOM Group for the 2020 financial year. The annual financial statements are thus adopted. The Supervisory Board approved the Executive Board's proposal for the appropriation of profits.

Dear shareholders, the CANCOM Group is well positioned for the future. The Supervisory Board would like to thank the members of the Executive Board, the management, and all employees for their great commitment, which has made a significant contribution to the successful development of CANCOM and which also gives reason to expect a positive development in the future. We would also like to thank you, our shareholders, for the trust you have placed in us.

Munich, March 2021

For the Supervisory Board

Stefan Kober
(Chairman of the Supervisory Board)

CANCOM on the capital market

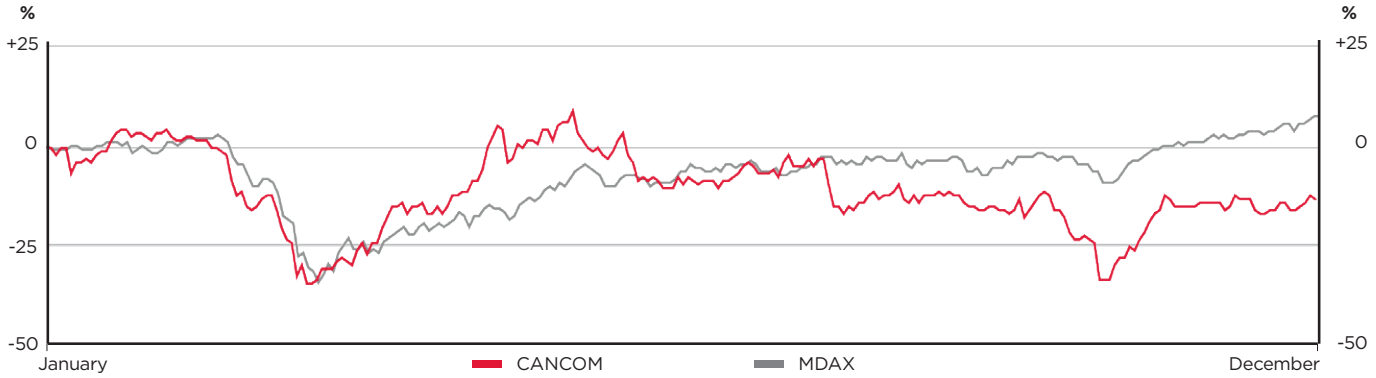
Development of the German stock market

In the 2020 stock market year, Germany's leading index, the DAX, was hit by the coronavirus pandemic. From a level of 13,789 points near its all-time high on February 19, 2020, the index slumped by around 33 percent to 8,257 points by 19 March 2020. Apart from a brief phase in October, the DAX recovered strongly over the course of the year and even closed the year with a gain of around three percent. Despite the coronavirus pandemic, the MDAX, which also includes the CANCOM SE share, rose by a total of around nine percent over the course of the year.

CANCOM share performance

The CANCOM SE share started 2020 with an opening XETRA price of € 52.95. After a friendly start to the stock market year, the share price fell to its low for the year of € 31.20 in March as a result of the global sell-off on the stock markets. As the year progressed, however, the share price rose to a new all-time high of € 58.35 on 3 June 2020. Following a period of consolidation and renewed significant discounts at the beginning of the second "lock down" in Germany at the end of October, the share ended the 2020 stock market year at a XETRA closing price of € 45.36. Over the year as a whole, this represents a decline in valuation of around 14 percent.

JYEAR-ON-YEAR DEVELOPMENT OF CANCOM SHARES



SHAREHOLDER STRUCTURE

Allianz Global Investors	20.55 %
Primepulse	5.06 %
BNP Paribas	4.66 %
GoldmanSachs	3.97 %
BlackRock	3.82 %
Ameriprise Financial	3.49 %
Free float	58.42 %

Information according to available voting rights notifications as of Dec. 31, 2020

RESEARCH COVERAGE

Bankhaus Lampe (discontinued as of 31 December 2020)
Berenberg
Commerzbank
Deutsche Bank (since 5 October 2020)
DZ Bank
Hauck & Aufhäuser
Jeffries
Kepler Cheuvreux
Stifel (formerly MainFirst)
Warburg

MASTER DATA AND INDICES

ISIN / WKN	DE0005419105 / 541910
Stock exchange segment	Frankfurt Stock Exchange, Prime Standard
Index membership	TecDAX, MDAX
Designated sponsor	Kepler Cheuvreux

KEY FIGURES AND TRADING DATA OF THE CANCOM SHARE

		2020	2019
First price of the year (XETRA)	€	52.95	28.40
Closing price at year end (XETRA)	€	45.36	52.60
Highest closing price (3 June 2020)	€	58.35	55.90
Lowest closing price (16 March 2020)	€	31.20	27.40
Yearly performance	%	-14.3%	85.2%
Market capitalization (as of 31 December)	€ million	1,748.5	2,027.6
Average turnover per trading day (XETRA)	piece	202,824	142,869
Average turnover per trading day (XETRA)	€	9,314,844	6,636,582
Earnings per share from continuing operations (basic)	€	1.60	0.99
Issued shares as of 31 December	piece	38,548,001	38,548,001

Dividend

CANCOM SE's dividend policy is intended to support the Group's growth strategy, which is the primary objective of the Executive Board. The Executive Board of CANCOM SE sees promising growth opportunities in the IT environment, due in part to the megatrend of digitalisation. Future profits are therefore to be used primarily to finance growth and the further development of business activities. These growth investments are to be made in the interest of a long-term increase in the value of the company and thus also in the interest of the shareholders. For the 2020 financial year, the Executive Board and Supervisory Board will propose to the Annual General Meeting an increase in the dividend to € 0.75 per share.

As of 31 December 2020, the number of shares entitled to dividends was 38,548,001, which would result in a total dividend payment for the 2020 financial year of around € 28.9 million.

Annual General Meeting

The Annual General Meeting of CANCOM SE was held on 30 June 2020 as a virtual Annual General Meeting without the physical presence of shareholders or shareholder representatives. A total of around 67 percent of the Company's share capital was represented. All proposed resolutions put to the vote were passed with a large majority.

Communication with the capital market

CANCOM attaches great importance to active, open and transparent communication with its stakeholders, even under the constraints of the past year. For example, the Internet presence is an important information platform for communicating with shareholders and the capital market. But analysts' views of the Company also influence the opinions of shareholders and investors. CANCOM is in regular constructive dialogue with all analysts. In addition, there were numerous contacts with existing and potential investors at virtual roadshows, investor conferences, individual virtual meetings, and conference calls in 2020.

Up-to-date information on CANCOM shares can be found on the website www.cancom.com in the investors section.

Combined Group Management Report and Management Report of CANCOM

Fundamentals of the Group

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

Struktur der CANCOM Gruppe

The parent company of the CANCOM Group is CANCOM SE, based in Munich, Germany. It performs central financing and management functions for the Group companies, i.e. the investments it holds. In addition to the parent company's central management and financing activities, the operating units are also supported in their day-to-day business operations by centralised departments for purchasing, internal IT, warehousing/logistics, finance, repair/service, vehicle and travel management and human resources ("Central Services") as well as marketing/communications and product management. In addition, an internal specialised sales department ("Competence Centre") is available to the operational units across the organisation.

In addition to these centralised functions, CANCOM's operational units are primarily decentralised and operate in units structured primarily by region. The organisation comprises the regional units South, Southwest, Central, East, North and West, as well as operational units in the United Kingdom, Belgium and the USA. In addition, there are the eCom and Managed Services units.

In its financial reporting, the CANCOM Group reports on the development of its operating business through two segments in addition to the Group as a whole: Cloud Solutions and IT Solutions.

Cloud Solutions

The Cloud Solutions group segment includes the (shared) managed services business as well as product and service businesses that can be directly allocated to managed services contracts. In addition, there are all business activities in connection with the company's own software product – the IT multi-cloud management software 'AHP Enterprise Cloud'.

IT Solutions

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

Other companies

In addition to the operating segments, the CANCOM Group's segment reporting also includes the Other Companies segment. This segment covers the staff and management functions for central Group management, including the parent company CANCOM SE. Intra-group investments and expenses for company acquisitions or disposals are also included in this segment.

Changes in the reporting period

In the 2020 financial year, CANCOM reached an agreement with the owners of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH, based in Hanover, to sell their shares in CANCOM. In January 2021, CANCOM SE acquired 100 percent of the shares and 100 percent of the voting rights. The date of initial consolidation was 1 January 2021.

Further information, including the distribution of the individual Group companies among the reporting segments and changes in the scope of consolidation during the reporting period, can be found in section D.2 and in section A.2.3 of the consolidated financial statements.

Business model and sales markets

CANCOM's product and service portfolio is geared towards advising and supporting corporate customers in adapting IT infrastructures and business processes to the requirements of digitalisation. CANCOM acts as a provider of complete solutions and sees itself as a "Leading Digital Transformation Partner" for its customers.

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

This broad-based product and service offering enables the CANCOM Group to generate revenue both on the basis of the company's own skills and services (service business) and from remuneration and commissions for the sale of third-party IT products (sale of goods). The business model is complemented by the sale of the in-house software 'AHP Enterprise Cloud'. Management is pursuing a medium-term course of strategic transformation of the CANCOM Group. The provision of IT services, especially shared managed services, is becoming an increasingly important part of the business.

A major external factor influencing CANCOM's business development is the development of the IT market in the largest sales markets of Germany, Austria, Belgium and the United Kingdom. For this market as a whole - and therefore also for CANCOM - the general trend towards digitalization, the increasing importance of IT processes in business and administration, and the permanent further development of devices, technologies and applications is a key driver. In addition, data protection regulations, the general threat situation in the area of cyber security and the quality certifications required by customers as well as environmental and social standards are important external factors that CANCOM cannot influence and that can have a positive or negative effect on business development. As a provider of IT services and products, however, the CANCOM Group's business model is not subject to any special industry-specific legal provisions, licensing requirements or official supervision, i.e. external regulatory or politically influenced factors that go beyond the legal framework generally applicable to all companies.

The CANCOM Group's customer base primarily comprises commercial end users, ranging from small and medium-sized enterprises to large corporations and groups as well as public institutions. Geographically, the CANCOM Group does business primarily in Germany, but also in Austria, the United Kingdom, Ireland, Belgium, Switzerland and the USA.

Competitive position

According to the latest available evaluation by the Federal Statistical Office and the IT industry association Bitkom, there are more than 90,000 companies in Germany in the IT hardware and software and IT services sectors, although they differ greatly in terms of size and/or range of services. The large companies with more than € 250 million in annual turnover include 46 companies in the combined business field of IT hardware/software and IT services. Based on the data of the most recent system house ranking by the industry medium ChannelPartner, there are even only five companies in Germany with domestic revenues of over € 1 billion. According to this ranking, CANCOM is the fifth-largest system house in Germany, based on revenue for the 2019 financial year (2018: 4th place).

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

The total volume of the German IT market in 2020 was given by the industry association Bitkom in January 2021 as € 94.6 billion. This means that with an annual domestic turnover in 2020 of € 1,389.6 million, the CANCOM Group's share of the German IT market is only around 1.5 percent.

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

Explanation of the control system used within the company

The most significant financial performance indicators for the development of the CANCOM Group are gross profit[1], EBITDA[2], EBITA[3] and annual recurring revenue[4] (ARR).

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

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

In the two group segments Cloud Solutions and IT Solutions, revenue and EBITDA are used as key performance indicators.

In order to control and monitor the development of the individual subsidiaries and the reporting segments, the Executive Board of CANCOM SE analyses, among other things, their revenue, gross profit, operating expenses and operating profit on a monthly basis and compares the actual figures with the budgeted values. Any significant deviations in the key figures that are identified necessitate the preparation of a forecast.

In addition, external indicators such as inflation rates, interest rates, developments and forecasts for the general economy and the IT industry as well as findings and signals from the existing risk early warning system are regularly taken into account for corporate management purposes. In this regard, we also refer to the explanations in the risk and opportunity report.

Research and development activities

As CANCOM primarily operates service and trading businesses in the IT market, no research activities are carried out.

CANCOM's development services focus primarily on software solutions, applications or architectures in IT areas such as cloud computing, mobile solutions, Internet of Things, data analytics, IT security and shared managed services. In addition, there are customisations for company software used in-house. Another focus of development activities is the in-house product 'AHP Enterprise Cloud'. Compared to the total revenue of the CANCOM Group, however, the expenses for development work are not significant, nor are the resulting own work capitalised. Development activities in the CANCOM Group are organised on a decentralised and project-based basis. Where necessary, they are supported by the use of third-party services.

CANCOM Group: Research and development
(in T€)

	2020	2019
Total research and development expenditure	**7,319**	**7,565**
thereof own work capitalised	3,676	2,747
of which for third-party services	655	1,947

Economic Report

Development of the overall economy and the IT market

According to Deutsche Bank Research, gross domestic product in Germany fell by 5.4 percent in 2020. Compared to the growth of 0.6 percent in the previous year, there was thus a significant slump in economic output in the CANCOM Group's main sales market in the past financial year 2020.

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

1 Gross profit = total output (sales revenue + other operating income + other own work capitalised + capitalised contract costs) less cost of materials/expenses for purchased services
2 EBITDA = profit for the period + income taxes + foreign exchange gains/losses + depreciation and amortisation of financial assets + income from investments + other financial result + interest result + depreciation and amortisation of property, plant and equipment, intangible assets and rights of use
3 EBITA = Profit for the period + income taxes + foreign exchange gains/losses + write-downs of financial assets + income from investments + other financial result + interest result + amortisation of customer bases, order backlogs, brands and impairment of goodwill
4 ARR = Revenue from service contracts with a multi-year term and service level agreement as well as from AHP Enterprise Cloud in the base month (Monthly Recurring Revenue) x 12 months
5 EBIT = profit for the period + income taxes + currency gains/losses + write-downs on financial assets + income from investments + other financial result + interest result

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

Gross domestic product 2020*
(Change on previous year in %)

Germany	-5.4
Great Britain	-11.3
Austria	-7.5
Switzerland	-4.9
Belgium	-7.7
USA	-3.6

* Source: Deutsche Bank Research, 14 December 2020.

The industry association Bitkom states the total volume of the share of the overall German market for information and communication technology (ICT) that is particularly relevant for CANCOM, i.e. the market for information technology (IT), at € 94.6 billion for 2020. Compared to 2019, this market segment shrank by 0.7 percent. The IT services market segment, which is strategically important for CANCOM, declined by 3.2 percent year-on-year to a volume of € 39.6 billion.

Market for information technology (IT) 2020, Germany*
(Change on previous year in %)

IT market total	-0.7
IT services	-3.2
Hardware (incl. semiconductors)	+3.2
Software	-1.0

* Source: Bitkom/EITO/IDC, January 2021.

Business performance in 2020

The CANCOM Group's business development in 2020 was significantly affected by the course of the Corona pandemic from the end of the first quarter. Nevertheless, revenue grew by 6.5 percent in the 2020 financial year, rising to € 1,649.4 million. Both Group segments of the CANCOM Group thus contributed to the revenue growth. In the 2020 financial year as a whole, EBITDA amounted to € 123.1 million, 3.3 percent higher than in the previous year. CANCOM thus achieved an EBITDA margin of 7.5 percent in the past financial year.

The causes of this development were the significantly higher sales volume of IT hardware with low margins in the client area (laptops, tablets, accessories) and the restrictions in the provision of services to customers during the first lockdown from 22 March 2020. IT infrastructure projects and on-site services were particularly affected. Overall, fewer projects were planned and realized in the data center environment from the end of the first quarter due to the increased uncertainty about the course of the pandemic. In the Cloud Solutions segment, onboarding and migration projects were also postponed by customers due to the challenges of coordination and project implementation under the conditions of the pandemic. There were signs of normalization in the third quarter, but the course of business continued to be influenced by the pandemic. In particular, the willingness of clients to start extensive projects with a long duration was still not at the level of previous years. Nevertheless, demand in other business areas proved good, the third quarter showed a significant increase in turnover compared to the third quarter of the previous year with a simultaneous decrease in EBITDA. The fourth quarter performed significantly better than expected at the beginning of the quarter despite a "lockdown light" from 28 October 2020. Continued high revenues with an increasingly higher service share resulted in a significantly better EBITDA than had been expected for the fourth quarter.

In addition to the pandemic-related changes in the product mix, travel and hospitality costs decreased by 54.7 percent to € 4.3 million (previous year: € 9.5 million). The costs for the vehicle fleet fell by 38.9 percent to € 2.2 million (previous year: € 3.6 million). At the same time, costs for repairs, maintenance and rental leasing increased by 53.5 percent from € 7.1 million in the 2019 financial year to € 10.9 million in the same period in 2020. This development was mainly due to the introduction, adaptation and updating of software in the company.

The revenue and EBITDA growth achieved in the financial year 2020 puts CANCOM well above the growth rate of the German IT market as a whole, which contracted by 0.7 percent in the past financial year. This shows that the CANCOM Group is able to operate competitively and gain market share even in economically difficult times.

The very significant growth in annual recurring revenue should also be highlighted. Compared to the previous year, this ARR, which reflects the revenue from managed services contracts and the AHP Enterprise Cloud, rose by 12.0 percent to € 205.9 million (previous year: € 183.9 million).

A significant change in the economic environment resulted from the measures taken to contain the Corona pandemic. In all markets where CANCOM is active, governments took measures to prevent contagion, which had a significant impact on the economic development of most companies, including CANCOM.

Comparison of forecasts to result

With a view to the forecasts for the development of the CANCOM Group and the two segments in the 2020 financial year published at the beginning of the year and subsequently adjusted in the course of the year, the following comparison results (see table).

Performance indicators	Forecast (30 April 2020)	Adjusted forecast (27. October 2020)	Result 2020 (in %)
CANCOM: Group			
Turnover	Moderately increasing	Significantly increasing	+6.5
Gross profit	Moderately increasing	Moderately increasing	+6.6
EBITDA	Moderately increasing	110 to 115 m €	+3.3
EBITA	Moderately increasing	Very clearly falling	-4.1
CANCOM: IT Solutions			
Turnover	Moderately increasing	Significantly increasing	+3.6
Gross profit	Moderately increasing	Moderately increasing	+2.8
EBITDA	Moderately increasing	Very clearly falling	-2.4
EBITA	Moderately increasing	Very clearly falling	-7.5
CANCOM: Cloud Solutions			
Turnover	Significantly increasing*	Significantly increasing	+18.5
Gross profit	Significantly increasing*	Significantly increasing	+20.1
EBITDA	Significantly increasing*	Significantly increasing	+13.7
EBITA	Significantly increasing*	Significantly increasing	+8.0
ARR	Significantly increasing*	Significantly increasing	+12.0

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

With reference to the adjusted forecast of 27 October 2020, CANCOM achieved the Group target for revenue, which increased significantly as expected. The Group targets for gross profit and EBITDA were exceeded. The gross profit increased significantly; only a moderate increase had been expected. Group EBITDA also rose moderately, contrary to the forecast. EBITA fell moderately, although a very significant decline had been expected. The forecast for the Cloud Solutions segment was exceeded in terms of revenue, gross profit and EBITDA as well as ARR. The increases were very significant; a significant increase had been forecast in each case. EBITA showed the expected significant increase. In the IT Solutions segment, the forecast growth in turnover was achieved. The development of gross profit was also in line with the adjusted forecast with a moderate increase. EBITDA exceeded expectations and showed only a moderate decline instead of the very significant decline that had been forecast. EBITA also exceeded the forecast and instead of the expected, very significant decline, only showed a significant decrease. significant decline.

The Executive Board assesses the course of business in 2020 as very satisfactory overall and also based on a comparison with the published forecasts. Despite the global outbreak of the Corona virus and the obstacles to business development that the CANCOM Group faced as a result, CANCOM grew significantly at Group level.

The product mix in the past financial year included more IT hardware and fewer services, data centre projects and onboarding projects in the first half of the year. Increasing revenues from services and complex IT projects over the course of the year led to a positive EBITDA development, especially in the fourth quarter, due to a better margin profile.

Order situation - Annual Recurring Revenue

Within the Group's Cloud Solutions segment, CANCOM's business includes managed services. Managed services contracts result in recurring revenue over a fixed multi-year contract term. Plannable recurring revenue enables a projection of expected future revenue over the next twelve months, starting from the last month of the respective reporting period. This Annual Recurring Revenue (ARR) amounted to € 205.9 million at the end of the reporting year based on the month of December, representing a year-on-year growth of 12.0 percent (December 2019: € 183.9 million). The growth in ARR was generated exclusively organically in the past financial year.

In the IT Solutions segment, information on the order situation as of the reporting date is not meaningful. This is due to the way in which contracts are often structured. They often cover longer periods, but their volume can change within these periods (framework agreements). However, there can also be very short periods between the order and the realisation of sales. Reporting on the volume of orders is therefore not meaningful and for this reason is not included in the CANCOM Group's financial reports.

Employees

As at 31 December 2020, the CANCOM Group employed 3,957 people (31 December 2019: 3,820). This corresponds to an increase of 3.6 percent compared to the same period of the previous year. The main driver of staff development in 2020 was the need for personnel due to the increased business volume.

The employees were active in the following areas:

CANCOM Group: Employees

	31.12.2020	31.12.2019
Professional Services	2,429	2,404
Distribution	811	777
Central Services	717	639
Total	**3,957**	**3,820**

Results of operations, financial position and net assets of the CANCOM Group

Earnings situation

CANCOM Group: Revenue
(in € million)

In the 2020 financial year, the CANCOM Group achieved growth of 6.5 percent in consolidated revenue to € 1,649.4 million (previous year: € 1,549.3 million). At Group level, CANCOM generated € 1,231.4 million (previous year: € 1,180.3 million) from the sale of goods, i.e. in particular hardware and software, and € 418.1 million (previous year: €369.0 million) from the provision of services. Both Group segments contributed to this growth in turnover.

In geographical terms, CANCOM achieved a 7.3 percent increase in revenue in Germany in the reporting period to € 1,389.6 million (previous year: € 1,294.8 million). In its international business, CANCOM achieved revenue of € 259.9 million, corresponding to growth of 2.1 percent (previous year: € 254.5 million). The latter growth was strongly supported by the Novosco Group, which was included in the CANCOM consolidated financial statements for the full 12-month period for the first time in the reporting year.

In the Cloud Solutions Group segment, CANCOM achieved a year-on-year increase in revenue of 18.5 percent to € 356.1 million in the 2020 financial year (previous year: € 300.6 million).

In the IT Solutions Group segment, CANCOM increased revenue between January and December 2020 by 3.6 percent year-on-year to € 1,293.2 million (previous year: € 1,248.7 million).

For further information on our turnover in the financial year, please refer to the section "Business performance in 2020".

Other operating income increased due to income from subleases and operating currency gains; at € 9.4 million, it was higher in the 2020 financial year than in the previous year (previous year: € 4.8 million).

CANCOM Group: Gross profit
(in € million)

In the 2020 financial year, the gross profit of the CANCOM Group increased by 6.6 percent year-on-year to € 473.2 million (previous year: € 443.8 million). The gross profit margin was therefore 28.7 percent (previous year: 28.6 percent).

While total gross profit increased in the past business year, the increase was accompanied by a relatively slightly stronger growth in the cost of sales. The gross profit margin was therefore slightly lower. This development can be attributed to the trading area, as this is where the largest volumes are turned over with the cost structure described above.

In the Cloud Solutions Group segment, gross profit rose by 20.1 percent to € 174.4 million in the reporting period (previous year: € 145.1 million) and thus disproportionately to segment revenue. In the IT Solutions Group segment, CANCOM recorded an increase in gross profit of 2.8 percent to € 288.7 million (previous year: € 280.9 million), which was disproportionately low compared to segment revenue.

CANCOM Group: Personnel expenses
(in € million)

	2020	2019
Wages and salaries	-246.1	-225.6
Social security contributions	-36.1	-34.9
Equity-settled share-based payment transactions	-0.5	-2.0
Expenses for retirement benefits	-1.5	-0.7
Share-based payments with cash settlement	0.2	-0.5
Total	**-284.0**	**-263.7**

Personnel expenses in the 2020 financial year amounted to € 284.0 million and were thus 7.7 percent higher than in the previous year (previous year: € 263.7 million). The higher personnel expenses resulted in particular from the increase in staff. The personnel expense ratio rose minimally to 17.1 percent (previous year: 17.0 percent).

Other operating expenses amounted to € 65.3 million in 2020. They were thus above the level of the previous year (previous year: € 60.7 million). The increase is due to higher expenses for repairs, maintenance, rental leasing, external services and operating currency losses.

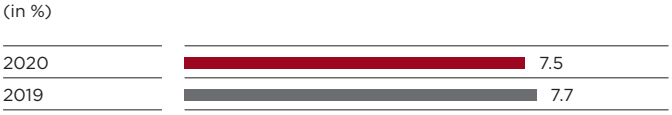
CANCOM Group: EBITDA
(in € million)

In the financial year 2020, the EBITDA of the CANCOM Group amounted to € 123.1 million, which corresponds to a change of 3.3 percent compared to the previous year's figure (previous year: € 119.2 million).

In the reporting period, the EBITDA margin was 7.5 percent (previous year: 7.7 percent).

In the annual report for the 2019 financial year, EBITDA, EBITA and EBIT were presented as adjusted figures. The adjustment took into account special investments in strategic structural changes and growth projects. In the 2020 business year, the special investments were lower. Therefore, also from the point of view of better comprehensibility, no adjustment will be made from the 2020 business year onwards.

CANCOM Group: EBITDA margin
(in %)



The Cloud Solutions group segment contributed to the positive earnings development in the reporting period with an increase in EBITDA of 13.7 percent to € 83.0 million compared to the same period in the previous year (previous year: € 73.0 million). The organic growth rate of EBITDA, i.e. the growth rate excluding effects from acquisitions, in the Cloud Solutions segment was 4.4 percent. Although the EBITDA margin in the Cloud Solutions segment fell to 23.4 percent (previous year: 27.3 percent), the continued high EBITDA margin illustrates the continued high profitability of the business with (shared) managed services and the AHP Enterprise Cloud.

In the IT Solutions Group segment, CANCOM achieved an EBITDA of € 60.5 million (previous year: € 62.0 million). Organically, EBITDA in the IT Solutions segment was 5.4 percent below the level of the previous year. The EBITDA margin was 4.7 percent (previous year: 5.0 percent).

CANCOM Group: Depreciation and amortisation
(in € million)

	2020	2019
Scheduled depreciation of property, plant and equipment	-20.1	-18.2
Scheduled amortisation of software	-8.2	-5.6
Scheduled amortisation of rights of use	-13.0	-10.3
Scheduled amortisation on customer bases etc.	-17.9	-17.5
Impairment of goodwill	0	-13.3
Total	**-59.2**	**-64.9**

Depreciation and amortization of property, plant and equipment, intangible assets and rights of use fell to € 59.2 million in the 2020 financial year, 8.8 percent lower than in the same period of the previous year (€ 64.9 million). In the previous year, depreciation and amortization included an impairment of € 13.3 million on the recognized goodwill of the US subsidiary HPM Incorporated, Pleasanton. The largest percentage change was in the scheduled depreciation of software, which rose from € 5.6 million to € 8.2 million, an increase of 46.4 percent.

CANCOM Group: EBITA
(in € million)

The CANCOM Group achieved EBITA of € 81.7 million in the 2020 financial year; EBITA thus fell by 4.1 percent (previous year: € 85.2 million).

In the Cloud Solutions segment, EBITA in the reporting period was € 64.5 million (previous year: € 59.7 million). In the IT Solutions segment it amounted to € 38.5 million (previous year: € 41.6 million).

CANCOM Group: EBIT
in € million)

The CANCOM Group's EBIT in the reporting period was € 63.8 million (previous year: € 54.4 million), an increase of 17.3 percent on the previous year's figure.

In the Cloud Solutions segment, EBIT according to IFRS amounted to € 52.2 million in the reporting period (previous year: € 48.6 million), an increase of 7.3 percent. In the IT Solutions segment, EBIT amounted to € 33.7 million, an increase of 54.6 percent (previous year: € 21.8 million).

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

As a result of the 2020 financial year, the CANCOM Group's profit for the period amounted to € 61.8 million, an increase of 68.9 percent (previous year: € 36.6 million). Within the operating result, the increase in the profit for the period was mainly due to improved gross profit (improvement of € 29.4 million compared to the previous year) and lower depreciation and amortisation of property, plant and equipment, intangible assets (including goodwill) and rights of use (improvement of € 5.7 million compared to the previous year). This was offset within the operating result by significantly higher personnel expenses (deterioration of € 20.3 million compared to the previous year) and higher other operating expenses (deterioration of € 4.6 million compared to the previous year). Outside of the operating result, gains from the derecognition/revaluation of purchase price liabilities recognized in previous years led to an improvement in the result for the period, which increased the income recognized in the other financial result by € 15.6 million compared to the previous year. On the other hand, losses from the derecognition/revaluation of purchase price liabilities recognized in previous years were recognized in the other financial result in the comparable period, which did not occur in the reporting year (improvement of € 6.1 million compared to the previous year). Finally, the significantly higher earnings before income taxes (improvement of € 32.4 million compared to the previous year) led to the recognition of significantly higher income taxes (€ 5.4 million compared to the previous year).

Financial and asset position

Principles and objectives of financial management

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

Capital structure of the Group

The total assets of the CANCOM Group as at the reporting date of 31 December 2020 amounted to € 1,249.9 million (31 December 2019: € 1,205.4 million). On the liabilities side, € 614.7 million of this was attributable to equity and € 635.2 million to debt. The equity ratio of the CANCOM Group was therefore 49.2 percent at the end of the 2020 financial year (31 December 2019: 47.9 percent) and was thus above the previous year's level. The debt ratio fell accordingly to 50.8 percent (31 December 2019: 52.1 percent).

Both the non-current and current financial liabilities to banks have a very low volume of € 2.4 million compared to the total liabilities. The balance of free cash and cash equivalents as at the reporting date of 31 December 2020 covers this balance of interest-bearing financial liabilities. Thus, there is no net financial debt of the group or this key figure is negative ("net cash" situation).

Debt and equity

Current liabilities, i.e. liabilities with a remaining term of less than one year, amounted to € 522.0 million at the end of the financial year (31 December 2019: € 472.0 million). The sharp increase compared to the previous year was mainly due to higher trade payables, which amounted to € 371.6 million as at 31 December 2020 (previous year: € 319.4 million). Trade payables increased primarily due to the strong increase in business volume with IT hardware. Non-current liabilities were 27.5 percent lower than the previous year's figure at € 113.2 million as at the reporting date (31 December 2019: € 156.1 million). In particular, other non-current financial liabilities were significantly lower by 30.9 percent at € 87.2 million (previous year: € 126.2 million). This decrease is essentially due to the derecognition of purchase price liabilities for company acquisitions recognized in previous years; in this regard, non-current financial liabilities of € 53.9 million were derecognized and partially settled in the reporting year. In contrast, non-current financial liabilities to leasing companies increased by € 5.3 million and non-current leasing liabilities increased by € 9.6 million compared to the previous year.

At € 50.7 million, other current financial liabilities were below the previous year's value as at the reporting date (31 December 2019: € 59.2 million). This was due to the derecognition of current purchase price liabilities for company acquisitions in the amount of € 19.8 million recognized in previous years. In contrast, current financial liabilities to leasing companies increased by € 4.9 million and current leasing liabilities increased by € 6.9 million compared to the previous year.

Equity rose to € 614.7 million at the end of the 2020 financial year (31 December 2019: € 577.3 million). Retained earnings, which rose from € 119.3 million in the previous year to € 172.8 million in 2020, contributed significantly to this development.

Essential financing measures

The financing of current business and necessary replacement investments was carried out from cash and cash equivalents and the operating cash flow in the reporting period. The same applies to all other investments.

Assets

The assets side of the balance sheet showed current assets of € 792.4 million as at 31 December 2020 (31 December 2019: € 733.9 million). The increase compared to the year-end figure of the previous year is primarily due to the rise in trade receivables, which increased by 20.7 percent to € 331.4 million (previous year: € 274.5 million). The increase in receivables was primarily caused by the rise in hardware sales. In addition, inventories rose from € 45.5 million in the previous year to € 61.4 million at the end of the current reporting period. In the same period, cash and cash equivalents fell from€ 364.9 million to € 338.4 million.

Non-current assets amounted to € 457.4 million as at 31 December 2020 (31 December 2019: € 471.5 million). The only very significant increase was in other non-current financial assets, which rose by 37.4 percent from € 19.5 million in 2019 to € 26.8 million. There were significant decreases in non-current assets in relation to property, plant and equipment (reduction of € 5.7 million compared to the previous year), intangible assets (reduction of € 7.7 million compared to the previous year) and goodwill (reduction of € 5.5 million compared to the previous year).

Cash flow and liquidity

The cash flow from operating activities shows a value of € 68.2 million for the 2020 reporting period (previous year: € 129.8 million) and thus changed by € 61.6 million, which corresponds to a decline of 47.5 percent. Since the significantly higher result for the period 2020 included lower depreciation and higher financial income compared to 2019, the increase in the result for the period did not lead to an improvement in the cash flow from operating activities. The main reason for the decline in cash flow from operating activities was a very significant increase in trade receivables, contract assets, capitalized contract costs and other assets in the reporting period, whereas these increased only slightly in the comparable period. This led to a € 71.0 million higher burden on the cash flow from operating activities compared to the previous year. This was counteracted by a stronger increase in trade payables and other liabilities compared to the previous year. This had a positive effect of € 15.4 million on the cash flow from operating activities in the financial year.

Cash flow from investing activities amounted to € -50.6 million. The cash outflow for investments was thus relatively stable compared to the previous year (previous year: € -52.0 million). A positive effect came primarily from the significantly lower payments from the acquisition of subsidiaries compared to the previous year; this resulted in an improvement in the cash flow from investing activities of € 38.3 million. On the other hand, there were significantly lower inflows from disinvestments in property, plant and equipment, intangible assets and financial assets (deterioration of € 23.5 million compared to the previous year) – mainly resulting from the one-off effect of the previous year due to the inflow of € 26.0 million from the sale of the logistics and administration property in Jettingen-Scheppach – as well as from the fact that in the reporting year there were no inflows from the cash acquired in the acquisition of subsidiaries (deterioration of € 9.8 million compared to the previous year).

The cash flow from financing activities amounted to € -42.3 million and thus showed a very significant change compared to the financial year (previous year: € 149.9 million). This was primarily due to the inflow of € 174.2 million from the proceeds of the capital increase in the previous year (there was no capital increase in the reporting year). In addition, higher payments from the redemption of long-term financial liabilities, which arose in the reporting year in connection with the derecognition of purchase price liabilities for company acquisitions recognized in previous years, caused a reduction in cash flow from financing activities of € 23.0 million compared to the previous year.

In the reporting period, there was thus a decrease in cash and cash equivalents compared to the cash and cash equivalents at the beginning of the financial year. The value was € 338.4 million on 31 December 2020 (31 December 2019: € 364.9 million).

At the reporting date, the CANCOM Group had credit lines (including guarantee facilities) with banks totaling € 53.5 million. Of this, a total of € 44.7 million was freely available as at 31 December 2020.

As a result, the CANCOM Group had a positive balance of cash and cash equivalents at the balance sheet date, generated a positive cash flow from operating activities in the year under review, and had access to unused credit lines with financial institutions at the balance sheet date. CANCOM is therefore in an exceptionally strong position to meet its payment obligations at all times.

Overall statement on the results of operations, financial position and net assets of the CANCOM Group

In the 2020 financial year, the CANCOM Group achieved an increase in revenue of 6.5 percent, EBITDA was € 123.1 million and thus an EBITDA margin of 7.5 percent was generated. Recurring revenue from managed services contracts (Annual Recurring Revenue) increased by 12.0 percent year-on-year. This increase in revenue and earnings compared to the previous year was achieved in the reporting year through both organic growth and subsidiaries acquired in the previous year. At the same time, both Group segments - IT Solutions and Cloud Solutions - contributed to the positive revenue development of the CANCOM Group.

On the basis of these developments, the Executive Board assesses the course of the 2020 financial year as very satisfactory for the CANCOM Group.

Results of operations, financial position and net assets of CANCOM SE

Results of operations, financial position and net assets of CANCOM SE

Within the CANCOM Group, CANCOM SE performs the central financing and management function for the investments it holds. CANCOM's opportunities and risks are therefore derived from the opportunities and risks of its investments. These are explained in more detail in the risks and opportunities report.

CANCOM SE generated revenue of € 9.5 million in 2020 (previous year: € 8.7 million) and reported a net profit of € 48.9 million (previous year: € 72.9 million). The revenue was mainly generated from the provision of management services. The reduction in net income by € 24.0 million compared to the previous year was mainly due to significantly lower income from participations as well as lower profits received due to profit transfer agreements; a deterioration of € 29.4 million was recorded here. This was offset by a significant increase in other operating income of € 9.9 million. The latter was due to the fact that the cost allocation calculation and distribution within the CANCOM Group was adjusted in the reporting year. The net profit for the year mainly comes from income from investments and from profits received under profit transfer agreements with subsidiaries, which accrue to CANCOM SE in addition to management allocations. In addition, the net income for 2020 includes impairment losses of € 3.3 million due to an expected permanent impairment of financial assets.

CANCOM SE's total assets increased in the 2020 financial year to € 674.7 million as at 31 December 2020 (previous year: € 643.5 million). On the assets side of the balance sheet, this change was primarily due to an increase in shares in affiliated companies of € 22.1 million (mainly as a result of the acquisition of additional shares in CANCOM LTD) and an increase in cash and cash equivalents of € 11.1 million. On the liabilities side, the change resulted mainly from the increase in other revenue reserves (€ 53.6 million) and the reduction in retained earnings (€ -24.0 million). In addition, there was an increase of € 4.1 million in other liabilities, which is mainly due to higher liabilities from sales taxes.

CANCOM SE's equity ratio changed minimally compared to the previous year and was 96.7 percent as at 31 December 2020 (previous year: 96.8 percent).

Overall statement on the results of operations, financial position and net assets of CANCOM SE

Overall, CANCOM SE has a very solid net assets, financial position and results of operations at the end of the 2020 financial year, as shown, among other things, by the high equity ratio. Based on the good business performance of CANCOM SE's investments and the CANCOM Group as a whole, and the resulting positive effects on the parent company's results of operations, the Executive Board considers the business performance of CANCOM SE in the 2020 financial year to be very satisfactory.

Information relevant to takeovers

The following disclosures are made in accordance with Section 289a (1) and Section 315a (1) of the German Commercial Code (HGB). Please refer to the notes to the consolidated financial statements or the notes to the annual financial statements of CANCOM SE for individual disclosures relevant to takeovers. For information on the Executive Board's powers with regard to conditional and authorized capital, the issue of stock options and the authorization to carry out a share buy-back program, please also refer to the notes to the consolidated financial statements or the notes to the annual financial statements of CANCOM SE.

Amount and division of the share capital

As of 31 December 2020, the share capital of the company amounted to € 38,548,001.00 (previous year: € 38,548,001.00) in accordance with the Articles of Association and was divided into 38,548,001 no-par value shares (previous year: 38,548,001). The share capital and the number of shares did not change in the past financial year.

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

Direct or indirect shareholdings in the capital of 10 percent or more

CANCOM SE became aware of the following direct shareholding in the share capital exceeding 10 percent of the voting rights in the financial year 2020:

- Allianz Global Investors GmbH: 20.55 percent.

Appointment and dismissal of the members of the Executive Board

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

Amendment of the Statutes

With regard to the amendment of the Articles of Association, the provisions of § 133 and § 179 AktG apply. A resolution of the general meeting passed with at least a three-quarters majority of the share capital represented at the time of the resolution is required to amend the articles of association. The Articles of Association may stipulate a capital majority that deviates from the statutory provision, but only a larger one for a change in the object of the company, and may impose further requirements. The Articles of Association of CANCOM SE provide for such a provision in Article 15 (3). According to this provision, resolutions to amend the Articles of Association require a majority of two-thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast. In cases where the law additionally requires a majority of the share capital represented when the resolution is adopted, a simple majority of the share capital represented when the resolution is adopted shall suffice, unless another majority is mandatory by law. The general meeting may delegate to the supervisory board the authority to make amendments that affect only the wording. This has been done at the company through the regulation in § 11 of the articles of association.

Significant agreements that are conditional on a change of control

There is a change-of-control agreement with a customer under a managed service contract of Novosco Group Limited. CANCOM has no indication that there will be any effects as a result of this agreement.

Furthermore, no material agreements subject to a change of control existed in the reporting period.

Remuneration report

The remuneration report presents the main features of the remuneration system currently in place for the members of the Executive Board of CANCOM SE and explains the structure and amount of the remuneration paid to the Executive Board members and the Supervisory Board members. The report complies with the statutory requirements and the recommendations of the German Corporate Governance Code. The following remuneration report is part of the combined management report for the CANCOM Group.

Remuneration of the Board of Directors

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

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

The Supervisory Board made use of this authorization on 17August 2018 by issuing stock options to members of the Executive Board of CANCOM SE. The share options are part of the remuneration system for the Executive Board that was changed as a result and is described below. The options grant the Executive Board the opportunity to acquire shares in CANCOM SE at the fixed exercise price after the vesting period has expired. The prerequisite is that the Executive Board member is still employed by the Company until the end of the vesting period. The vesting period is staggered. After two years, 50 percent of the options vest, after three years 75 percent and after four years 100 percent. Irrespective of the entitlement earned over time, the options can only be exercised if, after the end of the full four-year vesting period, firstly, the CANCOM SE shares have outperformed a basket of eight shares of companies in the IT sector on average at the time of the desired exercise and, secondly, the CANCOM share price has risen by 5 percent per year on a straight-line basis

over the entire vesting period. Only if these conditions are met are the options exercisable within a period of 10 years from the date of issue. The details of the stock option program are set out in the resolution of the Annual General Meeting on 14 June 2018 and published on the CANCOM Group website, and explained in section D.4.1 of the notes to the consolidated financial statements for the 2020 financial year.

In the 2019 financial year, the Supervisory Board changed the composition of the variable remuneration of the Executive Board members Thomas Volk and Thomas Stark and concluded amended Executive Board contracts with these Executive Board members accordingly. The modified variable remuneration was applied to Mr Volk as of 1 January 2019. For Mr. Stark, it became effective as of 1 January 2020.

The change introduced a second component, Annual Recurring Revenue (ARR), in addition to the existing benchmark of CANCOM Group EBITDA. The introduction of the ARR into the Executive Board's remuneration system is in line with the inclusion of this financial performance indicator in the Group's management system. The design of the new component of remuneration is fully aligned with the existing principles for short-term and long-term bonuses and related malus provisions of the remuneration system approved by the Annual General Meeting of 14 June 2018. The regulation is also described below.

Components of Executive Board remuneration

Fixed, variable and share-based remuneration

The fixed remuneration is paid out as a monthly salary. The payment and the amount of the variable bonuses for all Executive Board members always consist of a short-term bonus (for one financial year) and a long-term bonus (for three financial years), which depend on the extent to which the CANCOM Group has achieved its targets. Of the variable remuneration entitlements calculated in this way, 45 percent is granted as a short-term bonus and the remaining 55 percent is dependent on the long-term economic performance of the CANCOM Group.

This 55 percent is thus also subject to a full or partial repayment obligation (malus rule). The repayment obligation takes effect in the event of a significant shortfall of the target figures in the respective past three financial years, beginning with the financial year in which the respective bonus rule took effect. The repayment covers a percentage of the total amount of the long-term bonus component paid from the same three previous financial years depending on the degree to which the target figures were not achieved. The approved consolidated financial statements are decisive for the assessment of all plan targets, whereby extraordinary effects such as acquisitions in particular are not taken into account.

The Executive Board service contracts have maximum limits (caps) for the total remuneration as well as for the variable remuneration components.

The Supervisory Board may, at its reasonable discretion, grant special remuneration to the Executive Board for extraordinary performance, up to a maximum of 50 percent of the annual fixed remuneration (basic remuneration).

