

Q1 2019

QUARTERLY STATEMENT AS AT MARCH 31, 2019

CANCOM

Key figures

CANCOM GROUP

in € million	Q1 AT A GLANCE		
	Q1 2019	Q1 2018	Δ
Revenues	370.0	307.9	+20.2%
Gross profit	103.9	86.1	+20.7%
EBITDA (adjusted)	27.8	23.4	+18.8%
EBITDA margin (adjusted)	7.5%	7.6%	-0.1 Pp
EBITA (adjusted)	20.0	17.5	+14.3%
EBIT (adjusted)	16.2	14.4	+12.5%
Employees	3,450	3,033	+13.7%
	31.3.2019	31.12.2018	Δ
Balance sheet total	801.7	838.1	-4.3%
Equity	401.0	390.2	+2.8%
Equity ratio	50.0%	46.6%	+3.4 Pp

SEGMENTS

in € million	CLOUD SOLUTIONS		
	Q1 2019	Q1 2018	Δ
Revenues	66.9	52.3	+27.9%
EBITDA (adjusted)	17.3	13.1	+32.1%
EBITDA margin (adjusted)	25.9%	25.0%	+0.9 Pp
Annual Recurring Revenue	139.5	101.1	+38.0%
	IT SOLUTIONS		
in € million	Q1 2019	Q1 2018	Δ
Revenues	303.1	255.5	+18.6%
EBITDA (adjusted)	14.1	13.1	+7.6%
EBITDA margin (adjusted)	4.7%	5.1%	-0.4 Pp

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Dear Shareholders,

The first quarter of the new financial year brought us very pleasing growth rates, continued high profitability and further progress in the strategic evolution of CANCOM Group. The development of the Cloud Solutions segment, which has now very clearly replaced the IT Solutions segment as the main source of our operating result, clearly shows this. However, in view of the overall rather gloomy economic situation in Germany, the quarterly results also underline that our business model has reacted very robustly to the current economic fluctuation. We are also consistently working on further increasing our recurring revenues, i.e. the Annual Recurring Revenue. The ARR is not only the expression of our increased activity in the field of Managed Services. The associated multi-year contracts also intensify our already good customer relationships and increase the overall visibility of our business development.

We are making good progress with the gradual strategic expansion of our Managed Services business and the establishment of a business unit specializing in the distribution of our AHP Enterprise Cloud. In addition, the acquisition of the remaining outstanding shares of Pironet AG in spring was a further step towards supporting this development through changes in corporate structures. As CANCOM's Executive Board, we are therefore very confident about the months ahead and have therefore reaffirmed our forecast for 2019 as a whole in this quarterly report.

Executive Board of CANCOM SE



Thomas Volk



Rudolf Hotter



Thomas Stark

Interim Group management report

for the period January 1 to March 31, 2019

FUNDAMENTAL INFORMATION ABOUT THE GROUP

The CANCOM Group ('CANCOM') is one of the leading providers of IT infrastructure and IT-services in Germany and Austria. The Group has subsidiaries in Germany, Austria, Switzerland, the United Kingdom, Belgium and the U.S.A.

Structure of the CANCOM Group

The parent company of the CANCOM Group is CANCOM SE, based in Munich, Germany. It assumes central financing and management functions for the Group companies, i.e. the investments it holds. In addition to central management and financing activities, the operating units are also supported in their daily business operations by centralized departments for purchasing, warehousing/logistics, marketing/communication, legal, product management and human resources. In addition, there is an in-house sales department dedicated to several special products and issues (competence center).

The centralized departments support the locally operating sales and service units at in Germany and abroad. This structure, consisting of client-oriented decentralized sales and service units in Germany and other countries, and centralized management and support functions, ensures a high level of efficiency in the management and control of the CANCOM Group and a high level of performance by the Group in its cooperation with clients and partners.

The CANCOM Group's financial reporting provides an overall view of the Group as a whole in addition to covering the operating performance of its two segments: Cloud Solutions and IT Solutions.

The Cloud Solutions segment of the Group includes the (shared) managed services business as well as product and service business that can be directly allocated to managed services contracts. In addition, it includes all business activities in connection with our own software product - the IT multicloud management software AHP Enterprise Cloud.

The IT Solutions segment comprises business relating to comprehensive strategic and technical consulting and services for projects in the areas of IT infrastructure, IT applications and system integration, as well as planning and turnkey implementation of those projects. The segment also covers activities in the areas of IT procurement and e-procurement services.

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

Further information, including the allocation of the individual Group companies to the reporting segments, can be found in the notes to the consolidated financial statements in the 'Segment information' section.

Business model and sales markets

CANCOM's range of products and services is designed to provide comprehensive consulting and support to corporate clients in adapting IT infrastructures and business processes to meet digital transformation requirements. CANCOM provides integrated solutions for its clients and regards itself as a leading digital transformation partner.

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

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

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

The clientele mainly includes commercial end users, ranging from small and medium-sized enterprises to large companies and groups, as well as public institutions. In geographical terms, the CANCOM Group is primarily active in Germany and Austria, but also in the United Kingdom, Belgium, Switzerland and the U.S.A.

Competitive position

According to the latest analysis available from the Federal Statistical Office and the German digital association bitkom, there are around 90,000 companies in Germany in the areas of IT hardware, software and IT services, although they differ greatly in terms of size and/or range of services. The total volume of the German IT market in 2018 is estimated by bitkom at EUR 89.9 billion. There are 35 large companies with annual sales revenues of more than EUR 250 million in the combined IT hardware/software and services business segment. CANCOM thus belongs to the small group of large companies in the German IT sector. However, with annual sales revenues within Germany of EUR 1,200.6 million, the CANCOM Group's share of the overall market is still only around one percent. Apart from the very few other large companies, the market is served by IT manufacturers and IT service providers – predominantly small and medium sized enterprises as well as companies operating regionally. These figures reflect the highly fragmented nature of the German IT market and show the large remaining market potential for CANCOM in its home market of Germany alone.