The remuneration of the Executive Board members is performance-oriented. In the case of Rudolf Hotter, remuneration in the 2020 financial year up to 31 March 2020 consisted of fixed remuneration (basic remuneration) and a variable bonus. Mr. Hotter took over as Chairman of the Executive Board on 1 February 2020. In the course of this, a new Executive Board contract was concluded on 1 April 2020, which also provides for the receipt of stock options from the existing stock option program. From 1 April 2020, Mr. Hotter's remuneration will consist of fixed remuneration (basic remuneration), variable bonuses and a share-based remuneration component (stock options). Therefore, 150,000 share options were issued to Rudolf Hotter in the 2020 reporting year.

In the case of Thomas Volk, remuneration in the financial year 2020 until the termination of his Executive Board activities at CANCOM on 31 January 2020 consisted of fixed remuneration (basic remuneration), variable bonuses and a share-based remuneration component (stock options) granted in 2018.

At Thomas Stark, remuneration is composed of fixed remuneration (basic remuneration), variable bonuses and a share-based remuneration component (stock options) granted in 2018.

Thomas Volk

In addition to the basic remuneration, a variable annual remuneration (Tantieme A) applied to Thomas Volk for the financial year 2019, which related to the achievement of the annual EBITDA target for the CANCOM Group set annually by the Supervisory Board. The bonus was € 12,500 for each percentage point that the EBITDA target achievement exceeded the value of 80 percent, with a cap of 120 percent. If the value of target achievement fell below the 80 percent mark, no bonus would be paid.

In addition, a variable annual remuneration (bonus B) applied to Thomas Volk in the financial year 2019, which related to the achievement of the annual target for the CANCOM Group's Annual Recurring Revenue (ARR) set annually by the Supervisory Board. The bonus was € 12,500 for each percentage point that the ARR target achievement exceeded the value of 80 percent, with a cap of 120 percent. If the value of target achievement fell below the 80 percent mark, no bonus would be paid.

As a result of these regulations, the total of all bonus claims for a financial year can amount to a maximum of € 1 million (cap). The long-term bonus is subject to the malus regulation.

In addition, 200,000 share options were issued to Mr. Volk on 17 August 2018, based on the AGM resolution of 14 June 2018 to create a share option scheme and on the terms and conditions defined in that AGM resolution.

Mr. Volk left the company on 31 January 2020 and therefore the remuneration system described above was not applied in the 2020 financial year. Instead, he received payments in connection with his departure from the company (see section Termination benefits). In addition, as a result of leaving the company, the 200,000 share options issued to him in 2018 lapsed.

Rudolf Hotter

In addition to his basic remuneration, Rudolf Hotter will receive a short-term bonus of 0.45 percent of the EBITDA generated by the CANCOM Group for the financial year 2020 from 1 January to 31 March 2020. The amount of the long-term bonus is 0.55 percent of the EBITDA achieved by the CANCOM Group. The total of all bonus entitlements for a financial year may not exceed € 1 million (cap).

From 1 April 2020, when the new Executive Board contract comes into force, Rudolf Hotter will receive variable annual remuneration (bonus A) for the remainder of the 2020 financial year and up to and including the 2024 financial year, in addition to his basic remuneration, based on the achievement of the annual EBITDA target for the CANCOM Group set annually by the Supervisory Board. The bonus amounts to € 12,500 for each percentage point that the EBITDA target achievement exceeds the value of 80 percent, with a cap of 120 percent. If the value of target achievement falls below the 80 percent mark, no bonus is paid.

In addition, from 1 April 2020 Rudolf Hotter will receive variable annual remuneration (bonus B) for the remainder of the 2020 financial year and up to and including the 2024 financial year, based on the achievement of the annual target for the CANCOM Group's Annual Recurring Revenue (ARR) set annually by the Supervisory Board. The bonus is € 12,500 for each percentage point that the ARR target achievement exceeds the value of 80 percent, with a cap of 120 percent. If the value of target achievement falls below the 80 percent mark, no bonus is paid.

From these regulations it follows that the sum of all bonus claims for a financial year can amount to a maximum of € 1 million (cap).

In addition, 150,000 share options were issued to Mr. Hotter on 6 May 2020, based on the AGM resolution of 14 June 2018 to create a share option scheme and on the terms and conditions defined in that AGM resolution.

Thomas Stark

In addition to his basic remuneration, Thomas Stark will receive a variable annual bonus for the financial year 2020 and up to and including the financial year 2024 (Bonus A), which relates to the achievement of the annual EBITDA target for the CANCOM Group set annually by the Supervisory Board. The bonus is € 5,000 for each percentage point that the EBITDA target achievement exceeds the value of 80 percent, with a cap of 120 percent. If the value of target achievement falls below the 80 percent mark, no bonus is paid.

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

It follows from these regulations that the total of all bonus claims for a financial year can amount to a maximum of € 400,000 (cap).

Retirement provision

In the 2020 financial year, the Company paid retirement benefits for Mr. Stark and Mr. Hotter in the form of contributions to an employer-financed company pension scheme (direct insurance) and for Mr. Stark additionally to a pension fund, which are included in the fringe benefits (see table information on fringe benefits in this remuneration report).

Severance agreement, non-competition clause and change of control

In the event of termination of the employment contract by notice or expiry, a severance payment provision is stipulated in the Executive Board contracts. In addition, compensation based on a non-competition clause is regulated for a period of one year after termination of the contract.

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

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

Executive Board remuneration in the 2020 financial year in accordance with GAS 17

The total remuneration granted to the members of the Executive Board according to GAS 17 as well as the remuneration of the individual Executive Board members - also presented according to GAS 17 - can be seen in the following table:

Total remuneration according to DRS 17 (in €)	**Rudolf Hotter** Chairman of the Board (since 1.2.2020)		**Thomas Volk** Chairman of the Executive Board (until 31.1.2020); resignation as of 31.1.2020		**Thomas Stark** Member of the Board of Directors	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Fixed remuneration	530,301	481,927	62,500	750,000	323,750	250,000
Ancillary services	9,212	2,943	3,141	30,000	18,277	18,046
Total fixed remuneration components	**539,513**	**484,870**	**65,641**	**780,000**	**342,027**	**268,046**
One-year variable remuneration[1]	297,873	450,000	0	275,477	96,352	159,839
Multi-year variable remuneration (total)[2]	364,067	550,000	0	336,694	117,764	73,137
Tranche 2020 (assessment period 2021 to 2023)	364,067	0	0	0	117,764	0
Tranche 2019 (assessment period 2020 to 2022)	0	550,000	0	336,694	0	73,137
2018 tranche (assessment period 2019 to 2021)	0	0	0	0	0	0
Share-based payment[3]	2,170,500	0	0	0	0	0
Total remuneration	**3,371,953**	**1,484,870**	**65,641**	**1,392,171**	**556,143**	**501,022**

1 The Supervisory Board has granted the Executive Board member Mr. Thomas Stark special remuneration of € 100,000 for extraordinary performance in the 2019 financial year.

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

3 The fair value of the share options issued to Thomas Volk and Thomas Stark amounted to € 10.40 per share option at the time of issue (17 August 2018). This results in a value of '€ 2,080,000 for the 200,000 options of Thomas Volk and a value of € 624,600 for the € 60,000 options of Thomas Stark. The fair value of the share options issued to Rudolf Hotter was € 14.47 per share option at the time of issue (6 May 2020). This results in a value of € 2,170,500 for Rudolf Hotter's 150,000 options.

As at the balance sheet date, the members of the Executive Board hold the stock options from the stock option programme shown in the following table.

Stock options	Business year	Share options outstanding at the beginning of the financial year (in units)	New share options granted in the financial year (in units)	Fair value at grant (in €)	Share options maturing in the financial year (in units)
Rudolf Hotter, Chairman of the Board (since 1.2.2020)	2020	0	150,000	2,170,500*	0
	2019	0	0	0	0
Thomas Volk, Chairman of the Board (until 31.1.2020); resignation as of 31.1.2020	2020	200,000	0	0	0
	2019	200,000	0	0	0
Thomas Stark, Member of the Executive Board	2020	60,000	0	0	0
	2019	60,000	0	0	0
Total remuneration	**2020**	**260,000**	**150,000**	**2,170,500**	**0**
	2019	**260,000**	**0**	**0**	**0**

Stock options	Business year	Share options outstanding at the beginning of the financial year (in units)	Share options forfeited in the financial year (in units)	Share options outstanding at the end of the financial year (in units)	Total share-based payment expense recognised in the consolidated financial statements (in €)	Capital reserve recognised in the consolidated financial statements as at the balance sheet date (in €)
Rudolf Hotter, Chairman of the Board (since 1.2.2020)	2020	0	0	150,000	380,105	380,105
	2019	0	0	0	0	0
Thomas Volk, Chairman of the Board (until 31.1.2020); resignation as of 31.1.2020	2020	200,000	200,000	0	-893,707	0
	2019	200,000	0	200,000	702,575	893,707
Thomas Stark, Member of the Executive Board	2020	60,000	0	60,000	216,917	485,029
	2019	60,000	0	60,000	210,773	268,112
Total remuneration	**2020**	**260,000**	**200,000**	**210,000**	**-296,685**	**865,134**
	2019	**260,000**	**0**	**260,000**	**913,348**	**1,161,819**

*) The fair value of the issued share options was € 14.47 per share option at the time of issue on 6 May 2020.

The fair value of the share options issued to Thomas Volk and Thomas Stark amounted to € 10.40 per share option at the time of issue (17 August 2018). This results in a value of € 2,080,000 for the 200,000 options of Thomas Volk and a value of € 624,000 for the 60,000 options of Thomas Stark. The fair value of the share options issued to Rudolf Hotter amounted to € 14.47 per share option at the time of issue (6 May 2020). This results in a value of € 2,170,500 for Rudolf Hotter's 150,000 options.

Furthermore, a share price of € 39.60 and an exercise price of € 40.72 were used to determine the fair values for the share-based payment to Thomas Volk and Thomas Stark on the grant date. For the share-based payment to Rudolf Hotter, a share price of € 48.30 and an exercise price of € 46.83 were used on the grant date.

In the reporting year, Mr. Volk's 200,000 options lapsed due to a change in non-fulfilment of service conditions. As at 31 December 2020, Mr. Stark's and Mr. Hotter's options are not exercisable.

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

Benefits upon termination of Board membership

Thomas Volk was released from his duties for the period from his resignation from the Executive Board on 31 January 2020 until the end of his Executive Board service contract on 31 March 2020. During this time, fixed remuneration of € 125,000 and fringe benefits of € 6,283 were granted. In connection with the termination of the Executive Board mandate, a severance payment of € 1,500,000 was made to Thomas Volk.

For the post-contractual non-competition clause, Thomas Volk has received compensation in the amount of € 1,100,000 for a period of 12 months since 1 April 2020, payable in March 2021.

Remuneration of the Supervisory Board

The Annual General Meeting on 14 June 2018 passed a resolution setting the remuneration of the Supervisory Board. This is set out in Article 13 of CANCOM's currently valid Articles of Association and the amount determined by resolution of the Annual General Meeting on 14 June 2018. The remuneration of the Supervisory Board is purely fixed. The deputy chairmanship and the chairmanship of the body as well as the membership or chairmanship of committees are taken into account separately in the amount of the remuneration, as is the number of participations in meetings of the Supervisory Board (attendance fee).

Components of Supervisory Board remuneration

Each member of the Supervisory Board receives a fixed annual remuneration for his or her Supervisory Board activities, which is determined by the Annual General Meeting and remains valid until the Annual General Meeting resolves a change. According to the resolution of the Annual General Meeting of 14 June 2018, an amount of € 30,000 is granted. The deputy chairperson receives twice and the chairperson four times the fixed annual remuneration. In addition, an attendance fee for meetings attended in person of € 1,000 is granted per Supervisory Board member. For the Chairman of the Supervisory Board, the attendance fee for meetings in person is € 2,000. If the membership does not last a full year, the respective member receives the remuneration pro rata temporis.

The Company shall reimburse the members of the Supervisory Board for expenses directly related to the exercise of their office. The value added tax shall be reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to invoice the value added tax separately to the Company and exercise this right.

According to the resolution of the Annual General Meeting of 14 June 2018, committee members receive a fixed annual remuneration for serving on a committee as follows: Supervisory Board members receive a one-time annual remuneration as a member of the Nomination Committee and as a member of the Audit Committee. Members of the Nomination Committee are granted remuneration in the amount of € 1,000, and the Chairman of the Committee is granted remuneration in the amount of € 2,000. Members of the Audit Committee shall receive a remuneration of € 2,000 and the Chairman of the Committee shall receive a remuneration of € 4,000. If the membership does not last a full year, the respective member receives the remuneration pro rata temporis. The additional remuneration requires that the committee has had at least one meeting in the respective business year.

Total overview of Supervisory Board remuneration

The remuneration of the members of the Supervisory Board for the 2020 financial year is as follows (individualized figures, rounded):

(in €)	Fixed remuneration 2020	Attendance fee 2020	Committee activity 2020	Total 2020	Total 2019
Dr Lothar Koniarski (Chairman)	120,000	8,000	4,000	132,000	132,000
Stefan Kober (Deputy Chairman)	60,000	4,000	4,718	68,718	48,750
Uwe Kemm	17,500	3,000	0	20,500	33,500
Regina Weinmann	22,500	4,000	583	27,083	35,000
Martin Wild	30,000	4,000	500	34,500	34,583
Hans-Ulrich Holdenried (resignation 5.2.2020)	5,000	0	668	5,668	22,833
Prof. Dr. Isabell Welpe	30,000	4,000	1,833	35,833	20,500
Marlies Terock (resignation 26.6.2019)	0	0	0	0	16,000
Total	**285,000**	**27,000**	**12,303**	**324,303**	**343,167**

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

D&O insurance

The company has taken out a pecuniary loss liability insurance policy (D&O insurance) for the benefit of the Executive Board, the Supervisory Board and senior employees, which covers the legal liability arising from Executive Board, Supervisory Board and management activities. A deductible has been agreed in the D&O insurance policy for the Executive Board and Supervisory Board.

Declaration on Corporate Governance pursuant to § 315d HGB in conjunction with § 289f HGB. Section 289f HGB

CANCOM has made the corporate governance declaration in accordance with § 315d HGB in conjunction with § 289f HGB publicly available on its website.

Non-financial declaration according to § 315c HGB in conjunction with §289c HGB. §289c HGB

CANCOM publishes the non-financial statement audited by the Supervisory Board in accordance with § 315c HGB in conjunction with § 289c HGB. Section 289c of the German Commercial Code (HGB) as a separate combined non-financial report for the CANCOM Group and CANCOM SE on the Company's website at www.cancom.com/reports within four months of the end of the reporting year

Risks and opportunities report

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

Risks and opportunities management

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

CANCOM's management closely monitors market developments and the competitive situation, evaluates them and uses them to derive potential opportunities for the respective business units as well as corresponding targets and measures in annual planning meetings with the Executive Board and operational management.

On the other hand, continuous risk management serves the purpose of efficient risk monitoring and early risk identification and is therefore also an integral part of the strategy and business development as well as the internal management and control systems of the CANCOM Group. CANCOM's risk management aims to identify at an early stage any risks to the Group's ability to continue as a going concern or any significant business risks, and to deal with these responsibly.

Risk management system

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

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

- In addition to a business distribution plan, CANCOM has a clear management and corporate structure. Cross-divisional key functions are controlled centrally via CANCOM SE.
- The functions of the areas significantly involved with regard to the accounting process are clearly separated. The areas of responsibility are clearly assigned.
- Integrity and accountability in relation to finance and financial reporting are ensured by including a commitment to this in the company's own Code of Conduct.
- The risk management system provides for the analysis of new laws, accounting standards and other pronouncements, non-compliance with which would pose a material risk to the propriety of the financial statements.
- The financial systems used are protected against unauthorized access by appropriate facilities in the IT area. As far as possible, standard software is used for the financial systems.
- Consolidation takes place in the central consolidation office using uniform consolidation software.
- The annual financial statements included in the consolidated financial statements are prepared in accordance with uniform Group accounting policies.
- The risk management system is based on a holistic corporate governance approach in which all elements - risk management, compliance management, internal audit as well as the internal control system (ICS) - are regularly reviewed with regard to their effectiveness and mutually influence each other. In accordance with this holistic approach, the described elements and audit routines are gradually established in the organization if they are not already in place (for example, in the case of acquired subsidiaries abroad).
- An adequate system of guidelines (e.g. payment guidelines, travel expense guidelines, etc.) has been established and is updated on an ongoing basis. The main assets of all companies are regularly tested for impairment, and there are instructions for the control of all accounting-relevant processes.
- The dual control principle is applied throughout all payment-related processes.
- Accounting-relevant processes are reviewed by the (process-independent) internal audit department. These audit routines are gradually established if they are not already in place (for example, in the case of acquired subsidiaries abroad).
- Both the risk management system and the internal control system (ICS) contain adequate measures to control accounting-relevant processes.

- The equipment of the departments and divisions involved in the accounting process is oriented in terms of quantity and quality to the capacity and qualification requirements necessary to ensure functionality.

- The risk management system provides for accounting data received or passed on to be continuously checked for completeness and correctness, among other things, by random sampling. There is a three-tier audit system for the correctness of the financial statements. Individual financial statements are prepared by the financial statement accounting department, and the group accounting and consolidation departments represent a further control instance before the financial management carries out a third review.

The internal control and risk management system with regard to the (group) accounting process is intended to ensure that entrepreneurial facts are always correctly recorded, prepared and assessed in the balance sheet and included in the accounting.

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

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

Notwithstanding the assessment of the effectiveness of the internal control and risk management system, there are inherent restrictions on the effectiveness of internal control or risk management systems. No control or risk management system, regardless of its effective assessment, is capable of preventing or detecting all misstatements.

Risk identification, analysis and documentation

To define and ensure adequate risk controlling, the Executive Board has formulated risk principles and appointed a central Group risk officer and two local risk officers (in Germany and abroad) who regularly monitor and assess any risks. The primary objectives of risk management include the timely identification of significant risks that could jeopardize the company's existence and the initiation of appropriate measures within the framework of risk management in order to minimize or avert any damage consequences for the company resulting from the possible occurrence of a risk.

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

CANCOM's approach to risk assessment is as follows: First, the identified risks are grouped into thematic clusters, which are then assessed according to probability of occurrence and potential amount of damage. In this context, all identified risks are assigned to a responsible person. Insofar as risks can be meaningfully controlled via quantifiable variables, correspondingly defined key figures are used to evaluate them. If no precisely definable parameters are available for risks, they are assessed by the responsible persons.

The presentation of risks and their damage potential as well as their probability of occurrence is done as a net presentation, i.e. after taking countermeasures into account. The probability of occurrence is differentiated on the basis of the following categories: low, medium, high. With regard to the potential amount of damage, a differentiation is also made on the basis of the categories low, medium, high and very high. With the help of a risk matrix, the individual risks can be systematized on the basis of the dimensions mentioned and assigned to different risk classes. The following tables serve to explain the individual dimensions and to present the resulting risk matrix.

PROBABILITY OF OCCURRENCE

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

POTENTIAL AMOUNT OF DAMAGE

Potential amount of damage	Definition
Low	Weak adverse effects on the earnings, assets and financial position (€ 0 to 1.0 million)
Medium	Significant adverse effects on the earnings, assets and financial position (€ 1.0 to 5.0 million)
High	Significant adverse effects on the earnings, assets and financial position (€ 5.0 to 7.5 million)
Very High	Very significant adverse effects on the results of operations, net assets and financial position (over € 7.5 million)

RISK MATRIX - OVERALL RISK ASSESSMENT

Probability of occurrence	Potential amount of damage			
	Low	Medium	High	Very high
Gering	Low risk	Low risk	Medium risk	High risk
Mittel	Low risk	Medium risk	Medium risk	High risk
Hoch	Medium risk	Medium risk	High risk	High risk

As part of the risk management system, CANCOM has defined early warning indicators for risks that could jeopardize the company as a going concern, and changes in these indicators and their development are continuously monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officers ensure permanent and timely controlling of existing and future risks. In addition, this ensures that the Executive Board and the Supervisory Board are informed about potential significant risks at an early stage.

The risk management system does not record opportunities.

Risks of future development

The following provides an overview of the risks classified as material and of possible future developments or events with a potentially negative impact on the CANCOM Group. The risks remaining after the implementation of mitigating measures are described. The period covered by the risk and opportunity assessment corresponds to the forecast period. In principle, all of the risk factors mentioned below affect both business segments (Cloud Solutions and IT Solutions) equally. If one of the two business segments is particularly affected by one of the risks mentioned, this is indicated accordingly below. It cannot be ruled out that risks that are currently not yet known or risks that are currently still considered insignificant and are therefore not described below will affect future business activities.

OVERALL ASSESSMENT

Risk	Overall assessment	
	2020	Trend*
Economic, regulatory, market and industry-related risks		
Economic and (geo-)political risks	**high**	0
Regulatory risks	medium	+
Risks from competition and technological change	medium	0
Direct sales risks	medium	0
Project and business-related risks		
Liability, warranty and compensation risks	low	-
Project risks	medium	0
Subcontractor risks	medium	0
Bad debt risks	medium	0
Supplier dependency risks	**high**	0
Internal risks	low	0
Business disruption risks, especially IT systems	medium	-
Cyber security risks	**high**	**new**
Risk from introduction of SAP	medium	-
Financial risks		
Financing, liquidity and creditworthiness risks	low	+
Exchange rate, inflation and interest rate risks	low	0
Personnel risks		
Key personnel and know-how risks	medium	0
Information risks		
Secrecy risks	medium	-
Legal risks		
Compliance and legal risks	low	**new**
Data protection regulations risks	medium	0
Legal infringement risks	low	0
Strategic risks		
Risks from misjudgements in acquisitions and integrations	high	0
Risks from the acquisition/disposal of companies or shares in companies	medium	0

* + = increasing risk, 0 = unchanged risk, - = decreasing risk, new = new risk added compared to the previous year..

Changes in risks compared to the previous year

There were significant changes in the risks compared to the status of the risk report in the 2019 Annual Report. The change is explained in the text of the respective risk.

Economic, regulatory, market and industry-related risks

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

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

One of these (geo-)political risks with potentially noticeable effects on the economic situation and consequently on the economic development of the CANCOM Group (especially at the subsidiaries in the United Kingdom) is the consequences of the United Kingdom leaving the European Union (Brexit). Another possible risk scenario is a severe economic downturn due to the spread of the Corona virus. Due to the global effects of the outbreak of the Corona virus, all procurement and sales markets relevant to CANCOM are affected by restrictions that are likely to have negative consequences for the economy in these markets.

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

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

The overall assessment has not changed compared to the previous year, but the probability of occurrence of this risk has increased due to the outbreak of the Corona virus in 2021.

The CANCOM Group's business activities could be restricted or otherwise negatively affected by regulatory measures.

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

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

The occurrence of the risk of a negative impact of regulatory developments on business development cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The loss potential has been upgraded to medium. The overall assessment has changed compared to the previous year and is classified as medium overall. The main reason for the change is a reassessment of the regulatory risks, especially due to the spread of the Corona virus.

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

The market in which the CANCOM Group operates is characterized by strong competition and rapid technological change. Insufficient knowledge of the market and the competition means that there is a risk of incorrect or missing decisions both in the market approach and the marketing mix and in the strategic and tactical product and pricing policy. This can lead to a lack of sales success and to persistence in already saturated markets, but also to risky investments in new business areas with uncertain market success.

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

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

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

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

There are risks from direct sales by manufacturers.

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

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

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

Overall, the risk is thus assessed as medium. The overall assessment has not changed compared to the previous year.

Project and business-related risks

The companies of the CANCOM Group are exposed to liability, warranty and indemnity risks.

The CANCOM Group and its subsidiaries purchase products, in particular hardware and software, from manufacturers or dealers. CANCOM is therefore dependent on these products being of high quality and meeting relevant specifications and quality standards. In the event of defects during the warranty period, CANCOM can generally hold suppliers harmless. However, due to time delays between the purchase of goods from suppliers and resale

to customers in a project, it is possible that customers may assert warranty claims against the CANCOM Group or its subsidiaries, which CANCOM itself in turn cannot assert against suppliers. In addition, CANCOM itself enters into warranty obligations for its own products and services.

Further liability, warranty and indemnity risks arise from the CANCOM Group's business activities, as CANCOM implements and, where appropriate, operates IT solutions in complex installation, system integration, software, operations management and outsourcing projects at customers' premises. In this context, given the complexity of the IT solutions and the depth of integration at the customer, technical problems can arise that have a significant negative impact on the customers' business processes. In the case of the AHP Enterprise Cloud platform developed by CANCOM, there is a risk, among other things, that the cloud cannot be used by the customer, cannot be used completely or cannot be used properly due to malfunctions, incorrect configurations or in the context of updates. In the context of hosting services, failures and errors in data centers could also lead to restrictions on the customer's operations and even to business interruptions. Since CANCOM sometimes leases space in external data centers, such a risk could also materialize through no fault of the CANCOM Group. Business interruptions both at CANCOM and at suppliers or customers could also occur as a result of environmental or natural disasters or comparable events. Business management risks also arise from the failure to identify interruptions in good time, monitoring errors and breaches of obligations agreed with customers to rectify faults immediately as part of service level agreements. All of this can result in CANCOM being exposed to liability, warranty and damage claims and possibly also losing contractual relationships.

To counteract these risks, CANCOM takes numerous precautions, for example to ensure the operation of cloud services and their provision. These include, among other things, the use of redundant data centers that are protected against natural hazards. The CANCOM Group's data centers also have an information security management system certified in accordance with the international standard ISO 27001, including comprehensive and tested emergency concepts. In addition, CANCOM endeavors to agree liability limitations customary in the industry in the contracts for the service and project business affected by this. In addition, CANCOM protects itself against liability and damage compensation risks through insurance policies where this makes economic sense.

The occurrence of one or more liability, warranty or compensation risks cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence to be low. The damage potential is assessed as medium. Overall, the risk is therefore assessed as low.

The overall rating was downgraded to low compared to the previous year and has thus changed slightly. The main reason for the downgrade is the reassessment of the risk.

Projects of the CANCOM Group could be delayed, cancelled or for other reasons not lead to the hoped-for success. In addition, investments and advance payments already made could possibly be lost in full or in part.

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

When carrying out projects, it cannot be ruled out that they may be delayed, cancelled or for other reasons not lead to the hoped-for success. Since it is often not possible to agree down payments or advance payments in projects, the CANCOM Group's services can generally only be invoiced after the completion of agreed project phases or after the completion of the entire project. For this reason, the CANCOM Group sometimes has to make significant advance payments when carrying out projects. A project delay or termination may result in the partial or complete loss of such investments already made or in the inability to bill for services already rendered. Should customers refuse acceptance of the projects, either justifiably or unjustifiably, this can also lead to payment delays or a complete loss of scheduled payments.

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

Larger projects in the service sector lead to increased risks in the disposition of staff. The loss of large projects can lead to increased costs in the personnel area, as often personnel cannot be adequately deployed in other projects or can only be readjusted with delay through appropriate measures.

Fixed prices are sometimes calculated and agreed when drafting contracts for IT projects. There is therefore a risk that, due to incorrect assumptions or the occurrence of unforeseen events, the actual cost and time expenditure exceeds the budget and no adjustment can be achieved with the customer.

To counteract these risks, enquiries at CANCOM generally go through a review of technical and economic feasibility before an offer is made. In this context, the focus is on ensuring the best possible solution for the customer, but also on taking appropriate account of project risks. Likewise, an internal review of possible contractual risks is carried out. As far as possible, standardized contracts are used. During the projects, these are controlled by the project management. To ensure the provision of the agreed service, CANCOM applies various measures and procedures, such as the use of redundant data centers.

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

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

There are risks from the activity as a subcontractor.

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

To counteract these risks, CANCOM is expanding its customer base and intensively cultivating relationships with and reviewing clients.

The occurrence of the risk from subcontractor activities cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as medium. Overall, the risk is therefore assessed as medium. This risk is particularly relevant for the IT Solutions Group segment.

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

There are bad debt risks.

Bad debt losses can represent a risk. To counteract this risk, CANCOM operates an intensive receivables management system. There are internal guidelines for the granting of credit limits, both in terms of the absolute limit amounts and the persons authorized to release the credit. As a rule, customers are not supplied until they have been checked. There is also a risk of default on long-term loans or financial receivables. In addition, CANCOM conducts permanent sales activities to acquire new customers and expand existing customer relationships in order to be able to compensate for the loss of individual major customers with new business.

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

The risks from bad debts were moved from the category of financial risks and assigned to the project and business-related risks.

In addition, the risk cluster "major customer dependency risks" was dissolved and the individual risks transferred to this risk cluster. The overall assessment has not changed compared to the previous year, but the probability of occurrence of this risk has increased due to the outbreak of the Corona virus in 2021.

Risks arise from dependence on suppliers.

CANCOM is dependent on manufacturers and distributors to supply it with hardware and software. Unexpected supply bottlenecks, price increases (for example as a result of market bottlenecks) or reduced supplier bonuses can have a negative impact on revenue and earnings, as the inventories at the CANCOM Group's logistics centers are designed for short periods for reasons of optimization.

In order to counter this risk, CANCOM maintains close contacts with important manufacturers and distributors and, where possible and appropriate, concludes long-term supply agreements. In addition, CANCOM works with a wide circle of manufacturers and distributors in order to be able to fall back on alternative manufacturers or alternative sources of supply relatively quickly if necessary.

The occurrence of the risk from dependence on suppliers cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as high. The damage potential is assessed as high. Overall, the risk is therefore assessed as high.

The overall assessment has not changed compared to the previous year, but the probability of occurrence of this risk has increased due to the exposure of supply chains to the Corona virus outbreak in 2021.

There are internal risks.

The CANCOM Group's value chain covers all stages of business activity from marketing, consulting, sales, logistics and implementation to training, maintenance and the operation of IT solutions. Disruptions within or between these areas or in work processes, for example in the Support Centre or in Managed Services, could lead to problems or even to the temporary shutdown of work processes in one or more areas. Storage risks are also taken into account, such as damage or losses that occur during storage and are not insured. In addition, there is the risk of only being able to sell goods at a lower price or not at all due to strong short-term fluctuations in product prices, or that call-off quantities are not accepted in the agreed order of magnitude. Furthermore, there is a risk of quality problems, especially in the consulting-intensive areas of the two group segments IT Solutions and Cloud Solutions.

In order to counteract these risks, CANCOM monitors and controls the consulting and delivery of services via employees responsible for customer satisfaction (key account managers). In addition, resource management tools are used and project targets and interim targets for customer orders are defined and controlled. In order to counteract these risks from warehousing, work is continuously being done to optimize the procurement process. On the basis of close interaction with manufacturers and distributors, CANCOM always strives on the one hand to keep inventory levels and warehousing costs as low as possible and on the other hand to avoid short-term supply bottlenecks. Appropriate insurance policies are in place to cover damage caused by faulty performance. In addition, internal processes and procedures are subject to constant monitoring by superiors in departments and the management of the CANCOM Group. Business continuity management also safeguards operations against downtime.

The occurrence of one or more of these internal risks cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence and the potential damage to be low. Overall, the risk is therefore assessed as low. The overall assessment has not changed compared to the previous year.

There is a risk of operational disruptions, especially IT system disruptions, affecting information technology.

The success and functionality of the CANCOM Group depend to a considerable extent on its information technology equipment. Fundamental IT risks arise both from the operation of computerized databases and from the use of systems for merchandise management, e-commerce, controlling and financial accounting. Restrictions or the failure of these or other internal IT systems or related external IT systems, whether partial or complete, or their delayed restoration to operation can bring the workflow to a

standstill in extreme cases. For example, a goods availability risk could arise if the functionality of IT systems that are necessary for a smooth ordering process is no longer guaranteed. In addition, the CANCOM Group offers its customers data center services both via its own data centers and via rented data centers, and could no longer be able to provide the data center services and any associated services as a result of disruptions.

The occurrence of one or more of the aforementioned risks from operational disruptions, in particular IT system disruptions, cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as high. Overall, the risk is therefore assessed as medium. The overall assessment was downgraded compared to the previous year and has thus changed slightly. The downgrading is, among other things, a result of the formation of the new risk cluster "cyber security risks" and the associated thematic separation of individual risks into the new cluster.

There are cyber security risks.

A specific material risk to the CANCOM Group's operations and all IT-based processes is cyberattacks. Our observations show that computer crime is increasingly growing and becoming more professional, which is associated with risks regarding the security of our systems and networks as well as the security of data. It cannot be ruled out that the security measures taken do not provide sufficient protection and that CANCOM may also become a victim of cyberattacks of all kinds. In this context, internal IT could be impaired or fail completely, and the monitoring of customer systems could become faulty due to incompletely functioning management tools, which could lead to disruptions for customers and even to the total failure of customer systems. Furthermore, in the course of a cyberattack, it cannot be ruled out that customer information and sensitive, protected data may be leaked to the public. If data centers and their mirrored backup data centers were to fail at the same time, this would mean not only considerable financial but also high reputational damage for the CANCOM Group. Overall, disruptions or even the failure of IT systems and data centers could have a negative impact on business operations and supplier or customer relationships.

To counteract the risks, CANCOM makes intensive efforts to ensure the best possible availability of its IT systems and data centers. For example, the data centers are equipped with modern data center technology and the system readiness of a redundant data center safeguards against the failure of a CANCOM data center in operation. In addition to measures in data centers, general failure scenarios are simulated as a preventive measure as part of a company-wide business continuity management system, and protective mechanisms and emergency processes, including their functionality, are created, checked and tested. At the same time, CANCOM uses IT security concepts and tools and regularly reviews the threat situation in the area of cyberattacks. In addition, the use of the in-house AHP Enterprise Cloud leads to increased security of the IT systems due to its system structure.

The occurrence of one or more of the cyber security risks mentioned cannot be ruled out. After implementing counter-measures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as very high. Overall, the risk is therefore assessed as high.

Risks in connection with the introduction of the ERP system SAP

The CANCOM Group is currently carrying out the Group-wide implementation of the ERP system SAP. The non-fulfilment or partial fulfilment of various project tasks or the failure to meet deadlines could potentially delay the introduction of SAP. If the implementation is delayed, the CANCOM Group may incur additional expenses, for example for external consultancy. This could have a lasting and sometimes significant negative impact on the CANCOM Group's business activities and competitiveness. Furthermore, if the ERP system is introduced incorrectly or unsuccessfully, or even fails completely, the availability of the web shop or customer connections and the entire e-commerce process chain could be impaired, for example, and operational activities could not be carried out in whole or in part. Among other things, this could have a negative impact on the processing of customer projects and orders such as deliveries and invoices. Due to technical downtimes, internal processes such as time recording, invoicing or accounting processes could also no longer be maintained and carried out, or only partially, with all the subsequent consequences.

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

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

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

The occurrence of risks from the introduction of the ERP system SAP cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as medium. Overall, the risk is therefore assessed as medium. The overall assessment has changed compared to the previous year in the form of a downgrade. The reason for the downgrading is the advanced stage of the project and thus a better assessment of the further course of implementation.

Financial risks

There are financing, liquidity and credit risks.

A sharp deterioration in the liquidity situation is a significant risk for companies or a risk that could jeopardize their continued existence. This also applies to CANCOM SE and the CANCOM Group. In addition, a significant deterioration in business performance could give rise to a financing requirement that would have to be covered either by equity or debt instruments. There would then be a risk that such refinancing would not be possible or, due to the company's poor credit rating, would only be possible at very unfavorable conditions. A sufficient credit rating is thus a necessary basis, especially for the granting of debt capital, for example by banks, and thus also for the long-term existence of the company. A significant deterioration in creditworthiness therefore represents a major risk to the continued existence of the CANCOM Group. Another general financing risk can be financing instruments that are linked to conditions (covenants) that trigger an unplanned payment obligation in the event of non-fulfilment.

In order to counteract these risks, the core objective of CANCOM's financial management is to secure liquidity at all times to ensure day-to-day business operations. In addition, the aim is to optimize profitability and, associated with this, to achieve the highest possible credit rating in order to secure favorable refinancing. In addition to medium-term financial planning, the Group also has monthly liquidity planning. The planning systems include the entire scope of consolidation. Since the equity ratio (according to the banks' calculation method) is a decisive parameter when granting bank loans, its development is regularly monitored in order to be able to initiate countermeasures in time.

At the reporting date, the CANCOM Group had cash and cash equivalents of € 338.4 million and credit lines (including guarantee facilities) with banks of € 53.5 million, of which € 44.7 million was freely available as at 31 December 2020. The equity ratio was 49.2 percent on the reporting date. In addition, the interest-bearing financial liabilities are covered by the available cash and cash equivalents at the reporting date, so that the CANCOM Group has no net financial debt.

At the time of preparing this risk report, the Executive Board does not believe that there are any identifiable risks from the financing, liquidity or creditworthiness situation that could jeopardize the continued existence of the company. Nevertheless, the occurrence of such risks cannot be completely ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence to be low. The potential damage is estimated to be low. Overall, the risk is thus assessed as low.

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

The international business activities of the CANCOM Group lead to cash flows in different currencies. The majority of business is conducted in the euro zone, which is why the currency risk is limited. Nevertheless, a significant devaluation of the euro against other currencies can lead to exchange rate losses. This foreign currency risk has increased as a result of the company acquisitions in the United Kingdom in financial years 2018 and 2019, as the CANCOM Group now transacts a higher volume of business in British currency. A devaluation of the British pound could now also lead to exchange rate losses. In addition, major changes in the exchange rate are possible as a result of the UK leaving the European Union (Brexit). Further potential risks with potentially negative financial effects could arise from changes in inflation and interest rates. For example, a change in inflation could result in a loss of purchasing power, which could cause liquid assets to lose value. In the event of a change in interest rates, variable-rate loans or other activities with interest rate dependency could be negatively affected.

To counteract this risk, derivative financial instruments are used to hedge valuable underlying transactions such as currency hedges. Any transactions in different currencies are hedged on a daily basis; in principle, there are underlying transactions that are hedged. Economic hedging relationships were not shown as hedging relationships in the balance sheet in the reporting year. Dedicated persons are permitted to enter into hedging transactions in amounts requiring approval; approvals for overruns are granted by the CFO/Executive Board. Treasury activities to optimize purchasing conditions could have negative effects and worsen purchasing conditions in the case of unfavorable hedges. Through intra-Group financial equalization, CANCOM continues to achieve a reduction in the volume of external financing and thus an optimization of the CANCOM Group's interest rate management with positive effects on the interest result. The basis of the benefits from intra-Group cash investment and borrowing are the liquidity surpluses of individual Group companies used as part of the cash management system, which can be used to finance the cash requirements of other Group companies internally. Apart from overdraft facilities in Germany, CANCOM only has fixed-interest loans. There are only insignificant liabilities abroad.

The occurrence of risks from changes in exchange rates, inflation and interest rates cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as low. The potential damage is estimated to be low. Overall, the risk is therefore assessed as low.

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

Personnel risks

There are personnel risks because the success of the CANCOM Group depends on its ability to develop, attract and retain sufficiently qualified key personnel and to keep know-how within the Company.

In particular, but not exclusively, in the business areas of (specialist) sales, consulting and technical support and operation of IT systems, CANCOM's business success is strongly linked to the professional qualifications and personal skills of its management and employees. Consequently, both the inadequate recruitment and the inadequate retention of suitably qualified staff in the Company pose a risk to business development. Another risk is the loss of key personnel with special technical skills or personal qualifications and experience in the Company, whose knowledge and reputation have a major impact on CANCOM's success, at least in the short term. If, for example, these employees leave the Company or cease to work for the Company for other reasons, there is a risk that they will lose their expertise and that the CANCOM Group will lose rights to proprietary software developments.

Irrespective of this, there is a risk that the shortage of skilled workers will generally make it more difficult to recruit staff in the future or that there will be a lack of the skills and qualifications required by employees for CANCOM's own digital transformation.

To counteract these risks, CANCOM offers measures for employee motivation and development. In addition, high performers are identified through regular monitoring of the performance of individual employees, and special attention is paid to them. CANCOM also tries to bind its employees to the company in the long term through various measures. In addition, in sensitive and knowledge-intensive areas in particular, appropriate substitution

arrangements are in place so that the unexpected absence of an employee can be largely compensated for, at least in the short term. CANCOM implements measures to strengthen its employer image and offers various qualification and further training measures for employees. CANCOM also offers employees a high degree of flexibility by providing them with a future-proof workplace (digital workplace), with easy and secure access to company data and applications, irrespective of time, place and terminal device, thus promoting, among other things, its image and attractiveness as an employer for employees of the digital generation. In addition, CANCOM is also striving to develop new human resources abroad, for example through the new subsidiary in Slovakia.

The occurrence of the personnel risks mentioned cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as medium. Overall, the risk is therefore assessed as medium. The overall assessment has not changed compared to the previous year.

Information risks

The CANCOM Group might not be able to protect or keep secret its developments and know-how.

The know-how generated in the course of the CANCOM Group's business activities, particularly in the development of innovative solutions, represents a significant competitive factor in CANCOM's estimation. The competitiveness of the CANCOM Group also depends in particular on safeguarding its technological innovations and the associated know-how. Partial or complete disclosure of this know-how to third parties could lead to the erosion of advantages gained over competitors, thereby reducing corresponding sales and earnings opportunities for CANCOM.

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

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

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

Legal risks

There are risks from the violation of compliance guidelines.

The issue of compliance and the associated commitment to social responsibility and serious conduct is of paramount importance to the CANCOM Group. In order to meet the requirements of CANCOM's various stakeholders, to comply with applicable laws and to adhere to guidelines for ethical behavior, CANCOM has an established compliance management system that defines measures to counteract potential compliance violations. As part of this, a code of conduct has been drawn up that defines how to deal with all of the company's stakeholders. The code has been rolled out company-wide and is freely accessible to all CANCOM employees. In addition, web-based training courses provide sustained support for compliance awareness throughout the workforce.

The occurrence of risks from potential compliance violations cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence to be low. The potential damage is estimated to be low. Overall, the risk is therefore assessed as low.

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

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

To counteract these risks, the CANCOM Group trains its employees on the subject of data protection and has established security standards to protect against unauthorized access to data.

The occurrence of risks from the breach of data protection regulations cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as medium. The damage potential is assessed as medium. Overall, the risk is therefore assessed as medium.

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

At the time of preparing this management report, there are no contingent liabilities from significant legal disputes or relevant litigation risks, especially not with regard to the risk described.

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

Due to its operating activities and its status as a company listed on the capital market, the CANCOM Group operates within the scope of a large number of national and international laws and regulations, some of which are complex. For example, CANCOM operates within the scope of national and international financial market regulations such as EMIR, MAR, WpHG, the stock exchange regulations of the Frankfurt Stock Exchange or regulations of the German Federal Financial Supervisory Authority (BaFin), within the scope of national and international labor laws such as the German Employee Leasing Act (Arbeitnehmerüberlassungsgesetz), within the scope of national and international tax and company law as well as accounting rules such as IFRS and regulations such as the German Corporate Governance Code. These and other laws and regulations give rise to the risk that CANCOM could violate requirements with negative effects, for example, on its business activities or financial position. In addition, tax audits can lead to different legal interpretations of tax-relevant issues and to additional tax demands and additional demands for levies.

To counter this risk, CANCOM employs qualified staff to assess and implement laws and regulations in all areas of the company, trains CANCOM employees on legal regulations and supports training and qualification measures. In addition, CANCOM uses external consultancy.

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

Strategic risks

There are risks from misjudgments regarding both past and future acquisitions of companies and their integration into the CANCOM Group.

The acquisition of companies and equity investments represents a not inconsiderable risk for the CANCOM Group. There is a risk that acquired companies and the market environment in which they operate may develop worse than planned. There is also the risk that risks arise or materialize which were not identified or were incorrectly assessed during the prior examination of the acquired companies. Furthermore, key personnel of the acquired companies could leave the company as a result of the acquisition by CANCOM, so that the objectives that were to be achieved with the acquisition can no longer be achieved due to the loss of these key personnel. There is also the risk that customers of the acquired company may not place orders with CANCOM or may not conclude corresponding contracts with CANCOM. In addition, the organizational integration of further companies into the CANCOM Group may involve considerable time and financial effort. It is also possible that the implementation of the strategy on which the acquisition is based and the goals and synergy effects sought may not be realized or not realized to the extent planned. The realization of one or more of these risks could, even after several years, result in the loss of all or part of the investment made and possibly necessitate an impairment of assets in the balance sheet.

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

The occurrence of one or more risks from misjudgments in acquisitions and their integration cannot be ruled out. After implementing countermeasures, the Executive Board estimates the probability of occurrence as high. The damage potential is assessed as medium. Overall, the risk is therefore assessed as high. The overall assessment has not changed compared to the previous year.

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

In recent years, the CANCOM Group has acquired or sold a number of companies or shares in companies. In the case of purchase or sale processes, there is a risk in the context of contract negotiations or the drafting of contracts. Furthermore, there is the risk that it subsequently transpires that certain warranties and/or guarantees and/or obligations entered into on the part of the seller/buyer have not been complied with. If this only occurs after the statute of limitations has expired and/or the seller/buyer is unable to settle any claims for damages, this may result in a loss of assets for the respective company in the CANCOM Group. It is also possible that the determination of sales prices based on results or future results may prove to be disadvantageous for CANCOM.

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

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

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

Overall risk assessment

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

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

In addition to the confident self-assessment, external assessments also show a positive picture with regard to CANCOM's creditworthiness. LBBW's rating at the end of the 2020 financial year was 4 (31 December 2019: 3). At the same time, UniCredit certified an internal bank rating based on the audited consolidated financial statements for 2019, which corresponds to an investment grade rating of BBB- from the S&P agency (31 December 2019: BBB).

Opportunities for future development

CANCOM's international business activities in various areas of the IT industry and in IT-related business fields open up numerous opportunities for the Group. To identify these, the Group regularly carries out a comprehensive review of the market and competitive environment, focusing on current industry, technology and macroeconomic trends.

The following section provides an overview of opportunities and possible future developments and events that could have a positive impact on the financial position and performance of the CANCOM Group.

General market development

The transformation into a digital future is in full swing. Under the terms "digital change" or "digital transformation", the importance of digital infrastructures and applications is increasing. Especially for companies, administration as well as the health and education sector, high-performance IT infrastructures and applications are playing an increasingly important role. Recurring, overarching themes here are the introduction of powerful infrastructures and applications, increasing the efficiency and effectiveness of the solutions used and innovation, i.e. the development of new offerings for customers and users of the offerings based on the existing solutions.

Overall, changes in the usage and consumption behavior of customers and the digital transformation are creating demand on the corporate side for digital technology and digital applications to solve new challenges and to further develop existing offerings. The digitalization of processes and business models is the central solution to be able to continue to meet the requirements in the future and thus ensure the competitiveness of customers.

These structural drivers are still intact, they were even promoted by the Corona pandemic. These developments are visible, among other things, in the growth of the IT industry in recent years, through growing IT budgets and the elevation of digitalization on the political agenda.

In addition to structural drivers, the spread of the Corona virus is also causing a fundamental reassessment of how the world of work is organized. More and more companies are planning comprehensive home office arrangements for their employees. At the same time, the trend towards the general digitalization of work processes is accelerating.

The system house market and the IT industry in Germany have grown continuously in recent years, with the exception of 2020. Acquisitions within the industry are part of the development for larger companies and CANCOM has also repeatedly taken advantage of opportunities in recent years. A particular focus of takeovers has been on strengthening geographical focal points, acquiring new capabilities and customer bases. CANCOM expects to expand its market share even in an overall economic downturn.

This consolidation is creating opportunities for the CANCOM Group. In addition to the general demand for hardware, products and services in the area of unified communication and collaboration, as well as digital workplace and network technologies, should be highlighted.

Overall, CANCOM is positioning itself as a "Leading Digital Transformation Partner" and offers its customers a wide range of IT and software solutions as well as consultancy. Due to its proximity to customers, whom CANCOM serves regionally on site and at more than 60 CANCOM locations, CANCOM expects to benefit from the generally positive market development.

Economic, regulatory, market and industry opportunities

Changes in the regulatory environment

The CANCOM Group is presented with opportunities as a result of changes in the regulatory framework. Funding for digitalization projects and digitalization in the education sector are creating demand for IT solutions and services. Increased legislative requirements for data protection or the operational security of IT systems are leading to a greater need for advice and investment on the part of our customers. For example, the implementation of the third draft of the Act to Increase the Security of Information Technology Systems (IT Security Act) would require investments in the area of infrastructures with important public significance and also at many companies, for example to meet requirements for the security of IT security identifiers.

CANCOM sees opportunities for a positive development in demand from both the business community and the public sector. Considerations by the legislator to adapt employee rights - such as in the context of an entitlement of employees to a home office - may also have a positive effect on demand for CANCOM's products and services.

Technical trends

In the coming years, the topic of digital transformation will continue to dominate the German economy and the associated technologies the IT market. Agile, flexible and scalable IT infrastructures are an important basis for successful digital transformation.

CANCOM can also benefit from trends. In addition to the demand for ever more powerful IT hardware, CANCOM has identified the Everything-as-a-Service (XaaS) trend, hybrid and multi-cloud environments, digital workplace, IT security, Internet of Things (IoT) & Industry 4.0, and big data/analytics as key trends in the industry.

Everything-as-a-Service

Everything-as-a-Service (XaaS) is defined by the Fraunhofer Institute as an approach in which all services for infrastructure, hardware and software as well as connected services are made available to customers as a service. In addition to the classic IaaS (Infrastructure-as-a-Service), PaaS (Platform-as-a-Service) and SaaS (Software-as-a-Service), individual functionalities can also be offered today in an as-a-Service provision. The connecting element from the service providers' point of view is the flexible purchase of services, where customers are charged for the use of the services. For customers, the advantage lies in the agility and easy scalability of the services. They are increasingly using the possibility of as-a-service models as a way to increase the agility of the company and to advance digitalization.

More and more providers are expanding their portfolios in this area and CANCOM already offers a range of as-a-service products and expects to continue to benefit from growth in this area.

Hybrid & Multi Cloud Environments

Cloud computing will continue to be a strategic element of the digital transformation and the technology basis for new high-tech trends. Even though the positive attitude towards cloud computing and its use has strongly increased among German companies, the companies still want to further increase the use of cloud solutions.

About three quarters of the companies already use a cloud solution. Another 19 percent of the companies surveyed are in the discussion process. With the now good market penetration, topics such as efficient use of IT will foreseeably gain further weight.

At the same time, new cloud solutions are emerging. In addition to classic clouds, companies are also building hybrid clouds (private cloud/on-premise services and public cloud) or multi-cloud environments. Integration know-how and experience are needed to create an efficient system from both worlds. On the customer side, expectations of interoperability are increasing. This opens up opportunities for providers such as CANCOM, starting with strategic planning, through architecture and design, to implementation and subsequent operation.

The use of services from the public cloud is also continuing to increase in companies. The path to the public cloud usually leads via hybrid or multi-cloud scenarios, from which private and hosted private cloud environments and corresponding providers of these services, such as CANCOM, should benefit.

The demand for flexible, agile cloud solutions in all areas of the company could have a positive impact on the overall demand for CANCOM products and services. With its knowledge of the complex interrelationships of IT structures that have often grown historically, many years of project experience and its own competence centers for various IT solution topics, in addition to an extensive cloud solutions portfolio, CANCOM combines expertise in the transformation and operation of modern IT environments.

Digital Workplace

The Digital Workplace is a central IT topic for companies. The digital transformation is changing the world of work, but the Corona pandemic has also set new impulses. Work-life balance and the possibility to work in flat, interdisciplinary hierarchies are becoming more important. Classic office workplaces, on the other hand, are losing importance. At the same time, more and more digital workplaces are being set up outside fixed office workstations. In principle, any device that can be connected to the internet can be integrated into an IoT workplace. The potential for digitalization remains high.

This brings IT-based communication solutions for telephone/video conferences, chats and collaboration solutions into focus, as well as Internet of Things (IoT) applications, which must be included in the overall Digital Workplace concept.

CANCOM has built up a strong presence in the Digital Workplace sector in recent years. In the independent ISG Provider Lens Germany 2020 study, CANCOM achieved the "Leader" classification in the categories "Digital Workplace Consulting Services", "Managed Workplace Services" and "Managed Mobility Services" for the German market. The central element is the CANCOM AHP Enterprise Cloud, which provides a mobile and flexible IT workplace environment from the cloud. The good positioning in competitive comparisons such as ISG and the offering in the Digital Workplace segment could result in opportunities for CANCOM's business development.

IT Security

The topic of IT security occupies companies intensively. Due to the increasing globalization and digitalization of the economy and society, it is necessary to reliably manage and protect ever larger amounts of data. The question for companies is how to protect and secure the networks.

IT security repeatedly reaches the highest positions in the priority lists of IT decision-makers, as data protection, network security and, for example, user management in large IT networks are associated with considerable effort. Accordingly, the automation of IT security solutions is one of the technologies with the greatest significance for IT decision-makers in Capgemini's IT Trends 2020 study. At the same time, the number of points of entry increases with the number of devices in a network. Especially with IoT applications, protection will become one of the central topics in the coming years. Especially in view of digital workplace concepts, companies will deal intensively with IT security issues.

CANCOM expects to benefit from the general increase in demand for managed security solutions.

CANCOM has DIN ISO 27001 certification (information security). It certifies that CANCOM has an information security management system that is geared to CANCOM's circumstances and adapted to customer needs. The certification signals to customers operational reliability in all processes and compliance with high technical and security-related standards.

Internet of Things (IoT) & Industry 4.0

The mobile internet no longer belongs only to smartphones and tablets. Sensors, wearables, connected cars, smart home and other IoT devices: The number of devices through which we access information or communicate with each other is constantly increasing, as is the networking, cooperation and communication between the various end devices. The connection between the physical and virtual environment that characterizes the IoT is increasing.

Through IoT, providers can access more data streams and ultimately get closer to their customers. IoT applications are also increasingly critical to the success of production processes, such as edge computing.

The connection of several data points or data sources can generate valuable insights into customer behavior and thus open up new business models and sales channels - especially through the use of automation and AI solutions. The IoT is the infrastructure that plays a significant role in the concrete design of digital business models.

The expansion of this infrastructure will gain in importance in the coming years. Companies are looking for partners who, in addition to economic requirements, have special industry knowledge and technical know-how. Many companies see the introduction of the G5 standard as an essential step that will enable IoT and so called “Industrie 4.0” projects, accelerating the trend towards networked industries.

The IoT is the basis of Industry 4.0, in which networked systems and devices exchange and process data in real time and are controlled semi-autonomously by automated or AI-supported processes. Big Data & Analytics has long since become a central element in the control of such complex systems.

In the past years, the infrastructure side (IaaS) and the application side (SaaS) were often the focus in connection with cloud computing and industrial applications. In the meantime, the platform idea is clearly moving into the center of interest. Platform as a Service (PaaS) is increasingly becoming an important element for companies to realize their innovation projects. PaaS offers them access to standardized infrastructure services and development platforms, combined with the possibility of adding individual extensions to these, in order to stand out from the competition in the rapidly developing market for digital business models, smart services or for services related to the Internet of Things. This is another reason why companies are planning to increase spending on IaaS and PaaS projects in the coming years.

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

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

Already today, information reaches us not only in text, audio or video format. Large amounts of sensor and context-based data will become increasingly important in the future and lead to a comprehensive data and information supply and an increasing complexity of the data world. The trend towards digitalization and the Internet of Things in particular increasingly require the use of Big Data & Analytics, because the basis of all digitalization and IoT projects is data or the evaluation of data.

The evaluation of this data can provide new social, economic and scientific insights: Individual cancer therapy through the systematic evaluation of various medical data in the shortest possible time, chatbots to answer customer queries or the use of automated analysis processes to fight crime are just three examples.

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

New, data-based business models and strategies are emerging through the real-time analysis of large amounts of structured and unstructured data from different sources. The main aim is to recognize repeating patterns from the analysis of large amounts of data in order to be able to derive predictions and even (automated) instructions for action (smart services). For example, machines, plants and manufacturing processes can be monitored to proactively prevent production downtimes.

Automated analysis procedures (Robotic Process Automation) and analysis solutions, also on the basis of AI applications, will gain in importance, as they can systematize and analyses the diverse data streams. This will relieve employees and prepare decisions. Consequently, a distinct ecosystem is developing around Big Data & Analytics, consisting of providers of cloud platforms, analytics applications and algorithms, i.e. providers of basic technologies. However, in order for user companies to actually be able to use Big Data & Analytics to drive new customer services, product developments and business models, they need a combination of technology, industry and process expertise from their IT partners, as well as a pronounced capacity for innovation. This is where CANCOM can score points with its customers thanks to its many years of expertise in IT infrastructure and its IoT & Analytics portfolio.

Skills shortage and employees

The number of unfilled IT positions in companies has been growing for years. In its most recent survey, the industry association Bitkom estimates that there are 86,000 unfilled positions. These figures show a clear shortage of skilled workers, which is causing companies to search longer and longer for IT specialists. Companies are therefore increasingly forced to make up for a lack of internal IT capacity by hiring service providers. Furthermore, the diversity and complexity of IT requirements continues to increase. In many cases, companies do not build up and maintain their own skills. To close the capability gap, companies can turn to service providers such as CANCOM. CANCOM is trying to position itself as an attractive employer in order to attract and retain skilled workers.

CANCOM expects this trend to accelerate in the coming years.

CANCOM's employees are the key to the company's success. CANCOM positions itself as an attractive employer in the market and seeks to secure its next generation of specialists through training programs and the opportunity to study while working. To develop the skill level of its employees in a targeted manner, CANCOM offers its staff internal and external training.

As part of its employer branding and targeted benefit programs, CANCOM tries to bind its employees to the company in the long term. The shortage of skilled workers on the one hand and a forward-looking human resources policy on the other create opportunities for CANCOM.

Strategic opportunities through acquisitions

In recent years CANCOM has repeatedly used its position in the market to strengthen the company through targeted acquisitions. CANCOM can continue along this path in the coming years due to its current position. With the knowledge and experience gained from the integration of previous acquisitions, the Executive Board sees strategic opportunities through corporate acquisitions.

Overall view of the trends

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

CANCOM combines over two decades of experience in IT consulting and integration with innovative services, provides vendor-independent advice and creates economically and technically optimized system infrastructures.

The Group responds to changes in the market through flexibility and the constant optimization and efficient adaptation of the portfolio, structures and processes within the company. Competence centers support specialization in individual IT areas with specialist know-how. The specific expertise of the specialist sales organizations is made available to the sales and service units of all CANCOM companies. With a comprehensive service portfolio, CANCOM offers IT solutions and managed services tailored to individual needs in the service sector, thereby creating added value for customers.

The business policy of the CANCOM Group is to continue on its growth path. To this end, it is planned to focus and strengthen existing business activities in the direction of high-quality complete IT solutions. At the same time, the XaaS segment will continue to gain in importance. This organic growth is also to be supported by growth through acquisitions.

By exploiting synergies and economies of scale, for example in the context of improved purchasing conditions and in the area of centralized administrative tasks as well as better access to major projects, this can contribute to a disproportionate improvement in results. In addition, the expansion of the service business can reduce the dependence on price developments in the hardware sector.

CANCOM has also grown through acquisitions in recent years. In a market that continues to be highly fragmented, the Group's solid asset position and good financial resources will continue to provide opportunities to further expand its market position through suitable acquisitions in the future.

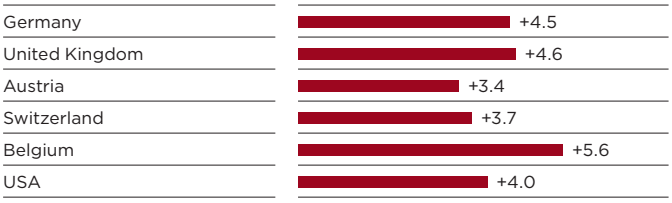
The Executive Board of CANCOM SE is confident that the Group's profitability provides a solid basis for future business development and ensures the necessary resources to pursue the opportunities available to the Group.

Forecast report

Development of the overall economy and the IT market

With a revenue share of around 80 percent, Germany is by far the most important sales market for the CANCOM Group. Other important sales markets in terms of revenue volume are in the UK, Austria, Switzerland, Belgium and the USA. In addition to the general economic development in these national markets, the overall market for information and communication technology - especially in Germany - is an important framework and basis of comparison for assessing CANCOM's economic development.

Gross domestic product outlook 2021*
(Change on previous year in %)



* Source: Deutsche Bank Research, December 2020.

At the time of preparing this forecast report, however, the development of the overall economy and the ICT market in Germany depends on the further course of the Corona pandemic. In particular, the incidence of infection, the continuation of the measures taken to contain the pandemic and the availability of vaccines will have a significant influence on the further course of the pandemic and thus also on economic development.

Accordingly, the currently available forecasts for the development of gross domestic product also show a significant range. In December 2020, the Institute for the World Economy (IfW) forecast GDP growth of 3.1 percent for Germany. Also in December, the German Institute for Economic Research (DIW) assumed growth of 5.3 percent.

Germany

The ifo Institute currently assumes that the restrictions on economic and private life will persist until the end of March. Accordingly, the industry association Bitkom assesses the ICT business climate at the beginning of 2021 more negatively than it did in December 2020. The Bitkom-ifo Digital Index stood at 16.3 points in January, a decline of 3.5 points compared to December 2020. This means that the outlook for the ICT industry continues to be higher than the outlook for the economy as a whole; the ifo Business Climate fell by 4.4 points to -3.0 points in January.

United Kingdom, Austria, Switzerland and Belgium

Based on several estimates from independent institutes compiled by the UK Ministry of Finance and Economic Affairs, GDP in the UK is expected to grow by 4.4 percent in 2021 (previous year: -10.6 percent). Deutsche Bank expects GDP growth of 4.6 percent.

Deutsche Bank expects Austria's gross domestic product to grow by 3.4 percent.

Deutsche Bank expects gross domestic product in Switzerland to rise by 3.7 percent

Deutsche Bank expects gross domestic product in Belgium to rise by 5.6 percent

Overall, a clear recovery of the gross domestic product is evident in all the markets mentioned.

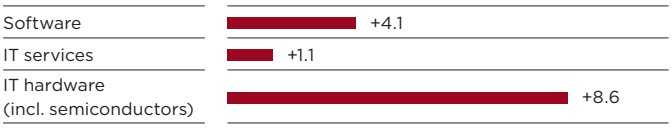
USA

For the United States of America, Deutsche Bank forecasts an increase in gross domestic product of 4.0 percent.

ICT market

According to Bitkom, the industry association for the ITC sector, the market volume for information and communication technology (ITC) in Germany will grow by 2.9 percent in 2021 and rise to € 166.0 billion. For 2020, the association indicated a decline of 0.5 percent to € 161.3 billion. The current outlook thus points to a revival of growth in the ICT market. The development is being positively driven by the largest sub-market in the ICT sector in terms of volume, the market for information technology (IT), which is particularly significant for CANCOM. Here Bitkom expects growth of 4.2 percent to € 98.6 billion (previous year: -0.7 percent), distributed among the individual market segments as follows:

Outlook: Information technology (IT) market 2021, Germany*
(Change compared to previous year in %)



* Source: Bitkom/EITO/IDC, January 2021.

In its annual IT Trend Study from December 2020, Capgemini arrives at the following results for the market development based on a survey of 144 IT and specialist managers from large companies and public authorities from Germany, Austria and Switzerland. 48.4 percent (previous year: 63.1 percent) expect IT budgets to increase, 20.3 percent of respondents in this group anticipate an increase in expenditure of more than 10 percent in 2021. The proportion of respondents expecting declining IT budgets remained unchanged at 14.9 percent.

Premises of the forecast

The forecasts for the CANCOM Group and CANCOM SE include all information known to the Executive Board at the time of preparing this report that could have an influence on business development. The outlook is based, among other things, on the expectations described above with regard to economic development and the development of the IT market. In this context, the Executive Board expressly points out the dependence of the course of business on the course of the Corona pandemic and the associated uncertainty. The Executive Board has taken into account the foreseeable consequences of the measures to contain the Corona pandemic at the time of preparing this forecast.

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

The forecast developments in the key performance indicators relate exclusively to the development of the CANCOM Group in its Group structure as at the reporting date of 31 December 2020 (scope of consolidation). Any acquisitions in the current financial year 2021 are not taken into account.

Forecast for the CANCOM Group

For the financial year 2021, the Executive Board of CANCOM SE expects the Group's growth to be above the level of the past financial year. The Executive Board considers the trend towards increasing digitalization in business and administration to be intact in all IT markets relevant to CANCOM. Furthermore, the Executive Board expects the effects of the Corona pandemic and the associated uncertainties for customers, as well as the currently high utilization of supply chains, to weaken considerably over the course of the year. The strong demand for IT hardware in the client area will change in the course of the year, but at the same time the Executive Board expects catch-up effects due to investments in the data center environment that were postponed in the previous year. In addition to the continued strong demand for hardware, the Executive Board anticipates increasing demand for IT infrastructure projects and service offerings. Based on this assessment, the Executive Board considers it appropriate to issue a confident forecast for the financial performance indicators of the CANCOM Group and CANCOM SE.

Against the background of the aforementioned general conditions and premises, as well as the currently foreseeable restrictions on the containment of the Corona virus and their duration, the Executive Board of CANCOM SE forecasts a significant increase in revenue for the CANCOM Group in the financial year 2021. A significant increase is expected for the Group's gross profit. A significant increase is also expected for Group EBITDA. The Executive Board anticipates a very significant increase in Group EBITA for the financial year 2021.

For the group segment Cloud Solutions, the Executive Board expects a very significant increase in revenue. The Executive Board expects a very significant increase in EBITDA. In addition, a very significant increase in annual recurring revenue (ARR) is expected compared to the value as at 31 December 2020.

For the IT Solutions group segment, the Management Board expects a significant increase in revenue as well as a significant increase in EBITDA.

At its meeting on 21 December 2020, the Executive Board informed the Supervisory Board that, due to the variety of performance indicators used, it would only use revenue and EBITDA as performance indicators for both segments from the 2021 financial year onwards, as well as ARR in the Cloud Solutions segment.

Forecast for CANCOM SE

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

Munich, March 2021

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

Disclaimer future-oriented statements

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

Consolidated balance sheet

ASSETS

(in T€)	Notes	Dec. 31, 2020	Dec. 31, 2019
Current assets			
Cash and cash equivalents	B.1 (A.3.4)	338,371	364,853
Non-current assets and disposal groups held for sale	B.2 (A.3.5)	1,196	1,196
Trade receivables	B.3 (A.3.6)	331,368	274,490
Current contract assets	B.4 (A.3.7)	2,541	1,565
Capitalised current contract costs	B.4 (A.3.7)	5,589	6,225
Inventories	B.5 (A.3.8)	61,428	45,535
Other current financial assets	B.6 (A.3.16)	31,812	21,305
Other current non-financial assets	B.7 (A.3.17)	20,111	18,727
Total current assets		**792,416**	**733,896**
Non-current assets			
Property, plant and equipment	B.8.1 (A.3.9)	60,328	66,029
Intangible assets (other than goodwill)	B.8.2 (A.3.10)	81,392	89,089
Goodwill	B.8.3 (A.3.11)	208,072	213,577
Right-of-use assets	B.8.4 (A.3.13)	67,947	65,945
Financial assets and loans	B.8.5 (A.3.14)	5	4,005
Capitalised non-current contract costs	B.4 (A.3.7)	2,108	1,954
Deferred tax assets	B.9 (A.3.15)	7,747	7,835
Other non-current financial assets	B.6 (A.3.16)	26,787	19,468
Other non-current non-financial assets	B.7 (A.3.17)	3,057	3,614
Total non-current assets		**457,443**	**471,516**
Total assets		**1,249,859**	**1,205,412**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in T€)	Notes	Dec. 31, 2020	Dec. 31, 2019
Current liabilities			
Current liabilities to banks	B.10 (A.3.18)	2,275	7,182
Trade liabilities	B.11 (A.3.19)	371,623	319,441
Other current financial liabilities	B.12 (A.3.23)	50,726	59,158
Current provisions	B.13 (A.3.21)	1,098	1,133
Current contract liabilities	B.4 (A.3.7)	37,794	32,989
Income tax liabilities	B.14 (A.3.22)	8,387	8,720
Other current non-financial liabilities	B.15 (A.3.24)	49,885	43,091
Liabilities directly associated with non-current assets and disposal groups held for sale	B.2 (A.3.5)	241	245
Total current liabilities		**522,029**	**471,959**
Non-current liabilities			
Non-current liabilities to banks	B.10 (A.3.18)	113	218
Other non-current financial liabilities	B.12 (A.3.23)	87,213	126,185
Non-current employee benefit provisions	B.16 (A.3.20)	1,932	1,969
Non-current other provisions	B.13 (A.3.21)	1,587	1,412
Non-current contract liabilities	B.4 (A.3.7)	7,864	6,910
Deferred tax liabilities	B.9 (A.3.15)	14,458	19,443
Other non-current non-financial liabilities	B.15 (A.3.24)	0	1
Total non-current liabilities		**113,167**	**156,138**
Shareholders Equity	B.17		
Issued capital	B.17.1	38,548	38,548
Capital reserves	B.17.2	375,474	374,310
Retained earnings including carryforwards and profit after taxes	B.17.3	201,470	159,283
Other reserves	B.17.4	-1,186	5,174
Non-controlling interests	B.17.5	357	0
Total equity		**614,663**	**577,315**
Total liabilities and shareholders' equity		**1,249,859**	**1,205,412**

Consolidated Statement of total Comprehensive Income

(in T€)	Notes	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2019 to Dec. 31, 2019
Revenues	C.1 (A.3.2)	1,649,426	1,549,293
Other operating income	C.2	9,373	4,813
Work performed by the entity and capitalised	C.3	7,386	5,707
Capitalised contract costs	C.4	-332	2,556
Total output		**1,665,853**	**1,562,369**
Material expenses/cost of purchased services	C.5	-1,192,651	-1,118,520
Gross profit		**473,202**	**443,849**
Personnel expenses	C.6	-284,027	-263,703
Depreciation, amortisation, impairment of tangible assets, intangible assets and right-of-use assets	C.7	-59,205	-64,861
Impairment losses for financial assets including reversals of impairment losses		-870	-199
Other operating expenses	C.8	-65,252	-60,699
Operating profit (EBIT)		**63,848**	**54,387**
Interest and similar income	C.9	1,043	1,302
Interest and similar expenses	C.9	-4,702	-3,038
Other financial income	C.10	20,331	4,779
Other financial expenses	C.10	-2	-6,088
Foreign currency gains/losses	C.11	2,375	-828
Profit before income taxes		**82,893**	**50,514**
Income taxes	C.12	-21,057	-15,632
Profit after taxes from continuing operations		**61,836**	**34,882**
Profit after taxes from discontinued operations	C.13	2	1,750
Profit after taxes		**61,838**	**36,632**
of which: attributable to owners of the parent		61,761	36,578
of which: attributable to non-controlling interests	C.14	77	54
Weighted average shares outstanding (units) undiluted		38,548,001	35,293,264
Weighted average shares outstanding (units) diluted		38,548,001	35,302,719
Earnings per share from continuing operations (undiluted) in €	C.15	**1.60**	**0.99**
Earnings per share from continuing operations (diluted) in €	C.15	**1.60**	**0.99**
Earnings per share from discontinued operations (undiluted) in €	C.15	**0.00**	**0.05**
Earnings per share from discontinued operations (diluted) in €	C.15	**0.00**	**0.05**
Earnings per share for profit after taxes attributable to the owners of the parent (undiluted) in €	C.15	**1.60**	**1.04**
Earnings per share for profit after taxes attributable to the owners of the parent (diluted) in €	C.15	**1.60**	**1.04**

(in T€)	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2019 to Dec. 31, 2019
Profit after taxes	**61,838**	**36,632**
Other comprehensive income		
Items subsequently reclassified to profit after taxes (recycled)		
Gains/losses from the currency translation of foreign operations	-6,360	4,941
Items not subsequently reclassified to profit after taxes (not recycled)		
Gains/losses from the remeasurement of defined benefit plans	-261	-441
Deferred taxes on items that are not reclassified to profit after taxes	81	136
Other comprehensive income for the period	**-6,540**	**4,636**
Total comprehensive income for the period	**55,298**	**41,268**
of which: attributable to owners of the parent	55,221	41,214
of which: attributable to non-controlling interests	77	54

Consolidated Cash Flow Statement

(in T€)	Notes	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2019 to Dec. 31, 2019
Cash flow from operating activities			
Profit after taxes		61,838	36,632
Adjustments			
+ Depreciation, amortisation, impairment of tangible assets, intangible assets and right-of-use assets		59,205	64,861
+ Interest income and other financial income		-16,670	3,045
+ Income taxes		21,057	15,632
+/- Changes in non-current provisions		-145	619
+/- Changes in current provisions		-28	-1,022
+/- Gain/loss from disposal of non-current assets/liabilities		-457	-2,062
+/- Changes in inventories		-15,945	-13,335
+/- Changes in trade receivables, in contract assets, in capitalised contract costs and other assets		-75,679	-4,711
+/- Changes in trade payables and other liabilities		66,031	50,649
- Interest paid		-2,592	-1,373
+/- Income taxes paid/received		-26,165	-21,393
+/- Other non-cash income and expenses		-3,605	1,210
+ Equity-settled share-based payment transactions		1,395	1,062
Total cash flow from operating activities	D.1	**68,240**	**129,814**
Cash flow from investing activities			
- Payments from acquisition of subsidiaries		-20,655	-58,959
+ Proceeds from cash acquired in the acquisition of subsidiaries		0	9,758
- Payments for the acquisition of financial investments		0	-5
- Payments for investments in tangible and intangible assets as well as right-of-use assets		-36,907	-32,489
+ Sales proceeds for tangible and intangible assets as well as for financial investments		5,474	28,965
+ Interest and dividends received		1,531	685
Total cash flow from investing activities	D.1	**-50,557**	**-52,045**

(in T€)	Notes	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2019 to Dec. 31, 2019
Cash flow from financing activities			
+ Proceeds from the issue of shares or other equity instruments		0	174,167
- Payments for capital increase costs		-7	-3,673
+ Proceeds from non-current financial liabilities		0	221
- Payments for the repayment of non-current financial liabilities (including the portion presented as current)		-26,709	-2,981
- Payments for the repayment of lease liabilities (perspective of the lessee)		-16,822	-11,084
+/- Payments/proceeds resulting from issuing/repayment of current financial liabilities		-1,125	3,420
+/- Payments/proceeds resulting from current financial liabilities to leasing companies		22,643	15,370
- Payments for interest on non-current financial liabilities and lease liabilities		-1,188	-756
- Dividends paid		-19,274	-17,522
+ Proceeds from the disposal of non-controlling interests		280	0
- Payments for the acquisition of non-controlling interests		-120	-7,242
Total cash flow from financing activities	D.1	**-42,322**	**149,920**
Net increase (derease) in cash and cash equivalents		**-24,639**	**227,689**
+/- Effect of exchange rate changes on cash and cash equivalents		-1,843	1,917
+/- Cash and cash equivalents, at the beginning of the period		364,853	135,247
Cash and cash equivalents, at the end of the period	D.1	**338,371**	**364,853**
thereof			
Changes in cash and cash equivalents from continuing operations		338,371	364,853
Changes in cash and cash equivalents from discontinued operations		0	0

Consolidated Statement of Changes in Equity

	Shares	Issued capital	Capital reserves	Retained earnings including carryforwards and profit after taxes			Other reserves	Total owners of the parent	Non-controlling interests	Total shareholders' equity
				Retained earnings	Profit after taxes including carryforwards	Remeasurement of defined benefit plans	Currency translation of foreign operations			
	T pieces	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**
January 1, 2019	**35,044**	**35,044**	**204,742**	**93,739**	**52,165**	**-313**	**233**	**385,610**	**2,130**	**387,740**
Profit after taxes					36,578			36,578	54	36,632
Other compresensive income						-305	4,941	4,636	0	4,636
Total comprehensive income					**36,578**	**-305**	**4,941**	**41,214**	**54**	**41,268**
Capital increase	3,504	3,504	170,662					174,166		174,166
Capital increase costs			-2,531					-2,531		-2,531
Profit after taxes/retained earnings				30,581	-30,581			0		0
Recognition of share-based payment transactions			1,437					1,437		1,437
Dividend distribution in the business year					-17,522			-17,522		-17,522
Change due to the acquisition of non-controlling interests				-5,059				-5,059	-2,184	-7,243
December 31, 2019	**38,548**	**38,548**	**374,310**	**119,261**	**40,640**	**-618**	**5,174**	**577,315**	**0**	**577,315**
January 1, 2020	**38,548**	**38,548**	**374,310**	**119,261**	**40,640**	**-618**	**5,174**	**577,315**	**0**	**577,315**
Profit after taxes					61,761			61,761	77	61,838
Other compresensive income						-180	-6,360	-6,540	0	-6,540
Total comprehensive income					**61,761**	**-180**	**-6,360**	**55,221**	**77**	**55,298**
Capital increase costs			-5					-5		-5
Profit after taxes/retained earnings				53,624	-53,624			0		0
Recognition of share-based payment transactions			1,169					1,169		1,169
Dividend distribution in the business year					-19,274			-19,274		-19,274
Change due to the disposal of non-controlling interests								0	280	280
Change due to the acquisition of non-controlling interests				-120				-120		-120
December 31, 2020	**38,548**	**38,548**	**375,474**	**172,765**	**29,503**	**-798**	**-1,186**	**614,306**	**357**	**614,663**

Group Notes

A. General information

A.1. Basics

The consolidated financial statements of CANCOM SE and its subsidiaries (hereinafter referred to as the "CANCOM Group" or the "Group") were prepared in the reporting period (financial year 2020) in accordance with International Financial Reporting Standards or International Accounting Standards (IFRS/IAS as adopted by the EU).

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

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

The reporting period covers the period from 1 January 2020 to 31 December 2020 (comparative period: 1 January 2019 to 31 December 2019). The address of the registered office is: Erika-Mann-Straße 69, 80636 Munich, Germany. CANCOM SE is registered with the Munich Local Court under HRB 203845.

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

These consolidated financial statements were approved for publication by the Executive Board on 23 March 2021.

A.2. Consolidation and acquisitions

A.2.1. Consolidation principles

A.2.1.1 Subsidiary

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

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

A.2.1.2. Joint venture

Joint ventures are included in the consolidated financial statements using the equity method. In the case of joint ventures, CANCOM SE has rights to the net assets of the entity and manages it together with another party (joint control). Inclusion at equity is based on the IFRS financial statements of these companies.

No joint ventures were included in the CANCOM Group in the reporting period or in the comparative period.

A.2.1.3. Associated companies

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

The CANCOM Group did not include any associates in the reporting period or the comparative period.

A.2.1.4. Non-consolidated structured entities

In the comparative period CANCOM sold a developed property in Jettingen-Scheppach to a leasing company and subsequently leased it back (sale and leaseback transaction). At the time of the sale, the developed land had a carrying amount of T€ 21,284. The leasing company Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG is not controlled by CANCOM SE within the meaning of IFRS 10, as it does not hold the majority of voting rights and is not controlled on the basis of other contractual agreements. The land was sold to the leasing company by way of a contribution in return for the issue of shares in the company. The purpose of the leasing object company is exclusively to hold and manage the leased property over the lease term. The leasing object company is financed by a bank loan and by the sale of its receivables.

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

(in T€)	31.12.2020	31.12.2019
Shareholding in Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	5	5
Rights of use for land and buildings	13,099	13,797
Leasing liabilities	15,906	16,782
Loan to Duana Grundstücksverwaltungs-gesellschaft mbH & Co. Vermietungs KG	710	124

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

A.2.2. Company acquisitions and participations

For the accounting principles for company acquisitions, we refer to section A. 3.30 of the consolidated financial statements.

A.2.2.1. Company acquisitions in the reporting period

In the reporting period, neither CANCOM SE nor any of its subsidiaries acquired any companies as defined by IFRS 3.

For the company acquired after the reporting period, we refer to section D.15.

A.2.2.2. Business acquisitions from previous periods

The contingent consideration (CANCOM UK Holdings Limited, medocino Gesellschaft für vernetzte Systeme mbH, Novosco Group Limited) and synthetic liabilities (CANCOM Ocean Ltd, CANCOM LTD from the acquisition of CANCOM UK Group, CANCOM LTD from the acquisition of Novosco Group Limited) arising from the company acquisitions in the comparative period and from earlier periods developed as follows in the reporting period:

(in T€)	CANCOM Ocean Ltd	CANCOM UK Holdings Limited	CANCOM LTD from acquisition of CANCOM UK Group	medocino Society for Networked Systems mbH	Novosco Group Limited	CANCOM LTD from acquisition Novosco Group Limited
Status 1.1.2020	10,818	414	11,983	600	21,171	28,857
Change from derecognition/ revaluation	-4,618	2	-4,683		0	-11,027
Access	50	0	91		0	405
Disposals/Compensations	-5,783	-398	-6,725		-20,257	-14,573
Currency differences	-467	-18	-666		-914	-1,852
Status 31.12.2020	**0**	**0**	**0**	**600**	**0**	**1,810**

The reduction in contingent consideration was mainly due to the fact that the shareholders of the shares not yet transferred to the CANCOM Group (non-controlling interests) exercised their right to tender their shares to the CANCOM Group during the reporting period (use of the put option). For further information, please refer to section D.5.

A.2.3. Scope of consolidation

All subsidiaries are included in the consolidated financial statements of the CANCOM Group. In the reporting period, these were 28 subsidiaries (comparative period: 31 subsidiaries), of which 7 were subsidiaries in Germany and 21 abroad (comparative period: 7 subsidiaries in Germany and 24 abroad).

OCSL ITO LIMITED was removed from the Companies House register on 17 March 2020.

In March and June 2020, the assets and liabilities of OCSL Property LLP were transferred to CANCOM UK Limited at carrying amounts. The equity was dissolved in June 2020 and derecognised against the shareholding of the members CANCOM UK TOG Limited and CANCOM UK Limited in OCSL Property LLP. The company was deleted from the Companies House register on 22 December 2020.

In May 2020, Ocean Network Services Limited was dissolved. The assets and liabilities were transferred to CANCOM Communication & Collaboration Ltd (formerly Ocean Unified Communications Ltd). All equity was distributed to the parent company (Ocean Intelligent Communications Ltd). An application was made to delete the company from the Companies House register, but this had not yet been done by the reporting date for the reporting period.

Ocean Intelligent Communications Ltd was dissolved in May 2020. The assets and liabilities (excluding shares in CANCOM Communication & Collaboration Ltd) were transferred to CANCOM Communication & Collaboration Ltd. The shares in CANCOM Communication & Collaboration Ltd were transferred to the parent company, CANCOM Ocean Ltd. The entire equity of Ocean Intelligent Communications Ltd was distributed to CANCOM Ocean Ltd. CANCOM Ocean Ltd's investment in Ocean Intelligent Communications Ltd was transferred to its investment in CANCOM Communication & Collaboration Ltd. The deletion from the Companies House Register was applied for, but had not yet taken place by the reporting period's closing date.

CANCOM Ocean Ltd sold its shares in CANCOM Communication & Collaboration Ltd to Novosco Group Limited by way of a purchase agreement dated 30 June 2020. The loan to CANCOM SE in connection with the acquisition of the shares was also transferred to Novosco Group Limited.

Under the business transfer agreement dated 1 July 2020, the entire business operations of CANCOM Communication & Collaboration Ltd were transferred to CANCOM Managed Services Ltd (formerly Novosco Ltd) at book value. It is intended to dissolve CANCOM Communication & Collaboration Ltd and to apply for its removal from the Companies House register.

CANCOM SE sold 20 percent of the shares in CANCOM physical infrastructure GmbH by way of a share purchase and transfer agreement dated 9 July 2020.

In August and September 2020, CANCOM SE's shareholding in CANCOM LTD changed from 87.99 percent to 99.29 percent, as CANCOM SE acquired shares from the non-controlling shareholders.

In September 2020, OCSL Employee Services LLP transferred its shares in CANCOM UK Limited to CANCOM UK TOG Limited. The equity was dissolved and derecognised against the shareholding of the members CANCOM UK TOG Limited and CANCOM UK Managed Services Limited in OCSL Employee Services LLP. The company was deleted from the Companies House register on 22 December 2020.

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

All fully consolidated subsidiaries included in the consolidated financial statements have a reporting date of 31 December 2020 (comparative period: 31 December 2019).

A.2.4. Major subsidiaries

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

Name of the subsidiary	Seat of the company	Participation rate in %
CANCOM GmbH	Jettingen-Scheppach	100.00
CANCOM Public GmbH (formerly CANCOM on line GmbH)	Berlin	100.00
CANCOM Managed Services GmbH	Munich	100.00
CANCOM UK Limited	Wisborough Green/ Great Britain	99.29
CANCOM a + d IT solutions GmbH	Brunn am Gebirge (formerly Perchtoldsdorf)/Austria	100.00
CANCOM ICT Service GmbH	Munich	100.00
CANCOM Managed Services Ltd. (formerly Novosco Ltd)	Belfast/United Kingdom	99.29
HPM Incorporated	Pleasanton/USA	100.00

A.2.5. Translation of foreign currency financial statements

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

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

Currency	2020	2019
US Dollar ($)		
Closing rate	1 € = 1.2271 $	1 € = 1.1234 $
Average price	1 € = 1.1413 $	1 € = 1.1196 $
Swiss Franc (SFR)		
Closing rate	1 € = 1.0802 SFR	1 € = 1.0854 SFR
Average price	1 € = 1.0703 SFR	1 € = 1.1127 SFR
British Pound (£)		
Closing rate	1 € = 0.8990 £	1 € = 0.8508 £
Average price	1 € = 0.8892 £	1 € = 0.8773 £

A.3. Explanation of the recognition and measurement methods

A.3.1. General principles

The valuation of the balance sheet items in the consolidated financial statements is mainly based on amortized cost. In particular, derivative financial instruments, plan assets for pension obligations and certain balance sheet items acquired in the course of business combinations are measured at fair value.

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

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

Assets and liabilities are classified in the balance sheet according to their maturity as non-current (for maturities over one year) and current.

A.3.2. Revenue recognition

A.3.2.1. Regulatory bases and turnover categories

IFRS 15 applies to revenue recognition from contracts with customers. The standard contains a principle-based five-step model to be applied to all contracts with customers. According to this five-step model, the contract with the customer must first be identified (step 1). In step 2, the independent performance obligations of the contract are to be identified. Next (step 3), the transaction price must be determined, with explicit provisions for the treatment of variable consideration, financing components, payments to the customer and barter transactions. After determining the transaction price, the allocation of the transaction price to the individual performance obligations is to be carried out in step 4. This is based on the individual selling prices of the individual performance obligations. CANCOM generally determines these from directly observable market prices of comparable goods or services; if it is not possible to determine these on the basis of such market prices in exceptional cases, the individual selling prices are derived using suitable methods that comply with the requirements of IFRS 15. Finally (step 5), the revenue can be recognized if the performance obligation has been fulfilled by the entity. The prerequisite for this is the transfer of control of the good or service to the customer. In addition, in step 5, it must be determined for each performance obligation identified at contract inception whether it will be satisfied over a period of time or at a point in time. According to IFRS 15, the former period-based fulfilment only arises if the customer uses the service at the same time as CANCOM provides the service, if the customer obtains control of an asset during its creation/improvement by CANCOM, or if CANCOM creates a customer-specific asset (without alternative use) and CANCOM has a legal claim to payment for the services already provided. If one of these three circumstances applies, revenue is recognized in accordance with the stage of completion (or percentage of completion method). In this respect, revenue is spread over several periods if necessary. In contrast, when the performance obligation is fulfilled at a point in time, revenue is recognized in its entirety in the period in which the customer obtains control of the promised asset; indicators of this are, for example, when a customer has taken delivery of the asset or it has passed into physical possession.

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

The CANCOM Group distinguishes between the following revenue categories:

- Sale of hardware and related software;
- Sale of third party software licenses;
- Provision of services, such as IT strategy consulting, IT services and support.