Based on the data from the latest ranking of integrated systems providers by the trade magazine ChannelPartner, there are 18 companies that generate more than EUR 250 million in sales revenues in the German market. Only four of these companies have domestic sales revenues in excess of EUR 1 billion. According to this ranking, CANCOM was the fourth-largest integrated systems provider in Germany in 2018 (in 2017 it was ranked fifth in size). CANCOM is considered by ChannelPartner to be part of this narrower competitive environment of integrated systems providers (value-added resellers), as CANCOM continues to cover the full range of products and services of an integrated systems provider despite the expansion of its business model.

Explanation of the control system used within the Group

To control and monitor the performance of the individual subsidiaries and the reporting segments, CANCOM SE analyzes their monthly figures for, among other things, sales revenues, gross profit, operating expenses and operating profit and compares the actual figures with the budgeted figures.

The key financial performance indicators are gross profit¹, earnings before interest, tax, depreciation and amortization (EBITDA)² and earnings before interest, tax and amortization (EBITA)³. The latter offers a comprehensive view of the overall success of the company, because acquisition of companies is one of the significant activities under the corporate strategy, but it causes a reduction in earnings before interest and tax (EBIT⁴) purely in accounting terms, as a result of the consolidation of newly acquired companies. Earnings before interest, tax and amortization (EBITA) therefore more adequately reflect the business performance of the CANCOM Group. In addition, a new key figure – annual recurring revenue (ARR⁵) – was included in the control system at the beginning of the 2019 fiscal year. The ARR is the key indicator for the success of the strategic transformation of the CANCOM Group, as it directly maps the volume of business deriving from managed services and the 'AHP Enterprise Cloud'.

Any significant deviations identified in the key figures make it necessary to prepare a forecast. In addition, external indicators such as inflation rates, interest rates, the performance of and forecasts for the general economy and the IT sector as well as findings and signals from the Group-wide risk early warning system are regularly reviewed for corporate management purposes. Details can be found in the risks and opportunities report.

Explanation of the alternative performance measures (APM) used in accordance with the APM guidelines issued by the ESMA:

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

1) EBITDA = profit for the period + taxes + at equity profit/loss + investment income + financial result + depreciation of property, plant and equipment (tangible assets) and amortization of intangible assets

1) EBITA = profit for the period + taxes + at equity profit/loss + investment income + financial result + amortization of intangible assets

1) EBIT = profit for the period + taxes + at equity profit/loss + investment income + financial result

1) ARR = revenues from multi-year service contracts with service level agreements and from AHP Enterprise Cloud in the base month (monthly recurring revenue) x 12 months

Research and development activities

Innovations are of great importance for economic momentum and growth. Since CANCOM is primarily involved in the service and trading business, no research activities are carried out. Its development work focuses on, for example, software solutions, applications or architectures in IT growth areas such as cloud computing, mobile solutions, Internet of Things and analytics, IT security, and shared managed services. In addition, there is some customization of company software used internally, mainly in relation to the SAP ERP system. Another focus of the development activities since the year 2018 is CANCOM's own product 'AHP Enterprise Cloud'. However, in comparison to the CANCOM Group's total revenues, development expenses are not of any significant magnitude, nor is the resulting own work capitalized.

Environmental report

As an IT services and trading company, CANCOM aims to offer services and products of excellent quality at an attractive price, but also to be as environmentally friendly as possible. CANCOM therefore attaches great importance to the careful use of the resources at its disposal. CANCOM provides innovative solutions across its entire portfolio of services and products in order to make a professional contribution to the environmentally friendly and resource-conserving use of IT throughout the entire life cycle of products. For example, CANCOM offers its clients the advantages of state-of-the-art, energy-efficient data centers, which not only provide benefits from an ecological point of view, but also lead to considerable savings in a company's energy and IT costs. Resources can also be conserved through the use of state-of-the-art and intelligent systems in the field of communication and collaboration, such as video or web conferencing solutions. The consequent reduction in employee travel leads not only to process optimization and huge cost savings, but also to lower CO2 emissions.

CANCOM SE is a member of the UN Global Compact and thus supports the principles of the Global Compact, which cover human rights, labor standards and anti-corruption measures in addition to environmental protection.

Further information on environmental, labor and social issues, respect for human rights, and the fight against corruption and bribery, is summarized in the non-financial report of the CANCOM Group and CANCOM SE. The report is published annually on the company's website at <https://www.cancom.com/reports/> no later than four months after the balance sheet date of the previous fiscal year.

ECONOMIC REPORT

Performance of the IT market and the overall economy

Germany

CANCOM Group generates the vast majority of its revenue in Germany. According to the monthly report from April 2019 of Deutsche Bundesbank, it is likely that the German economy grew moderately in the first quarter of the year 2019. But, the bank explains this assessment with special effects, for instance from a good development of the construction industry and a significant uptake in retail sales. In total the Bundesbank describes the general economic trend as restrained, mostly due to the ongoing downturn in the industrial sector.

IT market

According to the German digital association bitkom, the volume of the information and communications technology (ITC) market in Germany will grow by 1.9 percent to EUR 159.5 billion in 2019. Information technology, the largest sub-sector by volume and the one most important to CANCOM, is the main driver of the growth. Bitkom expects this sub-sector to grow by 2.5 percent, broken down into the following market segments:

Outlook: market for information technology 2019, Germany*
(change in comparison with 2018, as a percentage)

Software:		+6.3 %
IT services:		+2.3 %
IT hardware (incl. semiconductors):		-0.7 %

* Source: Bitkom/EITO, January 2019

Business performance in the first quarter

The CANCOM Group's business performance in the first quarter was very robust, especially in comparison with the generally gloomy economic mood in Germany. With a 20.2 percent increase in revenue compared to the first quarter of the previous year, to EUR 370.0 million CANCOM was able to further accelerate the already high growth speed. Both the very dynamic performance of the two group segments and the sales volume gained through the company acquisitions in 2018 lead to this strong growth impulse.

After adjustments for special investments in the strategic corporate transformation the earnings before interest, taxes, depreciation and amortization, i.e. EBITDA (adjusted), were 18.8 percent higher than the comparable prior-year figure and amounted to EUR 27.8 million. The EBITDA margin (adjusted) in the first quarter was thus 7.5 percent.

The most significant individual event relating to the corporate structure was the resolution of the General Meeting of Pironet AG to transfer the shares of the minority shareholders to CANCOM SE in return for payment of a cash settlement, but the settlement of the transaction occurred after the end of the reporting period.