A.3.2.2. Principal/Agent Classification

The regulations on performance obligations as principal or agent address the question of whether the performance obligation consists of delivering the good or providing the service itself (so that the entity acts as principal) or whether it consists of commissioning another party to deliver the good or provide the service (so that the entity acts as agent). Under IFRS 15, an entity can be a principal only if it has control of a promised good or service before it transfers that good or service to a customer. Furthermore, a number of other indicators that require interpretation must be used to determine the principal/agent status. For example, it is necessary to examine who is essentially responsible for the performance obligation (the entity itself or a subcontractor on behalf of the entity indicates principal status; another party indicates agent status). In addition, it must be analysed who bears the inventory risk as well as the default risk (the company itself speaks for a principal status in each case; another party speaks for an agent status in each case). Furthermore, it must be determined how the pricing is set (at the discretion of the company, this speaks in favour of principal status; at the discretion of another party, this speaks in favour of agent status). The classification as principal has the consequence that the sales revenue is to be recognised in the amount of the expected consideration in exchange for the transfer of the goods or services in question - i.e. as gross amount. The gross revenue is reported in the statement of comprehensive income under the item "Revenue" and compared with the corresponding cost of materials or cost of purchased services. Classification as an agent, on the other hand, results in the entity only recognising revenue in the amount of the fee or commission it expects to receive in exchange for engaging the other party to deliver its goods or provide its services - that is, as a net amount. At CANCOM, recognition takes place within the statement of comprehensive income in the item "Revenue".

An assessment of whether CANCOM is classified as principal or agent arises at CANCOM on the one hand in connection with the sale of hardware (and associated software), where the customer can choose to obtain additional services (for example in the form of maintenance contracts, guarantees or warranties) from the hardware/software manufacturer.

On the other hand, an assessment of whether CANCOM is classified as principal or agent arises in the sale of software licences obtained from third parties (see section A.3.2.5).

A.3.2.3. Guarantees and warranties

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

A.3.2.4. Sale of hardware and associated software

Contracts for the sale of hardware (and associated software) are examined in the CANCOM Group to determine whether they contain independent performance obligations. This is the case, for example, if the contract includes a service component in addition to the delivery of goods. Revenue from the sale of hardware (and associated software) is recognized when control of the goods is transferred to the customer. The latter is usually the case when the hardware/software is transferred to the customer. The sale of hardware (and related software) usually involves performance obligations that are fulfilled at a specific point in time. The consideration is usually fixed and does not include variable components. Significant financing components are usually not included in the contracts. Invoicing to the customer occurs with revenue recognition. Invoices are usually payable within 30 days.

A.3.2.5. Sale of third-party software licenses

In accounting for revenue from software licensing transactions, there is considerable scope for discretion in assessing the principal/agent status. For example, there are currently further discussions in the IT industry as to whether revenue from the sale of standard software licenses should in future be reported as an agent and thus net in accordance with IFRS 15.B36. A corresponding request for clarification is to be made by an industry representative to the IASB. A corresponding request for clarification of the issue is to be submitted by an industry representative to the International Financial Reporting Interpretations Committee (IFRS IC).

The assessment of the principal/agent classification in the sale of third-party software licenses depends on many different factors. In the sale of software licenses, CANCOM acts as principal ("value-added reseller") insofar as the obligation must be performed by the "value-added reseller" itself via a combined service (indirect contract model). If the obligation of an intermediary consists purely of an intermediary service (direct contract model), it is to be classified as an agent.

From CANCOM's point of view, the complex and extensive pre-sales consulting in particular plays a decisive role in the assessment of the principal/agent classification. Due to the explicit or implicit obligation to provide comprehensive advice within the

framework of the indirect contract model, an implicit performance obligation to the customer can be assumed for the advice. This leads to the fact that not the software license alone is sold, but a combined service bundle consisting of the software license and the qualified consulting of the "value-added reseller" (i.e. a customer-specific licensing solution), for which the "value-added reseller" is responsible. Against this background, the value-added reseller gains control over the indicators of "significant integration performance" (IFRS 15.B35A (c)) and "primary responsibility" (IFRS 15.B37 (a)) before the bundle of services is transferred to the customer. The indicators on pricing (IFRS 15.B37(c)), inventory risk (IFRS 15.B37 (b)) and the right to direct another party (IFRS 15.B35 (a)) support this statement. Therefore, CANCOM reports total trading revenue.

In the context of a direct contract model, such an obligation to provide advice does not exist, so that an implied performance obligation cannot be assumed in this context. Since only the manufacturer is responsible for the product, the "software advisor" is not responsible for primary responsibility (IFRS 15.B37 (a)). Furthermore, it also has no pricing (IFRS 15.B37(c)), no inventory risk (IFRS 15.B37 (b)) and no right to direct another party (IFRS 15.B35 (a)). This results in the 'software advisor' acting as an agent under the direct contract model and only having the right to recognize margin.

In the reporting period and in the comparative period, revenue from third-party software licences for which CANCOM acts as a value-added reseller was reported as a principal and therefore as a gross amount in the statement of comprehensive income. A different assessment (net presentation) would result in the adjustments to the items "Revenue" and "Cost of materials/cost of purchased services" shown in the following table. Neither the item "gross profit" nor the absolute earnings figures (EBITDA, EBITA, EBIT) would change. The turnover-related key figures (for example the EBITDA margin) would improve.

A.3.2.6. Provision of services, such as IT strategy consulting, IT services and support

CANCOM also examines contracts for the provision of services with regard to independent performance obligations. Revenue from service contracts is generally recognized over time in accordance with the stage of completion, as the performance obligation is usually fulfilled when the benefit resulting from the service is transferred. In cases where CANCOM is obliged to be ready or to provide the service (e.g. support/service contracts), revenue is recognized pro rata over the term of the contract. In addition, input-based methods are used to determine the stage of completion, i.e. revenue is recognized in accordance with the ratio of costs incurred (or resources consumed) to the expected total cost of completion. According to the management of the CANCOM Group, these input-based methods are appropriate procedures for determining the percentage of completion of service components. Invoicing to the customer usually takes place with revenue recognition. Invoices are usually payable within 30 days. As a rule, services are priced separately; if this is not the case, the transaction prices are allocated on the basis of the relative individual selling prices.

A.3.3. Expense realization and other income realization

Operating expenses are recognized in profit or loss when the service is utilized or at the time they are incurred.

Presentation of gross/net statement of software licences (principal/agent classification)	2020		2019	
(in T€)	Principal rating (reported)	Agent classification	Principal rating (reported)	Agent classification
Revenues	1,649,426	1,317,633	1,549,293	1,277,862
Cost of materials/cost of purchased services	-1,192,651	-860,858	-1,118,520	-847,089
Gross profit	473,202	473,202	443,849	443,849
EBITDA	123,053	123,053	119,248	119,248
EBITA	81,727	81,727	85,208	85,208
EBITDA margin	7.5 %	9.3 %	7.7 %	9.3 %

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

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

A.3.4. Cash and cash equivalents

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

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

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

A non-current asset is not depreciated or amortized as long as it is classified as held for sale or is part of a disposal group that is classified as held for sale. Non-current assets or disposal groups classified as held for sale are measured immediately after classification and at subsequent reporting dates at the lower of carrying amount and fair value less costs to sell.

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

A.3.6. Trade receivables

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

A.3.7. Contract assets, capitalized contract costs, contract liabilities

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

Contract assets exist when CANCOM has fulfilled its performance obligation but the customer has not yet paid the consideration. Unlike receivables, contract assets are conditional claims, i.e. the customer has not yet taken delivery. Contract assets are subject to the impairment requirements of IFRS 9; CANCOM uses the simplification model and simplified methods to determine expected credit losses using impairment matrices. Contract liabilities exist if CANCOM has not yet fulfilled its performance obligation but has already received consideration from the customer.

IFRS 15 differentiates between contract initiation costs, contract acquisition costs and contract performance costs. Additional contract acquisition costs - i.e. costs that CANCOM would not have incurred if the contract had not been concluded - must in principle be capitalized in accordance with IFRS 15 provided that the costs are expected to be recovered. However, CANCOM immediately recognizes additional initiation costs as expenses when they are incurred if the contract term or amortization period is less than one year. Contract fulfilment costs must be capitalized in accordance with IFRS 15 if the costs relate directly to the contract, they generate resources that are used to fulfil the contracts and the costs are expected to be recovered - unless the costs fall within the scope of another standard. CANCOM specifies the capitalization criterion 'expected settlement of costs' in such a way that the contract must either have already been concluded at the respective reporting date or, from the perspective of the management entrusted with concluding the contract, it is highly probable that it will be concluded in the near future. Furthermore, the revenue associated with the contract must exceed the planned direct costs in order for the capitalization criterion of the expected settlement of costs to be met.

Contract acquisition costs to be capitalized and contract performance costs to be capitalized are recognized in the CANCOM Group under the balance sheet items 'Capitalized short-term contract costs' and 'Capitalized long-term contract costs'. These items include capitalized internal and external services (design and conception, set-up and service provision costs, and legal consultancy costs). The costs capitalized in this way are subsequently written back over the term of the contract as the customer contract is fulfilled or depreciated on a straight-line basis. In addition, impairments are made if necessary.

In the result for the period, the expenses are neutralized accordingly in the balance sheet under the item "capitalized contract costs". The amortization and any impairment of the capitalized contract costs are also reported in the result for the period under the item "capitalized contract costs".

A.3.8. Inventories

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

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. If the reasons that led to an impairment of the inventories to the net realizable value cease to exist, a corresponding reversal of the impairment loss is recognized. Impairments and reversals of impairments of inventories are reported in the presentation of the result for the period under the item "Cost of materials/cost of purchased services".

A.3.9. Property, plant and equipment

Property, plant and equipment is initially recognized at cost in accordance with IAS 16 and subsequently depreciated on a straight-line basis over its estimated useful life. The acquisition or production costs include the purchase price, all directly attributable costs, estimated costs for future disposal and restoration obligations as well as borrowing costs, insofar as these are to be capitalized in accordance with IAS 23.

Scheduled depreciation is based on the following useful lives:

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

The appropriateness of the useful lives is reviewed regularly. If necessary, adjustments are made to the useful lives. Depreciation generally begins at the time the asset is ready for use. If there are indications of impairment in accordance with IAS 36 and if the recoverable amount is below the amortized cost, the items are written down (see also section A. 3.12 of the consolidated financial statements). If the reasons for the unscheduled depreciation no longer apply, corresponding write-ups are made.

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

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

A.3.10. Intangible assets (other than goodwill)

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

Acquired intangible assets (acquired rights and licenses) are initially measured at cost (acquisition price, directly attributable costs). Assets identified in the course of business combinations (see also section A. 3.30 of the consolidated financial statements), such as contractual customer relationships, trademark rights and non-competition clauses, are recognized as acquired intangible assets and initially measured at fair value, provided the criteria of IFRS 3 and IAS 38 are met.

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

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

The appropriateness of the useful lives is reviewed regularly. If necessary, adjustments are made to the useful lives. If there are indications of impairment for intangible assets with limited useful lives in accordance with IAS 36 and if the recoverable amount is below the amortized cost, the items are written down (see also section A. 3.12 of the consolidated financial statements). If the reasons for the unscheduled depreciation no longer apply, corresponding write-ups are made.

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

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

A.3.11. Goodwill

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

Goodwill is not amortized but tested for impairment at least once a year in accordance with IAS 36 (see also section A. 3.12 of the consolidated financial statements). The impairment test for goodwill is carried out at the level of the cash-generating unit to which the item was allocated when it was first recognized. Goodwill is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. According to IAS 36, a cash-generating unit is the smallest identifiable group of assets with cash flows that are largely independent of other assets. Goodwill is always impaired if the recoverable amount of the cash-generating unit allocated to the item is less than the carrying amount of this cash-generating unit; the goodwill must then be written down by this difference. The basis for calculating the recoverable amount is the higher of the value in use and the fair value less costs to sell of the cash-generating unit. This is determined using a present value model, taking into account cash flows based on internal planning figures. A subsequent reversal of the impairment in the form of a write-up of the goodwill cannot be made.

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

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

At each reporting date, an assessment is made as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset or cash-generating unit must be determined and compared with the carrying amount. An impairment test is carried out once a year for goodwill, for any other intangible assets with an indefinite useful life and for intangible assets that are not yet ready for use, regardless of whether there are indications or not.

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

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

Except for goodwill, an assessment must be made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this is the case, the carrying amount of the asset or cash-generating unit must be increased to its recoverable amount. In doing so, assets may not be written up above their amortized carrying amounts, which would have been determined if no impairment losses had been previously recognized.

A.3.13. Right-of-use assets

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

These three classes of rights of use exist in the CANCOM Group:

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

A.3.14. Financial assets and loans

The balance sheet item "Financial assets and loans" can in principle include securities, loans issued and participations in companies. These items are financial instruments (see also section A. 3.25 of the consolidated financial statements) and are accounted for in accordance with IFRS 9. CANCOM assigns them to the measurement category "financial assets at fair value through other comprehensive income". Subsequent measurement is at fair value with changes in value recognized directly in equity in the item 'other reserves' (i.e. in other comprehensive income in the statement of comprehensive income and not in the presentation of profit or loss for the period), whereby changes in the value of equity instruments (equity investments) recognized in equity are never transferred to profit or loss for the period. For debt instruments, the impairment rules of IFRS 9 are also relevant, i.e. expected credit losses must be recognized for the items on each reporting date. The change in the expected credit loss represents an impairment loss or income to be recognized in profit or loss for the period.

A.3.15. Deferred taxes

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

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

A.3.16. Other financial assets

The balance sheet item "other financial assets" includes in particular receivables from finance leases (see section A. 3.27 of the consolidated financial statements) as well as financial instruments such as receivables from suppliers, non-controlling shareholders and employees. They also include derivative financial instruments (see section A. 3.26 of the consolidated financial statements) with a positive market value on the reporting date. Receivables are classified by CANCOM in the measurement category 'financial assets measured at amortized cost'. They are subsequently measured using the effective interest method. In addition, the impairment rules of IFRS 9 apply and expected credit losses must be recognized.

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

A.3.17. Other non-financial assets

The balance sheet items "other current assets" and "other non-current assets" include receivables and accruals that do not meet the definition of financial instruments. These are, in particular, receivables from public authorities and accrued expenses. If no specific IFRS/IAS is applied, the regulations of the framework concept are used for accounting.

A.3.18. Liabilities to banks

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

A.3.19. Trade liabilities

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

A.3.20. Non-current employee benefit provisions

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

The defined benefit obligation is measured using an actuarial valuation method (projected unit credit method). This method assumes that the employee earns an additional portion of his final benefit entitlement in each year of service; consequently, the defined benefit obligation increases successively until retirement. The future payouts are discounted using an actuarial interest rate derived from market yields on senior corporate bonds at each reporting date. The method takes into account actuarial assumptions such as demographic assumptions (e.g. mortality, turnover, early retirement) and financial assumptions (e.g. discount rate, future salary trends).

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

A.3.21. Other provisions

The balance sheet items "short-term provisions" and "long-term other provisions" include personnel-related provisions for jubilee, early retirement and severance obligations on the one hand, and obligations for bonuses, premiums and other gratuities on the other. In accordance with IAS 19, these are accounted for either according to the rules for short-term employee benefits, according to the rules for other long-term employee benefits (i.e. not considered pension benefits) or according to the rules for long-term employee termination benefits, depending on the characteristics of the obligation.

The balance sheet items "current provisions" and "non-current other provisions" also include warranty obligations, any levies for copyright infringements and other provisions (such as for restoration obligations or onerous contracts or impending losses). Such provisions are recognized in accordance with IAS 37 if a present obligation (legal or constructive) has arisen from a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Measurement is at the amount of the best estimate of the expenditure required to settle the obligation at the reporting date. Long-term provisions must be discounted with a risk-adequate interest rate.

A.3.22. Income tax liabilities

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

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

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

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

A.3.23. Other financial liabilities

The balance sheet items "Other current financial liabilities" and "Other non-current financial liabilities" include, in particular, lease liabilities arising from the fact that CANCOM is the lessee under leases (see section A. 3.27 of the consolidated financial statements). They also include financial liabilities that arise in connection with sale and leaseback transactions because the sale of the underlying asset does not meet the criteria of a sale in accordance with IFRS 15 and payment receipts from the sale must therefore be recognized as financial liabilities in accordance with IFRS 9. These "financial liabilities to leasing companies" are subsequently measured under the measurement category "financial liabilities measured at amortized cost" and thus using the effective interest method. In addition, purchase price liabilities incurred in the course of company acquisitions (see section A. 3.30 of the consolidated financial statements) are allocated to the balance sheet items. The latter purchase price liabilities are either contingent considerations or put/call agreements (see section A. 3.30 of the consolidated financial statements).

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

A.3.24. Other non-financial liabilities

The balance sheet items "other current liabilities" and "other non-current liabilities" include liabilities and accruals that do not meet the definition of financial instruments. These are, in particular, liabilities to authorities, cooperatives and social security institutions as well as liabilities to employees. If no specific IFRS/IAS is applied, the regulations of the framework concept are used for accounting.

A.3.25. Financial instruments

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

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

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

Financial assets and financial liabilities are recognized as soon as an entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases or sales within the CANCOM Group are recognized consistently at the settlement date (the date on which the asset is delivered to or by the entity). Initial measurement is at fair value or, in the case of trade receivables, at the transaction price in accordance with IFRS 15. The requirements of IFRS 13 apply to the determination of fair value. Transaction costs must be included in the initial carrying amount for items not measured at fair value through profit or loss.

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

After initial recognition, financial instruments in the measurement categories "financial assets/liabilities at fair value through profit or loss" and "financial assets at fair value through other comprehensive income" must be measured at fair value. The measurement categories "financial assets/liabilities at fair value through profit or loss" also include derivative financial instruments that are not included in an effective hedging relationship in accordance with IFRS 9 (see also section A. 3.26 of the consolidated financial statements). Changes in the value of the latter measurement categories are recognized in profit or loss (i.e. through the presentation of the result for the period). Subsequent measurement of items that fall under the measurement category "financial assets at fair value through other comprehensive income" is also at fair value. However, changes in value are recognized directly in equity in the item "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income and not in the presentation of the result for the period), taking tax aspects into account. In the case of equity instruments, the changes in value thus recorded without affecting profit or loss are never transferred to the result for the period.

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

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

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

A.3.26. Derivative financial instruments

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

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

The CANCOM Group did not apply hedge accounting in the reporting period or the comparative period.

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

Free-standing derivative financial instruments, i.e. those not included in an effective hedging relationship in accordance with IFRS 9, are always allocated to the measurement categories 'financial assets/liabilities at fair value through profit or loss'. Changes in the value of derivative financial instruments that CANCOM enters into to hedge operational currency risks are recognized in the presentation of the result for the period in the item "Other operating income" or in the item "Other operating expenses".

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

A.3.27. Leases

Leases are accounted for in accordance with IFRS 16. A lease is defined in IFRS 16 as a contract for the use of an identifiable asset over which the entity has control, whereby the latter is specified by the right to derive substantial economic benefits and the right to determine its use. IFRS 16 differentiates between the perspective of the lessee and the perspective of the lessor in the accounting requirements.

The lessee must generally recognize an asset for the right of use granted as well as a lease liability on the provision date. The lease liability is initially recognized at the present value of the lease payments not yet made. The right of use is to be capitalized in the amount of the acquisition costs, which essentially result from the initial book value of the leasing liability. Subsequently, the lease payments must be divided into a repayment portion and an interest portion (with a constant interest rate on the remaining liability) and recognized accordingly as a reduction of the lease liability or as financing costs (interest expenses). In addition, the lease liability (and thus also the right-of-use asset) must be remeasured (present value) if there are changes in the lease term, purchase options, residual value guarantees and variable lease payments. The right of use is to be amortized on a scheduled basis over the term/useful life of the underlying asset. Furthermore, rights of use are subject to the impairment regulations of IAS 36 (see section A. 3.12 of the consolidated financial statements). Short-term leases and leases in which the underlying asset is of low value may be exempted from the basic accounting requirement for the lease liability and the right of use. Then simplified recognition rules apply. CANCOM does not make use of the option to apply these simplification rules.

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

The provisions in IFRS 16 on sale and leaseback transactions are primarily applied at CANCOM when merchandise is sold to a leasing company and then leased back directly by this leasing company in order to lease the merchandise again to CANCOM customers. A distinction is made between two cases:

- The sale to the leasing company is classified as a sale in accordance with IFRS 15 (i.e. the leasing company obtains control of the merchandise). Although CANCOM derecognizes the merchandise in full, it recognizes a pro rata right of use as part of the leaseback (i.e. CANCOM is the lessee) in addition to the lease liability. From the sale to the leasing company, pro rata revenue and pro rata cost of materials/expenses for purchased services are recognized. The requirements of IFRS 16 on subleases apply to leases to CANCOM customers; CANCOM is the sublessor. The sublease is predominantly classified as a finance lease. The recognition of the lease receivable and the derecognition of the leased asset (i.e. the right of use) results in a gain that is recognized in the presentation of the result for the period in the item "Other operating income" as "Income from subleases".

- The sale to the leasing company is not classified as a sale in accordance with IFRS 15 (i.e. the leasing company does not obtain control of the merchandise). CANCOM does not initially derecognize the merchandise. Instead, the receipt of payment is recognized by the leasing company as a financial liability in accordance with IFRS 9. The leases with customers (i.e. CANCOM is the lessor) are predominantly classified as finance leases, which is accompanied by the derecognition of the merchandise. As a lessor, CANCOM applies the rules for manufacturers and distributors in IFRS 16 and therefore recognizes revenue at the present value of the lease payments to be received and the corresponding cost of materials/expenses for purchased services at the inception of the respective lease.

A.3.28. Government grants

Government grants which, in accordance with IAS 20, constitute grants related to assets (i.e. grants for capital expenditure) are only recognized if there is reasonable assurance that an entity within the CANCOM Group will comply with the conditions attaching to them and that the grants will be received. The grants are not deducted from the corresponding asset, but are recognized as deferred income in the balance sheet item 'Other current liabilities' or in the balance sheet item 'Other non-current liabilities'. The deferred item is subsequently released to income over the useful life or depreciation period of the corresponding tangible asset (i.e. through the presentation of the result for the period in the item "other operating income"). Grants related to income are also recognized in the period in which the corresponding claim arises in the presentation of the result for the period in the item "other operating income".

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

A.3.29. Transactions and items in foreign currency

According to IAS 21, a foreign currency transaction is a business transaction whose value is stated in a foreign currency or which requires settlement in a foreign currency. A foreign currency is any currency other than the functional currency of the Group entity. Foreign currency transactions are transactions for the purchase or sale of goods or services in foreign currency, borrowings or lendings in foreign currency, or acquisitions or disposals of assets and liabilities in foreign currency by other means. Foreign currency items are balance sheet items entered into or borrowed in foreign currency (and thus preceded foreign currency transactions in their entries).

Foreign currency transactions and items are initially translated into the functional currency at the spot rate prevailing on the date of the transaction.

The subsequent measurement of a foreign currency item depends on whether it is a monetary or a non-monetary item. Monetary items in a foreign currency must be translated into the functional currency at each reporting date using the closing rate (i.e. the spot rate on the reporting date); translation differences must generally be recognized in profit or loss, i.e. within the presentation of the result for the period. Translation differences from operating assets and liabilities (for example, from trade receivables and trade payables) are recognized under the item "other operating income" or "other operating expenses". Translation differences from non-operating assets and liabilities (for example, from financial loans issued or received) are recognized in the item "Currency gains/losses". Non-monetary items, if measured at cost, are translated into the functional currency at the exchange rate prevailing at the date of initial recognition. Non-monetary items measured at fair value must be translated at the exchange rate prevailing on the measurement date (i.e. usually the closing rate). Translation differences from non-monetary items are to be treated like all other gains or losses, i.e. they are to be recognized either in profit or loss or directly in equity in the item "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income).

A.3.30. Company acquisitions

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

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

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

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

The accounting of forward transactions on company shares (put/call agreements to acquire shares) is highly complex and requires a case-by-case assessment. Such items may be accounted for as non-derivative or derivative financial instruments under IFRS 9 or as non-derivative debt or equity instruments under IAS 32. If necessary, no direct recognition in the balance sheet is required. The put/call agreements recognized in the comparative period and previously were accounted for as "synthetic liabilities" in accordance with IAS 32.23 and thus measured for the first time at the present value of the repurchase amount. CANCOM allocated the synthetic liabilities to the measurement category "at amortized cost" for subsequent measurement, i.e. the obligation amounts are periodically recalculated and compounded using the original borrowing rate. Changes from the revaluation are recognized in the presentation of the result for the period in the item "other financial result income" or in the item "other financial result expenses".

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the acquiree, the difference is recognized in the statement of profit or loss.

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

A.3.31. Share-based payments

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

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

In the case of cash-settled share-based payment arrangements, a liability is recognized. Within the CANCOM Group, this is reported under the balance sheet item 'Other non-current financial liabilities'. The liability is measured at the fair value of the stock appreciation rights at each reporting date. Changes in the fair value are recognized in profit or loss in the presentation of the result for the period (within the CANCOM Group in the item 'personnel expenses').

A.3.32. Earnings per share

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

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

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

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

A.4. Discretionary decisions and estimation uncertainties

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

- When recognizing and measuring liabilities in connection with variable purchase price components and put/call agreements in the case of company acquisitions (see section D. 5 of the consolidated financial statements for the corresponding book values and for the determination of the fair values), the estimation of results to be achieved in the future plays a significant role; management planning calculations are used for the measurement. Furthermore, the valuation is based on assumptions regarding the probability of the expected exercise date of the options.

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

- According to IFRS 15, if another party is involved in the delivery of goods or the provision of services to a customer, an entity must evaluate in the context of revenue recognition (see section A. 3.2 of the consolidated financial statements) whether its performance obligation is to deliver the goods as principal or to provide the services as principal or to commission this other party with the delivery of the goods or the provision of the services as agent. The weighting of individual arguments for or against a principal/agent position - and thus a point in time or period-related revenue recognition - to be carried out within the scope of an overall assessment is complex and partly subject to judgement. This applies in particular to sales of third-party software licenses where CANCOM acts as a value-added reseller (see section A.3.2.5 of the consolidated financial statements).

- When performing impairment tests on goodwill, assumptions are made on which the determination of the recoverable amount is based (see section B. 8.3 of the consolidated financial statements); management planning calculations are also used for this purpose.

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

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

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

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

- Valuation allowances are made on receivables to account for expected credit losses from customers' inability or unwillingness to pay. This applies in particular to the book values of trade receivables (see section D. 5 of the consolidated financial statements).

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

In the case of these recognition and measurement uncertainties, the best possible knowledge is used, based on the circumstances on the balance sheet date. The actual amounts may differ from the estimates. The carrying amounts recognized in the financial statements and subject to these uncertainties can be seen from the balance sheet or the related notes in the appendix.

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

At the time of preparation of the consolidated financial statements, no significant changes in the assumptions on which the recognition and measurement were based are to be expected. Therefore, from the current perspective, no significant adjustments to the assumptions and estimates are expected that would have a material impact on the result for the period or on the carrying amounts of the assets and liabilities concerned in the next financial year (reporting period 2021).

A.5. Accounting standards to be applied for the first time

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

- Amendment of various standards (name of the amendment: "Amendments to references to the framework in IFRS standards");

- Amendment to IFRS 3 "Business Combinations" (name of the amendment: "Definition of "business"");

- Amendment to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (title of amendment: "Definition of 'significant'");

- Amendment to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" (name of the amendment: "Reference rate reform").

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

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

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

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

None of the above changes to the rules have any significant impact on the CANCOM Group's net assets, financial position and results of operations or on its cash flows.

A.6. Accounting standards not applied

No IFRSs were voluntarily applied early for the consolidated financial statements of CANCOM SE as at 31 December 2020. The pronouncements will be taken into account for the first time at the time of their mandatory application. The application of IFRS is subject to the European Union (EU) granting the endorsements, some of which are still outstanding.

The changes in regulations listed below are not expected to have any material impact on the presentation of the financial position, financial performance or cash flows of the CANCOM Group.

A.6.1. Mandatory first-time application in the reporting period 2021

The following pronouncements will be mandatory for the first time in CANCOM's consolidated financial statements as at 31 December 2021:

- Amendment to IFRS 16 "Leases" (name of the amendment: "Covid-19-related lease concessions");
- Amendment to IFRS 4 "Insurance Contracts" (name of the amendment: "Extension of the temporary exemption from IFRS 9");
- Amendment to IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" (name of the amendment: "Reform of Reference Rates - Phase 2").

The amendments to IFRS 16 exempt the lessee, under certain conditions and for a limited period of time, from assessing whether lease concessions granted in connection with the Corona pandemic are to be considered changes in leases. This allows the lessee not to account for these lease concessions under the rules for changes in leases, but as if they were not changes in leases.

The amendment to IFRS 4 postpones the mandatory first-time application of the time-limited application exception of IFRS 9 from 1 January 2021 to 1 January 2023.

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

A.6.2. Mandatory first-time application in the reporting period 2022 or later

The following pronouncements will be applied for the first time in CANCOM's consolidated financial statements as at 31 December 2022 or later:

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (EU adoption not yet effected);
- Amendments to IAS 1 "Presentation of Financial Statements" (name of the amendments: "Classification of Liabilities as Current or Non-current" and "Classification of Liabilities as Current or Non-current - Deferral of Effective Date"; EU endorsement not yet effected);
- "Improvements to International Financial Reporting Standards" ("2018-2020 cycle"; publication 2020; EU adoption not yet effected);
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (name of the amendment: "Onerous Contracts - Cost of Fulfilling a Contract"; EU endorsement not yet effected);
- Amendment to IAS 16 "Property, Plant and Equipment" (name of the amendment: "Property, Plant and Equipment: Proceeds before Intended Use"; EU endorsement not yet effected);
- Amendment to IFRS 3 "Business Combinations" (name of the amendment: "Reference to the Conceptual Framework"; EU endorsement not yet effected);
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 (name of the amendment: "Disclosure of Accounting Policies"; EU endorsements not yet made);
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (name of the amendment: "Definition of Accounting Estimates"; EU adoption not yet effected).

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

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

The IASB makes amendments to various IFRS via collective standards "Improvements to International Financial Reporting Standards". A total of four standards were amended in the 2018-2020 cycle.

The amendments to IAS 37 concern the definition of which costs an entity includes when assessing whether a contract will be loss-making. The definition of performance costs is concretised. Fulfilment costs are all costs that directly affect the contract. This means that both costs that would not be incurred without the contract and other costs directly attributable to the contract must be taken into account.

The amendments to IAS 16 clarify that revenue received by an entity from the sale of items produced while preparing the asset for its intended use (for example, product samples) and the related costs are to be recognised in profit or loss. The inclusion of such amounts in the determination of cost is not permitted.

The amendments to IFRS 3 concern a reference in the standard to the framework concept. The rules for accounting for business combinations are not affected by the amendments.

Another amendment to IAS 1 means that in future only the "significant" accounting methods must be presented in the notes. To be material, the accounting policy must be related to significant transactions or other events and there must be a reason for the presentation.

The amendment to IAS 8 clarifies how entities can better distinguish changes in accounting policies from changes in estimates. For this purpose, it is defined that an accounting estimate always relates to a valuation uncertainty of a financial figure in the financial statements.

A.6.3. Announcements without a mandatory date of first application

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

A.7. Changes in the reporting structure, changes in recognition and measurement methods and error correction

In the reporting period, there were no changes in the reporting structure, no changes in recognition and measurement methods and no error corrections.

B. Notes to the consolidated balance sheet

B.1. Cash and cash equivalents

Cash and cash equivalents consist exclusively of bank balances due at any time and cash in hand.

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

The non-current assets and disposal groups classified as held for sale in the comparative period relate to a building, including a heritable building right, for which there has been an intention to sell since September 2019. The building is not essential to CANCOM's operations. The sale was originally scheduled to take place by the end of September 2020 at the latest. However, the completion of the sale was delayed due to official approval procedures, although as at the reporting date there are sufficient substantial indications that CANCOM will sell the building in 2021. Prior to the classification as "held for sale", the building was reported under the balance sheet item "property, plant and

equipment" and the leasehold under the balance sheet item "rights of use" within the IT Solutions segment. With the classification as "held for sale" in the comparative period, lease liabilities from the leasehold in the amount of T€ 241 were also reclassified from the balance sheet item "other non-current financial liabilities" and in the amount of T€ 4 from the balance sheet item "other current financial liabilities" to the balance sheet item "liabilities in connection with non-current assets and disposal groups held for sale". The reclassified lease liabilities have a total carrying amount of T€ 241 at the end of the reporting period.

B.3. Trade receivables

Trade receivables are composed as follows:

(in T€)	31.12.2020	31.12.2019
Gross book value (before value adjustments)	332,542	274,915
Value adjustments	-1,174	-425
Trade receivables, balance sheet disclosure	**331,368**	**274,490**

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

The gross carrying amount for trade receivables developed as follows in the reporting period:

(in T€)	Level 2	Level 3	Total
Gross book value as at 1.1.	274,074	841	274,915
Transfer to level 3	-1,078	1,078	0
Transfer to level 2	7	-7	0
Addition of new receivables	331,037	921	331,958
Derecognition due to settlement of the receivable	-273,684	-555	-274,239
Derecognition due to write-off of the receivable	0	-92	-92
Gross book value as at 31.12.	**330,356**	**2,186**	**332,542**

The allowances for trade receivables developed as follows in the reporting period:

(in T€)	Level 2	Level 3	Total
Value adjustments as at 1.1.	149	276	425
Transfer to level 3	-202	202	0
Transfer to level 2	0	0	0
Revaluation of the value adjustment (addition, release)	139	654	793
Derecognition due to write-off of the receivable	0	-44	-44
Value adjustments as at 31.12.	**86**	**1,088**	**1,174**

The amount of T€ -870 (comparative period: T€ -199) consists of the amounts included in the previous table for the revaluation of the impairment of T€ -793 as well as for the derecognition due to the write-off of the receivable of T€ 44; in addition, it includes losses from the derecognition/write-off of receivables of T€ -150 as well as gains due to cash inflows from receivables already derecognised/written off of T€ 29.

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

B.4. Contract assets, contract liabilities and capitalised contract costs

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

(in T€)	31.12.2020	31.12.2019
Current contract assets	2,541	1,565
Long-term contract assets	0	0
Contract assets, balance sheet disclosure	**2,541**	**1,565**

The contract assets mainly relate to orders in progress in connection with IT projects. The contract assets at the end of the comparative period include an amount of T€ 18, which is attributable to the acquisition of the Novosco Group.

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

(in T€)	31.12.2020	31.12.2019
Current contractual liabilities	37,794	32,989
Long-term contractual liabilities	7,864	6,910
Contractual liabilities, balance sheet disclosure	**45,658**	**39,899**

Contract liabilities mainly relate to advance payments received from customers and prepaid term contracts in connection with IT projects and support services. The contract liabilities at the end of the comparative period include an amount of T€ 8,594which is attributable to the acquisition of the Novosco Group. The amount reported at the beginning of the reporting period and the comparative period was mainly recognized as revenue in the respective period.

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

(in T€)	31.12.2020	31.12.2019
Capitalised short-term contract costs	5,589	6,225
Capitalised long-term contract costs	2,108	1,954
Capitalised contract costs, balance sheet disclosure	**7,697**	**8,179**

In the reporting period, contract costs of € 0 (comparative period: T€ 1,754) were capitalized as contract initiation costs and T€ 1,310 (comparative period: T€ 5,482) as contract performance costs. With regard to the capitalized contract fulfilment costs in the comparative period, CANCOM received an amount of T€ 4,212 in the course of the acquisition of the Novosco Group. The capitalized contract initiation costs mainly relate to three projects (comparative period: two projects) allocated to the Cloud Solutions segment. The capitalized contract performance costs relate to two projects (comparative period: one project), which are allocated to the Cloud Solutions segment. In the reporting period, amortization of capitalized contract initiation costs of T€ 742 (comparative period: T€ 96) and contract fulfilment costs of T€ 764 (comparative period: T€ 0) was recognized. The contract fulfilment costs also decreased by € 286,000 due to exchange rate effects (comparable period: T€ 0).

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

B.5. Inventories

Inventories mainly contain goods, in particular hardware components and software. They are composed as follows:

(in T€)	31.12.2020	31.12.2019
Finished goods, merchandise, raw materials and supplies	61,259	45,331
Prepayments made	169	204
Inventories, balance sheet disclosure	**61,428**	**45,535**

The cost of finished goods, merchandise, raw materials and supplies amounted to T€ 1,081,476 in the reporting period (comparative period: T€ 1,016,491).

In the reporting period, inventories of finished goods were impaired by T€ 140 (comparative period: T€ 22) due to over-reaching, obsolescence, reduced marketability or subsequent costs.

No inventories were pledged as collateral in the reporting and comparative periods.

B.6. Other financial assets

The other current financial assets are as follows:

(in T€)	31.12.2020	31.12.2019
Receivables from finance leases	21,456	10,274
Bonus claims against suppliers	9,264	10,039
Creditors with debit balances	619	447
Assets from derivative financial instruments	335	164
Demands on employees	138	125
Demands on landlords	0	256
Other current financial assets, balance sheet disclosure	**31,812**	**21,305**

Other non-current financial assets are composed as follows:

(in T€)	31.12.2020	31.12.2019
Receivables from finance leases	25,939	13,689
Receivables from companies in which participations are held	710	124
Assets from employee benefits	137	128
Demands on employees	1	3
Receivables from non-controlling interests	0	5,524
Other non-current financial assets, balance sheet disclosure	**26,787**	**19,468**

B.7. Other non-financial assets

Other current assets break down as follows:

(in T€)	31.12.2020	31.12.2019
Accrued expenses	10,175	10,327
Receivables from tax overpayments	9,613	8,196
Demands on the Employment Agency	172	0
Receivables from insurance benefits	136	153
Receivables from social security institutions	0	8
Other receivables	15	43
Other current assets, Balance sheet disclosure	**20,111**	**18,727**

Other non-current assets are composed as follows:

(in T€)	31.12.2020	31.12.2019
Accrued expenses	2,732	3,414
Receivables from deposits	325	200
Other non-current assets, Balance sheet disclosure	**3,057**	**3,614**

The accrued expenses mainly include payments made in advance from current maintenance contracts.

B.8. Fixed assets

The development of fixed assets in the reporting and comparison period, consisting of the balance sheet items

- Property, plant and equipment,
- intangible assets (excluding goodwill),
- Goodwill,
- Rights of use,
- Financial assets and loans,

is shown in the corresponding consolidated fixed asset movement schedules.

Development of the Group's fixed assets

(consolidated fixed-asset movement schedule) in the reporting period

	ACQUISITION/PRODUCTION COSTS					
(in T€)	**Status 1.1.2020**	**Currency differences 2020**	**Additions 2020**	**Exits 2020**	**Transfers 2020**	**Status 31.12.2020**
Property, plant and equipment						
Motor vehicles	30,341	-4	201	5,656	0	24,882
Land and buildings	8,070	-273	625	-8	6	8,436
IT data centres	34,122	-472	3,951	-1	0	37,602
UCC communication systems	828	0	0	0	405	1,233
Rental assets	0	0	29	0	0	29
Operating equipment for logistics centre	221	0	227	0	732	1,180
Other operating and office equipment	43,720	-677	11,518	4,768	-1,229	48,564
Total property, plant and equipment	**117,302**	**-1,426**	**16,551**	**10,415**	**-86**	**121,926**
IIntangible assets (excluding goodwill)						
Purchased and self-developed software	54,452	-120	19,220	971	86	72,667
Customer bases, order backlogs, brands	102,917	-2,594	1,100	9,048	0	92,375
Total intangible assets (excluding goodwill)	**157,369**	**-2,714**	**20,320**	**10,019**	**86**	**165,042**
Goodwill	**246,434**	**-6,628**	**0**	**604**	**0**	**239,202**
Rights of use						
Rights of use for land and buildings	74,070	-576	5,734	2,419	0	76,809
Rights of use for operating and office equipment	3,190	-158	6,388	44	0	9,376
Rights of use for motor vehicles	4,407	-1	3,468	313	0	7,561
Total rights of use	**81,667**	**-735**	**15,590**	**2,776**	**0**	**93,746**
Financial assets and loans	**4,205**	**0**	**0**	**4,000**	**0**	**205**
Total	**606,977**	**-11,503**	**52,461**	**27,814**	**0**	**620,121**

DEPRECIATION						BOOK VALUES	
Status 1.1.2020	**Currency differences 2020**	**Additions 2020**	**Exits 2020**	**Transfers 2020**	**Status 31.12.2020**	**Status 31.12.2020**	**Status 31.12.2019**
16,706	-1	4,283	4,780	0	16,208	8,674	13,635
650	-16	638	-8	0	1,280	7,156	7,420
15,100	-204	7,356	-1	0	22,253	15,349	19,022
372	0	124	0	405	901	332	456
0	0	4	0	0	4	25	0
118	0	113	0	732	963	217	103
18,327	-163	7,632	4,670	-1,137	19,989	28,575	25,393
51,273	**-384**	**20,150**	**9,441**	**0**	**61,598**	**60,328**	**66,029**
19,294	-51	8,181	929	0	26,495	46,172	35,158
48,986	-661	17,878	9,048	0	57,155	35,220	53,931
68,280	**-712**	**26,059**	**9,977**	**0**	**83,650**	**81,392**	**89,089**
32,857	**-1,123**	**0**	**604**	**0**	**31,130**	**208,072**	**213,577**
14,349	-122	10,041	2,419	0	21,849	54,960	59,721
640	-21	1,519	44	0	2,094	7,282	2,550
733	0	1,436	313	0	1,856	5,705	3,674
15,722	**-143**	**12,996**	**2,776**	**0**	**25,799**	**67,947**	**65,945**
200	**0**	**0**	**0**	**0**	**200**	**5**	**4,005**
168,332	**-2,362**	**59,205**	**22,798**	**0**	**202,377**	**417,744**	**438,645**

Development of the Group's fixed assets

(consolidated fixed-asset movement schedule) in the comparative period

	ACQUISITION/PRODUCTION COSTS						
(in T€)	**Status 1.1.2019**	**Currency differences 2019**	**Additions from first cons. 2019**	**Additions 2019**	**Departures 2019**	**Rebookings 2019***	**Status 31.12.2019**
Property, plant and equipment							
Motor vehicles	33,194	1	58	251	3,190	27	30,341
Land and buildings	30,087	245	245	791	23,399	101	8,070
IT data centres	30,537	374	6	8,378	5,015	-158	34,122
UCC communication systems	828	0	0	0	0	0	828
Rental assets	1,630	0	0	63	1,693	0	0
Operating equipment for logistics centre	221	0	0	0	0	0	221
Other operating and office equipment	32,497	338	8,171	8,860	5,804	-342	43,720
Total property, plant and equipment	**128,994**	**958**	**8,480**	**18,343**	**39,101**	**-372**	**117,302**
Intangible assets (excluding goodwill)							
Purchased and self-developed software	44,836	84	178	13,564	3,298	-912	54,452
Customer bases, order backlogs, brands	93,027	2,138	23,298	333	15,879	0	102,917
Total intangible assets (excluding goodwill)	**137,863**	**2,222**	**23,476**	**13,897**	**19,177**	**-912**	**157,369**
Goodwill	**177,013**	**4,018**	**65,403**	**0**	**0**	**0**	**246,434**
Rights of use							
Rights of use for land and buildings	43,693	263	2,189	29,947	1,773	-249	74,070
Rights of use for operating and office equipment	994	74	31	2,511	420	0	3,190
Rights of use for motor vehicles	884	0	26	3,834	337	0	4,407
Total rights of use	**45,571**	**337**	**2,246**	**36,292**	**2,530**	**-249**	**81,667**
Financial assets and loans	**5,406**	**0**	**0**	**26,007**	**27,208**	**0**	**4,205**
Total	**494,847**	**7,535**	**99,605**	**94,539**	**88,016**	**-1,533**	**606,977**

*) The columns "Reclassifications 2019" contain amounts for property, plant and equipment (land and buildings) classified as held for sale in the comparative period in accordance with IFRS 5 with acquisition costs of € 1,283,000 and for rights of use for land and buildings with acquisition costs of € 250,000; the associated depreciation amounts to € 329,000 and € 11,000 respectively.

DEPRECIATION						BOOK VALUES	
Status 1.1.2019	**Currency differences 2019**	**Additions 2019**	**Departures 2019**	**Rebookings 2019***	**Status 31.12.2019**	**Status 31.12.2019**	**Status 31.12.2018**
14,108	-2	5,064	2,452	-12	16,706	13,635	19,086
2,243	10	992	2,116	-479	650	7,420	27,844
13,203	112	6,282	5,015	518	15,100	19,022	17,334
248	0	0	0	124	372	456	580
921	0	247	1,168	0	0	0	709
87	0	0	0	31	118	103	134
18,987	47	5,578	5,774	-511	18,327	25,393	13,510
49,797	**167**	**18,163**	**16,525**	**-329**	**51,273**	**66,029**	**79,197**
16,988	23	5,560	3,277	0	19,294	35,158	27,848
46,830	545	17,490	15,879	0	48,986	53,931	46,197
63,818	**568**	**23,050**	**19,156**	**0**	**68,280**	**89,089**	**74,045**
19,571	**-46**	**13,332**	**0**	**0**	**32,857**	**213,577**	**157,442**
7,239	29	9,064	1,972	-11	14,349	59,721	36,454
473	6	581	420	0	640	2,550	521
399	0	671	337	0	733	3,674	485
8,111	**35**	**10,316**	**2,729**	**-11**	**15,722**	**65,945**	**37,460**
200	**0**	**0**	**0**	**0**	**200**	**4,005**	**5,206**
141,497	**724**	**64,861**	**38,410**	**-340**	**168,332**	**438,645**	**353,350**

B.8.1. Property, plant and equipment

Property, plant and equipment for the reporting and comparative periods are as follows:

(in T€)	31.12.2020	31.12.2019
IT data centres	15,349	19,021
Motor vehicles	8,674	13,635
Land and buildings	7,156	7,421
Rental assets	25	0
UCC communication systems	332	456
Operating equipment for the logistics centre	217	103
Other operating and office equipment	28,575	25,393
Property, plant and equipment, balance sheet disclosure	**60,328**	**66,029**

B.8.2. Intangible assets (other than goodwill)

Intangible assets (excluding goodwill) break down as follows:

(in T€)	31.12.2020	31.12.2019
Customer bases	23,618	37,612
Software acquired against payment	33,469	24,044
Order books	11,327	16,195
Self-created software	12,703	11,113
Brand and other intangible assets	275	125
Intangible assets (excluding goodwill), balance sheet disclosure	**81,392**	**89,089**

The customer bases, the order backlogs and the brand are essentially based on company acquisitions made in previous periods. The items are depreciated according to schedule over their respective expected useful lives. The customer bases have an average remaining useful life of three years, the order backlogs have an average remaining useful life of two years and the brand has an average remaining useful life of three months.

The item "purchased software" includes in particular ERP systems and a cloud-based Agility platform. They are amortized according to schedule and have an average remaining useful life of five years.

The item "Internally generated software" mainly includes the AHP Private Cloud Platform in the amount of T€ 8,304 (comparative period: T€ 7,643), which is amortized over its expected useful life. The average remaining useful life is four years.

B.8.3. Goodwill

Goodwill for the reporting period and the comparative period breaks down as follows:

(in T€)	31.12.2020	31.12.2019
Novosco/Ocean Group	93,542	98,421
- thereof IT Solutions	10,116	10,826
- thereof Cloud Solutions	83,426	87,595
CANCOM Managed Services GmbH	58,159	58,159
CANCOM GmbH	34,031	34,030
- thereof IT Solutions	28,874	28,873
- thereof Cloud Solutions	5,157	5,157
CANCOM UK Group	11,052	11,679
- thereof IT Solutions	1,105	1,168
- thereof Cloud Solutions	9,947	10,511
CANCOM Public Group (formerly CANCOM on line Group)	7,049	7,049
CANCOM ICT Service GmbH	2,522	2,522
CANCOM a + d IT solutions GmbH	1,717	1,717
Goodwill, balance sheet disclosure	**208,072**	**213,577**

The goodwill of the Novosco/Ocean Group of T€ 93,542 (comparative period: T€ 98,421) comprises the goodwill of the Ocean Group acquired in 2018 of T€ 30,372 (comparative period: T€ 32,094) and the Novosco Group acquired in the comparative period of T€ 63,170 (comparative period: T€ 66,327). The restructuring of CANCOM within the United Kingdom (see section A.2.3) resulted in a change in the composition of the cash-generating units. Since 1 July 2020, the cash-generating unit "Novosco/Ocean Group IT Solutions" and the cash-generating unit "Novosco/Ocean Group Cloud Solutions" have existed. Separate impairment tests were carried out for the goodwill of the cash-generating units "Novosco Group" and "Ocean Group" for the last time as at 1 July 2020. There was no need for depreciation in each case.

The goodwill of CANCOM GmbH increased by around T€ 705 in the comparative period due to the acquisition of medocino Gesellschaft für vernetzte Systeme mbH.

The translation of the goodwill of the Novosco/Ocean Group and the CANCOM UK Group into the reporting currency € in accordance with IAS 21 in conjunction with IFRS 3 resulted in a change of T€ -5,505 in the reporting period (comparative period: T€ 3,916).

Goodwill is not amortized but tested for impairment at least once a year in accordance with IAS 36 by comparing the carrying amount with the recoverable amount of the respective cash-generating unit (see also the explanations in section A. 3.11 and section A. 3.12 of the consolidated financial statements).

In the reporting period, there were ten cash-generating units within the CANCOM Group, which are listed in the following table. The table also shows the most important assumptions on which the calculation of the value in use of the respective cash-generating units is based (information on the comparative period in brackets).

Cash generating unit	Goodwill as at 31.12.2020 in T€	Turnover growth in % for 2021	Average sales growth in % for 2022-2025	Pre-tax discount rate in %	After-tax discount rate in %
Novosco/Ocean Group Cloud Solutions	83,426	6.16 (n.a.)	5.88 (n.a.)	8.69 (n.a.)	7.69 (n.a.)
CANCOM Managed Services GmbH	58,159	18.43 (15.13)	8.76 (6.24)	8.85 (12.09)	6.55 (8.80)
CANCOM GmbH IT Solutions	28,874	6.93 (11.83)	4.12 (2.13)	9.56 (12.96)	6.80 (8.80)
Novosco/Ocean Group IT Solutions	10,116	6.16 (n.a.)	5.88 (n.a.)	8.69 (n.a.)	7.69 (n.a.)
CANCOM UK Group Cloud Solutions	9,947	26.11 (7.84)	5.37 (5.26)	8.99 (10.05)	7.69 (8.45)
CANCOM Public Group (formerly CANCOM on line Group)	7,049	8.49 (31.91)	4.00 (2.18)	9.64 11.99)	6.80 (8.80)
CANCOM GmbH Cloud Solutions	5,157	6.93 (11.83)	4.12 (2.13)	9.56 (12.96)	6.80 (8.80)
CANCOM ICT Service GmbH	2,522	15.32 (5.59)	7.71 (5.61)	9.48 (12.37)	6.80 (8.80)
CANCOM a + d IT solutions GmbH	1,717	8.64 (-6.08)	4.19 (2.22)	9.04 (12.00)	6.81 (8.80)
CANCOM UK Group IT Solutions	1,105	26.11 (7.84)	5.37 (5.26)	8.99 (10.05)	7.69 (8.45)

The recoverable amount is determined in each case as the value in use using the discounted cash flow method; the payments taken into account are based on a five-year detailed forecast period. The forecasts are based on financial plans approved by the management, take past experience into account and are based on the management's assessment of future developments. In addition, external market studies (e.g. from Bitkom) are used. The forecasts are based on individual revenue estimates of the companies. Cash flows beyond the detailed forecast period are extrapolated without growth rates. The components of the discount rates are determined with recourse to external financial information systems; the base interest rates used in the reporting period ranged from -0.14 percent (comparable period: 0.34 percent) to 1.69 percent (comparable period: 2.45 percent); a uniform market risk premium of 7.5 percent (comparable period: 7.5 percent) was used in the reporting period. In the reporting period, the peer group consisted of seven companies (comparison period: eight companies) based in Europe and the USA.

In the comparative period, the goodwill of the cash-generating unit "HPM Incorporated" was fully impaired due to the impairment test performed as at 31 December 2019. The cash-generating unit was defined at the level of the subsidiary based in the USA. In the comparative period, the impairment resulted in an expense of T€ 13,332 recognized in the result for the period under the item "Depreciation and amortization of property, plant and equipment, intangible assets and rights of use", which is attributable to the IT Solutions segment. The reason why the value in use was lower than the book value was due to lower estimates of future cash flows as a result of losses from major customers as well as a slower than originally planned conversion of business activities to managed service concepts with the associated loss of earnings. The CANCOM Group did not recognize any other impairment losses on goodwill in the reporting period or in the comparative period.

For the cash-generating unit "Novosco/Ocean Group Cloud Solutions", the recoverable amount exceeded the carrying amount by T€ 12,671 at the end of the reporting period. It was examined whether an impairment of goodwill would have been necessary in the event of lower revenue growth as well as a higher discount rate. The sensitivity analyses showed that if average revenue growth for the period 2022 to 2025 had been 0.81 percent lower on an absolute basis or if the discount rate had been 0.92 percent higher on an absolute basis, the recoverable amount would have corresponded to the carrying amount.

For the cash-generating unit "Novosco/Ocean Group IT Solutions", the recoverable amount exceeded the carrying amount by T€ 4,427 at the end of the reporting period. It was examined whether an impairment of goodwill would have been necessary in the event of lower revenue growth as well as a higher discount rate. The sensitivity analyses showed that if average revenue growth for the period 2022 to 2025 had been 1.78 percent lower on an absolute basis or if the discount rate had been 2.34 percent higher on an absolute basis, the recoverable amount would have corresponded to the carrying amount.

For the cash-generating unit "Ocean Group" existing until 1 July 2020, the recoverable amount exceeded the carrying amount by T€ 9,505 at the end of the comparative period. It was examined whether an impairment of goodwill would have been necessary in the event of lower sales growth as well as a higher discount rate. The sensitivity analyses showed that if average revenue growth for the period 2021 to 2024 had been 0.87 percent lower on an absolute basis or if the discount rate had been 1.62 percent higher on an absolute basis, the recoverable amount would have corresponded to the carrying amount.

B.8.4. Right-of-use assets

Rights of use are allocated to the following classes in the CANCOM Group:

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

The development of the individual classes can be seen in the consolidated statement of changes in fixed assets for the reporting period and the comparative period. For further information on leases, please refer to section D. 3 of the consolidated financial statements.

B.8.5. Financial assets and loans

The financial assets and loans in the reporting period relate exclusively to financial investments in the amount of T€ 5 (comparable period: T€ 5). In the comparative period, investments in medium-term notes amounting to T€ 4,000 were also included.

B.9. Deferred taxes

Deferred tax assets for the reporting period and the comparative period developed as follows:

Deferred tax assets from	temporary differences (in T€)	Tax loss carryforwards (in T€)
Status 1.1.2020	7.697	138
Addition from recognition of actuarial losses from pension provisions directly in equity with no effect on profit or loss	81	0
Tax expense/income in the result for the period	197	-32
Tax expense in the result for the period included in the result from discontinued operations	-1	0
Deferred taxes recognised in equity in connection with share options	-226	0
Reclassifications to income tax assets not recognised in profit or loss	-291	0
Currency differences recognised directly in equity	193	-9
Status 31.12.2020	**7,650**	**97**
Status 1.1.2019	5,772	298
Addition from capitalisation not affecting net income due to first-time consolidation	297	0
Addition from recognition of actuarial losses from pension provisions directly in equity with no effect on profit or loss	136	0
Tax expense/income in the result for the period	1,256	-166
Tax expense in the result for the period included in the result from discontinued operations	-79	0
Deferred taxes recognised in equity in connection with share options	375	0
Currency differences recognised directly in equity	-60	6
Status 31.12.2019	**7,697**	**138**

In the reporting period, the CANCOM Group had corporation tax loss carryforwards of T€ 790 (comparative period: T€ 687) and trade tax loss carryforwards of T€ 13(comparative period: T€ 11). The amount of unused losses for which no deferred tax asset was recognized in the balance sheet was T€ 389 in the reporting period (comparable period: T€ 171,000). Of these unrecognized tax loss carryforwards, no amounts will expire over time. Based on the planned tax results, it is expected that the capitalized deferred tax benefits from loss carryforwards will be realized.

Deferred tax assets from temporary differences in the reporting period result from differences in other financial liabilities (IFRS 16) in the amount of T€ 20,128 (comparative period: T€ 20,444), in rights of use (IFRS 16) in the amount of T€ -17.706 (comparative period: T€ 19,055), goodwill of T€ 1,499 (comparative period: T€ 1,869), intangible assets of T€ 822 (comparative period: T€ 964), property, plant and equipment of T€ 792 (comparative period: T€ 1.029), in pension provisions of T€ 551 (comparative period: T€ 502), in loans to affiliated companies of T€ 428 (comparative period: T€ 0), in other provisions of T€ 292 (comparative period: T€ 251), in other liabilities of T€ 190 (comparative period: T€ 89), in trade payables of T€ 55 (comparative period: T€ 4), in contract liabilities of T€ 53 (comparative period: T€ 516), in share-based payments of T€ 0 (comparative period: T€ 705) and in other balance sheet items of T€ 43 (comparative period: T€ 22). Furthermore, there are deferred tax assets from tax credits abroad in the amount of T€ 503 (comparable period: T€ 357).

Deferred tax liabilities for the reporting period and the comparative period developed as follows:

Deferred tax liabilities from	**temporary differences (in T€)**
Status 1.1.2020	19,443
Tax expense/income in the result for the period	-2,599
Currency differences recognised directly in equity	-2,386
Status 31.12.2020	**14,458**
Status 1.1.2019	17,121
Addition from capitalisation not affecting net income due to first-time consolidation	4,335
Tax expense/income in the result for the period	-4,051
Currency differences recognised directly in equity	2,038
Status 31.12.2019	**19,443**

Deferred tax liabilities are formed on deviations from the tax balance sheets. In the reporting period, they resulted from differences from the recognition and revaluation of intangible assets in the amount of T€ 7,865 (comparative period: T€ 11,188), from software development costs in the amount of T€ 3,766 (comparative period: T€ 3,146), from capitalized contract costs in the amount of T€ 946 (comparative period: T€ 817), and from other financial assets in the amount of T€ 1,822), from capitalized contract costs of T€ 946 (comparative period: T€ 817), from other financial assets of T€ 865 (comparative period: T€ 990), from financial assets of T€ 376 (comparative period: T€ 373), from property, plant and equipment of T€ 241 (comparative period: T€ 530), from contract assets of T€ 110 (comparative period: T€ 87), from property, plant and equipment (IFRS 16) of T€ 919 (comparative period: T€ 0), from rights of use (IFRS 16) amounting to T€ 148 (comparative period: T€ 43), from other financial liabilities (IFRS 16) amounting to T€ -962 (comparative period: T€ 56), from other liabilities amounting to T€ 76 (comparative period: T€ 0), from other provisions of T€ 61 (comparative period: T€ 114), from other assets of T€ 47 (comparative period: T€ 39), from loans to affiliated companies of T€ 0 (comparative period: T€ 2.018) and from trade receivables in the amount of T€ 0 (comparative period: T€ 42).

For an explanation of the differences from first-time consolidations in the comparative period, please refer to section A. 2.2 of the consolidated financial statements.

In the reporting period, no deferred tax liabilities were recognized in accordance with IAS 12.39 for temporary differences in connection with shares in subsidiaries amounting to T€ 4,585 (comparative period: T€ 5,306).

Deferred taxes are measured at the tax rate applicable on the respective balance sheet date, which at the end of the reporting period ranged from 19.0 percent (UK subsidiaries) to 31.5 percent (subsidiaries based in Aachen and Cologne, among others).

B.10. Liabilities to banks

The current liabilities to banks are as follows:

(in T€)	31.12.2020	31.12.2019
Short-term subordinated loans	0	1,339
Other short-term loans	2,275	5,843
Current liabilities to credit institutions, balance sheet disclosure	**2,275**	**7,182**

Non-current liabilities to banks break down as follows:

(in T€)	31.12.2020	31.12.2019
Long-term subordinated loans	0	0
Other long-term loans	113	218
Long-term liabilities to credit institutions, balance sheet disclosure	**113**	**218**

B.11. Trade liabilities

Trade payables in the reporting period and in the comparative period essentially consist of liabilities for merchandise delivered and liabilities for services purchased.

Information on liquidity and currency risks with regard to trade payables is provided in section D.6.2 and in section D.6.3 of the consolidated financial statements.

B.12. Other financial liabilities

The other current financial liabilities are as follows:

(in T€)	31.12.2020	31.12.2019
Financial liabilities to financial service providers	13,609	14,563
Leasing liabilities	18,358	11,491
Financial liabilities to leasing companies	9,822	4,923
Accounts receivable with credit balances	5,624	5,243
Purchase price liabilities for the acquisition of shares in CANCOM LTD (Novosco Group Limited)	1,810	21,171
Outstanding cost accounts	606	437
Purchase price liabilities for the acquisition of shares in CANCOM UK Holdings Limited (CANCOM UK TOG Limited)	0	414
Purchase price liabilities of CANCOM SE for the acquisition of shares in medocino Gesellschaft für vernetzte Systeme mbH	600	600
Supervisory Board Remuneration	297	316
Other current financial liabilities, balance sheet disclosure	**50,726**	**59,158**

Other non-current financial liabilities are composed as follows:

(in T€)	31.12.2020	31.12.2019
Leasing liabilities	71,422	61,829
Purchase price liabilities for the acquisition of shares in CANCOM LTD (Novosco Group Limited)	0	28,857
Financial liabilities to leasing companies	15,791	10,446
Purchase price liabilities for the acquisition of shares in CANCOM LTD (CANCOM UK TOG Limited)	0	11,983
Purchase price liabilities for the acquisition of shares in CANCOM LTD	0	2,252
Purchase price liabilities for the acquisition of shares in CANCOM Ocean Ltd (Ocean Intelligent Communications Ltd)	0	10,818
Other non-current financial liabilities, balance sheet disclosure	**87,213**	**126,185**

B.13. Provisions (without pension provisions)

The provisions (excluding pension provisions) developed as follows in the reporting period:

(in T€)	Status 1.1.2020	Consumption	Resolution	Feed	Currency effects	Status 31.12.2020
Anniversary provisions	995	0	0	367	0	1,362
Acquisition costs	490	479	0	562	-7	566
Severance pay, salaries	489	174	158	199	-7	349
Uncertain risks	170	170	0	199	0	199
Archiving costs	68	2	0	0	0	66
Warranties	132	75	0	0	0	57
Restoration obligations	23	0	23	0	0	0
Other	178	144	4	56	0	86
	2,545	**1,044**	**185**	**1,383**	**-14**	**2,685**

The total amount of provisions shown in the previous table includes non-current provisions of T€ 1,587 (comparative period: T€ 1,412), which are shown under the item "non-current other provisions". They mainly relate to anniversary provisions of T€ 1,362 (comparative period: T€ 995), provisions for severance payments and salaries of T€ 150 (comparative period: T€ 315) and provisions for archiving costs of T€ 54 (comparative period: T€ 55).

The cash outflows of the jubilee benefits are expected within a period until 2060 (comparative period: 2059). The short-term provisions for severance payments made in the reporting period generally lead to cash outflows in the following year. The long-term provisions for severance payments and salaries will mainly lead to payments within a period until the end of 2034 (comparative period: 2027).

B.14. Income tax liabilities

Liabilities from income taxes mainly include income tax liabilities resulting from the reporting period and the comparative period.

B.15. Other non-financial assets

The other current liabilities are as follows:

(in T€)	31.12.2020	31.12.2019
VAT liabilities	26,274	18,584
Liabilities for royalties and employee bonuses	12,783	14,139
Liabilities for wage and church tax	4,322	4,833
Liabilities for holiday and overtime	2,022	2,568
Liabilities for wages and salaries	1,856	341
Liabilities for social security	1,136	762
Liabilities to employers' liability insurance associations	879	762
Liabilities from severely disabled persons' levies	291	241
Liabilities for interest and bank charges	207	33
Credit card liabilities	63	148
Travel expense liabilities	18	108
Liabilities for capital gains tax	0	436
Other liabilities	34	136
Other current liabilities, balance sheet disclosure	**49,885**	**43,091**

B.16. Non-current employee benefit provisions

The pension obligations of T€ 1,932 (previous year: T€ 1,969) in the balance sheet exclusively include obligations for pensions of active and former employees based on defined benefit commitments that were taken over in the context of company acquisitions and are employer-financed. These are mainly pension obligations from a pension plan and from several individual commitments. The risks relate to invalidity, mortality and longevity risks as well as risks from uncertain adjustments to the pension benefits; there are also financing risks resulting from the commitments. The net liability from pension plans amounts to T€ 1,932 (comparable period: T€ 1,969) and the net asset value from pension plans amounts to T€ 0 (comparable period: T€ 0).

The amount of the pension commitments from the pension plans in Germany is based on the length of service and the remuneration of the individual employees or on fixed commitments.

No significant risks associated with the defined benefit commitments are expected. More than half of the obligations are covered by plan assets, which either cover the longevity risk in the pension plan or provide for the pension option in the reinsurance policies.

The development of the pension obligation and the plan assets for the defined benefit plans is as follows:

(in T€)	2020	2019
Change in pension obligation		
Status of defined benefit obligation as at 1.1.	3,786	3,605
Service cost: Present value of entitlements earned in the period	14	54
Past service cost	0	-319
Revaluations: actuarial gains (-) and losses (+) from		
- Changes in demographic assumptions	0	0
- Changes in financial assumptions	274	407
- Changes in experience-based correction	31	-7
Interest expense	46	62
Pension payments	-19	-16
Status of defined benefit obligation as at 31.12.	**4,132**	**3,786**

(in T€)	2020	2019
Change in plan assets		
Fair value of plan assets as at 1.1.	1,817	1,822
Revaluations: Gains and losses excluding interest income	44	-41
Interest income	22	35
Contributions made by the employer (payments into plan assets)	320	4
Pension payments from the plan assets	-3	-3
Fair value of plan assets as at 31.12.	**2,200**	**1,817**
Composition		
Defined benefit obligation as at 31.12.	4,132	3,786
Fair value of plan assets as at 31.12.	-2,200	-1,817
Pension obligation recognised in the balance sheet as at 31.12.	**1,932**	**1,969**
thereof		
Net asset value from pension plans	0	0
Net liability from pension plans	1,932	1,969

In the comparative period, the classification of the salary-dependent commitments was adjusted to take into account the changed contractual agreements. As a result, the Group's defined benefit obligation decreased by T€ 319 in the comparative period. A corresponding income from past service cost was recognized in the presentation of the result for the period in the comparative period.

The plan assets consist of pension fund assets and reinsurance policies independently managed by various providers. The plan assets consist of fund assets with a fair value of T€ 1,333 at the end of the reporting period (comparative period: T€ 1,154) and reinsurance policies with a fair value of T€ 867 at the end of the reporting period (comparative period: T€ 663). CANCOM's management reviews at regular intervals, based on actual or expected cash flows of the plan assets, whether the investment mix compensates as extensively as possible for the risks arising from the defined benefit pension commitments.

The following assumptions were used to determine the defined benefit obligation:

	2020 (in %)	2019 (in %)
Interest rate	0.80	1.20
Salary trend	0.00	0.00
Pension dynamics	1.31	1.31

The biometric calculation bases were taken from the 2018 G Heubeck mortality tables. The salary-dependent commitments granted in addition to the fixed pension commitments are capped at a maximum amount due to a change in contractual classification and, as a result, a salary trend has no effect. The future pension increases are shown as a weighted average value in the reporting period, taking into account contractually stipulated agreements.

The average term of the pension obligations in the reporting period is 17.6 years (comparative period: 18.1 years).

The total expense for the pension plans in accordance with IAS 19 breaks down as follows in the reporting period and in the comparative period:

	2020 (in T€)	2019 (in T€)
Current service cost	14	54
Past service cost	0	-319
Gains (-) or losses (+) from revaluations	261	441
Net interest income (-)/expense (+)	24	27
	299	**203**

The following table shows the percentage effect a change in the assumptions made would have on the defined benefit obligation as at the reporting date if the other assumptions remained unchanged:

	Change absolute in %	Sensitivity 2020 in %	Sensitivity 2019 in %
Interest rate	+1.00	-15.45	-15.85
	-1.00	19.86	20.35
Salary trend	+0.50	0.00	0.00
	-0.50	0.00	0.00
Pension dynamics	+0.50	2.57	2.49
	-0.50	-2.43	-2.36

The above sensitivity analyses were performed using an actuarial method that shows the impact of realistic changes in the key assumptions at the end of the reporting or comparative period on the defined benefit obligation.

In the reporting period, expenses for pension obligations amounting to T€ 21 (comparative period: T€ 37) and contributions to plan assets amounting to T€ 101 (comparative period: T€ 106) are expected for the following year. Furthermore, pension payments of T€ 43 (comparison period: T€ 24) are expected for the following year of the reporting period.

In the reporting period, the recognised expenses for defined contribution plans amount to T€ 1,507 (comparative period: T€ 949).

B.17. Equity

B.17.1. Issued capital

The Company's share capital was last increased in December 2019 by T€ 3,504 through a capital increase of around 10 percent. As at 31 December 2020, the share capital of CANCOM SE amounted to T€ 38,548 (comparative period: T€ 38,548) in accordance with the Articles of Association and was divided into 38,548,001 no-par value shares (shares with a notional value of € 1 per share) (comparative period: 38,548,001 no-par value shares).

B.17.1.1. Authorised and conditional capital

In accordance with the Articles of Association, the Company's share capital (Authorised Capital I/2018) as at 31 December 2020 totals T€ 7,009 (as at 31 December 2019: T€ €7,009) and is determined as follows:

By resolution of the Annual General Meeting of 14 June 2018, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the subscribed capital of the Company on one or more occasions until 13 June 2023 by up to a total of T€ 7,009 (comparative period: T€ 7,009) by issuing up to 7,008,728 (comparative period: 7,008,728) new no-par value bearer shares against cash and/or non-cash contributions (Authorised Capital I/2018). In principle, the shareholders are to be granted a

subscription right. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

- for fractional amounts;
- if a capital increase against cash contributions does not exceed 10 percent of the share capital and the issue price of the new shares is not significantly lower than the stock exchange price (section 186, paragraph 3, sentence 4 of the German Stock Corporation Act); when exercising this authorization under exclusion of subscription rights pursuant to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act, the exclusion of subscription rights on the basis of other authorizations pursuant to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act shall be taken into account;
- in the case of capital increases against contributions in kind for the granting of new shares for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring claims on the company.

The total shares issued on the basis of the aforementioned authorization under exclusion of subscription rights in the case of capital increases against contributions in cash and/or in kind may not exceed a pro rata amount of 20 percent of the share capital either at the time of the resolution or at the time of the utilization of this authorization. To this maximum limit of 20 percent of the share capital, the pro rata amount of the share capital shall be credited (i) which is attributable to shares of the Company issued by the Executive Board during the term of the authorized capital under exclusion of the subscription right pursuant to section 186 para. 3 sentence 4 of the German Stock Corporation Act or against contributions in kind or sold as treasury shares and (ii) which is attributable to shares of the Company which are issued or are to be issued during the term of the authorised capital from conditional capital for the purpose of servicing bonds with warrants or convertible bonds which are themselves issued by the Executive Board during the term of the authorised capital with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG or against contributions in kind.

The Executive Board shall decide on the further content of the respective share rights and the conditions for the implementation of capital increases with the consent of the Supervisory Board.

In the comparative period (2019), the Executive Board made use of the above authorization and increased the company's share capital by T€ 3,504 to T€ 38,548 by issuing 3,504,363 new no-par value bearer shares. As a result, the remaining Authorised Capital I/2018 as at 31 December 2019 amounts to T€ 7,009 in accordance with the Articles of Association. As at 31 December 2020, the remaining Authorised Capital I/2018 also amounts to T€ 7,009 in accordance with the Articles of Association, as no use was made of the above authorization during the reporting period.

In accordance with the Articles of Association, the conditional capital amounts to T€ 1,500 as at 31 December 2020 and 31 December 2019 and is determined as follows:

The share capital is conditionally increased by up to T€ 1,500 by issuing up to 1,500,000 new no-par value shares (Conditional Capital I/2018). The conditional capital increase will only be carried out to the extent that the holders of share options issued by the Company in the period up to 13 June 2023 on the basis of the authorization resolution of the Annual General Meeting of 14 June 2018 exercise their subscription rights to shares in the Company and the Company does not grant treasury shares or a cash settlement in fulfilment of the subscription rights. The new shares in the Company resulting from the exercise of these subscription rights shall participate in the profits from the beginning of the financial year in which they are issued.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

In the reporting period (2020) and in the comparative period (2019), no new shares were issued using the Conditional Capital I/2018.

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

B.17.1.2. Share buyback programme

In addition, the Annual General Meeting on 26 June 2019 authorized the Executive Board of CANCOM SE to acquire treasury shares up to a total of 10 percent of the subscribed capital until 25 June 2024. The limit of 10 percent is determined by the amount of share capital at the time the authorization becomes effective. If the share capital figure is lower at the time this authorization is exercised, this lower figure shall be decisive. The acquisition shall be effected on the stock exchange or by means of a public purchase offer addressed to the shareholders. In both cases, the purchase price may not be more than 10 percent higher or lower than the arithmetic mean of the closing auction prices for CANCOM SE shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days prior to the purchase or entering into an obligation to purchase. The repurchase volume may be limited if the shares offered exceed the total amount of the Company's

purchase offer. The authorization may be exercised for any legally permissible purpose. To the exclusion of shareholders' subscription rights, treasury shares may in particular be transferred to third parties for the purpose of acquiring companies or interests in companies. Treasury shares may also be sold for cash, provided that the purchase price is not significantly lower than the current stock exchange price at the time of the sale. Furthermore, treasury shares may also be used to fulfil conversion or option rights granted by the company or to implement a scrip dividend. Furthermore, treasury shares may be promised or transferred to fulfil remuneration agreements and may be offered for sale to employees and members of the Executive Board as part of the exercise of subscription rights. The Executive Board of CANCOM SE was also authorized, with the consent of the Supervisory Board, to cancel treasury shares without any further resolution by the Annual General Meeting.

B.17.2. Capital reserve

The capital reserve was formed from premiums from capital increases of CANCOM SE and from the issue of share-based payments.

In the reporting period, transaction costs of T€ 5 (comparable period: T€ 2,531) were recognized as a deduction from equity within the capital reserve. In addition, the capital reserve increased by T€ 1,169 in the reporting period due to the recognition of share-based payments (comparable period: T€ 1,437).

B.17.3. Retained earnings including profit carried forward and profit for the period

Retained earnings include the Group's past earnings to the extent that they have not been distributed. Furthermore, remeasurements from defined benefit plans, after taking deferred taxes into account, are recognized in retained earnings. In accordance with the resolution of the Annual General Meeting, T€ 19,274 or € 0.50 per share was distributed as a dividend in 2020 from the net retained profits of the 2019 annual financial statements of CANCOM SE (comparative period: T€ 17,522 or € 0.50 per share).

In the reporting period, T€ 53,624 was transferred to retained earnings from the net retained profits of the 2019 annual financial statements of CANCOM SE (comparative period: T€ 30,581 from the net retained profits of the 2018 annual financial statements of CANCOM SE).

In addition, losses (after taking into account deferred taxes) of T€ 180 (comparative period: T€ 305) from the remeasurement of defined benefit plans were recognized in retained earnings in the reporting period.

B.17.4. Other reserves

In the reporting period and in the comparative period, other reserves exclusively contain gains and losses from the currency translation of foreign business operations recognized in equity. At the end of the reporting period, cumulative losses of T€ 1,186 (at the end of the comparative period: gains of T€ 5,174) were recognized in equity.

B.17.5. Non-controlling interests

In the reporting period, 20 percent of the shares in CANCOM physical infrastructure GmbH were sold; at the end of the reporting period, 80 percent of the shares in CANCOM physical infrastructure GmbH were held by the shareholders of the parent company (i.e. the shareholders of CANCOM SE). As a result of the sale and the share of profit or loss, the non-controlling interests of the CANCOM Group increased by € T€ 357.

At the end of 2018, the portion of equity attributable to the minority shareholders of Pironet AG, headquartered in Cologne, amounted to 4.91 percent. In the comparative period, the minority shareholders of Pironet AG were compensated in the course of a squeeze-out. This led to a reduction in equity of T€ 7,242 and to corresponding payments for the acquisition of shares of non-controlling shareholders. The payments are shown in the consolidated cash flow statement under cash flow from financing activities. At the end of the reporting period, 100 percent of the shares in Pironet AG were held by the shareholders of the parent company (i.e. the shareholders of CANCOM SE).

B.17.6. Capital risk management

The CANCOM Group manages its capital with the aim of maximizing the returns to the company's stakeholders by optimizing the ratio of equity to debt. This ensures that all Group companies can operate under the going concern assumption. The capital structure of the group consists of debt, cash and equity. The latter is made up of issued shares, retained earnings and other reserves as well as non-controlling interests.

The goals of capital management are to ensure the continuation of the company as a going concern and an adequate return on equity. To implement this, the capital is set in relation to the total capital. To meet the objective, management implements capital structure measures (such as conditional capital increases) if necessary or changes the amount of debt capital - for example by taking on/repaying liabilities to credit institutions or by amending contracts entered into as lessees.

Capital is monitored on the basis of economic equity. Economic equity is the balance sheet equity according to the consolidated balance sheet. Borrowed capital is defined as the sum of all non-current and current liabilities according to the consolidated balance sheet.

The balance sheet equity, debt capital and total capital are as follows:

		Status 31.12.2020	Status 31.12.2019
Equity	m €	614.7	577.3
Equity in % of total capital	%	49.2	47.9
Debt capital	m €	635.2	628.1
Debt capital in % of total capital	%	50.8	52.1
Total capital (equity plus debt)	m €	1,249.9	1,205.4

In the comparison period, some of the company's loan agreements contain so-called "financial covenants". These are financial ratios for which certain values must be maintained throughout the entire term of the loan. Financial covenants are thus an essential part of a loan agreement. Banks use them as an instrument for early risk detection and prevention by drawing conclusions about the financial situation of the company from the calculated key figures. Compliance with the respective financial covenants is regularly monitored as part of capital risk management. In the comparative period, all financial covenants were complied with at all times. The financial covenants applicable to the CANCOM Group in the comparative period mainly relate to compliance with minimum values for property, plant and equipment and to the ratio of financial liabilities to EBITDA.

The Group's capital structure is regularly reviewed as part of the risk management process.

C. Notes to the Consolidated Statement of Comprehensive Income

C.1. Revenues

The turnover for the reporting period and the comparative period breaks down as follows:

(in T€)	2020	2019
from the sale of goods	1,231,364	1,180,318
from the provision of services	418,062	368,975
Total	**1,649,426**	**1,549,293**
thereof from the sale of goods		
Attributable to the Cloud Solutions segment	143,778	128,774
Attributable to the IT Solutions segment	1,087,586	1,051,544
of which from the provision of services		
Attributable to the Cloud Solutions segment	212,284	171,803
Attributable to the IT Solutions segment	205,778	197,172

(in T€)	2020	2019
Revenue from contracts with customers	1,628,653	1,530,440
Leasing income	20,773	18,853
Total	**1,649,426**	**1,549,293**

The following table shows how the revenue from contracts with customers for the reporting period and the comparative period is broken down according to the two options provided under IFRS 15 for recognizing revenue from contracts with customers over time. The table also shows to which segment the revenues from contracts with customers are to be allocated.

(in T€)	2020	2019
Timing of revenue recognition		
Products transferred at one time	1,210,591	1,161,465
Products and services transferred over a period of time	418,062	368,975
Total	**1,628,653**	**1,530,440**
thereof		
Attributable to the Cloud Solutions segment	353,128	299,588
Attributable to the IT Solutions segment	1,275,525	1,230,852

In order to determine the total amount of the transaction price allocated to unfulfilled performance obligations at the end of the reporting period (i.e. the contractually fixed open order backlog in accordance with IFRS 15), CANCOM takes into account customer contracts that have a contract volume of at least T€ 100 (comparative period: T€ 500) when the contract is concluded, whereby subsequent extension options on the part of the customer are not included. Furthermore, with reference to IFRS 15.121 (a), only customer contracts with an expected original term of one year or less are included. At the end of the reporting period, the contractually fixed open order backlog amounted to T€ 363,409 (comparative period: T€ 234,151). Of this amount, an amount of T€ 118,201 (comparative period: T€ 66,018) is expected to be realized in the financial year 2021 (comparative period: 2020), an amount of T€ 189,745 (comparative period: T€ 127,503) in the financial years 2022 to 2024 (comparative period: in the financial years 2021 to 2023) and an amount of T€ 55,463 (comparative period: T€ 40,630) in the financial year 2025 or later (comparative period: in the financial year 2024 or later).

C.2. Other operating income

Other operating income for the reporting period and the comparative period is made up as follows:

(in T€)	2020	2019
Income from subleases	3,674	0
Operating currency gains	3,277	0
Income unrelated to the accounting period	1,627	3,953
Income from government grants	723	698
Rental income	7	39
Income from reimbursement of damages	1	40
Other operating income	64	83
Total	**9,373**	**4,813**

The income from subleases recognized in the reporting period arises in connection with sale and leaseback transactions in which merchandise is sold to a leasing company - with this sale being classified as a sale in accordance with IFRS 15 - and it is leased back directly by this leasing company in order to then lease the merchandise in turn to CANCOM customers (see section A.3.27 of the consolidated financial statements).

Since the reporting period, operating currency gains have been recognized in the item "other operating income". This includes, on the one hand, income from the translation of trade receivables and payables. On the other hand, it also includes income from currency derivatives used to hedge these operating items. In the previous year's period, income from the translation of operating receivables and liabilities was reported in the item "currency gains/losses " and income from currency derivatives in the item "other financial income".

The income relating to other periods in the reporting period and the comparative period mainly includes income from write-offs of debtors with credit balances amounting to T€ 715 (comparative period: T€ 442), income from the sale of fixed assets amounting to T€ 664 (comparative period: T€ 2,320) and income from the reversal of provisions amounting to T€ 155 (comparative period: T€ 1,034).

Income from government grants includes the benefit from the granting of low-interest loans attributable to the reporting period and the comparative period (for further explanations, see section A. 3.28 and section B. 10 of the consolidated financial statements on loans taken out). This item also includes income from performance-related grants. For example, in the reporting period the CANCOM Group received government grants of T€ 526 (comparative period: T€ 672) in connection with the acquisition of Novosco Group Limited, the amount of which depends on the creation of jobs in the Northern Ireland region. In the reporting period, income of T€ 532 (previous year: T€ 376) was received from this.

C.3. Work performed by the entity and capitalised

Other own work capitalised includes work performed by own employees in connection with the acquisition and production of fixed assets and capitalisable development costs in relation to intangible assets. Own work is broken down as follows:

(in T€)	2020	2019
Capitalised development costs	2,988	2,871
Own work capitalised in connection with acquired intangible assets	3,676	2,747
Own work capitalised in connection with acquired property, plant and equipment	722	89
Total	**7,386**	**5,707**

Research and development costs that were not capitalized because they did not meet the recognition criteria in IAS 38 amount to T€ 0 in the reporting period (comparative period: T€ 0).

C.4. Capitalised contract costs

In the reporting period, an amount of T€ -742 was recognized in capitalized contract costs as contract initiation costs (comparison period: T€ 1,657 on balance). In the reporting period, this amount resulted exclusively from the reversal of contract initiation costs capitalized in previous periods (comparison period: T€ -97). In the comparative period, expenses for personnel costs for the Group's own employees of T€ 930 and for subcontractor services of T€ 824 were also capitalized.

In the reporting period, an amount of T€ 410 (comparative period: T€ 899) was recognised as contract performance costs in the balance of capitalised contract costs. Expenses for personnel costs for the Group's own employees amounting to T€ 1,138 (comparable period: T€ 624), for externally procured subcontractor services amounting to T€ 36 (comparable period: T€ 0) and for other costs amounting to T€ 0 (comparable period: T€ 275) were capitalised. In addition, an amount of T€ -764 (comparative period: T€ 0) was recognized in the reporting period due to the reversal of contract performance costs capitalized in previous periods.

C.5. Material expenses/cost of purchased services

The cost of materials/cost of purchased services in the reporting period consists of the cost of raw materials, consumables and supplies and purchased merchandise of T€ 1,081,476 (comparative period: T€ 1,016,491) and the cost of purchased services from the core business of T€ 111,035 (comparative period: T€ 102,029).

C.6. Personnel expenses

The personnel expenses of the reporting period and the comparative period are composed as follows:

(in T€)	2020	2019
Wages and salaries	-246,096	-225,637
Social security contributions	-36,067	-34,942
Expenses for retirement benefits	-1,521	-684
Equity-settled share-based payment transactions	-501	-1,956
Share-based payments with cash settlement	158	-484
Total	**-284,027**	**-263,703**

C.7. Depreciation, amortisation, impairment of tangible assets, intangible assets and right-of-use assets

Depreciation and amortization for the reporting period and the comparative period break down as follows:

(in T€)	2020	2019
Scheduled depreciation of property, plant and equipment	-20,150	-18,163
Impairments on property, plant and equipment	0	0
Scheduled amortisation of software	-8,181	-5,561
Impairments on software	0	0
Scheduled amortisation of rights of use	-12,995	-10,316
Impairments on rights of use	0	0
Scheduled amortisation on customer bases etc.	-17,879	-17,489
Impairments on customer bases etc.	0	0
Impairment of goodwill	0	-13,332
Total	**-59,205**	**-64,861**

The amount recognised as impairment of goodwill in the comparative period relates exclusively to the impairment of the cash-generating unit "HPM Incorporated" and is attributable to the IT Solutions segment (see section B. 8.3 of the consolidated financial statements).

C.8. Other operating expenses

The other operating expenses of the reporting period and the comparative period are composed as follows:

(in T€)	2020	2019
Repairs, maintenance, rental leasing	-10,860	-7,065
Third-party services	-10,416	-8,047
Room costs	-6,409	-5,896
Costs of the delivery of goods	-5,856	-5,423
Legal and consulting fees	-4,694	-4,253
Hospitality and travel expenses	-4,313	-9,503
Operating currency losses	-3,185	0
Communication and office costs	-2,838	-3,783
Training costs	-2,291	-3,102
Car costs	-2,222	-3,610
Insurance and other charges	-2,139	-1,828
Advertising costs	-2,034	-2,316
Fees, costs of monetary transactions	-766	-1,127
Stock exchange and representation costs	-240	-386
Other operating expenses	-6,989	-4,360
Total	**-65,252**	**-60,699**

Since the reporting period, operating currency losses have been recognized in the item "other operating expenses". These include, on the one hand, expenses from the translation of trade receivables and trade payables. On the other hand, they also include expenses from currency derivatives used to hedge these operating items. comparative period, expenses from the translation of operating receivables and liabilities were reported in the item "currency gains/losses " and expenses from currency derivatives in the item "other financial result expenses".

C.9. Interest income and interest expenses

Interest income mainly results from interest income from receivables from finance leases amounting to T€ 671 (comparative period: T€ 608), interest income from receivables from customers amounting to T€ 329 (comparative period: T€ 15) and interest income from taxes amounting to T€ 22 (comparative period: T€ 614).

Interest expenses mainly include interest expenses in connection with the sale of receivables in the amount of T€ 1,473 (comparable period: T€ 934), interest expenses from leasing liabilities in the amount of T€ 1.117 (comparative period: T€ 581), interest expenses from liabilities to banks of T€ 866 (comparative period: T€ 573), interest expenses from the compounding of purchase price liabilities of T€ 554 (comparative period: T€ 552) and interest expenses from trade payables of T€ 533 (comparative period: T€ 248).

C.10. Other financial result

The other financial result for the reporting period mainly includes income from the revaluation or disposal of put/call agreements amounting to T€ 20,328 (comparable period: T€ 4,613) and expenses from the revaluation or disposal of put/call agreements amounting to T€ 2 (comparable period: T€ 6,049). For further explanations, please refer to section D.5 of the consolidated financial statements.