Order position – Annual Recurring Revenue

	CANCOM Group: Annual Recurring Revenue (EUR million)	
March 2019		139.5
March 2018		101.1

In its Cloud Solutions segment CANCOM reports, amongst others, on its managed services business. Managed services contracts lead to recurring monthly sales revenues over a fixed multi-year contract term. Recurring revenue allows a projection of expected future revenues over the next twelve months based on the last month of the current reporting period. This annual recurring revenue (ARR) in the reporting period based on the status as of March 2019 amounted to EUR 139.5 million, representing a year-over-year increase of 38.0 percent (March 2018: EUR 101.1 million). The organic growth of ARR in the reporting period was 17.7 percent.

In the other business segments, information on the order situation as of the balance sheet date is inconclusive. This is due to the fact that the common practice is for contracts to cover longer periods, but with their volume subject to change within these periods (framework agreements). In addition, there may only be very short periods of time between order and revenue recognition, so that in this case order volume and revenue are approximately the same in the reporting period. For this reason, no information on the order situation, other than the annual recurring revenue, is published in the CANCOM Group's financial reports.

Staff

As of March 31, 2019, the CANCOM Group employed 3,450 people (March 31, 2018: 3,033). This represents an increase of 13.7 percent compared with the prior year.

The Group's staff worked in the following areas:

CANCOM Group: Staff		
	31/3/2019	31/3/2018
Professional Services	2,112	1,898
Sales	755	642
Central Services	583	493
Total	3,450	3,033

Earnings, financial and asset position of the CANCOM Group

Earnings position

	CANCOM Group: Sales revenues (EUR million)	
Q1 2019		370.0
Q1 2018		307.9

In the first quarter of the financial year 2019, the CANCOM Group generated consolidated revenues of EUR 370.0 million (prior year: EUR 307.9 million). This represents growth of 20.2 percent compared with the same period of the prior year. Organic sales growth, i.e. excluding the effects of acquisitions, was 12.5 percent in the reporting period.

Geographically speaking, sales of CANCOM in Germany increased by 12.9 percent to EUR 305.5 million in the reporting period (prior year: EUR 270.6 million). In its international business, CANCOM achieved sales of EUR 64.5 million, corresponding to growth of 72.9 percent (prior year: EUR 37.3 million).

In the Cloud Solutions Group segment, CANCOM achieved a year-on-year increase in revenue of 27.9 percent to EUR 66.9 million in the first quarter of 2019 (prior year: EUR 52.3 million). Organic sales growth amounted to 16.2 percent.

In the Group segment IT Solutions, CANCOM increased sales in the reporting period by 18.6 percent year-on-year to EUR 303.1 million (prior year: EUR 255.5 million). Organic sales growth in the same period amounted to 11.7 percent.

CANCOM Group's total revenue in the reporting period amounted to EUR 371.7 million (prior year: EUR 309.1 million).

	CANCOM Group: Gross profit (EUR million)	
Q1 2019		103.9
Q1 2018		86.1

In the first quarter of 2019, CANCOM Group gross profit rose by 20.7 percent year-on-year to EUR 103.9 million (prior year: EUR 86.1 million). The gross profit margin was thus 28.0 percent (prior year: 27.9 percent).

In the Cloud Solutions Group segment, gross profit of EUR 34.1 million in the reporting period was 28.2 percent higher than in the prior year (prior year: EUR 26.6 million). In the Group segment IT Solutions, CANCOM recorded a gross profit increase of 17.0 percent to EUR 68.4 million (prior year: EUR 58.5 million).

CANCOM Group: Staff expenses

	Q1 2019 EUR '000	Q1 2018 EUR '000
Wages and salaries	56,448	46,626
Social security contributions	8,739	7,114
Pension expenses	149	110
Total	65,336	53,850

At EUR 65.3 million, staff expenses in the first quarter of the current financial year were 21.2 percent up on the comparable figure for the prior year (prior year: EUR 53.9 million).

Other operating expenses amounted to EUR 13.3 million in the reporting period, representing an increase of 29.1 percent (prior year: EUR 10.3 million).

	CANCOM Group: EBITDA (adjusted) (EUR million)	
Q1 2019		27.8
Q1 2018		23.4

In the period from January to March 2019, the CANCOM Group's EBITDA (adjusted)⁶ amounted to EUR 27.8 million, an improvement of 18.8 percent over the prior year (prior year: EUR 23.4 million). The organic growth of the EBITDA (adjusted) was 8.5 percent.

The adjustment takes into account special investments in the strategic corporate transformation and incidental acquisition costs, which totaled EUR 2.6 million in the first quarter (prior year: EUR 1.1 million).

In the reporting period, the EBITDA margin (adjusted) was 7.5 percent (prior year: 7.6 percent).

	CANCOM Group: EBITDA margin (adjusted)	
Q1 2019		7.5%
Q1 2018		7.6%

In the first quarter of 2019, the Cloud Solutions Group segment contributed to the positive earnings trend with an increase in EBITDA (adjusted) of 32.1 percent to EUR 17.3 million compared with the same period in the prior year (prior year: EUR 13.1 million). The organic growth of EBITDA (adjusted) in the Cloud Solutions segment was 18.3 percent. The EBITDA margin (adjusted) in the Cloud Solutions segment was thus 25.9 percent (prior year: 25.0 percent).

Explanation of the alternative performance measures (APM) used in accordance with the APM guidelines issued by the ESMA:

6) EBITDA (adjusted) = profit for the period + taxes + at equity profit/loss + investment income + financial result + depreciations and amortizations + special investments in strategic corporate transformation, costs for equity-based payments and incidental M&A costs

In the Group segment IT Solutions, CANCOM achieved EBITDA (adjusted) of EUR 14.1 million, which corresponds to an improvement of 7.6 percent over the same period of the prior year (prior year: EUR 13.1 million). The organic growth of EBITDA (adjusted) in the IT Solutions segment was 2.3 percent. The EBITDA margin (adjusted) was 4.7 percent (prior year: 5.1 percent).

The EBITDA of the CANCOM Group, i.e. without taking the adjustments into account, amounted to EUR 25.2 million in the reporting period and was thus 13.0 percent above the prior year's figure (prior year: EUR 22.3 million). EBITDA in the Cloud Solutions segment amounted to EUR 15.8 million (prior year: EUR 12.6 million) and in the IT Solutions segment to EUR 13.7 million (prior year: EUR 13.0 million).