C.11. Foreign currency gains/losses

The amount of T€ 2,375 (comparative period: T€ -828) reported on balance in the reporting period is composed of currency gains of T€ 2,659 (comparative period: T€ 1,760) and currency losses of T€ -284 (comparative period: T€ -2,588).

Since the reporting period, only differences from the translation of non-operating items have been recognised under the item "Currency gains/losses". Since the reporting period, income and expenses from the translation of operating items have been reported in the item "other operating income" (see section C.2 of the consolidated financial statements) or in the item "other operating expenses" (see section C.8 of the consolidated financial statements).

C.12. Income taxes

The income tax rate for domestic companies in the reporting period was 31.0 percent (comparable period: 31.1 percent) and relates to corporate income tax, trade tax and solidarity surcharge. The slight reduction in the income tax rate is due to a slight decrease in the average trade tax assessment rate.

The differences between the reported tax expense and the tax rate of CANCOM SE in the reporting period and the comparative period are as follows:

(in T€)	2020	2019
Result before income taxes	82,893	50,514
Expected tax expense at the tax rate of the domestic companies (reporting period: 31.0 %; comparative period: 31.1 %)	-25,697	-15,710
Taxation difference abroad	310	-14
Change in valuation allowances on deferred tax assets on loss carryforwards	-174	210
Tax-exempt income and tax-negligible capital losses	-2	729
Actual income taxes relating to other periods	807	2,414
Permanent differences	6,718	-1,854
Non-deductible business expenses and trade tax additions and deductions	-2,197	-1,711
Effect from tax rate changes	-758	-4
Other	-64	308
Total	**-21,057**	**-15,632**

The actual tax rate in the reporting and comparison period is as follows:

(in T€ or in %)	2020	2019
Result before income taxes	82,893	50,514
Income taxes	-21,057	-15,632
Actual tax expense ratio	25.40 %	30.95 %

Taxes on income paid or owed in the individual countries as well as deferred taxes are reported as income taxes:

(in T€)	2020	2019
Actual income tax expense	**-23,821**	**-20,773**
Deferred income tax expense/income		
from deferred tax assets	165	1,090
from deferred tax liabilities	2,599	4,051
	2,764	**5,141**
thereof		
Actual income tax expense recognised in the result for the period	-23,819	-19,631
Deferred income tax expense/income recognised in the result for the period	2,764	5,141
Actual income tax expense/income recognised in the capital reserve	-2	-1,142

C.13. Profit after taxes from discontinued operations

The result from discontinued operations includes expenses and income in connection with the sale of Pirobase Imperia GmbH in the 2015 financial year. The result for the period attributable to discontinued operations (after income taxes) in the reporting period is T€ 2 (comparable period: T€ 1,750). No result is attributable to non-controlling interests.

In the reporting period, income from discontinued operations of T€ 3 (comparable period: T€ 1,881) and expenses of T€ 0 (comparable period: T€ 52) were recorded. The income in the reporting period resulted from income from the reversal of provisions for litigation costs and in the comparative period from the derecognition of an excess liability after the settlement of mutual claims due to a settlement. Furthermore, income taxes in the amount of T€ 1 (comparable period: T€ 79) were recorded under this item. The result from discontinued operations before income taxes amounts to T€ 3 (comparable period: T€ 1,830). In the reporting period, discontinued operations resulted in payments of T€ 92 (comparable period: T€ 1,966), which were allocated to cash flow from operating activities. In the reporting period, there were also cash inflows from discontinued operations of T€ 0 (comparable period: T€ 1,208), which were allocated to cash flows from investing activities.

The legal dispute with Pirobase Imperia GmbH was ended by settlement in the settlement period.

C.14. Profit for the period attributable to non-controlling interests

The profit for the period attributable to non-controlling interests in the reporting period results from the majority shareholding in CANCOM physical infrastructure GmbH, in which CANCOM previously held a 100 percent stake and for which 20 percent of the shares were sold in the reporting period.

The profit for the period attributable to non-controlling interests in the comparative period is mainly due to the majority interest in Pironet AG, Cologne.

C.15. Earnings per share

C.15.1. Basic earnings per share

Basic earnings were impacted in the comparative period due to the implementation of a conditional capital increase in 2019.

As a result of the conditional capital increase in the comparative period, the average number of shares outstanding used to calculate basic earnings per share from continuing and discontinued operations increased by 249,626 from 35,043,638 to 35,293,264.

For the calculation of basic earnings per share from continuing operations, an amount of T€ 61,759 (comparative period: T€ 34,828) was used as numerator in the reporting period. This is determined on the basis of the profit for the period attributable to the shareholders of the parent company of T€ 61,761 (comparative period: T€ 36,578) less the profit from discontinued operations of T€ 2 (comparative period: T€ 1,750).

For the calculation of the basic earnings per share from discontinued operations, an amount of T€ 2 (comparative period: T€ 1,750) was used as numerator in the reporting period.

C.15.2. Diluted earnings per share

In the calculation of diluted earnings per share from continuing and discontinued operations, an additional 0 shares (comparative period: additional 9,455 shares) are included in the reporting period compared to the number of shares used to calculate basic earnings. In the reporting and comparative period, this is the weighted average number of shares for the period from the issue of the share options on 17 August 2018 to 31 December 2020 that would have been issued if the options had been exercised.

In the numerator, an amount of T€ 61,759 (comparative period: T€ 34,828) was used to calculate diluted earnings per share from continuing operations in the reporting period and in the comparative period, i.e. there were no adjustments to the numerator of basic earnings per share from continuing operations.

For the calculation of diluted earnings per share from discontinued operations, an amount of T€ 2 (comparable period: T€ 1,750) was used as the numerator in the reporting period; in this regard, there were also no adjustments to the numerator of basic earnings per share from discontinued operations.

D. Other information

D.1. Notes to the consolidated cash flow statement

The consolidated cash flow statement is prepared in accordance with IAS 7. According to this, a distinction must be made between cash flows from operating activities, investing activities and financing activities. The cash flow from operating activities is determined according to the indirect method.

Cash and cash equivalents in the cash flow statement include all cash and cash equivalents (i.e. cash in hand, cheques and bank balances) shown in the balance sheet, provided they are available within three months. The cash and cash equivalents are not subject to any restrictions on disposal.

The following table shows a reconciliation of liabilities from financing activities (liabilities to banks and leasing liabilities; the latter are reported under the balance sheet items "other current financial liabilities" and "other non-current financial liabilities"), which shows the changes that occurred during the reporting period:

(in T€)	Status 1.1.2020	Changes affecting payments	Non-cash changes				As at 31.12.2020
			from exchange rate differences	from newly concluded contracts	from changes in fair value	from other changes	
Liabilities to credit institutions	7,400	-4,871	-256	0	0	115	2,388
Leasing liabilities	73,320	-4,422	-724	18,937	2,665	4	89,780
Financial liabilities to leasing companies	15,369	10,243	0	0	0	1	25,613
	96,089	**950**	**-980**	**18,937**	**2,665**	**120**	**117,781**

In the comparative period, the sale and leaseback transaction of a property in Jettingen-Scheppach was carried out via a leasing company (see also section A.2.1.4 of the consolidated financial statements). The sale of the property to the leasing company was carried out by way of a contribution in exchange for the issue of shares in the company and thus represents a significant non-cash transaction. In connection with the withdrawal of company funds, CANCOM receives a cash inflow from the disinvestment of property, plant and equipment; the payment of T€ 26 is therefore allocated to cash flow from investing activities.

Apart from the non-cash transactions presented in the previous table and section, there were no significant non-cash financing transactions in the reporting or comparative period. Significant investment transactions for which no cash or cash equivalents were used in the comparative period were part of the consideration paid for the acquisition of the Novosco Group. Equity instruments of the acquiring company were granted as consideration, for which corresponding put/call agreements were concluded (see section A.2.2.2 of the consolidated financial statements). The cash-effective changes in leasing liabilities in the reporting period include payments received for leasing incentives in the amount of T€ 356 (comparable period: T€ 187).

In the reporting period and in the comparative period, CANCOM entered into additional agreements with suppliers that enable them to sell their receivables to financial service providers. Depending on whether or not the additional agreement represents a material contractual change in relation to the original supplier contract in accordance with IFRS 9, the resulting trade payables must be derecognized or remain in place. The former derecognition results in CANCOM reporting the amounts under the balance sheet item "other current financial liabilities" as "financial liabilities to financial service providers". In the cash flow statement, the changes in such financial liabilities to financial service providers are presented within the cash flow from operating activities, as from an economic perspective the payments are payments in connection with the operating activities of the CANCOM Group.

In the reporting period, the item "Cash inflows/outflows from financial liabilities and from lease liabilities to leasing companies" included within the cash flow from financing activities includes, on the one hand, cash inflows/outflows from disposals carried out within the framework of sale-and-leaseback transactions (see sectionA.3.27of the consolidated financial statements), which are not classified as sales in accordance with IFRS 15 (from financial liabilities), in the amount of T€ 10,243 (comparative period: T€ 15,370). On the other hand, in the reporting period these include payments received from such disposals that are classified as sales in accordance with IFRS 15 (from lease liabilities) in the amount of T€ 12,400 (comparable period: T€ 0). The latter cash inflows from lease liabilities are cash flowsfrom disposals where the associated cash inflows from leasing to CANCOM customers (i.e. from the sublease) are reported in cash flow from operating activities.

D.2. Segment reporting

Segment information is provided in accordance with the provisions of IFRS 8. The segment information is based on the segmentation used for internal management purposes.

The Group reports two business segments - Cloud Solutions and IT Solutions.

Management controls the CANCOM Group on the basis of the services, goods and software offered in these two business segments. The Cloud Solutions business segment differs from the IT Solutions business segment in terms of its field of activity and in terms of its trading and service processes. Furthermore, the two business segments differ in terms of the growth strategy pursued in each case and in terms of their general strategic importance.

The CANCOM Group does not choose to aggregate business segments for reporting purposes.

Segment information

(in T€)	Cloud solutions		IT solutions	
	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019
Revenue				
Revenue from external customers	356,062	300,577	1,293,247	1,248,711
Inter-segment sales	8,338	8,776	7,407	12,693
Total income	364,400	309,353	1,300,654	1,261,404
Cost of materials/expenses for purchased services	-187,070	-162,454	-1,019,301	-975,299
Personnel expenses	-76,601	-60,674	-193,892	-191,363
Other income and expenses	-17,708	-13,190	-27,000	-32,763
EBITDA	83,021	73,035	60,461	61,979
Scheduled depreciation and amortization	-18,546	-13,317	-21,988	-20,394
Scheduled amortization and impairment losses	-12,270	-11,082	-4,784	-19,739
Operating result (EBIT)	52,205	48,636	33,689	21,846
Interest income	361	276	693	1,014
Interest expenses	-281	-149	-5,613	-4,085
Other financial result Income	0	0	-950	1,793
Other financial result Expenses	0	0	0	-40
Currency gains/losses				
Income before income taxes	52,285	48,763	27,819	20,528
Income taxes				
Result from discontinued operations	2	1,750	0	0
Result for the period				
thereof attributable to shareholders of the parent company				
thereof attributable to non-controlling shareholders				

Total operating segments		Other companies		Reconciliation statement		Consolidated	
Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2019
1,649,309	1,549,288	117	5				
15,745	21,469	256	32	-16,001	-21,501		
1,665,054	1,570,757	373	37	-16,001	-21,501	1,649,426	1,549,293
-1,206,371	-1,137,753	-66	-45	13,786	19,278	-1,192,651	-1,118,520
-270,493	-252,037	-13,534	-11,666	0	0	-284,027	-263,703
-44,708	-45,953	-7,202	-4,092	2,215	2,223	-49,695	-47,822
143,482	135,014	-20,429	-15,766	0	0	123,053	119,248
-40,534	-33,711	-792	-329	0	0	-41,326	-34,040
-17,054	-30,821	-825	0	0	0	-17,879	-30,821
85,894	70,482	-22,046	-16,095	0	0	63,848	54,387
1,054	1,290	6,902	4,626	-6,913	-4,614	1,043	1,302
-5,894	-4,234	-5,721	-3,418	6,913	4,614	-4,702	-3,038
-950	1,793	21,281	2,986	0	0	20,331	4,779
0	-40	-2	-6,048	0	0	-2	-6,088
				2,375	-828	2,375	-828
80,104	69,291	414	-17,949	2,375	-828	82,893	50,514
				-21,057	-15,632	-21,057	-15,632
2	1,750	0	0	0	0	2	1,750
						61,838	**36,632**
						61,761	36,578
						77	54

D.2.1. Description of the reportable segments

The Cloud Solutions operating segment includes the companies CANCOM Managed Services GmbH, Ocean Intelligent Communications Ltd, CANCOM Communication & Collaboration Ltd (formerly Ocean Unified Communications Ltd), Ocean Network Services Limited, CANCOM Slovakia s.r.o. plus CANCOM GmbH, CANCOM Public GmbH (formerly CANCOM on line GmbH), CANCOM UK Managed Services Limited, CANCOM Managed Services Ltd (formerly Novosco Ltd) and CANCOM Ireland Limited (formerly Novosco Limited), which are allocated to the Cloud Solutions segment. This business segment comprises the cloud and shared managed services business of the CANCOM Group, including cloud hardware, software and services business allocated to the projects. The range of services includes analysis, consulting, delivery, implementation and services, providing customers with the necessary guidance and support for the transformation of their corporate IT to the cloud. As part of its service offering, the CANCOM Group is able to take over the complete or partial operation of IT for customers with scalable cloud and managed services - in particular shared managed services. Selling costs attributable to cloud sales are included in the segment. The Cloud business also benefits from synergies with general CANCOM sales and marketing, the costs of which are allocated to the IT Solutions reporting segment. There are asymmetrical allocations here; if the allocations were symmetrical, the personnel expenses allocated to the Cloud Solutions reporting segment would be correspondingly higher and the EBITDA performance indicator correspondingly lower. This had no effect on the management's allocation of resources to the reporting segments in the reporting period and in the comparative period.

The IT Solutions business segment includes the companies CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM ICT Service GmbH, CANCOM Public GmbH (formerly CANCOM on line GmbH), CANCOM Public BV (formerly CANCOM on line BVBA), CANCOM physical infrastructure GmbH, CANCOM, Inc, HPM Incorporated, CANCOM UK TOG Limited, CANCOM UK Limited, CANCOM UK Managed Services Limited, CANCOM UK Professional Services Limited, M.H.C. Consulting Services Limited, Novosco Group Limited, CANCOM Managed Services Ltd (formerly Novosco Ltd) and CANCOM Ireland Limited (formerly Novosco Limited) less the divisions of CANCOM GmbH, CANCOM Public GmbH (formerly CANCOM on line GmbH), CANCOM UK Managed Services Limited, CANCOM Managed Services Ltd (formerly Novosco Ltd) and CANCOM Ireland Limited (formerly Novosco Limited), which are allocated to the "Cloud Solutions" segment and the "other companies" segment. With this business segment, the CANCOM Group offers comprehensive support for all aspects of IT infrastructure and applications. It includes IT strategy consulting, project planning and implementation, system integration, IT procurement via eProcurement services or as part of projects, as well as professional IT services and support.

Other companies' includes CANCOM SE, CANCOM VVM GmbH, CANCOM VVM II GmbH (formerly CANCOM Financial Services GmbH), CANCOM LTD, CANCOM Ocean Ltd, CANCOM UK Holdings Limited plus the part of CANCOM GmbH allocated to the 'Other companies' segment. CANCOM SE and the division of CANCOM GmbH allocated to this segment include the staff or management functions. For example, CANCOM SE provides a number of services to its subsidiaries. This segment also includes the costs of central Group management and investments in internal Group projects.

D.2.2. Valuation basis for the result of the segments

The accounting methods used in the internal reporting on the segment correspond to the recognition and measurement methods described in section A. 3 of the consolidated financial statements. With the exception described in section D. 2.1 of the consolidated financial statements, no asymmetric allocations are made when allocating assets and liabilities as well as expenses and income to reportable segments.

Internal sales are recognized either on a cost basis or on the basis of current market prices, depending on the type of service.

There is no presentation of segment assets, segment liabilities and investments, as the internal reporting system is based exclusively on key earnings figures by segment for Group management purposes.

D.2.3. Reconciliation accounts

The reconciliation item shows issues that are not directly related to the business segments and other companies. These include sales within the segments and income tax expenses.

The income tax expense is not part of the results of the business segments. Since the tax expense is allocated to the controlling company in the case of fiscal unity, the allocation of income tax does not necessarily correspond to the structure of the segments.

D.2.4. Information on geographical areas and products and services

(in T€)	Turnover according to the location of the customer		Turnover by registered office of the companies	
	2020	2019	2020	2019
Germany	1,301,592	1,221,499	1,389,565	1,294,800
Abroad	347,834	327,794	259,861	254,493
Total Group	**1,649,426**	**1,549,293**	**1,649,426**	**1,549,293**

(in T€)	Non-current assets	
	31.12.2020	31.12.2019
Germany	290.328	277.649
Abroad	159.368	182.032
Total Group	**449.696**	**459.681**

For both the reporting period and the comparative period, it was not possible to identify and disclose material revenue and material assets allocated to a single third country, as CANCOM does not have the relevant information and additional surveys would be excessively costly.

In the reporting period and in the comparative period, no individual customer generated revenue that accounted for 10 percent or more of the CANCOM Group's revenue. There are therefore no disclosure requirements relating to dependencies on customers.

Non-current assets include all non-current assets except deferred tax assets and securities allocated to the balance sheet item "Financial assets and loans".

Revenue from external customers is not reported for each product and service or for each group of comparable products and services because the information is not available and the cost of collection would be excessive.

D.3. Leases

D.3.1. CANCOM as lessee

CANCOM leases a large number of different assets. The leased assets are allocated to the classes 'land and buildings', 'operating and office equipment' and 'motor vehicles'. The leases have terms of between two years and 43 years. The following table contains information on leases in which CANCOM is the lessee:

(in T€)	Land and buildings		Operating and business equipment		Motor vehicles		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Rights of use								
Depreciation	10,040	9,064	1,519	581	1,436	672	12,995	10,317
Income from subleasing	0	0	3,674	0	0	0	3,674	0
Access	5,735	32,136	6,388	2,542	3,468	3,860	15,591	38,538
Book values as at 31.12.	54,962	59,723	7,280	2,548	5,705	3,674	67,947	65,945
Leasing liabilities								
Interest expenses	551	421	425	112	141	48	1,117	581
Total cash outflows for leases	10,495	9,349	6,389	1,842	685	731	17,569	11,922
Gains/losses from sale and leaseback transactions	0	1,617	0	0	0	0	0	1,617

In the comparative period, the CANCOM Group carried out a significant sale and leaseback transaction. This involved the sale and leaseback of a property in Jettingen-Scheppach in September 2019 via a leasing company (see also section A.2.1.4 of the consolidated financial statements). A profit of T€ 1,617 was received from the sale, which is included in the item "other operating income" within the presentation of the result for the period. The lease payments resulting from the leaseback amounted to T€ 339 in the reporting period.

Leases in which CANCOM is the lessee may contain renewal options. These are taken into account when determining the term or the lease payments if it is deemed sufficiently certain that they will be exercised. The extension options not taken into account in the lease payments would increase the lease payments in the years 2033 (comparative period: 2033) to 2049 (comparative period: 2049) and lead to a total cash outflow of T€ 9,598(comparative period: T€ 9,598).

Termination options of the lessee lead to a reduction of the term or to a reduction of the lease instalments if the exercise is deemed to be sufficiently certain. In principle, CANCOM does not assume that termination options will be exercised, so that the full basic lease term is taken into account when determining the term or the lease payments.

For the presentation of future interest and redemption payments from leasing liabilities, we refer to section D. 6.2 of the consolidated financial statements.

D.3.2. CANCOM as lessor

D.3.2.1. Finance leases

In the reporting period and the comparative period, CANCOM sold merchandise to a leasing company and leased the merchandise back directly from this leasing company (sale and leaseback transactions) in order to then lease the merchandise to CANCOM customers. The term of the leases was between two and five years. For the majority of the transactions, the sale to the leasing company was not classified as a sale in accordance with IFRS 15 (see section A.3.27 of the consolidated financial statements for the two different cases of sale and leaseback transactions). The non-guaranteed residual values were estimated to be relatively low, so that there are hardly any risks in this regard. There are no variable lease payments or other risky agreements.

If disposals to the leasing companies carried out as part of sale and leaseback transactions were classified as a sale in accordance with IFRS 15, CANCOM recognized pro rata revenue and pro rata cost of materials/cost of purchased services. In the reporting period, the gains from these sale and leaseback transactions amount to T€ 28 (comparative period: T€ 0).

The following table shows the amounts recognized for finance leases in the reporting period and in the comparative period in the presentation of the result for the period:

(in T€)	2020	2019
Capital gains/losses	6,629	693
Finance income on the net investment in the lease	656	608
Income for variable lease payments not included in the valuation	0	0

In the reporting period, carrying amounts for the net investment in the lease totaled T€ 47,395 (comparable period: T€ 23,963). The increase in book values resulted mainly from increased customer demand at home and abroad for the purchase of hardware with financing agreements.

The following table shows the undiscounted future lease payments for finance lease receivables and a reconciliation to the net investment in the lease for the reporting period and for the comparative period:

(in T€)	2020	2019
Finance lease payments due within 1 year	21,503	10,706
Finance lease payments due between 1 and 5 years	26,934	13,949
Finance lease payments due in more than 5 years	0	10
Total finance lease payments (undiscounted)	**48,437**	**24,665**
Not guaranteed residual values	0	0
Interest income not yet realised	1,042	702
Present value of lease payments to be received	**47,395**	**23,963**
Impairments on finance lease receivables	0	0
Net investment in the lease	**47,395**	**23,963**

D.3.2.2. Operating leases

In the reporting period and the comparative period, CANCOM only acted as lessor to an insignificant extent within operating leases.

No significant assets were included in operating leases in the fixed assets reported in the reporting period and in the comparative period (see section B. 8 of the consolidated financial statements).

D.4. Share-based payment

The following share-based payments exist or existed in the CANCOM Group:

- equity-settled share-based payments (issued by CANCOM SE),
- cash-settled share-based payments (issued by Ocean Unified Communications Ltd and CANCOM UK Limited).

D.4.1. Option rights issued by CANCOM SE

Based on the authorization pursuant to agenda item 9 of the Annual General Meeting of 14 June 2018 on the granting of subscription rights (share options) and the creation of Conditional Capital I/2018, the Group introduced a share option program (equity-settled) entitling members of the Executive Board and selected employees of the Company or affiliated companies to acquire shares in the Company. Pursuant to the scheme ("ESOP 2018"), holders of exercisable options have the right to acquire shares at the market price of the shares on the date of grant. The share option program entitles the following stakeholders to acquire shares:

- Group 1: Members of the Board of Directors;
- Group 2: Members of the management of affiliated companies;
- Group 3: Company executives;
- Group 4: Executives of affiliated companies.

The option rights can be redeemed under the following contractual conditions at a ratio of 1:1 for the subscription of new no-par value bearer shares of CANCOM SE with a proportionate amount of the share capital of € 1.00 per share. The option rights may be exercised for the first time after four years of service from the date of grant. Further staggered waiting periods ("vesting periods") determine the vesting after two years of 50 percent, after three years of a further 25 percent and after four years for the remaining 25 percent. The option rights can be exercised after expiry of the vesting period within a term of ten years after the date of issue.

The prerequisite for exercising the option right is that - considered over the entire term of the share options - the following market-dependent performance conditions are met:

- the relevant reference price exceeds the exercise price by at least 5 percent p.a. on a straight-line basis ("absolute performance target"), and
- the price of the CANCOM SE share between the date of issue and the date of exercise of the option right has outperformed the unweighted average price of the shares in the peer group over the same period ("relative performance target").

On 17 August 2018, 585,000 share options were issued (tranche 1). A further 23,000 share options were issued on 2 July 2019 (tranche 2). On 6 May 2020, a further 150,000 share options were issued (tranche 3).

In 2018, 30,000 share options (belonging to tranche 1, group 2), in the comparative period 20,000 share options (belonging to tranche 1, group 4) and in the reporting period 228,000 share options (200,000 options belonging to tranche 1, group 1; 20,000 options belonging to tranche 1, group 4; 8.000 options belonging to tranche 2, group 4) expired due to a change in the non-fulfilment of service conditions, so that - taking into account the 150,000 new share options issued during the reporting period - 480,000 share options were actually still outstanding at the end of the reporting period, none of which were exercisable. Of the 480,000 share options still outstanding at the end of the reporting period, 315,000 share options are attributable to tranche 1 (group 1: 60,000 share options, group 2: 70,000 share options, group 3: 45,000 share options, group 4: 140.000 share options, taking into account a transfer of 20,000 options from group 2 to group 4), 15,000 share options on tranche 2 (group 2: 15,000 share options, group 4:

0 share options) and 150,000 share options on tranche 3 (group 1: 150,000 share options). The share options still outstanding at the end of the reporting period have a weighted average contractual term of 8.2 years.

The Conditional Capital 2018/I of T€ 1,500 entered in the Commercial Register on the day of issue or a conditional capital to be resolved in the future, an Authorized Capital created in the future for this purpose, or treasury shares of the Company, insofar as the Company does not grant a cash settlement in fulfilment of the subscription rights, serve to secure and service the option rights.

The fair value of the share options was determined using a multivariate binomial tree model. In particular, an arbitrage-free and risk-neutral capital market and the possibility of reproducing the safe investment were assumed. The volatility indicator used is the annualized standard deviation of the steady return of the share over a certain period of time; the expected volatility used is based on historical volatility. The absolute and relative performance target were taken into account in the multivariate binomial tree model.

Vesting conditions that are not market conditions are not included in the estimate of the fair value of the share options. Instead, vesting conditions that are not market conditions shall be accounted for by adjusting the number of equity instruments included in the determination of the transaction amount. The amount recognized for the service is therefore ultimately based on the number of equity instruments that ultimately vest.

For tranche 1, the fair value per share option at grant date was € 10.40 (group 1), € 9.78 (group 2), € 9.33 (group 3) and € 9.39 (group 4) respectively. Furthermore, a share price at grant date of € 39.60, an exercise price of € 40.72, an expected volatility of 28.98 percent, expected dividends of 1.11 percent and a risk-free interest rate (based on government bonds) of 0.02 percent were used to determine the fair values for the share-based payments at grant date for all groups. The expected volatility is based on an assessment of the historical volatility of the Company's share price and the peer group. The weighted average of the fair values of the share options issued with tranche 1 was € 9.91 on the grant date.

For tranche 2, the fair value per share option on the grant date was € 13.80 (group 2), respectively € 13.17 (group 4). Furthermore, a share price on the grant date of € 47.50, an exercise price of € 46.68, an expected volatility of 33.13 percent, expected dividends of 1.11 percent and a risk-free interest rate (based on government bonds) of -0.53 percent were used to determine the fair values for the share-based payments on the grant date for both groups. The expected volatility is based on an assessment of the historical volatility of the Company's share price and the peer group. The weighted average of the fair values of the share options issued with tranche 2 was € 13.58 on the grant date.

For tranche 3, the fair value per share option on the grant date was € 14.47 (group 1). To determine the fair value for the share-based payment, a share price on the grant date of € 48.30, an exercise price of € 46.83, an expected volatility of 36.61 percent, expected dividends of 1.11 percent and a risk-free interest rate (based on government bonds) of 0.65 percent were used. The expected volatility is based on an assessment of the historical volatility of the Company's share price and the peer group.

The expenses for equity-settled share-based payments amount to T€ 501 in the reporting period (comparative period: T€ 1,956).

D.4.2. Option rights issued by CANCOM Communication & Collaboration Ltd (formerly Ocean Unified Communications Ltd) (UK) and CANCOM UK Limited (UK)

In connection with the acquisition of Ocean Group and CANCOM UK Group, share options were granted to employees of the acquired groups in 2018, which were classified as cash-settled share-based payments for future services. In the comparative period, all share options of the CANCOM UK Group were redeemed and shares in CANCOM LTD were granted in return. This redemption or grant resulted in additional personnel expenses of T€ 257 in the comparative period. The shares granted in return were recognized as synthetic liabilities (see section D. 5 of the consolidated financial statements). In the reporting period all share options of CANCOM Ocean Ltd were acquired at a purchase price of T€ 0. The provision of T€ 165 made in this connection was reversed; this led to a reduction in personnel expenses.

The total income for cash-settled share-based payments amounted to T€ 158 in the reporting period (comparable period: expense of T€ 484). The provision recognised for cash-settled share-based payments at the end of the reporting period was T€ 0 (comparative period: T€ 165).

D.5. Further disclosures on financial instruments

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category according to IFRS 9 as well as the fair values for the reporting period:

(in T€)	Carrying amount 31.12.2020	FA_AC[1]	FA_FVOCI[2]	FA_FVPL/ FL_FVPL[3]	FL_AC[4]	No category	Fair value 31.12.2020
		Amortised cost	Fair value	Fair value	Amortised cost	Accounting in accordance with IFRS 16	
Current assets							
Cash and cash equivalents	338,371	338,371					338,371
Receivables from deliveries and services	331,368	331,368					331,368
Other current financial assets	31,812	10,021		335		21,456	31,812
- Receivables from finance leases						21,456	21,456
- Assets from derivative financial instruments				335			335
- other items		10,021					10,021
Non-current assets							
Financial assets and loans	5		5				5
Other non-current financial assets	26,787	848				25,939	28,010
- Receivables from finance leases						25,939	27,162
- other items		848					848
Current liabilities							
Current liabilities to credit institutions	2,275				2,275		2,275
Liabilities from deliveries and services	371,623				371,623		371,623
Other current financial liabilities	50,726			600	31,768	18,358	50,726
- Leasing liabilities						18,358	18,358
- contingent consideration in accordance with IFRS 3				600			600
- synthetic liabilities in accordance with IAS 32.23					1,810		1,810
- other items					29,958		29,958
Long-term debt							
Long-term liabilities to credit institutions	113				113		112
Other non-current financial liabilities	87,213				15,791	71,422	/
- Leasing liabilities						71,422	/
- other items					15,791		15,848
Assets, total	**728,343**	**680,608**	**5**	**335**	**/**	**47,395**	**729,566**
Liabilities, total	**511,950**	**/**	**/**	**600**	**421,570**	**89,780**	**/**

1) Measurement category "financial assets measured at amortised cost".
2) Measurement category "financial assets at fair value through other comprehensive income".
3) Measurement category "financial assets at fair value through profit or loss" or "financial liabilities at fair value through profit or loss".
4) Measurement category "financial liabilities measured at amortised cost".

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category according to IFRS 9 as well as the fair values for the comparative period:

(in T€)	Carrying amount 31.12.2019	FA_AC[1]	FA_FVOCI[2]	FA_FVPL/ FL_FVPL[3]	FL_AC[4]	No category	Fair value 31.12.2019
		Amortised cost	Fair value	Fair value	Amortised cost	Accounting in accordance with IFRS 16	
Current assets							
Cash and cash equivalents	364,853	364,853					364,853
Receivables from deliveries and services	274,490	274,490					274,490
Other current financial assets	21,305	10,868		163		10,274	21,305
- Receivables from finance leases						10,274	10,274
- Assets from derivative financial instruments				163			163
- other items		10,868					10,868
Non-current assets							
Financial assets and loans	4,005		4,005				4,005
Other non-current financial assets	19,468	5,779				13,689	19,468
- Receivables from finance leases						13,689	14,015
- other items		5,779					5,201
Current liabilities							
Current liabilities to credit institutions	7,182				7,182		7,182
Liabilities from deliveries and services	319,441				319,441		319,441
Other current financial liabilities	59,158			21,772	25,895	11,491	59,158
- Leasing liabilities						11,491	11,491
- contingent consideration in accordance with IFRS 3				21,772	414		22,186
- other items					25,481		25,481
Long-term debt							
Long-term liabilities to credit institutions	218				218		207
Other non-current financial liabilities	126,185				64,356	61,829	/
- Leasing liabilities						61,829	/
- synthetic liabilities in accordance with IAS 32.23					53,910		53,910
- other items					10,446		10,209
Assets, total	**684,121**	**655,990**	**4,005**	**163**	**/**	**23,963**	**684,121**
Liabilities, total	**512,184**	**/**	**/**	**21,772**	**417,092**	**73,320**	**/**

1) Measurement category "financial assets measured at amortized cost".
2) Measurement category "financial assets at fair value through other comprehensive income".
3) Measurement category "financial assets at fair value through profit or loss" or "financial liabilities at fair value through profit or loss".
4) Measurement category "financial liabilities measured at amortized cost".

For cash and cash equivalents and other current financial instruments, i.e. trade receivables, other current financial assets, current liabilities to banks, trade payables and other current financial liabilities, the fair values correspond to the carrying amounts recognized at the respective reporting dates.

The measurement of financial assets and financial liabilities at fair value is carried out according to the availability of relevant information on the basis of the three levels of the measurement hierarchy listed in IFRS 13. For the first level, quoted market prices for identical assets and liabilities are directly observable in active markets. At the second level, the valuation is carried out on the basis of valuation models that incorporate observable market data (e.g. interest rates, exchange rates). The third level provides for the application of valuation models that do not use input factors observable on the market.

For the securities included in the balance sheet item "Financial assets and loans", the fair value corresponds to the price quotation on the balance sheet date multiplied by the number of units in the portfolio (level 1).

The fair value of forward exchange contracts is determined using a discounted cash flow method. Future payments are estimated based on forward exchange rates (observable rates at the reporting date) and the contracted forward exchange rates, discounted at an interest rate that takes into account the credit risk of the various counterparties (Level 2).

The fair values of non-current receivables from finance leases and other items within other non-current financial assets as well as non-current liabilities to banks are determined as the present values of the payments expected with the assets and liabilities and on the basis of market interest rates of comparable financial instruments (level 2).

The disclosure of the fair values of the lease liabilities is waived with reference to IFRS 7.29 (d).

The fair values determined for contingent consideration from company acquisitions are based on different valuation models. Since, in addition to input factors observable on the market (e.g. risk-adjusted discount rates), company-specific input factors (and thus input factors not observable on the market) are also included in the respective valuation model, these are allocated to Level 3. In detail, these are - as of the end of the comparative period - the following circumstances:

- two contingent purchase price liabilities from the acquisition of shares in medocino Gesellschaft für vernetzte Systeme mbH, which were recognised for the first time in the comparative period;

- three contingent purchase price liabilities from the acquisition of the shares in Novosco Group Limited (Novosco Group), which were recognised for the first time in the comparative period.

The contingent consideration from the acquisition of the shares in medocino Gesellschaft für vernetzte Systeme mbH is an employee termination component and a software component. If a certain number of key employees have not terminated their service or employment contracts themselves by the end of 31 December 2020, a one-time lump-sum payment of T€ 200 is due (employee termination component). Accordingly, the consideration to be paid is either T€ 0 or T€ 200. At the time of acquisition, the contingent consideration was valued at T€ 200 on the basis of the most probable payment amount. If the actual software service revenue of certain software developers exceeds a certain amount by the end of 31 December 2020, a one-off lump-sum payment of T€ 400 is due (software component). Accordingly, the consideration to be paid is either T€ 0 or T€ 400. At the acquisition date, the contingent consideration was measured at T€ 400 based on the most probable payout amount. Both the employee termination component and the software component were paid in January 2021. The amounts determined for the contingent consideration were not discounted as at the reporting date of the comparative period and the reporting period, as the payments were due in the short term at these dates. At the end of the reporting period, liabilities of T€ 600 (comparative period: T€ 600) were recognized for the contingent consideration.

The expected payments of the contingent consideration from the acquisition of the shares in the Novosco Group relate - as at the end of the comparative period - to three contingent considerations: a customer contract component of T£ 15,861 (T€ 18,028) (whether a customer contract will be continued or a certain contract milestone

will be reached by 18 May 2020 at the latest) and an income tax component of a maximum of T£ 792 (T€ 868,), a grant component of up to TGP 792 (T€ 868) (whether and to what extent grants are received that are to be distributed to the sellers) and an income tax component of up to T£ 700 (T€ 767) (whether tax relief results from the exercise of share options that are to be distributed to the sellers). For the customer contract component, the consideration payable is either T£ 0 (T€ 0) or T£ 15,861 (T€ 18,028). The customer contract component was measured at T£ 15,861 (T£ 18,028) at the acquisition date. The condition of the customer contract component had already been fulfilled as at the reporting date of the comparative period; the payment was made in the reporting period. The grant component is contingent on the creation of jobs in the Northern Ireland region and the achievement of a Novosco Group earnings target for the 2019 financial year. For the grant component, the range of consideration payable is from T£ 0 (TERU 0) to a maximum of T£ 792 (T€ 868). The grant component was measured at T£ 792 (T€ 900) at the acquisition date. The achievement of the earnings target for the 2019 financial year had already been met as at 31 December 2019; the payment was made in the 2020 financial year. At the end of the reporting period, the liability recognized for the grant component was T£ 0 (T€ 0). For the income tax component, the range of consideration to be paid is from T£ 0 (T£ €0) to a maximum of T£ 1,360 (T€ 1,491). The income tax component was measured at T£ 1,360 (T€ 1,546) at the acquisition date. The condition of the income tax component will be met with tax assessment for the year 2019/20. At the end of the reporting period, the liability recognized for the income tax component was T£ 0 (T€ 0) as the liability was settled in the reporting period.

The put/call agreements recognized as synthetic liabilities in the context of company acquisitions in accordance with IAS 32.23 are measured at amortized cost. However, the respective balance sheet value almost corresponds to the fair value, as a revaluation is carried out on each balance sheet date, taking into account the current estimated values. Differences to the fair value thus only result from the fact that the original (credit risk-adjusted) interest rate on borrowed capital is used to determine the balance sheet value, whereas this interest rate would have to be determined on a current basis to determine the fair value. Due to the company-specific input factors included in the valuation model, these would be allocated to Level 3 if they were measured at fair value. In detail, these are - as at the end of the comparative period - the following items:

a put/call agreement in connection with the acquisition of the shares in Novosco Group Limited and Novosco Group respectively, which was recognized for the first time in the comparative period;

- a put/call agreement in connection with the acquisition of the shares in CANCOM UK TOG Limited (formerly The Organised Group Ltd) and the CANCOM UK Group (formerly OCSL Group), respectively, which was recognized for the first time in the 2018 financial year;

- a put/call agreement in connection with the acquisition of the shares in Ocean Intelligent Communications Ltd and Ocean Group respectively, which was recognized for the first time in the 2018 financial year.

The last two synthetic liabilities listed were derecognized in full in the reporting period; the first synthetic liability was derecognized for the most part. The reason for the derecognition was that the shareholders of the shares not yet transferred to the CANCOM Group (non-controlling interests) exercised their right to tender their shares to the CANCOM Group (use of the put option). The derecognition resulted in a gain of T€ 20,503, which was recognized in the presentation of the result for the period in the amount of T€ 19,549 in the item 'Other financial income' and in the amount of T€ 954 in the item 'Personnel expenses'. The payment in connection with the derecognition of the liability in the amount of T€ 22,963 was allocated within the cash flow statement to the cash flow from financing activities (item "Payments from the redemption of non-current financial liabilities (incl. the part shown as current)").

For the portion of the synthetic liability from the acquisition of the shares in the Novosco Group not derecognized at the end of the reporting period, the expected payments were determined taking into account the predicted EBIT values of the CANCOM LTD Group in the period 2021 to 2026. An EBIT margin of 10 percent on average was assumed. The discount rate was 0.43 percent. The estimated fair values for the synthetic liabilities would increase (decrease) if:

- the sellers would sell their shares later (earlier) than expected, i.e. put,

- the EBIT margin or EBITDA margin would be higher (lower) or

- the risk-adjusted discount rate would be lower (higher).

The development of the contingent consideration allocated to Level 3 of the fair value measurement hierarchy and the synthetic liabilities is shown in the following table for the reporting period:

(in T€)	Contingent consideration	Synthetic liabilities
Status 1.1.2020	22,185	53,909
Change from derecognition/ revaluation	2	-21,281
Access	0	554
Disposals/Compensations	-20,655	-28,252
Currency differences	-932	-3,120
Status 31.12.2020	**600**	**1,810**

In the reporting period, there was unrealized income from revaluation in the amount of T€ 778 (comparable period: T€ 4,613), which was recognized in the presentation of the result for the period in the item "other financial result income". Furthermore, unrealized expenses from the revaluation in the amount of T€ 6,049 were recognized in the item "other financial result expenses" in the comparable period.

The net results by measurement category for the reporting period and the comparative period are as follows:

(in T€)	2020	2019
Financial assets measured at amortised cost (FA_AC)	-2,471	-1,082
Financial assets at fair value through other comprehensive income (FA_FVOCI)	9	30
Financial assets/liabilities at fair value through profit or loss (FA_FVPL/FL_FVPL)	1,357	-933
Financial liabilities measured at amortised cost (FL_AC)	18,962	-1,441
Total	**17,857**	**-3,426**

The net results by valuation category include interest expenses, interest income, value adjustments and write-ups as well as valuation results from financial instruments posted at fair value through profit or loss. The valuation result of the valuation category "financial liabilities measured at amortized cost" also includes gains and losses from revaluation as well as from the disposal of synthetic liabilities.

The application of the effective interest method for the measurement of financial liabilities measured at amortized cost results in an interest expense of T€ 832 (comparative period: T€ 814), which is recognized in the presentation of the result for the period in the item "Interest and similar expenses".

D.6. Risk management

D.6.1. General information on risk management

The aim of CANCOM's risk policy is to identify risks at an early stage and to deal responsibly with risks that could jeopardize the company's existence or pose significant risks. To define and ensure adequate risk control, the Executive Board has formulated risk principles and appointed a central risk officer who regularly monitors, measures and, if necessary, manages any risks.

As part of a risk analysis, risks at CANCOM are regularly classified and assessed according to the criteria of probability of occurrence and extent of damage, and thus fed into a risk matrix. In this context, all risks are assigned to a responsible person. Where risks are quantifiable, correspondingly defined key figures are used to evaluate them. If no precisely definable metrics are available for risks, they are assessed by those responsible.

Early warning indicators are defined within the framework of the early risk detection system for risks that could jeopardize the company as a going concern; changes and developments in these indicators are continuously monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officers ensure permanent and timely controlling of existing and future risks.

D.6.2. Liquidity risks

Liquidity risk is the risk that the company will not be able to meet its payment obligations at a contractually agreed time.

Due to its good equity base and fundamentally long-term financing structure, CANCOM is only exposed to liquidity risk to a limited extent.

For years CANCOM has been using a liquidity management system with daily monitoring of liquidity development and assessment of liquidity risks as well as short-term to long-term liquidity planning.

CANCOM has sufficient net liquidity through profit retention and capital increases. Short-term liquidity is also guaranteed at all times through credit lines and factoring agreements. Long-term liquidity is secured by long-term bank financing and a corresponding equity base. Borrowed funds have been significantly reduced and are predominantly short-term as at the balance sheet date.

Early refinancing of financial liabilities minimises the liquidity risk. The following tables show the contractually agreed (undiscounted) interest and redemption payments from the end of the reporting period or from the end of the comparative period:

(in T€)	2021	2022	2023 until 2025	2026 and beyond
Liabilities from deliveries and services	371,623			
Financial liabilities to financial service providers	13,609			
Liabilities to credit institutions	2,275	40	73	
Leasing liabilities	18,358	16,699	30,697	24,026
Financial liabilities to leasing companies	9,822	9,143	6,648	0
Assets from derivative financial instruments	-335			
Liabilities from contingent consideration	600			
Liabilities from put/call agreements	10	15	1,329	456
Interest payments to be made	998	728	1,081	1,035
Total	**416,960**	**26,625**	**39,828**	**25,517**

(in T€)	2020	2021	2022 until 2024	2025 and beyond
Liabilities from deliveries and services	319,441			
Financial liabilities to financial service providers	14,563			
Liabilities to credit institutions	7,297	0	218	
Leasing liabilities	11,491	9,405	23,797	28,627
Financial liabilities to leasing companies	4,923	4,462	5,072	912
Receivables from forward exchange transactions	-163			
Liabilities from contingent consideration	22,185			
Liabilities from put/call agreements	275	331	11,628	40,599
Interest payments to be made	939	738	1,337	1,359
Total	**380,951**	**14,936**	**42,052**	**71,497**

The CANCOM Group has access to credit lines with banks. As at the reporting date for the reporting period, there were credit and guarantee lines of T€ 53,500 (comparative period: T€ 39,500). The total amount not yet utilized as at the reporting date of the reporting period was T€ 44,672 (comparative period: T€ 31,978). During the reporting period and the comparative period, the CANCOM Group did not experience any delays in interest or principal payments.

D.6.3. Currency risks

Currency risks arise in particular when receivables, liabilities, cash and cash equivalents and planned transactions are or will be denominated in a currency other than the Company's functional currency. As CANCOM's business activities are mainly concentrated in the €o zone and the companies conduct most of their transactions in the functional currency, currency risks in relation to financial instruments only arise to a minor extent. Accordingly, there were no significant concentrations of risk in relation to currency risks in the reporting period or in the comparative period.

CANCOM does not engage in currency speculation and has an ongoing currency management system. Where available, foreign currency risks from orders are hedged. The operating units are prohibited from borrowing or investing funds in foreign currencies for speculative reasons. Intra-group financing or investments are preferably carried out in the respective functional currency or on a currency-hedged basis. The conclusion of currency hedging transactions is permitted to dedicated persons in amounts requiring approval. Approvals for overruns are granted by the Executive Board.

IFRS 7 requires a sensitivity analysis to classify the significance of currency risks. Sensitivity analyses are used to determine the impact of a change in the specified exchange rates at the reporting date on the CANCOM Group's profit or loss for the period and on its equity. The effects are determined by applying the hypothetical changes in exchange rates of ten percent to the portfolio of relevant financial instruments in foreign currency at the reporting date. It is assumed that the portfolio at the reporting date is representative for the reporting period. For the US dollar sensitivity analyses in relation to the result for the period, forward exchange transactions and trade receivables and payables were included. The £ sensitivity analyses in relation to the result for the period included financial liabilities arising in connection with business acquisitions in the United Kingdom, as well as trade receivables and payables. In the £ and US dollar sensitivity analyses in relation to other comprehensive income (or equity), receivables of CANCOM SE representing net investments in foreign operations were included.

If the €o had been 10 percent stronger (weaker) against the US dollar at the end of the reporting period, profit for the period would have been T€ 2,648 lower (T€ 2,413 higher) and equity would have been T€ 1,250 higher (T€ 1,136 lower). If the euro had been 10 percent stronger (weaker) against the British pound at the end of the reporting period, profit for the period would have been T€ 317 lower (T€ 326 higher) and equity would have been T€ 12,572 higher (T€ 11,430 lower). If the euro had been 10 percent stronger (weaker) against the Norwegian krone at the end of the reporting period, the result for the period would have been T€ 432 lower (T€ 394 higher).

If the euro had been 10 percent stronger (weaker) against the US dollar at the end of the comparative period, profit for the period would have been T€ 3,994 lower (T€ 3,630higher) and equity would have been T€ 1,553 higher (T€ 1,412 lower). If the euro had been 10 percent stronger (weaker) against the British pound at the end of the reporting period, profit for the period would have been T€ 4,344 lower (T€ 3,947 higher) and equity would have been T€ 8,396 higher (T€ 7,633 lower).

D.6.4. Interest rate risks

CANCOM's long-term financing means that it is only exposed to interest rate risks to a limited extent. In the past, interest rate fluctuations have only had a minor impact on the result for the period, as existing loan agreements were mostly concluded at fixed interest rates. In addition, CANCOM's good equity base enables it to take out loans at favorable interest rates.

The CANCOM Group has a risk management system for optimizing interest rate risks, consisting of ongoing monitoring of market interest rates and the Group's own interest rate conditions. Credit line agreements provide for the possibility of adjusting interest rates. The conclusion of interest rate hedging transactions is only envisaged in the event of strong interest rate fluctuations.

D.6.5. Default risks

Credit risk or default risk is the risk that business partners fail to meet their contractual payment obligations, resulting in a loss for the CANCOM Group. In order to minimize credit risks, the CANCOM Group generally only enters into business transactions in compliance with predefined risk limits. Before taking on a new customer, the Group uses internal and external credit checks to assess the creditworthiness of potential customers and to set their credit limits. The client assessment and credit limits are reviewed at least annually.

Default risks exist in principle for financial assets. IFRS 9 contains impairment rules for certain financial assets in order to account for default risks. The following table shows the financial assets to which the impairment requirements in IFRS 9 were applied in the CANCOM Group in the reporting period and in the comparative period. The table also contains key information on the respective impairment tests. The table shows that the only default risks to be recognized in connection with financial assets in the CANCOM Group related to trade receivables.

	Carrying amount 31.12.2020 (in T€)	Net impairment loss 2020 (in T€)	Carrying amount 31.12.2019 (in T€)	Net impairment loss 2019 (in T€)
Cash and cash equivalents	338,371	/	364,853	/
Trade receivables, contract assets	333,909	-870	276,055	-199
Receivables from finance leases[1]	47,395	/	23,963	/
Receivables from suppliers[1]	9,264	/	10,039	/
Medium term notes[2]	0	0	4,000	0

1) Reported in the balance sheet under "other current financial assets" or "other non-current financial assets".
2) Reported in the balance sheet under "Financial assets and loans".
3) L_ECL = credit losses expected over the total term; 12M_ECL = part of L_ECL resulting from default events that are possible within the next 12 months after the reporting date.

CANCOM generally considers financial assets to be in default if they are more than 90 days overdue or if repayment is assessed as unlikely. A creditworthiness-related impairment exists in particular if CANCOM has indications of the existence of financial difficulties or even insolvency on the part of the debtor. An immediate reduction in the gross carrying amount of a financial asset due to uncollectibility is made if CANCOM cannot reasonably assume that the item is wholly or partly realizable or recoverable.

For reasons of immateriality, no expected credit losses are recognized for cash and cash equivalents. The default risk with regard to credit balances from the investment of cash and cash equivalents with credit institutions is virtually excluded due to the risk diversification (large number of credit institutions) and the selection of credit institutions with strong credit ratings (investment grade rating). The risk has not changed since the date of acquisition; there are no indications of a deterioration in the borrower's rating as of the balance sheet date. The risk at the time of acquisition was assessed as insignificant.

With regard to trade receivables and contract assets, CANCOM uses an impairment matrix with four loss rates (not yet overdue to over 365 days overdue) to determine the expected credit losses. Depending on the age structure of the receivables, value adjustments are made to the items throughout the Group. Furthermore, any change in creditworthiness since the granting of the payment term up to the balance sheet date is taken into account. There is no significant concentration of credit risk because the customer base is broad and there are only minor correlations. The loss rates are based on historical values, adjusted for prospective expectations.

At CANCOM, a receivable is generally considered to be in default at the reporting date if it is more than 365 days overdue at that date. With regard to gross receivables overdue by more than 365 days, it is assumed for the purposes of determining the loss rates that 30 percent of these are actually not settled or default; a bankruptcy rate of 20 percent is also assumed. The estimates are based on historical experience within the CANCOM Group.

Irrespective of the overdue amount determined for each item on the respective reporting date, trade receivables or contract assets with little or no expectation of payment are written down by 100 percent if there are objective indications of insolvency (i.e. if there is a transition from level 2 to level 3, in particular if insolvency becomes known or if there are indications of imminent insolvency).

In the reporting period, expenses for allowances on trade receivables and contract assets amounting to T€ 870 (comparative period: T€ 199) were recognized.

Type of examination	Value adjustment model, level allocation	Expected credit losses taken into account[3]	Check for increase in default risk	Failure definition (transition from level 2 to level 3)	Consideration of collateral
None (waiver due to immateriality)	/	/	/	/	/
Group and individual examination	Simplification model; level 2,3	L_ECL (value adjustment matrix)	not applicable	Indications of insolvency (e.g. insolvency)	No
None (waiver due to immateriality)	/	/	/	/	/
	/	/	/	/	/
Individual examination	Standard model; Level 1	12M_ECL	No (investment grade securities)	/	No

The impairment matrix for the reporting period is as follows:

Value adjustment matrix as at 31.12.2020	Loss rate (weighted average) in %.	Gross book value with turnover tax in T€	Gross book value without turnover tax in T€	Value adjustment in T€
Not yet overdue as at the reporting date	0.02	268,478	252,271	46
1 to 120 days overdue as at the reporting date	0.10	60,168	50,871	51
Overdue by 121 to 365 days as at the reporting date	0.48	4,251	3,746	18
Overdue by more than 365 days at the reporting date	24.00	1,247	1,114	267
Objective evidence of impairment at the reporting date	100.00	939	792	792
Total		**335,083**	**308,794**	**1,174**

In the reporting period, the value adjustment was calculated from the respective gross book value without VAT multiplied by the corresponding loss rate. The change in the impairment item (31. December 2020: T€ 1,174; 31. December 2019: T€ 425) resulted in an amount of T€ 749 recognized within the statement of comprehensive income in the result for the period under the item "Impairment losses on financial assets including reversals of impairment losses", of which an amount of T€ 793 was attributable to the revaluation of the impairment and an amount of T€ 44 to the derecognition due to the write-off of the receivable. In addition, the item "Impairment losses on financial assets including reversals of impairment losses" includes losses from the derecognition/write-off of trade receivables of T€ -150 and from gains due to cash inflows from trade receivables already derecognized/written off of T€ 29. For the development of the impairment item in the reporting period, we refer to Section B.3 of the consolidated financial statements.

The impairment matrix for the comparative period is as follows:

Value adjustment matrix as at 31.12.2019	Loss rate (weighted average) in %.	Gross book value with turnover tax in T€	Value adjustment recognised in the result for the period in T€
Not yet overdue as at the reporting date	0.02	198,035	-40
1 to 120 days overdue as at the reporting date	0.10	72,035	-72
Overdue by 121 to 365 days as at the reporting date	0.48	6,170	-30
Overdue by more than 365 days at the reporting date	24.00	240	-58
Total		**276,480**	**-199**

For receivables from finance leases and receivables from suppliers, no expected credit losses are recognized for reasons of immateriality. The assessment is based on historical default risks and on the credit ratings of the business partners. In the case of receivables from finance leases, the default risk is extremely low because CANCOM has the right to reclaim the merchandise leased to the customer in the event of default on the customer receivable, and because the lessor business is generally financed via a sale and leaseback transaction, which generally also means that the corresponding lease liability no longer has to be serviced in the event of default on the customer receivable.

The medium-term notes of the comparative period are a fixed-interest security with an investment grade rating, which was sold in the reporting period. The fair value hardly changed in the reporting period (until the sale) and in the comparative period. Due to the investment grade rating, it is not the credit loss expected over the entire term that is to be taken into account, but only that part of it that results from default events that are possible within the next 12 months after the reporting date. Therefore, the loss rate to be taken into account was estimated at almost 0.00 percent.

For loans to former subsidiaries, no expected credit losses are recognized for reasons of immateriality. The assessment is based on historical default risks and on the credit ratings of the former subsidiaries.

The theoretical maximum default risk of the items listed above is the amount of the reported carrying amounts. As a rule, the Group does not have collateral that would reduce this default risk.

D.6.6. Financial market risks

Potential financial market risks are continuously analyzed as part of CANCOM's risk management. Trading in financial instruments and structured products is not a core business of the Company and is only used – if at all – to hedge valuable underlying transactions that are exposed to currency risks. Foreign currencies were hedged in the amount of T$ 19,855 (comparative period: T$ 23,688), TCHF 42,140 (comparative period: TCHF 534) and TCHF 0 (comparative period: TCHF 552) as at the balance sheet date of the reporting period. The financial market risk is limited to the exchange rate risk of the forward exchange contracts entered into by the Company as at the reporting date of the reporting period, which have a positive fair value of T€ 335 (comparative period: T€ 163).

Authorizations for the acquisition and sale of structured products at the banks are limited to the Executive Board (Chief Executive Officer and Chief Financial Officer). This is to avoid transactions in this area by inexperienced persons.

D.7. Contingent liabilities and other financial commitments

The companies in the CANCOM Group had the following financial obligations from rental, telecommunications and license agreements:

Due in the year	2021 (in T€)	2022 (in T€)	2023 (in T€)	2024 (in T€)	2025 (in T€)	after 2025 (in T€)	Total (in T€)
from rental agreements (incidental rental expenses)	2,286	2,292	1,649	1,569	1,396	4,254	13,446
from telecommunications contracts	2,133	1,525	269	91	5	0	4,023
from licence agreements	5,957	1,267	631	25	0	0	7,880
Total	**10,376**	**5,084**	**2,549**	**1,685**	**1,401**	**4,254**	**25,349**

D.8. Relationships with related companies and persons

CANCOM SE prepares these consolidated financial statements as the parent company. These consolidated financial statements are not included in any higher-level consolidated financial statements.

Related parties as defined by IAS 24 are persons and entities that control, jointly control or exercise significant influence over the CANCOM Group. They also include companies that are controlled, jointly controlled or significantly influenced by persons related to CANCOM, their close family members or by the CANCOM Group itself. CANCOM related parties are therefore the active members of the Executive Board and Supervisory Board of CANCOM SE and their close family members. The companies related to CANCOM in the 2020 financial year are the subsidiaries of the CANCOM Group. For an overview of the subsidiaries, please refer to the information in section A.2.1 of the consolidated financial statements on the scope of consolidation and to the list of shareholdings in the consolidated financial statements. In addition, companies controlled or jointly controlled by active members of the Executive Board and Supervisory Board of CANCOM SE or their close family members are considered related parties.

Members of the Executive Board or Supervisory Board and their close family members only occasionally purchase goods or services from CANCOM. In total, CANCOM sold goods and/or services to members of the Executive Board and Supervisory Board of CANCOM SE and their close family members in the financial year 2020 with a total value of less than T€ 100 (comparative period: less than T€ 100). Of this amount, T€ 1was outstanding at the reporting date (comparative period: T€ 0).

In addition, companies that are considered related parties by CANCOM and are not subsidiaries of CANCOM SE acquire goods or services from CANCOM. In the 2020 financial year, the total value was less than T€ 100 (comparative period: less than T€ 100). Of this amount, T€ 0 was outstanding at the reporting date (comparative period: T€ 0).

CANCOM procures services from close family members of the Supervisory Board. In the financial year 2020, the total value of services received was less than T€ 100 (comparative period: less than T€ 100). Of this amount, T€ 0 was outstanding at the reporting date (comparative period: T€ 0).

In addition, CANCOM occasionally purchases goods or procures services from companies that CANCOM considers to be related parties and that are not subsidiaries of CANCOM SE. In the 2020 financial year, CANCOM did not purchase any goods or services from companies that are considered related parties by CANCOM and are not subsidiaries of CANCOM SE (comparative period: none).

All transactions with these related parties were concluded at arm and are net settled between 10 and 30 days None of the balances are secured. No bad and doubtful debts expense was recognized in the current year and previous year in respect of amounts due from related parties. Guarantees were neither granted nor received. In the case of the subsidiaries of CANCOM SE, business transactions were eliminated in the course of consolidation and therefore do not require further explanation.

The members of the Executive Board received total remuneration of T€ 6,725 in the reporting period (comparable period: T€ 3,378). The payments are short-term benefits in the amount of T€ 1,823 (comparable period: T€ 3,378). Termination benefits of T€ 2,731 were granted to the former Executive Board member Thomas Volk in the reporting period. In addition, the total remuneration of the Executive Board in the reporting period for share-based payments includes an amount of T€ 2,171 from the granting of 150,000 stock options to Rudolf Hotter at fair value when issued at € 14.47 per stock option. No post-employment benefits or other long-term benefits were granted to the members of the Executive Board in the reporting period or the comparative period.

For the share-based remuneration of the Executive Board, a total income of T€ 297 was recognized in the reporting period (comparative period: total expense of T€ 913). In the reporting period, there was a net income because the income from the share options of the former Executive Board member Thomas Volk that expired in the reporting period exceeded the expenses from share options recognized in the reporting period.

The remuneration of the members of the Supervisory Board in the reporting period comprised a basic remuneration as well as an additional remuneration for committee activities and amounted to a total of T€ 324 in the reporting period, including attendance fees (comparative period: T€ 343).

Individualized information on the remuneration of the Executive Board and the Supervisory Board is presented in the remuneration report, which is part of the combined management report.

As in the previous year, there were no other significant business transactions between the company and members of the Executive Board and the Supervisory Board in the reporting period.

D.9. Shareholdings and share options of the executive bodies (as at the balance sheet date)

The following table shows the number of shares and share options held by the Executive Board of CANCOM SE as at the reporting date for the reporting period (31 December 2020):

Name of the Board	Number of shares in units	Number of shares in %	Number of share options in units
Thomas Stark	0	0.0000	60,000 (not exercisable)
Rudolf Hotter	8,000	0.02075	150,000 (not exercisable)

D.10. Declaration on the Corporate Governance Code

The Executive Board and the Supervisory Board have issued a joint declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with section 161 (1) of the German Stock Corporation Act (AktG), which has been published. This is permanently available to the public on the company's website.

D.11. Auditors' fees

The following fees (total remuneration with expenses excluding input tax) were calculated for the auditors within the meaning of § 318 HGB for the reporting period and the comparative period:

(in T€)	2020	2019
Audit services	-986	-315
Other confirmation services	0	0
Tax consultancy services	0	0
Other services	-6	-4
Thereof for the comparative period	-551	-16

The fees shown in the table above correspond to the expenses recognised in the reporting period and in the comparative period in the presentation of the result for the period.

In the reporting period, these are exclusively fees of KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. excluding fees of international associations and networks). The other services are TISAX services.

In the comparative period, the fees of KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. excluding fees of international associations and networks) totalled T€ 303 - of which T€ 299 related to the audit of the financial statements and T€ 4 to other services - and the fees of S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. excluding fees of international associations and networks) totalled T€ 16. The other services in the comparative period relate to consulting services for procedural documentation for archiving for a subsidiary.

D.12. Number of employees

The CANCOM Group had an average of 3,912 employees during the reporting period (previous year: 3,555 employees) and 3,957 employees at the end of the year (previous year: 3,820 employees).

The average number of employees in the reporting period of 3,912 is distributed across the following functional areas: Professional Services 2,408 employees (comparative period: 2,191 employees), Sales 798 employees (comparative period: 764 employees) and Central Services 706 employees (comparative period: 600 employees).

D.13. Information on shareholdings in the capital of CANCOM SE

As at 31 December 2020, the Company had the following information on shareholdings subject to notification pursuant to Sections 33 et seq. WpHG were available:

The Goldman Sachs Group, Inc. , Wilmington, DE, USA, notified CANCOM SE on 24 March 2020 that its share of voting rights in CANCOM SE, held directly or indirectly, had fallen below the threshold of 5 percent on 20 March 2020 and directly amounted to 1.80 percent (corresponding to 694,671 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day was 3.97 percent (corresponding to 1,531,921 voting rights).

BNP Paribas Asset Management France S.A.S., Paris, France, notified CANCOM SE on 29 September 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 3 percent of the voting rights on 9 September 2020 and amounted to 4.66 percent (corresponding to 1,797,710 voting rights) on that date.

Allianz Global Investors GmbH, Frankfurt, Germany notified CANCOM SE on 29 October 2020 that its share of voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 20 percent of the voting rights on 28 October 2020 and amounted to 20.55 percent (corresponding to 7,922,930 voting rights) on that date.

PRIMEPULSE SE, Munich, Germany notified CANCOM SE on 11 November 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 5 percent of the voting rights on 4 November 2020 and amounted to 5.06 percent (corresponding to 1,950,928 voting rights) on that date.

Ameriprise Financial Inc. Wilmington, DE, USA, notified CANCOM SE on 2 December 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 3 percent of the voting rights on 26 November 2020 and amounted to 3.49 percent (corresponding to 1,344,355 voting rights) on that date.

BlackRock Inc, Wilmington, DE, USA, notified CANCOM SE on 3 December 2020 that its voting rights in CANCOM SE, held directly or indirectly, had fallen below the threshold of 3 percent of the voting rights on 30 November 2020 and amounted to 2.98 percent (corresponding to 1,149,329 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day was 3.82 percent (corresponding to 1,470,706 voting rights).

D.14. Executive Board and Supervisory Board

The following persons were and/or are appointed as members of the Executive Board during the reporting period:

- Mr. Thomas Volk, Dipl.-Informatiker, Inning (until 31 January 2020) - Chairman (until 31 January 2020);
- Mr. Rudolf Hotter, Dipl.-Betriebswirt, Roßhaupten - Chairman (from 1 February 2020);
- Mr. Thomas Stark, Dipl.-Wirtsch.-Ing., Wittislingen.

All members of the Board of Directors are authorized to represent the Company together with another member of the Board of Directors or in conjunction with an authorized signatory (Prokurist).

The following members of the Executive Board are members of statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises:

Mr. Thomas Volk in:
- Polecat Intelligence Ltd, Ireland (Chair);
- tyntec Group Ltd, Great Britain (Chair);
- Unify Square, USA;
- CANCOM GmbH (Group mandate, until 31 January 2020);
- CANCOM ICT Service GmbH (Group mandate, until 31 January 2020).

Mr. Rudolf Hotter in:
- CANCOM Managed Services GmbH (formerly: Pironet AG) (Group mandate, from 1 February 2020);
- CANCOM ICT Service GmbH (Group mandate, Chair);
- CANCOM GmbH (Group mandate, Chair, until 30 June 2019).

Mr. Thomas Stark in:
- AL-KO Kober SE.

The members of the Supervisory Board were and/or are appointed during the reporting period:

- Dr. Lothar Koniarski, Dipl.-Kaufmann, Managing Director of Elber GmbH, Regensburg – Chairman –;
- Mr. Uwe Kemm, Chief Operation Officer of Stemmer Imaging AG, Puchheim (from 30 June 2020 ;
- Mr. Hans-Ulrich Holdenried, business graduate, independent management consultant (from 26 June 2019, until 5 February 2020);
- Ms. Regina Weinmann, business graduate, Managing Director of ABCON Vermögensverwaltung GmbH, Munich (from 30 April 2020);
- Mr. Martin Wild, Chief Executive OfficerOrganic Garden AG, Ingolstadt (from 5 October2020);
- Mr. Stefan Kober , businessman, investor and supervisory board member of various companies - Vice Chairman -;
- Prof. Dr. Isabell M. Welpe, Professor and Chair of Strategy and Organisation at the Technical University of Munich, Munich.

The following members of the Supervisory Board are members of other statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises:

Dr. Lothar Koniarski:
- SBF AG, Leipzig (Chairman of the Supervisory Board);
- DV Immobiliengruppe, Regensburg (Chairman of the Advisory Board);
- Alfmeier Präzisions SE, Treuchtlingen (Member of the Board of Directors);
- Mutares AG, Munich (Member of the Supervisory Board).

Mr. Hans-Ulrich Holdenried:
- Infineon Technologies AG, Neubiberg (Member of the Supervisory Board);
- Bridge imp GmbH, Grünwald (member of the advisory board).

Prof. Dr. Isabell M. Welpe:
- Deloitte Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf (Member of the Supervisory Board).

Mr. Stefan Kober:
- AL-KO Kober SE, Kötz (Chairman of the Supervisory Board);
- STEMMER IMAGING AG, Puchheim (Member of the Supervisory Board);
- KATEK SE, Munich (Member of the Supervisory Board).

The following resolutions were passed on 21 December 2020:

- The Supervisory Board appoints the member Mr. Stefan Kober as Chairman of the Supervisory Board of CANCOM SE with effect from 1 January 2021.
- The Supervisory Board appoints the member Dr Lothar Koniarski as Deputy Chairman of the Supervisory Board of CANCOM SE with effect from 1 January 2021.
- Dr. Lothar Koniarski is appointed Chairman of the Audit Committee with effect from 1 January 2021. Mr. Stefan Kober is appointed Deputy Chairman of the Audit Committee with effect from 1 January 2021.

D.15. Significant events after the reporting period

In January 2021 CANCOM SE acquired 100 percent of the shares and 100 percent of the voting rights in Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH, Hanover, with a nominal value of T€ 26. The company is an IT systems house, employed 70 people (including managing directors) at the time of initial consolidation and generated revenue of T€ 22,750 (HGB) in the short financial year from 1 April 2020 to 31 December 2020. With the acquisition, CANCOM intends to expand its presence in the north of Germany and, in particular, broaden its offering for customers in the healthcare and education sectors as well as SMEs in terms of data centre infrastructure, including the associated integration and consultancy services. The total purchase price consists of a fixed purchase price component to be paid in cash in the amount of T€ 12 and a variable purchase price component. The variable purchase price component is a performance-based component (earn-out) - i.e. conditional payments depending on the EBIT of the acquired company for a total of four periods until 31 December 2023. In addition, the seller has given a guarantee that the balance sheet equity according to the German Commercial Code (HGB) corresponds to a certain minimum amount as of 31 December 2020. Should the equity deviate from the guaranteed equity on the closing date, the total purchase price will change accordingly by the negative or positive deviation amount.

At the time the consolidated financial statements were released for publication, the acquisition of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH was incomplete within the meaning of IFRS 3 due to the fact that the purchase price allocation had not yet been completed. For this reason, the assets and liabilities acquired at the time of initial consolidation are not shown and the goodwill resulting from the acquisition is also not stated.

The acquisition of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH is expected to result in goodwill that will not be deductible for tax purposes. The reason for the recognition of goodwill will be expected synergies from the regionally strengthened business activity and from data centre solutions. In connection with the acquisition, costs of T€ 97 were recognised in the reporting period within the presentation of the result for the period in the item "other operating expenses".

The gross book value of the trade receivables of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH recorded at the time of initial consolidation provisionally amounts to T€ 4,943; the resulting cash flows are classified as recoverable in almost their entirety at the time of initial consolidation. The fair value of the trade receivables recognised at the time of initial consolidation provisionally amounts to T€ 4,943.

There were no other significant events for the CANCOM Group after the reporting period.

D.16. Proposal for the appropriation of the result of CANCOM SE

The Executive Board resolves to propose to the Supervisory Board and the Annual General Meeting that the net retained profits of CANCOM SE for the reporting period, determined in accordance with the provisions of German commercial law, amounting to € 48,903,477.19 (comparative period: € 72,898.276.51) to distribute a dividend of € 28,911,000.75 (comparative period: € 19,274,000.50), i.e. € 0.75 (comparative period: € 0.50) per no-par value share entitled to dividend, and to transfer the net profit remaining after the distribution to other revenue reserves.

D.17. Claiming the exemption under section 264(3) HGB and section 479A UK Companies Act 2006

CANCOM GmbH, Jettingen-Scheppach, CANCOM ICT Service GmbH, Munich, CANCOM Managed Services GmbH, Munich, and CANCOM Public GmbH (formerly CANCOM on line GmbH), Berlin, make use of the simplification provisions of section 264 (3) of the HGB.

The subsidiaries CANCOM LTD (Company No. 11243168), CANCOM UK Holdings Limited (Company No. 11504228), CANCOM UK TOG Limited (Company No. 3502223), CANCOM Ocean Ltd (Company No. 11245563), CANCOM Communication & Collaboration Ltd (Company No. 06356551), Novosco Group Limited (Company No. NI645988) are exempt from the requirements regarding the audit of their individual financial statements of the UK Companies Act 2006 pursuant to section 479A of the UK Companies Act 2006, as CANCOM SE has guaranteed the status of subsidiary in each case pursuant to section 479C of the UK Companies Act 2006.

Munich, 23 March 2021

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report of CANCOM SE and the CANCOM Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 23 March 2021

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

List of shareholdings

Company name	Seat of the company	Participation rate in %
Subsidiary		
1. CANCOM GmbH	Jettingen-Scheppach	100,00
and its subsidiaries		
- CANCOM (Switzerland) AG	Caslano/Switzerland	100,00
- CANCOM Computersysteme GmbH	Graz/Austria	100,00
and its subsidiaries		
- CANCOM a + d IT solutions GmbH	Brunn am Gebirge (formerly Perchtoldsdorf)/Austria	100,00
2. CANCOM ICT Service GmbH	Munich	100,00
3. CANCOM Managed Services GmbH	Munich	100,00
4. CANCOM Public GmbH (formerly CANCOM on line GmbH)	Berlin	100,00
5. CANCOM Public BV (formerly Cancom on line BVBA)	Brussels (formerly Elsene)/Belgium	100,00
6. CANCOM physical infrastructure GmbH	Jettingen-Scheppach	80,00
7. CANCOM VVM II GmbH (formerly CANCOM Financial Services GmbH)	Jettingen-Scheppach	100,00
8. CANCOM VVM GmbH	Munich	100,00
9. CANCOM, Inc.	Palo Alto/USA	100,00
and its subsidiaries		
- HPM Incorporated	Pleasanton/USA	100,00
10. CANCOM LTD	London/Great Britain	99,29
and its subsidiaries		
- CANCOM UK Holdings Limited	London/Great Britain	100,00
and its subsidiaries		
- CANCOM UK TOG Limited	Wisborough Green/Great Britain	100,00
and its subsidiaries		
- CANCOM UK Limited	Wisborough Green/Great Britain	100,00
- CANCOM UK Managed Services Limited	Wisborough Green/Great Britain	100,00
- CANCOM UK Professional Services Limited	Wisborough Green/Great Britain	100,00
and its subsidiaries		
- M.H.C. Consulting Services Limited	Wisborough Green/Great Britain	100,00
- Novosco Group Limited	Belfast/United Kingdom	100,00 [1]
and its subsidiaries		
- CANCOM Managed Services Ltd (formerly Novosco Ltd)	Belfast/United Kingdom	100,00
- CANCOM Ireland Limited (formerly Novosco Limited)	Dublin/Ireland	100,00
- CANCOM Communication & Collaboration Ltd (formerly Ocean Unified Communications Ltd)	Weybridge/Great Britain	100,00
- CANCOM Ocean Ltd	London/Great Britain	100,00
and its subsidiaries		
- Ocean Intelligent Communications Ltd	Weybridge/Great Britain	100,00 [1]
and its subsidiaries		
- Ocean Network Services Limited	Weybridge/Great Britain	100,00 [1]
11. CANCOM Slovakia s.r.o.	Košice/Slovakia	100,00
Non-consolidated structured entities		
12. Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG[2]	Mainz	100,00 [3]

1) Ocean Intelligent Communications Ltd and Ocean Network Services Limited have been dissolved but not yet removed from the Companies House register.
2) The annual financial statements for 2020 had not yet been prepared and published by the time the consolidated financial statements were prepared. Equity as at 31.12.2019 amounts to T€ 0 and the net profit for 2019 amounts to T€ -28.
3) Voting rights 10 percent.

Independent Auditor's Report

To CANCOM SE, Munich

Report on the audit of the consolidated financial statements and the group management report

Audit Opinions

We have audited the consolidated financial statements of CANCOM SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined group management report and management report of CANCOM SE (hereinafter referred to as the 'group management report') of

CANCOM SE for the financial year from 1 January 2020 to 31 December 2020. In accordance with German legal requirements, we have not audited the content of the components of the Group management report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit, the consolidated financial statements are

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to section 315e (1) HGB and give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020 in accordance with these requirements; and

- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the components of the group management report mentioned in the section "Other information".

In accordance with section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the group management report.

Basis for the audit judgements

We conducted our audit of the consolidated financial statements and the group management report in accordance with section 317 HGB and the EU Regulation on Auditors (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the section "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group entities in accordance with European law as well as German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Art. 10 (2) f) EU-APrVO that we have not performed any prohibited non-audit services according to Art. 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Particularly important audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

The recoverability of goodwill is determined by the

Please refer to sections A.3.11 and B.8.3 of the notes to the consolidated financial statements for information on the accounting and valuation methods applied and the assumptions used. Information on the amount of goodwill can be found in section B.8.3 of the notes to the consolidated financial statements.

THE RISK TO THE FINANCIAL STATEMENTS

Goodwill amounted to € 208,072,000 as at 31 December 2020 and, at 33.9 % of the Group's equity, is of material significance for the financial position.

The impairment test of goodwill is complex and is based on a number of discretionary assumptions. These include, in particular, the expected business and earnings development of the cash-generating units for the next five years and the discount rate used.

The restructuring of CANCOM within the United Kingdom resulted in a change in the composition of the cash-generating units. Since 1 July 2020, the cash-generating unit "Novosco/Ocean Group IT Solutions" and the cash-generating unit "Novosco/Ocean Group Cloud Solutions" have existed. For the goodwill of the cash-generating units "Novosco Group" (carrying amount as at 31 December 2019 of T€ 66,327) and "Ocean Group" (carrying amount as at 31 December 2019 of T€ 32,094), separate impairment tests were performed for the last time immediately before the restructuring as at 1 July 2020.

There is a risk for the consolidated financial statements that an impairment existing at the time of the restructuring on 1 July 2020 or at the reporting date was not recognised. There is also a risk that the related disclosures in the notes are not appropriate.

OUR APPROACH TO THE AUDIT

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions of the underlying plans and the company's calculation method at the time of the restructuring (1 July 2020) and at the reporting date. For this purpose, we discussed the expected development of business and results with the persons responsible for planning. Furthermore, we assessed the consistency of the assumptions with external market estimates.

Furthermore, we satisfied ourselves of the company's previous forecasting quality by comparing the previous year's planning with the actual realised results and analysing deviations. We -compared the assumptions and parameters underlying the discount rates, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. To ensure the arithmetical accuracy of the valuation model used, we traced the company's calculations on the basis of risk-oriented selected elements.

Finally, we assessed whether the disclosures in the notes on the recoverability of goodwill are appropriate.

OUR CONCLUSIONS

The calculation method used for the impairment test of goodwill is appropriate and in accordance with the applicable valuation principles.

The assumptions and parameters of the company on which the valuation is based are within the permissible ranges.

The related disclosures in the notes are appropriate.

Revenue recognition

For the accounting and valuation principles applied, please refer to section A.3.2 of the notes to the consolidated financial statements.

THE RISK TO THE FINANCIAL STATEMENTS

The consolidated financial statements of CANCOM SE for the 2020 financial year show revenue of € 1,649 million. The main contributors to revenue are proceeds from the sale of hardware and software and the provision of services.

As a complete solutions provider, CANCOM advises its customers on the configuration of their IT infrastructure, supplies the necessary hardware and software, and in some cases provides installation and integration services on site. In addition, CANCOM takes over the partial or complete operation of its customers' IT systems (managed services). CANCOM either provides these services itself or has them provided directly to the customer by the manufacturers of the hardware or software sold.

IFRS 15 requires an entity, when another party is involved in supplying goods or providing services to a customer, to evaluate whether its performance obligation is to supply the goods as principal or to provide the services as principal, or to arrange for the supply of the goods or provision of the services by that other party as agent (classification of performance obligation).

There is a risk for the financial statements that the classification of CANCOM's performance obligations is incorrect and that revenue is therefore not measured appropriately and/or accrued incorrectly. There is also a risk for the financial statements that the presentation in the notes is inappropriate.

OUR APPROACH TO THE AUDIT

We first retraced the company's classification of performance obligations by contract type. Based on this, we selected risk-oriented revenue streams that are highly complex or prone to errors due to the contract design. From these revenue streams, we made a deliberate selection of contracts that are typical for certain hardware and software suppliers.

We then assessed the nature of the performance obligations contained in the contracts with respect to the principal/agent classification provisions of IFRS 15 and traced the resulting revenue recognition (point in time or period in time) and accounting mapping.

Finally, we have satisfied ourselves of the proper presentation in the appendix.

OUR CONCLUSIONS

The classification of the type of performance obligation from the contracts for the sale of software and hardware as well as related services is appropriate. The corresponding revenue is appropriately measured and appropriately accrued. The presentation in the notes is appropriate.

Other information

The legal representatives or the supervisory board are responsible for the other information. The other information comprises the following components of the group management report that have not been audited as to their content:

- The separate non-financial consolidated report expected to be available to us after the date of this audit opinion, which is referred to in the group management report, and
- the Group Corporate Governance Statement, to which reference is made in the Group Management Report.

The other information also includes the other parts of the annual report.

The other information does not include the consolidated financial statements, the audited group management report disclosures and our audit opinion thereon.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion on it.

In connection with our audit, we have a responsibility to read the other information and, in doing so, consider whether the other information is

- are materially inconsistent with the consolidated financial statements, the content of the audited group management report disclosures or our knowledge obtained in the audit; or
- otherwise appear to be materially misrepresented.

Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the group management report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for accounting on a going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it has deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and group management report.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of non-compliance than in the case of misstatements, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the group to express an opinion on the consolidated financial statements and on the group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view of the group's position conveyed by it.

- We perform audit procedures on the forward-looking statements made by management in the group management report. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

Other statutory and other legal requirements

Report on the audit of the electronic reproduction of the consolidated financial statements and the group management report prepared for the purpose of disclosure pursuant to section 317 (3b) of the German Commercial Code (HGB)

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the file "CANCOM_SE_2020-12-31.zip" (SHA256-Hashwert: 9bf1578a31e5a1b2421791110dd2db0205ddb81545f368c2c467916dda409314) and prepared for the purpose of disclosure of the consolidated financial statements and the group management report, which are combined with the reproduction of the annual financial statements in one file (hereinafter also referred to as "ESEF documents") meet the requirements of section 328 (1) HGB regarding the electronic reporting format ("ESEF format"). 1 HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 (1) of the German Commercial Code (HGB) concerning the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2020 to 31 December 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

We conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file in accordance with section 317 (3b) HGB and the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to section 317 (3b) HGB (IDW EPS 410). Our responsibility thereunder is further described below. Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the consolidated -management report in accordance with section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB) and for the certification of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 of the HGB.

Furthermore, the company's management is responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

The legal representatives of the Company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.

- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited group management report.

- we assess whether the mark-up of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other information according to Art. 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on 30 June 2020. We were appointed by the Supervisory Board on 20 October 2020. We have served as auditors of the consolidated financial statements of CANCOM SE without interruption since the 2019 financial year.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the audit committee pursuant to Art. 11 EU-APrVO (audit report).

We have performed the following services, which were not disclosed in the consolidated financial statements or the group management report, in addition to the audit of the financial statements for the audited entity or for the entities controlled by the audited entity:

In addition to the consolidated financial statements and the combined group management report and management report, we have audited the annual financial statements of CANCOM SE. Furthermore, we provided support services in an enforcement procedure. We also provided assessment services in connection with the Trusted Information Security Assessment Exchange standard TISAX.

Auditor in charge

The auditor responsible for the audit is Karl Braun.

Augsburg , 29 March 2021
KPMG AGAudit Firm

Braun	Querfurth
Chartered Accountant	Chartered Accountant

Balance sheet

ASSETS

(in €)	31.12.2020	31.12.2019
A. FIXED ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets acquired against payment as well as licences to such rights and assets	84,878.48	100,651.83
II. property, plant and equipment		
1. Technical equipment and machinery	256.22	14,040.63
2. Other equipment, operating and office equipment	320,570.40	281,095.11
	320,826.62	295,135.74
III. financial investments		
1. shares in affiliated companies	284,073,351.40	261,955,012.79
2. loans to affiliated companies	123,400,285.65	123,451,459.35
3. participations	1.00	1.00
4. securities held as fixed assets	0.00	4,000,000.00
	407,473,638.05	389,406,473.14
	407,879,343.15	389,802,260.71
B. CURRENT ASSETS		
I. Receivables and other assets		
1. trade receivables	0.00	534.31
2. receivables fromaffiliated companies	60,270,719.27	60,776,386.04
3. Other assets	6,591,478.94	3,946,021.92
	66,862,198.21	64,722,942.27
II. cash in hand and bank balances	199,693,986.29	188,625,416.42
	266,556,184.50	253,348,358.69
C. ACCRUALS AND DEFERRALS	285,395.11	324,355.89
Assets, total	**674,720,922.76**	**643,474,975.29**

EQUITY AND LIABILITIES

(in €)	31.12.2020	31.12.2019
A. EQUITY		
I. Share capital	38,548,001.00	38,548,001.00
II. capital reserve	378,384,832.32	378,384,832.32
III. revenue reserves		
1. Statutory reserve	6,665.71	6,665.71
2. Other revenue reserves	186,702,267.00	133,077,990.99
	186,708,932.71	133,084,656.70
IV. Balance sheet profit	48,903,477.19	72,898,276.51
	652,545,243.22	622,915,766.53
B. PROVISIONS		
1. tax provisions	1,688,352.00	2,482,178.51
2. other provisions	1,715,768.00	3,002,671.38
	3,404,120.00	5,484,849.89
C. LIABILITIES		
1. trade payables	251,491.58	595,105.17
2. liabilities to affiliated companies	7,432.52	52,007.29
3. Other liabilities	17,855,972.44	13,770,170.41
	18,114,896.54	14,417,282.87
D. ACCRUALS AND DEFERRALS	2,806.00	4,390.00
E. DEFERRED TAX LIABILITIES	653,857.00	652,686.00
Liabilities, total	**674,720,922.76**	**643,474,975.29**

Profit and loss account

INCOME STATEMENT for the period from 1 January 2020 to 31 December 2020

(in €)	1.1.2020 until 31.12.2020	1.1.2019 until 31.12.2019
1. sales revenues	9,458,485.46	8,659,441.92
2. other operating income	11,269,120.13	1,345,641.95
3. cost of materials		
Cost of raw materials, consumables and supplies and of purchased goods	.00	-22,886.97
4. personnel expenses		
a) Wages and salaries	-10,648,913.77	-8,323,437.39
b) Social security contributions and expenses for pensions and other benefits	-1,044,903.10	-885,185.60
thereof for retirement benefits in the amount of € 8,162.32 (previous year: € 7,695.81)		
	-11,693,816.87	-9,208,622.99
5. amortisation of intangible assets		
of fixed assets and property, plant and equipment	-170,813.27	-170,736.80
6. other operating expenses	-9,240,544.72	-8,876,416.80
7. income from participations	22,300,000.00	44,354,297.59
8. Profits received under a profit transfer agreement	37,958,193.95	45,309,831.93
9. Other interest and similar income	6,893,639.04	4,625,617.30
10. write-downs on financial assets	-3,311,995.08	0.00
11. interest and similar expenses	-619,266.60	-99,094.38
12. taxes on income and earnings	-13,936,468.85	-13,015,849.24
13. result after taxes	**48,906,533.19**	**72,901,223.51**
14. other taxes	-3,056.00	-2,947.00
15. net profit for the year	**48,903,477.19**	**72,898,276.51**
16. profit carried forward from the previous year	72,898,276.51	48,102,451.14
17. transfers to revenue reserves		
to other revenue reserves	-53,624,276.01	-30,580,632.14
18. distribution	-19,274,000.50	-17,521,819.00
19. retained earnings	**48,903,477.19**	**72,898,276.51**

Appendix

A. General information

CANCOM SE has its registered office in Munich and is entered in the commercial register at Munich Local Court (HRB 203845).

The company is a large corporation (§ 267 paragraph 3 sentence 2 HGB in conjunction with § 264d HGB). Accounting and valuation are based on the provisions of the German Commercial Code (HGB) on the accounting of corporations and the supplementary provisions of the German Stock Corporation Act (AktG) as well as EC Regulation 2157/2001 on the Statute for a European Company (SE).

The principle of consistency in presentation was observed. There were no deviations from the accounting and valuation methods in the financial year compared to the previous year.

The annual financial statements have been prepared in € or T€. In individual cases, rounding may mean that values in this report do not add up exactly to the totals given and that percentages do not result exactly from the values shown.

B. Explanation of the recognition and measurement methods

B.1. Intangible assets

Intangible assets subject to wear and tear are valued at acquisition cost less scheduled pro rata temporis depreciation (based on a normal useful life of 3 years). Depreciation is calculated using the straight-line method.

B.2. Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and any impairment losses. Depreciation is calculated using the straight-line method.

Useful lives of between 3 and 14 years are applied to property, plant and equipment. Unscheduled depreciation is applied if there is likely to be a permanent reduction in value.

Low-value assets for which the acquisition or production costs do not exceed € 250.00 are recognised in full as expenses in the year of acquisition.