CANCOM Group: Depreciation and amortization

	Q1 2019 EUR '000	Q1 2018 EUR '000
Depreciation	7,796	5,825
Amortization	3,825	3,125
Total	11,621	8,950

Depreciation and amortization of CANCOM Group increased by 29.8 percent to EUR 11.6 million in the first quarter 2019 (prior year: EUR 9.0 million).

	CANCOM Group: EBITA (adjusted) (EUR million)
Q1 2019	20.0
Q1 2018	17.5

In the first three months of the current financial year, the CANCOM Group achieved an increase in EBITA (adjusted)⁷ of 14.3 percent to EUR 20.0 million (prior year: EUR 17.5 million).

Excluding the adjustment, the CANCOM Group's EBITA for the reporting period was EUR 17.4 million, up 6.1 percent on the prior year (prior year: EUR 16.4 million).

In the Cloud Solutions Group segment, EBITA for the same period was EUR 13.3 million (prior year: EUR 10.6 million). In the IT Solutions segment it amounted to EUR 8.6 million (prior year: EUR 9.3 million).

Explanation of the alternative performance measures (APM) used in accordance with the APM guidelines issued by the ESMA:

7) EBITA (adjusted) = profit for the period + taxes + at equity profit/loss + investment income + financial result + amortizations + special investments in strategic corporate transformation, costs for equity-based payments and incidental M&A costs

8) EBIT (adjusted) = profit for the period + taxes + at equity profit/loss + investment income + financial result + special investments in strategic corporate transformation, costs for equity-based payments and incidental M&A costs

	CANCOM Group: EBIT (adjusted) (EUR million)
Q1 2019	16.2
Q1 2018	14.4

The CANCOM Group's EBIT (adjusted)⁸ amounted to EUR 16.2 million in the first quarter of 2019 (prior year: EUR 14.4 million). CANCOM thus achieved an improvement of 12.5 percent over the prior year.

Excluding the adjustment, EBIT in the reporting period amounted to EUR 13.6 million (prior year: EUR 13.3 million), representing an increase of 2.3 percent.

In the Cloud Solutions Group segment, EBIT in Q1 2019 amounted to EUR 11.0 million (prior year: EUR 8.2 million). In the IT Solutions segment it amounted to EUR 7.1 million (prior year: EUR 8.6 million).

The CANCOM Group's net profit for the period amounted to EUR 9.0 million in the first quarter of the current financial year, an increase of 4.7 percent (prior year: EUR 8.6 million).

Financial and asset position

Principles and objectives of financial management

The core objectives and aims of CANCOM's financial management are described in the Annual Report 2018 and remain unchanged.

Capital structure of the Group

CANCOM Group's total assets amounted to EUR 801.7 million as of 31 March 2019 (31 December 2018: EUR 838.1 million). Of this amount, EUR 401.0 million was attributable to equity and EUR 400.7 million to liabilities. The CANCOM Group's equity ratio rose to 50.0 percent at the end of the first quarter of 2019 (31 December 2018: 46.6 percent). Accordingly, the debt ratio was 50.0 percent (31.12.2018: 53.4 percent). The main driver of the higher equity ratio was an increase in the balance sheet profit recorded and a simultaneous decrease in current liabilities.

Both non-current and current interest-bearing financial liabilities have a very low volume compared with total liabilities. They are more than covered by cash and cash equivalents. At the end of the reporting period, the CANCOM Group therefore had negative net financial debt or a net cash position respectively of EUR 98.9 million.

Liabilities and equity

On the liabilities side of the balance sheet, current liabilities amounted to EUR 319.5 million at the end of the first quarter of 2019 (31 December 2018: EUR 368.9 million). In addition to reduced trade payables, other current liabilities were also lower than at the end of 2018. This resulted in a decrease in total current liabilities.

At EUR 81.2 million as of 31 March 2019, non-current liabilities showed no substantial change from the level at the end of the 2018 financial year (31 December 2018: EUR 79.0 million).

Equity rose slightly in the course of the first three months of the 2019 financial year as a result of the balance sheet profit booked, reaching a value of EUR 401.0 million as at 31 March 2019 (31 December 2018: EUR 390.2 million).

Major financing measures

Current business and necessary replacement investments were financed from cash and cash equivalents and operating cash flow in the reporting period.

Assets

On the assets side of the balance sheet, current assets amounted to EUR 429.6 million at the end of the reporting period on 31 March 2019 (31 December 2018: EUR 470.6 million). The decrease compared to the 2018 year-end is primarily due to lower trade receivables and a lower level of cash and cash equivalents as of the balance sheet date.

Non-current assets amounted to EUR 372.2 million as of 31 March 2019 (31 December 2018: EUR 367.6 million). They were therefore hardly changed at the end of the first three months of 2019.

Cash flow and liquidity

The operating cash flow for the period from January to March 2019 amounted to EUR -21.5 million (prior year: EUR -29.4 million). The improvement was mainly due to the positive effects of changes in trade receivables, other receivables and lower income taxes. These items more than offset the opposite effect from the change in trade payables and other liabilities.

At EUR -8.6 million, cash flow from investing activities was significantly lower than in the same period of the previous year (prior year: EUR -22.8 million). The change was primarily the result of significantly lower payments for the acquisition of companies, as no acquisition of a similar magnitude was made in the first quarter as in the first quarter of the previous year.

At EUR -3.0 million, cash flow from financing activities was almost at the prior year's level (prior year: EUR -2.6 million).

In the reporting period from January to March 2019, cash and cash equivalents changed by EUR -33.1 million to EUR 105.1 million (December 31, 2018: EUR 135.2 million) compared with cash and cash equivalents at the beginning of the fiscal year. The figure thus remained at a high level comparable with the prior-year figure (31 March 2018: EUR 102.7 million).

OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

Since the beginning of the current fiscal year, there have been no significant changes in CANCOM's opportunities or risks with regard to future developments. A detailed list of these opportunities and risks can be found in the 2018 Annual Report.