Assets whose acquisition costs are between € 250.00 and € 1,000.00 have been capitalized in a collective item since 1 January 2018. All assets of a year are recorded in this collective item and depreciated over 5 years using the straight-line method.

B.3. Financial assets

Financial assets are valued at acquisition cost or at the lower fair value in the event of permanent impairment.

Interest claims on loans to affiliated companies are capitalized if the underlying contract provides for a corresponding increase in the loan amount and interest payments do not occur during the term.

B.4. Receivables and other assets

Receivables and other assets are recognized at the lower of nominal value and fair value.

B.5. Cash on hand and bank balances

Cash on hand and bank balances are stated at nominal value.

B.6. Prepaid expenses

Prepaid expenses include expenses prior to the balance sheet date to the extent that they represent expenses for a certain period thereafter.

B.7. Equity

The subscribed capital is stated at par value.

B.8. Provisions

Provisions have been valued at the settlement amount required according to reasonable commercial judgement and take into account all identifiable risks and uncertain obligations as well as impending losses.

B.9. Liabilities

All liabilities are recognised at the settlement amount.

B.10. Prepaid expenses

Deferred income comprises income in the reporting year for income in subsequent years.

B.11. Deferred tax liabilities

An excess of deferred tax liabilities is recognised on differences between the commercial and tax valuations of assets, liabilities and prepaid expenses if a tax burden is expected in future financial years. If an overall future tax burden is expected, the option of § 274 paragraph 1 sentence 2 HGB is exercised in such a way that no deferred tax assets are recognized. Losses carried forward are taken into account to the extent that they can be offset against taxable income within the next five years. Furthermore, differences between the commercial and tax valuations of assets, liabilities and prepaid expenses and deferred income of controlled companies are included to the extent that future tax burdens and relief from the reversal of temporary differences at CANCOM SE as the controlling company are to be assumed.

Deferred taxes are measured on the basis of the tax rates applicable in the later business year of the reversal of the temporary valuation differences, provided that the future tax rates are already known. The income tax rate amounts to 31.1 percent (previous year: 31.1 percent) and relates to corporate income tax, trade tax and solidarity surcharge.

B.12. Basics of currency conversion

Receivables and liabilities in foreign currencies are recorded at the exchange rate on the day they arise. Receivables and liabilities in foreign currencies within the Group are translated at the average spot exchange rate on the balance sheet date in accordance with § 256a HGB.

Loans to affiliated companies in foreign currencies are recognized at the bank buying rate on acquisition. At the balance sheet date, they are translated at the average spot exchange rate in accordance with the historical cost principle.

Exchange rate gains/losses realized during the year in connection with loans to affiliated companies in foreign currencies are combined with unrealized exchange rate gains/losses on the balance sheet date.

B.13. Share-based payment

At the Annual General Meeting on 14 June 2018, a resolution was passed to issue subscription rights to shares in CANCOM SE to members of the Executive Board or management and selected employees of CANCOM SE and affiliated companies. CANCOM SE has the option of settling the subscription rights in cash or from the Contingent Capital 2018/1 approved by the Annual General Meeting. On 17 August 2018, 585,000 share options were issued, on 2 July 2019, 23,000 share options were issued and on 6 May 2020, 150,000 share options were issued. In the 2018 financial year, 30,000 share options lapsed, in the previous year 20,000 share options lapsed and in the year under review 228,000 share options lapsed due to change in non-fulfilment of service conditions. As at 31 December 2020, 480,000 options are actually outstanding, none of which are exercisable. It is currently assumed that the option rights will be serviced by equity instruments. Therefore, they are not recognized in the balance sheet until the option rights are exercised.

B.14. Income from participations

Income from investments is generally recognized at the time when the claim arises and the receipt of the corresponding income can be expected with certainty based on a reasonable commercial assessment.

B.15. Profits received or losses to be offset due to a profit transfer agreement

Profits received or losses to be offset on the basis of a profit and loss transfer agreement are collected if the result to be transferred can be quantified without doubt, even without the annual financial statements of the subsidiary having already been established.

B.16. Grants from the public sector

Government grants relate to payments received from the Federal Employment Agency due to short-time work. The short-time allowance is a so-called transitory item. The reimbursed social security contributions are non-repayable grants that are recognized in the income statement as a reduction in personnel expenses.

C. Notes and information on individual items of the balance sheet

C.1. Fixed assets

The development of fixed assets is shown in the statement of changes in fixed assets.

For the composition of the financial assets and the respective annual results of the subsidiaries, please refer to the list of shareholdings.

The shares in CANCOM, Inc. were written down in full by T€ 384 as at the balance sheet date in accordance with § 253 (3) sentence 5 HGB due to an expected permanent impairment.

In addition, the loan to CANCOM, Inc. was written down by T€ 2,928 to T€ 9,573 as at the balance sheet date in accordance with § 253 (3) sentence 5 HGB due to a probable permanent impairment.

Loans to affiliated companies relate to long-term loans to CANCOM LTD (T€ 85,127; previous year: T€ 79,856), to Novosco Group Limited (T€ 28,315; previous year: T€ 0), to CANCOM, Inc. (T€ 9,573; previous year: T€ 14,355), to CANCOM physical infrastructure GmbH (T€ 300; previous year: T€ 1,220) and to CANCOM UK Limited. (T€ 85; previous year: T€ 63). The previous year also included loans to CANCOM Ocean Ltd amounting to T€ 27,957.

The securities held as fixed assets were sold in full in the reporting year.

Development of fixed assets

(fixed asset movement schedule) in the reporting period

	ACQUISITION/PRODUCTION COSTS			
(in €)	**Status 1.1.2020**	**Additions 2020**	**Exits 2020**	**Status 31.12.2020**
I. Intangible assets				
Concessions, industrial property rights and similar rights and assets acquired against payment as well as licences to such rights and assets	346,652.66	9,180.00	0.00	355,832.66
	346,652.66	9,180.00	0.00	355,832.66
II. property, plant and equipment				
1. Technical equipment and machinery	324,193.43	0.00	7,818.16	316,375.27
2. Other plant, operating and business equipment	852,567.95	189,903.34	89,718.56	952,752.73
	1,176,761.38	189,903.34	97,536.72	1,269,128.00
III. financial investments				
1. shares in affiliated companies	261,955,012.79	22,776,933.59	274,599.90	284,457,346.48
2. loans to affiliated companies	123,451,459.35	5,650,941.07	2,774,114.77	126,328,285.65
3. participations	200,067.10	0.00	0,00	200,067.10
4. securities held as fixed assets	4,000,000.00	0.00	4,000,000.00	0.00
	389,606,539.24	28,427,874.66	7,048,714.67	410,985,699.23
Total	**391,129,953.28**	**28,626,958.00**	**7,146,251.39**	**412,610,659.89**

DEPRECIATION				BOOK VALUES	
Status 1.1.2020	**Additions 2020**	**Exits 2020**	**Status 31.12.2020**	**Status 31.12.2020**	**Status 31.12.2019**
246,000.83	24,953.35	0.00	270,954.18	84,878.48	100,651.83
246,000.83	24,953.35	0.00	270,954.18	84,878.48	100,651.83
310,152.80	13,784.41	7,818.16	316,119.05	256.22	14,040.63
571,472.84	132,075.51	71,366.02	632,182.33	320,570.40	281,095.11
881,625.64	145,859.92	79,184.18	948,301.38	320,826.62	295,135.74
0.00	383,995.08	0.00	383,995.08	284,073,351.40	261,955,012.79
0.00	2,928,000.00	0.00	2,928,000.00	123,400,285.65	123,451,459.35
200,066.10	0.00	0.00	200,066.10	1.00	1.00
0.00	0.00	0.00	0.00	0.00	4,000,000.00
200,066.10	3,311,995.08	0.00	3,512,061.18	407,473,638.05	389,406,473.14
1,327,692.57	**3,482,808.35**	**79,184.18**	**4,731,316.74**	**407,879,343.15**	**389,802,260.71**

C.2. Receivables and other assets

Receivables from affiliated companies and other assets have a remaining term of less than one year (previous year: remaining term of less than one year).

Of the receivables from affiliated companies, T€ 37,958 (previous year: T€ 45,310) are attributable to profit receivables based on profit transfer agreements, T€ 11,878 (previous year: T€ 773) to trade receivables, T€ 1,184 (previous year: T€ 29) to receivables from loans and T€ 9,251 (previous year: T€ 14,664) to other receivables.

C.3. Subscribed capital

The Company's share capital was last increased by around 10 percent in December 2019 by T€ 3,504. As at 31 December 2020, the share capital of CANCOM SE amounted to T€ 38,548 (previous year: T€ 38,548) in accordance with the Articles of Association and was divided into 38,548,001 no-par value shares (no-par value shares with a notional value of € 1 per share).

C.3.1. Authorised and conditional capital

In accordance with the Articles of Association, the Company's share capital (Authorised Capital I/2018) as at 31 December 2020 totals T€ 7,009 (as at 31 December 2019: T€ 7,009) and is determined as follows:

By resolution of the Annual General Meeting of 14 June 2018, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company in the period until 13 June 2023 once or several times by up to a total of T€ 7,009 (previous year: T€ 7,009) by issuing up to 7,008,728 (previous year: 7,008,728) new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital I/2018). In principle, the shareholders are to be granted a subscription right. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

- for fractional amounts;
- if a capital increase against cash contributions does not exceed 10 percent of the share capital and the issue price of the new shares is not significantly lower than the stock exchange price (§ 186, paragraph 3, sentence 4 of the German Stock Corporation Act); when exercising this authorization under exclusion of subscription rights pursuant to § 186, paragraph 3, sentence 4 of the German Stock Corporation Act, the exclusion of subscription rights on the basis of other authorizations pursuant to § 186, paragraph 3, sentence 4 of the German Stock Corporation Act shall be taken into account;
- in the case of capital increases against contributions in kind for the granting of new shares for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring claims on the company.

The total shares issued on the basis of the aforementioned authorization under exclusion of subscription rights in the case of capital increases against contributions in cash and/or in kind may not exceed a pro rata amount of 20 percent of the share capital either at the time of the resolution or at the time of the utilization of this authorization. To this maximum limit of 20 percent of the share capital, the pro rata amount of the share capital shall be credited (i) which is attributable to shares of the Company issued by the Executive Board during the term of the authorized capital under exclusion of the subscription right pursuant to § 186 para. 3 sentence 4 of the German Stock Corporation Act or against contributions in kind or sold as treasury shares and (ii) which is attributable to shares of the Company which are issued or are to be issued during the term of the authorized capital from conditional capital for the purpose of servicing bonds with warrants or convertible bonds which are themselves issued by the Executive Board during the term of the authorized capital with the exclusion of subscription rights in accordance with § 186 (3) sentence 4 AktG or against contributions in kind.

The Executive Board shall decide on the further content of the respective share rights and the conditions for the implementation of capital increases with the consent of the Supervisory Board.

In the previous year (2019), the Executive Board made use of the above authorization and increased the company's share capital by T€ 3,504to T€ 38,548 by issuing 3,504,363 new no-par value bearer shares. As a result, the remaining Authorized Capital I/2018 as at 31 December 2019 amounts to T€ 7,009 in accordance with the Articles of Association. As at 31 December 2020, the remaining Authorized Capital I/2018 also amounts to T€ 7,009 in accordance with the Articles of Association, as no use was made of the above authorization during the reporting period.

In accordance with the Articles of Association, the conditional capital amounts to T€ 1,500 as at 31 December 2020 and 31 December 2019 and is determined as follows:

The share capital is conditionally increased by up to T€ 1,500 by issuing up to 1,500,000 new no-par value shares (Conditional Capital I/2018). The conditional capital increase will only be carried out to the extent that the holders of share options issued by the Company in the period up to 13 June 2023 on the basis of the authorization resolution of the Annual General Meeting of 14 June 2018 exercise their subscription rights to shares in the Company and the Company does not grant treasury shares or a cash settlement in fulfilment of the subscription rights. The new shares in the Company resulting from the exercise of these subscription rights shall participate in the profits from the beginning of the financial year in which they are issued.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

In the reporting period (2020) and in the comparative period (2019), no new shares were issued using the Conditional Capital I/2018.

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

C.3.2. Share buyback programme

In addition, the Annual General Meeting on 26 June 2019 authorized the Executive Board of CANCOM SE to acquire treasury shares up to a total of 10 percent of the subscribed capital until 25 June 2024. The limit of 10 percent is determined by the amount of share capital at the time the authorization becomes effective. If the share capital figure is lower at the time this authorization is exercised, this lower figure shall be decisive. The acquisition shall be effected on the stock exchange or by means of a public purchase offer addressed to the shareholders. In both cases, the purchase price may not be more than 10 percent higher or lower than the arithmetic mean of the closing auction prices for CANCOM SE shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days prior to the purchase or entering into an obligation to purchase. The repurchase volume may be limited if the shares offered exceed the total amount of the Company's purchase offer. The authorization may be exercised for any legally permissible purpose. To the exclusion of shareholders' subscription rights, treasury shares may in particular be transferred to third parties for the purpose of acquiring companies or interests in companies. Treasury shares may also be sold for cash, provided that the purchase price is not significantly lower than the current stock exchange price at the time of the sale. Furthermore, treasury shares may also be used to fulfil conversion or option rights granted by the company or to implement a scrip dividend. Furthermore, treasury shares may be promised or transferred to fulfil remuneration agreements and may be offered for sale to employees and members of the Executive Board as part of the exercise of subscription rights. The Executive Board of CANCOM SE was also authorized, with the consent of the Supervisory Board, to cancel treasury shares without any further resolution by the Annual General Meeting.

C.4. Capital reserve

The capital reserve is composed as follows:

(in T€)	2020	2019
Capital reserve 1.1.	378,385	207,722
Capital increase (§ 272 para. 2 no. 1 HGB)	0	170,663
Capital reserve 31.12.	**378,385**	**207,722**

C.5. Other revenue reserves

The other revenue reserves are composed as follows:

(in T€)	2020	2019
Other revenue reserves 1.1.	133,078	102,497
Allocation from retained earnings	53,624	30,581
Other revenue reserves 31.12.	**186,702**	**133,078**

C.6. Balance sheet profit

The balance sheet profit is made up as follows:

(in T€)	2020	2019
Lecture 1.1.	72,898	48,102
Dividend distribution	-19,274	-17,521
Transfer to other revenue reserves	-53,624	-30,581
Net profit for the year	48,903	72,898
Balance sheet profit 31.12.	**48,903**	**72,898**

C.7. Other provisions

Other provisions include provisions for bonuses (T€ 860; previous year: T€ 1.900), audit and closing costs (T€ 358; previous year: T€ 383), variable salary components (T€ 194;previous year: T€ 145), severance payments (T€ 75; previous year: T€ 0), retention obligations (T€ 66; previous year: T€ 68), outstanding invoices (T€ 44; previous year: T€ 84), the future tax audit (T€ 35; previous year: T€ 24), impending losses (T€ 27; previous year: T€ 0), provisions for the employers' liability insurance association (T€ 22; previous year: T€ 11), anniversary provisions (T€ 20; previous year: T€ 12), the benefit from rent-free time (T€ 10; previous year: T€ 15) and holidays (T€ 5; previous year: T€ 46).

In the previous year, other provisions for Supervisory Board fees in the amount of T€ 315 were also included.

C.8. Liabilities

With regard to the composition of the liabilities, we refer to the liabilities schedule presented below.

	Residual term				Secured by liens or similar rights	
(in T€)	**up to 1 year**	**more than 1 year**	**more than 5 years**	**As at 31.12. 2020**		**Type, shape**
1. trade payables	251	0	0	251	0	omitted
2. liabilities to affiliated companies	7	0	0	7	0	omitted
3. Other liabilities	17,856	0	0	17,856	0	omitted
(thereof from taxes)	16,287	0	0	16,287		
(of which within the framework of social security)	0	0	0	0		
Total	**18,114**	**0**	**0**	**18,114**	**0**	

	Residual term				Secured by liens or similar rights	
(in T€)	**up to 1 year**	**more than 1 year**	**more than 5 years**	**As at 31.12. 2029**		**Type, shape**
1. trade payables	595	0	0	595	0	omitted
2. liabilities to affiliated companies	52	0	0	52	0	omitted
3. Other liabilities	13,770	0	0	13,770	0	omitted
(thereof from taxes)	13,753	0	0	13,753		
(of which within the framework of social security)	0	0	0	0		
Total	**14,417**	**0**	**0**	**14,417**	**0**	

The liabilities to affiliated companies in the 2020 financial year are fully accounted for by trade payables (T€ 7; previous year: T€ 25). In the previous year, T€ 27 also related to other liabilities.

C.9. Deferred taxes

Deferred taxes are shown in the following table:

(in T€)	Balance sheet values as at 31.12.2020			Deferred taxes as at 31.12.2020	Deferred taxes as at 31.12.2019	Change
	Commercial law	Tax law	Difference			
Deferred tax assets						
Other provisions	1,716	1,672	44	14	9	5
Deferred tax liabilities						
Shares in affiliated companies	284,073	218,223	-65,850	-1,024	-991	-33
Balance of deferred tax assets and liabilities			-65,806	-1,010	-982	-28
Deferred tax assets of subsidiaries			2,357	733	703	30
Deferred tax liabilities of subsidiaries			-2,406	-377	-374	-3
Balance of deferred tax assets and deferred tax liabilities of subsidiaries			-49	356	329	27
Deferred tax liabilities			**-65,855**	**-654**	**-653**	**-1**

As at 31 December 2020, there is a surplus of deferred tax liabilities; for this surplus, the option of § 274 paragraph 1 sentence 3 HGB is exercised in such a way that deferred tax assets and deferred tax liabilities are netted.

The deferred tax liabilities as at 31 December 2020 before netting of T€ 1,024 (previous year: T€ 991) mainly relate to shares in affiliated companies for which deferred taxes were calculated in the amount of the non-deductible operating expenses of 5 percent (T€ 3,292; previous year: T€ 3,187).

Deferred tax assets from subsidiaries result primarily from other provisions and pension provisions. Deferred tax liabilities from subsidiaries mainly result from participations.

D. Notes and information on the profit and loss account

The income statement was prepared using the nature of expense method.

In the 2020 financial year, revenue mainly includes income from the provision of management services (T€ 9,297; previous year: T€ 8,596). In the 2020 financial year, 85.1 percent (previous year: 98 percent) of revenue was generated in Germany (T€ 7,890; previous year: T€ 8,527) and 14.9 percent (previous year: 2 percent) abroad (T€ 1,407; previous year: T€ 132).

Other operating income includes income unrelated to the accounting period in the amount of T€ 83 (previous year: T€ 280) as well as income from currency translation in the amount of T€ 11 (previous year: T€ 258). In the 2020 financial year, income unrelated to the accounting period exclusively includes income from the reversal of provisions (T€ 83; previous year: T€ 271). The significant increase in other operating income of T€ 9,923 in the reporting year is primarily the result of an adjusted cost allocation calculation and distribution within the CANCOM Group.

Other operating expenses include expenses from currency translation in the amount of T€ 1,657 (previous year: T€ 6). In the previous year, extraordinary expenses relate to capital increase costs (T€ 3,673) and result from a capital increase in the 2019 financial year from authorized capital against cash contributions (Authorized Capital 2018/I) of December 2019.

Income from investments amounting to T€ 22,300 (previous year: T€ 44,354) relates exclusively to affiliated companies.

The item profits received under a profit transfer agreement includes the net profit transferred to CANCOM SE by CANCOM GmbH (T€ 33,290; previous year: T€ 40,167) and by CANCOM ICT Service GmbH (T€ 4,668; previous year: T€ 5,143).

Other interest and similar income mainly includes interest income from affiliated companies in the amount of T€ 6,881 (previous year: T€ 4,594).

The write-downs on financial assets relate to an unscheduled write-down due to a probable permanent impairment pursuant to Section 253 (3) sentence 5 HGB of the share in CANCOM, Inc. amounting to T€ 384 and the loan to CANCOM, Inc. amounting to T€ 2,928.

Taxes on income include deferred tax expenses of T€ 1 (previous year: T€ 653).

E. Other information

E.1. Other financial obligations

The obligations from rental, leasing and licence agreements currently in force amount to:

Due in the year	2021 (in T€)	Total (in T€)
from rental agreements	206	282
from leasing contracts	53	163
from licence agreements	65	65
thereof affiliated companies	105	105

E.2. Contingent liabilities

At the balance sheet date there were guarantees for CANCOM GmbH (T€ 8,100; previous year: T€ 11,342 and T$ 2,000; previous year: T$ 2,000), CANCOM ICT Service GmbH (T€ 3,500; previous year: T€ 5,192), CANCOM physical infrastructure GmbH (T€ 150; previous year: T€ 150), CANCOM, Inc. (T$ 2,500; previous year: T$ 2,500), CANCOM Communication & Collaboration Ltd (formerly Ocean Unified Communications Ltd) (TGBP 2,000; previous year: TGBP 2,000), CANCOM UK Limited (TGBP 5,500; previous year: TGBP 5.500), CANCOM Managed Services Ltd (formerly Novosco Ltd) (TGBP 2,076, previous year: TGBP 0) and a comprehensive guarantee (T€ 200; previous year: T€ 200) for the companies CANCOM GmbH, CANCOM physical infrastructure GmbH and CANCOM ICT Service GmbH.

In 2014, CANCOM SE issued a letter of comfort on behalf of CANCOM Managed Services GmbH for T€ 4,500 in connection with a major customer project, and in 2019 it issued a letter of comfort on behalf of CANCOM Public BV (formerly Cancom on line BVBA) for T€ 5,400 in connection with a major customer project. Due to the positive progress of the project and the good financial situation of CANCOM Managed Services GmbH and CANCOM Public BV (formerly Cancom on line BVBA), the Company does not currently expect any claims to be made.

Contingent liabilities in the form of joint and several liability for guarantees and other loans amounted to T€ 8,828 (previous year: T€ 7,202) as at the balance sheet date. The guarantee credits and other loans were taken out in full in favour of affiliated companies.

CANCOM SE only enters into contingent liabilities after carefully weighing up the risks and, as a matter of principle, only in connection with its own business activities or those of affiliated companies. In the course of using the exemption provision in accordance with Section 264 (3) of the German Commercial Code (HGB), declarations of indemnity were issued for the subsidiaries CANCOM Managed Services GmbH and CANCOM Public GmbH (formerly CANCOM on line GmbH), according to which CANCOM SE is liable for obligations entered into up to the reporting date in the following financial year. Based on a continuous evaluation of the risk situation of the contingent liabilities entered into and taking into account the knowledge gained up to the preparation date, CANCOM SE currently assumes that the obligations underlying the contingent liabilities can be met by the respective principal debtors. CANCOM SE therefore estimates that the risk of a claim is not probable for all contingent liabilities listed.

E.3. Executive Board and Supervisory Board

The following persons were and/or are appointed as members of the Executive Board during the reporting period:

- Mr. Thomas Volk, Dipl.-Informatiker, Inning (until 31 January 2020) - Chairman (until 31 January 2020);
- Mr. Rudolf Hotter, Dipl.-Betriebswirt, Roßhaupten - Chairman (from 1 February 2020);
- Mr. Thomas Stark, Dipl.-Wirtsch.-Ing., Wittislingen.

All members of the Board of Directors are authorized to represent the Company together with another member of the Board of Directors or in conjunction with an authorized signatory (Prokurist).

The following members of the Executive Board are members of statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises:

Mr. Thomas Volk in:
- Polecat Intelligence Ltd, Ireland (Chair);
- tyntec Group Ltd, Great Britain (Chair);
- Unify Square, USA;
- CANCOM GmbH (Group mandate, until 31 January 2020);
- CANCOM ICT Service GmbH (Group mandate, until 31 January 2020).

Mr. Rudolf Hotter in:
- CANCOM Managed Services GmbH (formerly: Pironet AG) (Group mandate, from 1 February 2020);
- CANCOM ICT Service GmbH (Group mandate, Chair);
- CANCOM GmbH (Group mandate, Chair, until 30 June 2019).

Mr. Thomas Stark in:
- AL-KO Kober SE.

The members of the Supervisory Board were and/or are appointed during the reporting period:

- Dr. Lothar Koniarski, Dipl.-Kaufmann, Managing Director of Elber GmbH, Regensburg - Chairman -;
- Mr. Uwe Kemm, Chief Operation Officer of Stemmer Imaging AG, Puchheim (from 30 June 2020);
- Mr. Hans-Ulrich Holdenried, business graduate, independent management consultant (from 26 June 2019, until 5 February 2020);
- Ms. Regina Weinmann, business graduate, Managing Director of ABCON Vermögensverwaltung GmbH, Munich (from 30 April 2020);
- Mr. Martin Wild, Chief Executive Officer Organic Garden AG, Ingolstadt (from 5 October2020);
- Mr. Stefan Kober , businessman, investor and supervisory board member of various companies - Vice Chairman -;
- Prof. Dr. Isabell M. Welpe, Professor and Chair of Strategy and Organisation at the Technical University of Munich, Munich.

The following members of the Supervisory Board are members of other statutory supervisory boards or comparable domestic or foreign supervisory bodies of business enterprises:

Dr Lothar Koniarski:
- SBF AG, Leipzig (Chairman of the Supervisory Board);
- DV Immobiliengruppe, Regensburg (Chairman of the Advisory Board);
- Alfmeier Präzisions SE, Treuchtlingen (Member of the Board of Directors);
- Mutares AG, Munich (Member of the Supervisory Board).

Mr. Hans-Ulrich Holdenried:
- Infineon Technologies AG, Neubiberg (Member of the Supervisory Board);
- Bridge imp GmbH, Grünwald (member of the advisory board).

Prof. Dr. Isabell M. Welpe:
- Deloitte Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf (Member of the Supervisory Board).

Mr. Stefan Kober:
- AL-KO Kober SE, Kötz (Chairman of the Supervisory Board);
- STEMMER IMAGING AG, Puchheim (Member of the Supervisory Board);
- KATEK SE, Munich (Member of the Supervisory Board).

The following resolutions were passed on 21 December 2020:

- The Supervisory Board appoints the member Mr. Stefan Kober as Chairman of the Supervisory Board of CANCOM SE with effect from 1 January 2021.
- The Supervisory Board appoints the member Dr. Lothar Koniarski as Deputy Chairman of the Supervisory Board of CANCOM SE with effect from 1 January 2021.
- Dr. Lothar Koniarski is appointed Chairman of the Audit Committee with effect from 1 January 2021. Mr. Stefan Kober is appointed Deputy Chairman of the Committee with effect from 1 January 2021.

E.4. Number of employees

On average during the year, the company employed 115 (previous year: 102) people in the functional area of Central Services, including part-time employees, but excluding trainees, interns and members of the Executive Board.

E.5. Auditors' fees

The disclosures pursuant to Section 285 No. 17 HGB are omitted as they are included in the consolidated financial statements prepared by CANCOM SE.

E.6. Declaration on the Corporate Governance Code

The Executive Board and the Supervisory Board have issued a joint declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with section 161 (1) of the German Stock Corporation Act (AktG), which has been published. This is permanently available to the public on the company's website.

E.7. Total remuneration of Executive Board and Supervisory Board

The total remuneration of the Executive Board members is divided into fixed and variable components. The payment of the variable components is linked to fixed performance targets. The Executive Board members were granted share options in 2018 and 2020.

The total remuneration of the Executive Board in the year under review was T€ 6,725 (previous year: T€ 3,378); this includes 150,000 share options granted to Rudolf Hotter at fair value on issue of € 14.47 per share option in the year under review. Thomas Volk left the Executive Board of CANCOM SE on 31 January 2020; his total remuneration for the period after termination of his Executive Board activities amounts to T€ 2,731. With regard to the full disclosure requirements in accordance with section 285 no. 9a sentence 4 and sentences 5 to 8 HGB, we refer to our comments in the remuneration report as part of the management report.

The total remuneration of the Supervisory Board in the reporting year amounted to T€ 324 (previous year: T€ 343).

E.8. Information on shareholdings in the capital of CANCOM SE

As at 31 December 2020, the Company had the following information on shareholdings subject to notification pursuant to Sections 33 et seq. WpHG were available:

The Goldman Sachs Group, Inc. , Wilmington, DE, USA, notified CANCOM SE on 24 March 2020 that its share of voting rights in CANCOM SE, held directly or indirectly, had fallen below the threshold of 5 percent on 20 March 2020 and directly amounted to 1.80 percent (corresponding to 694,671 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day was 3.97 percent (corresponding to 1,531,921 voting rights).

BNP Paribas Asset Management France S.A.S., Paris, France, notified CANCOM SE on 29 September 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 3 percent of the voting rights on 9 September 2020 and amounted to 4.66 percent (corresponding to 1,797,710 voting rights) on that date.

Allianz Global Investors GmbH, Frankfurt, Germany notified CANCOM SE on 29 October 2020 that its share of voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 20 percent of the voting rights on 28 October 2020 and amounted to 20.55 percent (corresponding to 7,922,930 voting rights) on that date.

PRIMEPULSE SE, Munich, Germany notified CANCOM SE on 11 November 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 5 percent of the voting rights on 4 November 2020 and amounted to 5.06 percent (corresponding to 1,950,928 voting rights) on that date.

Ameriprise Financial Inc. Wilmington, DE, USA, notified CANCOM SE on 2 December 2020 that its voting rights in CANCOM SE, held directly or indirectly, exceeded the threshold of 3 percent of the voting rights on 26 November 2020 and amounted to 3.49 percent (corresponding to 1,344,355 voting rights) on that date.

BlackRock Inc, Wilmington, DE, USA, notified CANCOM SE on 3 December 2020 that its voting rights in CANCOM SE, held directly or indirectly, had fallen below the threshold of 3 percent of the voting rights on 30 November 2020 and amounted to 2.98 percent (corresponding to 1,149,329 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day was 3.82 percent (corresponding to 1,470,706 voting rights).

E.9. Supplementary report

In January 2021, CANCOM SE acquired 100 percent of the shares and 100 percent of the voting rights in Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH, Hanover, with a nominal value of T€ 26. The company is an IT systems house, had 70 employees (including managing director) as at 1 January 2021 and generated revenue of T€ 22,750 (HGB) in the short financial year from 1 April 2020 to 31 December 2020. With the acquisition, CANCOM intends to expand its presence in the north of Germany and, in particular, broaden its offering for customers in the healthcare and education sectors as well as SMEs in terms of data center infrastructure, including the associated integration and consultancy services. The total purchase price consists of a fixed purchase price component to be paid in cash in the amount of T€ 12,000 and a variable purchase price component. The variable purchase price component is, on the one hand, a performance-based component (earn-out) - i.e. conditional payments depending on the EBIT of the acquired company for a total of four periods until 31 December 2023. In addition, the seller has given a guarantee that the balance sheet equity according to the German Commercial Code (HGB) corresponds to a certain minimum amount as of 31 December 2020. Should the equity deviate from the guaranteed equity on the closing date, the total purchase price will change accordingly by the negative or positive deviation amount.

The gross book value of the trade receivables of Anders & Rodewyk Das Systemhaus für Computertechnologien GmbH recorded at the time of initial consolidation provisionally amounts to T€ 4,943; the resulting cash flows are classified as recoverable in almost their entirety at the time of initial consolidation.

There were no other significant events for CANCOM SE after the reporting period.

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E.10. Proposal for the appropriation of the result

The Executive Board resolves to propose to the Supervisory Board and the Annual General Meeting that the net profit for the 2020 financial year of € 48,903,477.19 (previous year: € 72,898,276.51) be used to distribute a dividend of € 0.75 (previous year: € 0.50) per no-par value share entitled to dividend and that the net profit remaining after the distribution be transferred to other revenue reserves.

E.11. Parent Company

CANCOM SE, Munich, is the company that prepares the consolidated financial statements. The consolidated financial statements of CANCOM SE are available on its website and in the electronic Federal Gazette.

E.12. Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report of CANCOM SE includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Munich, 23 March 2021

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

List of shareholdings

Name of the company, registered office	Share in capital (in %)	Equity as at 31.12.2020 (in T€)*2	Annual result 2020 (in T€)*2
Participations over 20 %			
1. CANCOM GmbH, Jettingen-Scheppach	100.00	51,584	-770 *1
2. CANCOM (Switzerland) AG, Caslano/Switzerland	100.00 A)	0	0
3. CANCOM Computersysteme GmbH, Graz/Austria	100.00 A)	3,453	1,536
4. CANCOM a+d IT solutions GmbH, Brunn am Gebirge (formerly Perchtoldsdorf)/Austria	100.00 B)	3,586	1,251
5. CANCOM ICT Service GmbH, Munich	100.00	3,633	-257 *1
6. CANCOM Managed Services GmbH, Munich	100.00	29,723	61
7. CANCOM Public GmbH (formerly CANCOM on line GmbH), Berlin	100.00	19,940	13,880
8. CANCOM Public BV (formerly Cancom on line BVBA), Brussels (formerly Elsene)/Belgium	100.00	2,612	-48
9. CANCOM physical infrastructure GmbH, Jettingen-Scheppach	80.00	1,395	211
10. CANCOM VVM II GmbH (formerly CANCOM Financial Services GmbH), Jettingen-Scheppach	100.00	92	-1
11. CANCOM VVM GmbH, Munich	100.00	52	0
12. CANCOM, Inc., Palo Alto/USA	100.00	7,444	1,995
13. HPM Incorporated, Pleasanton/USA	100.00 C)	5,849	57
14. CANCOM LTD, London/Great Britain	99.29	46,929	20,413
15. CANCOM UK Holdings Limited, London/Great Britain	100.00 D)	32,164	8,431
16. CANCOM UK TOG Limited, Wisborough Green/Great Britain	100.00 E)	8,259	6,251
17. CANCOM UK Limited, Wisborough Green/Great Britain	100.00 F)	6,069	341
18. CANCOM UK Managed Services Limited, Wisborough Green/Großbritannien	100.00 F)	5,750	4,635
19. CANCOM UK Professional Services Limited, Wisborough Green/Großbritannien	100.00 F)	0	1,527
20. M.H.C. Consulting Services Limited, Wisborough Green/Großbritannien	100.00 G)	0	-25
21. Novosco Group Limited, Belfast/United Kingdom	100.00 D)	6,035	11,074
22. CANCOM Managed Services Ltd (formerly Novosco Ltd), Belfast/United Kingdom	100.00 H)	23,921	400
23. CANCOM Ireland Limited (formerly Novosco Limited), Dublin/Ireland	100.00 H)	707	168
24. CANCOM Communication & Collaboration Ltd (vormals Ocean Unified Communications Ltd), Weybridge/Großbritannien	100.00 H)	3,455	-59
25. CANCOM Ocean Ltd, London/Great Britain	100.00 D)	0	-587
26. Ocean Intelligent Communications Ltd, Weybridge/Great Britain	100.00 I)	0	-634
27. Ocean Network Services Limited, Weybridge/Great Britain	100.00 I)	0	1
28. CANCOM Slovakia s.r.o. , Košice/Slovakia	100.00	346	202
29. Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100.00	0	-28 *3

A) Indirect shareholding via CANCOM GmbH
B) Indirect shareholding via CANCOM Computersysteme GmbH
C) Indirect shareholding via CANCOM, Inc.
D) Indirect shareholding via CANCOM LTD. CANCOM LTD holds 100 percent of the shares in CANCOM UK Holdings Limited, Novosco Group Limited and CANCOM Ocean Ltd.
E) Indirect shareholding via CANCOM UK Holdings Limited. CANCOM UK Holdings Limited holds 100 percent of the shares in CANCOM UK TOG Limited.
F) Indirect shareholding via CANCOM UK TOG Limited. CANCOM UK TOG Limited holds 100 percent of the shares in each of CANCOM UK Limited, CANCOM UK Managed Services Limited and CANCOM UK Professional Services Limited.
G) Indirect shareholding via CANCOM UK Professional Services Limited. CANCOM UK Professional Services Limited holds 100 percent of the shares in M.H.C. Consulting Services Limited.
H) Indirect shareholding via Novosco Group Limited. Novosco Group Limited holds 100 percent of the shares in each of CANCOM Managed Services Ltd, CANCOM Ireland Limited and CANCOM Communication & Collaboration Ltd.
I) Ocean Intelligent Communications Ltd and Ocean Network Services Limited have been wound up but have not yet been removed from the Companies House register.

*1 Profit and loss transfer agreement with CANCOM SE.
*2 The equity as at 31 December 2020 and the annual result 2020 were determined in accordance with the IFRS individual financial statements included in the consolidated financial statements.
*3 There are no approved annual financial statements for 2020 yet. The equity as at 31.12.2019 and the annual result 2019 from the approved annual financial statements 2019 were stated.

Independent Auditor's Report

To CANCOM SE, Munich

Report on the audit of the annual financial statements and the management report

Audit Opinions

We have audited the annual financial statements of CANCOM SE, Munich, comprising the balance sheet as at 31 December 2020 and the income statement for the financial year from 1 January to 31 December 2020, together with the notes to the financial statements, including a description of the accounting policies. In addition, we have audited the combined group management report and management report of CANCOM SE (the 'management report') for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit, the consolidated financial statements are

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at 31 December 2020 and of its results of operations for the financial year from 1 January to 31 December 2020 in accordance with German principles of proper accounting and

- the enclosed management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of the components of the management report mentioned in the section "Other information".

In accordance with § 322 para. 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements and the management report.

Basis for the audit judgements

We conducted our audit of the annual financial statements and the management report in accordance with section 317 of the German Commercial Code (HGB) and the EU Auditors' Regulation (No. 537/2014; hereinafter referred to as the

"EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's responsibility for the audit of the annual financial statements and the management report" section of our auditor's report. We are independent of the Company in accordance with European law as well as German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, we declare pursuant to Art. 10 (2) f) EU-APrVO that we have not performed any prohibited non-audit services according to Art. 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Particularly important audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2020. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

The recoverability of the shares in affiliated companies

For information on the accounting and valuation methods applied, please refer to section B.3 of the notes.

THE RISK TO THE FINANCIAL STATEMENTS

In the financial statements of CANCOM SE as at 31 December 2020, shares in affiliated companies amounting to € 284,073 thousand are reported under financial assets.Shares in affiliated companies account for 42.1% of the balance sheet total and therefore have a significant influence on the Company's net assets.

Shares in affiliated companies are recognised at acquisition cost or, in the case of expected permanent impairment, at the lower fair value. The Company determines the fair value of shares in affiliated companies using the discounted cash flow method.

The cash flows used for the discounted cash flow method are based on individual investment plans for the five years following the reporting date. The respective capitalisation interest rate is derived from the yield of a risk-adequate alternative investment. If the fair value is lower than the book value, qualitative and quantitative criteria are used to determine whether the impairment is likely to be permanent.

The impairment assessment, including the calculation of the fair value according to the discounted cash flow method, is complex and, with regard to the assumptions made, highly dependent on estimates and judgements by the company. This applies, among other things, to the estimation of future cash flows and the determination of capitalisation rates as well as the assessment of the permanence of the impairment.

In the financial year the company made unscheduled write-downs on shares in CANCOM, Inc, Palo Alto/USA, amounting to € 384,000. The shares in CANCOM, Inc. were thus written off in full. There is a risk for the annual financial statements that further shares in affiliated companies are not recoverable.

OUR APPROACH TO THE AUDIT

Based on the information obtained in the course of our audit, we first assessed CANCOM SE's assessment of whether there were any indications of permanent impairment in the case of shares in affiliated companies. We then assessed the appropriateness of the valuation method and the Company's key assumptions with the assistance of our valuation specialists.

We validated the forecast of the future turnover and profit development of the individual companies. We discussed the company-specific planning values with the persons responsible for planning. Based on this, we compared CANCOM SE's expectations of market developments with publicly available information and assessed whether the company-specific forecasts and the underlying assumptions were within a reasonable range. Furthermore, we satisfied ourselves of the quality of the Company's forecasts to date by comparing the previous year's plans with the actual results achieved and analysing any deviations. We assessed the appropriateness of the assumptions used in determining the discount rate, including the weighted average cost of capital, and evaluated the calculation methodology.

To ensure the arithmetical accuracy of the valuation methods used, we have reconstructed the valuation performed by CANCOM SE using our own calculation. We have compared the result of this comparative calculation with the value determined by CANCOM SE.

OUR CONCLUSIONS

The procedure underlying the impairment test of the shares in affiliated companies is appropriate and in accordance with the valuation principles. The assumptions, estimates and parameters of the company are appropriate.

Other information

The legal representatives or the supervisory board are responsible for the other information. The other information comprises the following components of the management report that have not been audited as to their content:

- The separate non-financial report expected to be made available to us after the date of this audit opinion and referred to in the management report; and
- the corporate governance statement referred to in the management report.

The other information also includes the other parts of the annual report.

The other information does not include the financial statements, the audited content of the management report and our audit opinion thereon.

Our audit opinions on the financial statements and the management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and, in doing so, consider whether the other information is

- material inconsistencies with the annual financial statements, the management report disclosures audited in substance or our knowledge obtained in the course of the audit; or
- otherwise appear to be materially misrepresented.

Responsibility of the legal representatives and the supervisory board for the annual financial statements and the management report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German principles of proper accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless this is precluded by factual or legal circumstances.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and management report.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher for noncompliance than for misstatement, as noncompliance may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the financial statements and of the arrangements and actions relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the Company.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Company being unable to continue as a going concern.

- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German -principles of proper accounting.

- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the company's position given by it.

- We perform audit procedures on the forward-looking statements made by management in the management report. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

Other statutory and other legal requirements

Report on the audit of the electronic reproduction of the annual financial statements and the management report prepared for the purpose of disclosure in accordance with section 317 (3b) HGB

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the data contained in the file "CANCOM_SE_2020-12-31.zip" (SHA256-Hashwert: 9bf1578a31e5a1b2421791110dd2db0205ddb81545f368c2c467916dda409314) and prepared for the purpose of disclosure of the reproductions of theannual financial statements and the management report, which are combined with the reproduction of the consolidated financial statements in one file (hereinafter also referred to as "ESEF documents") comply with the requirements of section 328 (1) HGB regarding the electronic reporting format ("ESEF format"). 1 HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this audit only covers the conversion of the information in the annual financial statements and the management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the above-mentioned file.

In our opinion, the reproductions of the annual financial statements and the management report contained in the aforementioned file and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 (1) HGB regarding the electronic reporting format. We do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file beyond this opinion and our opinions on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2020 contained in the preceding "Report on the audit of the annual financial statements and management report".

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned file in accordance with section 317 (3b) HGB and the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purpose of Disclosure pursuant to section 317 (3b) HGB (IDW EPS 410). Our responsibility thereunder is further described below. Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the company's management is responsible for the internal controls as they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

The company's legal representatives are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore

- identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.

- we assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.

- we assess whether the ESEF documentation provides a consistent XHTML representation of the audited financial statements and the audited management report.

Other information according to Art. 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 30 June 2020. We were appointed by the Supervisory Board on 20 October 2020. We have served as auditors of the consolidated financial statements of CANCOM SE without interruption since the 2019 financial year.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the audit committee pursuant to Art. 11 EU-APrVO (audit report).

We have performed the following services, which were not disclosed in the financial statements or the management report, in addition to the audit of the financial statements for the audited entity or for the entities controlled by the audited entity:

In addition to the annual financial statements and the combined group management report and management report, we have audited the consolidated financial statements of CANCOM SE. Furthermore, we provided support services in an enforcement procedure. We also provided assessment services in connection with the Trusted Information Security Assessment Exchange standard TISAX.

Auditor in charge

The auditor responsible for the audit is Karl Braun.

Augsburg , 29 March 2021

KPMG AG Audit Firm

Braun	Querfurth
Chartered Accountant	Chartered Accountant

Financial calendar of CANCOM SE

2021	
12 May 2021	Interim report as of 31 March
29 June 2021	Annual General Meeting, Munich
12 August 2021	Half-yearly financial report
11 November 2021	Interim report as of 30 September
22 – 24 November 2021	Analyst conference as part of the German Equity Forum, Frankfurt/Main

Subject to change without notice.
The EU Market Abuse Regulation (Art. 17 MAR) requires issuers to provide information with significant potential to influence the share price must be published immediately. It is therefore possible that quarterly or annual results are published on dates other than those specified.

Imprint

Published by
CANCOM SE
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D-80636 München
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