Events after the end of the reporting period

After the end of the reporting period, the transfer of the shares of the minority shareholders of Pironet AG to CANCOM SE, as described in the section Business Development, was carried out against payment of a cash settlement of 9.64 Euro per Pironet share. The transaction is completed as of the date of publication of this interim statement.

FORECAST

The Executive Board of CANCOM SE does not see any significant changes in the economic environment or the industry environment for the CANCOM Group compared with the presentation made in the forecast of the 2018 Annual Report, to which reference is made in this connection. In addition, the Executive Board sees no reason to change these statements about the CANCOM Group's expected development due to the business development in the first three months of 2019 or the development of general conditions.

Basis for forecasts

The forecasts take into account all the information that was available to the Executive Board at the time that this report was prepared and which could have an impact on the CANCOM Group's performance. The outlook is based on the expectations for the development of the IT market and in the economy as a whole as described in the Annual Report 2018. The forecast only refers to organic business development. Nevertheless, unexpected events could have an impact on the expected development of the Group or the IT Solutions or Cloud Solutions reporting segments. These events include, for instance, the repercussions of a sudden change in legal or regulatory requirements. Such events are not taken into consideration in the forecasts.

Forecast for the CANCOM Group

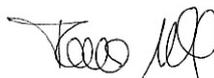
As already described in the Annual Report for 2018, the Executive Board of CANCOM SE expects the CANCOM Group to perform fundamentally well in fiscal 2019. The Executive Board therefore expects the growth trend, which has been sustained for several years, to continue.

Against the background of the general conditions and premises mentioned and explained in detail in the 2018 Annual Report, the Executive Board continues to forecast a significant increase in Group sales for the 2019 financial year. Group gross profit, Group EBITDA and Group EBITA are also expected to increase significantly year-on-year.

For the Group segment IT Solutions, the Executive Board expects a significant increase in revenue, gross profit, EBITDA and EBITA.

For the Cloud Solutions Group segment, the Executive Board also expects a significant increase in revenue, gross profit, EBITDA and EBITA, whereby this increase should be above the level of the increase in the IT Solutions segment. In addition, a very significant increase in Annual Recurring Revenue (ARR) compared to the figure as of December 2018 is expected.

Munich, Germany, in May 2019



Thomas Volk



Rudolf Hotter



Thomas Stark

Executive Board of CANCOM SE

Note on auditor's review

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

Note on rounding

Due to rounding, it is possible that individual figures in this document do not add up exactly to the total stated and that the percentages presented do not accurately reflect the absolute values to which they relate.

Disclaimer forward-looking statements

This document contains statements that relate to the future course of business and future financial performance as well as future events or developments affecting CANCOM and that may constitute forward-looking statements. These are based on current expectations, assumptions and estimates of the Executive Board and other information currently available to management, many of which are beyond CANCOM's control. These statements can be identified by wording and words such as „expect“, „want“, „assume“, „believe“, „aim“, „estimate“, „assure“, „anticipate“, „intend“, „could“, „plan“, „should“, „will“, „predict“ or similar expressions. All statements, other than statements of historical fact, are forward-looking statements. Such forward-looking statements include, among others: Expectations regarding the availability of products and services, the financial position and results of operations, the business strategy and plans of the Executive Board for future operating activities, economic developments and all statements regarding assumptions. Although these statements have been made with great care, CANCOM, represented by the Executive Board, cannot guarantee the accuracy of expectations, particularly in the forecast report. Various known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. In this context, the following factors, among others, are of significance: external political influences, changes in the general economic and business situation, changes in the competitive position and situation, e.g. due to the appearance of new competitors, new products and services, new technologies, changes in the investment behavior of customer target groups, etc. as well as changes in business strategy. Should one or more of these risks or uncertainties materialize, or should underlying expectations or assumptions prove incorrect, CANCOM's actual results, performance and achievements (both negative and positive) may differ materially from those expressed or implied in the forward-looking statement. No guarantee can be given for the adequacy, accuracy, completeness or correctness of the information or opinions in this document. CANCOM also assumes no obligation and does not intend to update these forward-looking statements or correct them in the event of developments that differ from those anticipated.

Consolidated balance sheet (IFRS)

ASSETS

(in € 000)	Notes	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Current assets				
Cash and cash equivalents		105,108	135,247	102,736
Assets held for sale		0	0	360
Trade accounts receivable		252,890	274,410	232,463
Other current financial assets	B.1.	14,236	16,295	13,590
Inventories		40,532	32,142	29,308
Contract assets	B.2.	6,219	5,874	6,271
Prepaid expenses and other current assets	B.3.	10,573	6,607	4,802
Total current assets		429,558	470,575	389,530
Non-current assets				
Property, plant and equipment (tangible assets)		80,693	79,196	64,795
Intangible assets		73,344	74,046	68,040
Assets from right of use		37,992	37,460	26,172
Goodwill		160,153	157,442	133,424
Long-term financial assets		4,000	4,000	5,248
Loans		1,206	1,206	1,317
Capitalized contract expenses		1,251	1,039	0
Other non-current financial assets	B.4.	7,613	7,745	7,185
Contract assets	B.2.	1,341	1,699	1,150
Deferred taxes arising from temporary differences	B.5.	3,280	3,189	13,327
Deferred taxes arising from tax loss carryforward	B.5.	624	298	390
Other assets		689	246	257
Total non-current assets		372,186	367,566	321,305
Total assets		801,744	838,141	710,835

EQUITY AND LIABILITIES

(in € 000)	Notes	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Current liabilities				
Short-term loans and current portion of long-term loans		1,050	904	3,910
Subordinated loans - short-term portion		2,165	1,753	2,361
Trade accounts payable		232,911	271,478	202,734
Other current financial liabilities	B.6.	22,237	21,018	14,534
Provisions	B.7.	3,182	3,234	3,459
Deferred income		256	310	476
Contract liabilities	B.8.	20,319	22,922	15,391
Income tax liabilities		7,789	6,394	4,338
Other current liabilities	B.9.	29,590	40,884	25,577
Liabilities in connection with assets held for sale				769
Total current liabilities		319,499	368,897	273,549
Non-current liabilities				
Long-term loans		1,926	2,050	1,095
Subordinated loans		1,019	1,338	2,624
Deferred income		70	115	326
Contract liabilities	B.8.	2,055	1,964	2,593
Deferred taxes arising from temporary differences	B.10.	16,447	15,602	25,195
Pension provisions		1,890	1,872	2,076
Other non-current financial liabilities	B.11.	54,422	52,831	24,880
Other non-current liabilities	B.7.	3,399	3,266	3,317
Total non-current liabilities		81,228	79,038	62,106
Equity				
Capital stock		35,044	35,044	17,522
Capital reserves		204,958	204,742	221,943
Net retained profit/net accumulated loss (incl. revenue reserves)		156,846	148,057	131,798
Equity capital difference due to currency translation and exchange rate differences		2,017	233	-337
Non-controlling interests		2,152	2,130	4,254
Total equity		401,017	390,206	375,180
Total equity and liabilities		801,744	838,141	710,835

CONSOLIDATED STATEMENT OF INCOME

(in € 000)	Notes	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
Sales revenues		369,993	307,887
Other operating income	D.1.	410	495
Other own work capitalized		1,123	732
Capitalized contract expenses	D.2.	217	0
Total revenue		371,743	309,114
Cost of purchased materials and services		-267,865	-222,980
Gross profit		103,878	86,134
Human resources expenses	D.3.	-65,336	-53,850
Amortization and write-downs of intangible assets, and depreciation and write-downs of tangible assets		-11,621	-8,950
Impairment expenses on financial assets including reversals of impairments		-74	272
Other operating expenses	D.4.	-13,256	-10,291
Operating result		13,591	13,315
Interest and similar income		171	222
Interest and other expenses		-465	-639
Other financial result: expenses		-40	-194
Income from investments		0	27
Currency translation gains/losses		334	-14
Earnings before taxes		13,591	12,717
Income taxes	D.5.	-4,604	-4,156
Earnings after taxes from continuing operations		8,987	8,561
Earnings from discontinued operations		0	-6
Net income/(loss) for the period		8,987	8,555
thereof attributable to the stockholders of the parent		8,934	8,631
thereof attributable to non-controlling interests	D.6.	53	-76
Average number of shares outstanding (basic)		35,043,638	35,043,638
Average number of shares outstanding (diluted)		35,598,638	35,043,638
Earnings per share from continuing operations (basic) in €		0.25	0.25
Earnings per share from continuing operations (diluted) in €		0.25	0.25
Earnings per share from discontinued operations (basic) in €		0.00	0.00
Earnings per share from discontinued operations (diluted) in €		0.00	0.00
Earnings per share attributable to stockholders of the parent from net income/loss for the period (basic) in €		0.25	0.25
Earnings per share attributable to stockholders of the parent from net income/loss for the period (diluted) in €		0.25	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € 000)	Jan. 1, - Mar. 31, 2019	Jan. 1, - Mar. 31, 2018
Net income/loss for the period	8,987	8,555
Other comprehensive income		
Items possibly to be reclassified in profit or loss in subsequent periods		
Currency translation difference	2,601	-147
Income taxes	-817	46
Items not to be reclassified in profit or loss		
Change in actuarial gains/losses from pensions	0	0
Deferred taxes from change in actuarial gains/losses from pensions	0	0
Other comprehensive income for the period (after taxes)	1,784	-101
Comprehensive income for the period	10,771	8,454
thereof attributable to stockholders of the parent	10,718	8,530
thereof attributable to non-controlling interests	53	-76

STATEMENT OF CASH FLOWS

(in € 000)	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
Cashflow aus gewöhnlicher Geschäftstätigkeit		
Periodengewinn vor Steuern und Anteilen nicht beherrschender Gesellschafter	13,591	12,717
Berichtigungen		
+ Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	11,621	8,950
+ Interest result and other financial result	334	584
+/- Changes in long-term provisions	125	-105
+/- Changes in short-term provisions	-65	-103
+/- Result from the sale of intangible assets, tangible assets and financial assets	-20	-278
+/- Changes in inventories	-8,286	-6,412
+/- Changes in accounts receivable from purchases and services, as well as other receivables	20,470	-7,133
+/- Changes in accounts payable from purchases and services, as well as other payable	-55,649	-25,350
- Interest paid	-123	-101
+/- Income tax paid and refunded	-3,820	-12,179
+ Share-based compensations with share settlement	315	0
+/- Cash inflow/outflow from discontinued operations	0	-6
Net cash from operating activities	-21,507	-29,416
Cash flow from investing activities		
- Acquisition of subsidiaries and equity instruments of other companies	-1,806	-29,421
+ Cash from acquisitions	761	2,752
- Acquisition of long-term financial assets	0	-2
- Payments for additions to intangible assets and tangible assets	-7,871	-8,869
+ Income from disposal of intangible assets, tangible assets and financial assets	330	696
+ Outflow of financial assets held-for-sale	0	12,000
+ Interest and dividends received	32	35
Net cash used in investing activities	-8,554	-22,809
Cash flow from financing activities		
- Repayment of long-term debt (incl. short-term portion)	-53	-444
+/- Changes in short-term financial liabilities	0	134
- Interest paid	-53	-71
+/- Receipts and payments for finance lease	-2,753	-2,231
- Payments for purchasing non-controlling interests in controlling situation	-176	0
Net cash used in financing activities	-3,036	-2,612
Net increase/decrease in cash and cash equivalents	-33,097	-54,837
+/- Changes in value resulting from foreign currency exchange	2,958	-46
+/- Cash and cash equivalents at the beginning of the period	135,247	157,619
Cash and cash equivalents at the end of the period	105,108	102,736

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Capital stock	Capital reserves	Revenue reserves	Currency translation reserves	Reserves for changes in actuarial gains/ losses from pensions	Revaluation reserve	Net retained profits	Total investors of parent company	Minority interests	Total equity
	units'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000
December 31, 2017	17,522	17,522	221,943	73,240	-236	-302	-153	50,150	362,164	2,086	364,250
Initial application IFRS 16				232					232		232
January 1, 2018	17,522	17,522	221,943	73,472	-236	-302	-153	50,150	362,396	2,086	364,482
Net income/(loss) for the period								42,516	42,516	128	42,644
Other comprehensive income					469	-12			457	0	457
Comprehensive income					469	-12		42,516	42,973	128	43,101
Capital increase	17,522	17,522	-17,522						0		0
Changes in reserves:											
Capital increase costs			-4						-4		-4
Transfer of net retained profit/ net accumulated loss/revenue reserves				20,512				-20,512	0		0
Recognition of share-based compensation			325						325		325
Distribution in fiscal year								-17,522	-17,522	-29	-17,551
Changes due to acquisition of non-controlling interests				-92					-92	-55	-147
December 31, 2018	35,044	35,044	204,742	93,892	233	-314	-153	54,632	388,076	2,130	390,206
Other comprehensive income								8,934	8,934	53	8,987
Comprehensive income					1,784				1,784		1,784
Capital increase					1,784			8,934	10,718	53	10,771
Recognition of share-based compensation			216						216		216
Changes due to acquisition of non-controlling interests				-145					-145	-31	-176
March 31, 2019	35,044	35,044	204,958	93,747	2,017	-314	-153	63,566	398,865	2,152	401,017

Segment information – IFRS

Segment information	Cloud solutions		IT solutions	
	Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000	Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000
Sales revenues				
- External sales	66,960	52,345	303,033	255,542
- Intersegment sales	2,757	2,019	1,607	1,564
- Total sales revenues	69,717	54,364	304,640	257,106
- Cost of purchased materials and services	-35,660	-27,741	-236,220	-198,637
- Human resources costs	-15,412	-11,516	-46,598	-40,032
- Other income and expenses	-2,797	-2,504	-8,076	-5,450
EBITDA	15,848	12,603	13,746	12,987
- Depreciation	-2,585	-2,043	-5,140	-3,700
- Amortizations	-2,283	-2,327	-1,542	-798
Operating result (EBIT)	10,980	8,233	7,064	8,489
- Interest income	25	165	138	47
- Interest expenses	-18	-31	-548	-765
- Other financial expenses	0	0	-40	-194
- Income from investments	0	0	0	27
Result from ordinary activities	10,987	8,367	6,614	7,604
- Foreign currency exchange differences				
Earnings before taxes	10,987	8,367	6,614	7,604
- Income taxes				
- Discontinued operations	0	0	0	-6
Consolidated net income for the year				
thereof attributable to stockholders of the parent				
thereof attributable to non-controlling interests				

Totals		Other companies		Reconciliation		Consolidated	
Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000	Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000	Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000	Jan. 1 - Mar. 31, 2019 €'000	Jan. 1 - Mar. 31, 2018 €'000
369,993	307,887	0	0				
4,364	3,583	3	0	-4,367	-3,583		
374,357	311,470	3	0	-4,367	-3,583	369,993	307,887
-271,880	-226,378	0	0	4,015	3,398	-267,865	-222,980
-62,010	-51,548	-3,326	-2,302	0	0	-65,336	-53,850
-10,873	-7,954	-1,059	-1,023	352	185	-11,723	-9,064
29,594	25,590	-4,382	-3,325	0	0	25,212	22,265
-7,725	-5,743	-71	-82	0	0	-7,796	-5,825
-3,825	-3,125	0	0	0	0	-3,825	-3,125
18,044	16,722	-4,453	-3,407	0	0	13,591	13,315
163	212	855	283	-847	-273	171	222
-566	-796	-746	-116	847	273	-465	-639
-40	-194	0	0	0	0	-40	-194
0	27	0	0	0	0	0	27
17,601	15,971	-4,344	-3,240	0	0	13,257	12,731
				334	-14	334	-14
17,601	15,971	-4,344	-3,240	334	-14	13,591	12,717
				-4,604	-4,156	-4,604	-4,156
0	-6	0	0	0	0	0	-6
						8,987	8,555
						8,934	8,631
						53	-76

A. Basic information on the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM SE and its subsidiaries (hereinafter „CANCOM Group“ or „Group“) were prepared in accordance with International Financial Reporting Standards or International Accounting Standards (IFRS/IAS, as adopted by the EU) in fiscal year 2019.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are stated in thousands of euros (EUR thousand). In individual cases, rounding may lead to values in this report not adding up exactly to the total stated and percentages not being derived exactly from the values shown.

These interim consolidated financial statements have been condensed and prepared in accordance with IAS 34, Interim Financial Reporting. They should be read in conjunction with the IFRS consolidated financial statements published for the 2018 financial year. This can be downloaded from the Internet at www.cancom.de.

2. Scope of consolidation

In addition to CANCOM SE, the consolidated financial statements include all subsidiaries in which CANCOM SE directly or indirectly holds a majority interest or holds the majority of voting rights. These subsidiaries were fully consolidated.

Acquisitions in the first quarter 2019

CANCOM SE acquired 100% of the shares with a nominal value of EUR 140,000 in medocino Gesellschaft für vernetzte Systeme mbH, Aachen, by way of a share purchase and assignment agreement dated 15 March 2019. The purchase price consists of a fixed purchase price paid in cash in the amount of EUR 1.8 million and a variable purchase price component (earn out) in the amount of EUR 600 thousand. This is a contingent purchase price based on the gross profit from software services and an employee component in fiscal years 2019 and 2020, with a maximum limit of EUR 600 thousand.

Incidental acquisition costs of EUR 37 thousand were incurred in the first quarter of 2019 and included in other operating expenses in the income statement.

medocino Gesellschaft für vernetzte Systeme mbH is an IT system house. The company had 11 employees at the time of initial consolidation and generated revenue of around EUR 3.5 million in fiscal year 2018.

The date of initial consolidation was 01.03.2019.

Change in the scope of consolidation in 2019:

Name of entity	Entity seated in	Time of initial consolidation	Share of capital %	Share of voting rights %
medocino Gesellschaft für vernetzte Systeme mbH,	Aachen/ Germany	01/03/2019	100	100

The effects of the change in the scope of consolidation on the consolidated financial statements of the first-time consolidation of medocino Gesellschaft für vernetzte Systeme mbH as of the date of 01.03.2019 are as follows:

	Fair value € '000	Carrying amount € '000
Cash and cash equivalents	761	761
Trade accounts receivable	520	520
Inventories	23	23
Prepaid expenses and other current assets	25	25
Current assets	1,329	1,329
Property, plant and equipment (tangible assets)	91	91
Intangible assets	1,116	3
Assets from right of use	212	212
Non-current assets	1,419	306
Total assets	2,748	1,635
Trade accounts payable	94	94
Other current financial liabilities	81	81
Provisions	9	9
Contract liabilities	9	9
Income tax liabilities	117	117
Other current liabilities	243	243
Current liabilities	553	553
Deferred taxes	361	0
Other non-current financial liabilities	132	132
Non-current liabilities	493	132
Total liabilities	1,046	685
Net assets acquired	1,702	950

The acquisition resulted in goodwill of around EUR 704 thousand (provisional value), which is not tax-deductible. The main reasons leading to the acquisition itself and to the recognition of goodwill are the strengthening of business in the region Aachen/West (Germany) and an improvement of reaching out to the Benelux states.

Since the acquisition date, the sales of medocino Gesellschaft für vernetzte Systeme mbH included in consolidated sales amount to EUR 365 thousand, the profit included in consolidated earnings amounts to EUR 40 thousand.

3. Accounting and valuation methods

The interim consolidated financial statements have been prepared using the same accounting policies as those applied to the consolidated financial statements for the 2018 financial year.

IFRS 16 "Leases" is applied since January 1, 2018 retroactively and we hereby make reference to the explanation in the interim financial statements as of June 30, 2018 regarding the prior year statements. IFRS 9 „Financial Instruments“ and IFRS 15 „Revenue from Contracts with Customers“ will be applied for the first time as of January 1, 2018, and the corresponding amounts will be reported in a year-on-year comparison with the notes in the Annual Report as of December 31, 2018.

B. Notes to the consolidated balance sheet

1. Other current financial assets

This item includes purchase price receivables from leasing projects (EUR 7,064 thousand), bonus receivables from suppliers (EUR 5,494 thousand), marketing revenues (EUR 1,231 thousand), creditors with debit balances (EUR 345 thousand) and receivables from employees (EUR 102 thousand).

2. Contract assets

The current contract assets amount to EUR 6,219 thousand and the non-current contract assets to EUR 1,341 thousand. This item mainly relates to term contracts prepaid to suppliers and orders in progress in connection with IT projects.

3. Prepaid expenses and other current assets

This item mainly includes other current assets such as tax refunds (EUR 5,595 thousand), commission income (EUR 347 thousand) as well as insurance refunds (EUR 141 thousand).

Prepaid expenses and deferred charges (EUR 4,414 thousand) mainly comprise accrued insurance premiums and prepaid expenses.

4. Other non-current financial assets

This item mainly includes long-term purchase price receivables from leasing projects (EUR 7,399 thousand) and assets from employee benefits (EUR 211 thousand).

5. Deferred tax assets

Deferred tax assets break down as follows:

Deferred tax from	temporary differences €'000	tax loss carry-forwards €'000
As at January 1, 2019	3,189	298
Tax income from profit and loss calculation	163	316
Currency exchange gains/losses*	-72	10
As at March 31, 2019	3,280	624

* directly recognised in equity

As of March 31, 2019, the CANCOM Group had corporate income tax loss carryforwards of EUR 5.6 million and trade tax loss carryforwards of EUR 0.2 million. The amount of unused losses for which no deferred tax asset was recognized in the balance sheet amounts to EUR 3.3 million. On the basis of the planned tax results, it is expected that the deferred tax assets from loss carryforwards will be realized.

Deferred taxes from temporary differences mainly result from differences in property, plant and equipment (EUR 1,104 thousand), intangible assets (EUR 656 thousand), other financial liabilities (EUR 506 thousand), pension provisions (EUR 432 thousand), other financial liabilities (EUR 311 thousand) and other provisions (EUR 153 thousand).

6. Other current financial liabilities

Other current financial liabilities include purchase price liabilities for leasing (EUR 9,690 thousand), purchase price liabilities for the shares in Synaix Gesellschaft für angewandte Informations-Technologien mbH (EUR 4,374 thousand), accounts receivable with credit balances (EUR 3,937 thousand), liabilities to former affiliated companies (EUR 2,776 thousand), OCEAN Group (EUR 583 thousand), outstanding cost accounts (EUR 441 thousand), purchase price liabilities for the shares in OCSL Group (EUR 338 thousand) and Supervisory Board remuneration (EUR 98 thousand).

7. Other provisions

The provisions mainly comprise warranties (EUR 2,585 thousand), copyright levies (EUR 1,017 thousand), interest expenses (EUR 904 thousand), anniversary provisions (EUR 667 thousand), provisions for staff expenses (EUR 396 thousand), costs for the financial statements (EUR 243 thousand), litigation costs (EUR 239 thousand), severance payments (EUR 215 thousand), archiving costs (EUR 149 thousand) and uncertain risks (EUR 101 thousand).

The total amount of provisions includes non-current provisions of EUR 3,398 thousand, which are reported under other non-current liabilities. They mainly relate to warranties (EUR 1,261 thousand), provisions for copyright levies (EUR 861 thousand), provisions for anniversary bonuses (EUR 667 thousand), provisions for staff expenses (EUR 396 thousand), archiving costs (EUR 122 thousand) and the provision for severance payments (EUR 76 thousand) necessary in Austria.

8. Contract liabilities

Current contract liabilities amount to EUR 20,319 thousand and non-current contract liabilities to EUR 2,055 thousand. This item mainly relates to advance payments received from customers and prepaid term contracts in connection with IT projects.

9. Other current liabilities

Other current liabilities mainly comprise bonuses and employee bonuses (EUR 10,123 thousand), VAT liabilities (EUR 6,849 thousand), vacation and overtime (EUR 5,542 thousand), wage and church taxes (EUR 5,007 thousand), employers' liability insurance (EUR 1,012 thousand), wages and salaries (EUR 444 thousand), social insurance (EUR 209 thousand), interest and bank charges (EUR 165 thousand), travel expense liabilities (EUR 79 thousand) and the severely handicapped levy (EUR 61 thousand).

10. Deferred tax liabilities

Deferred tax liabilities break down as follows:

	€'000
As at January 1, 2019	15,602
Income from neutral passivation due to initial consolidation	361
Tax income/expenses from profit and loss calculation	-418
Currency exchange gains/losses*	902
As at March 31, 2019	16,447

* directly recognised in equity

Deferred tax liabilities were formed for deviations from the tax balance sheets. They result from the recognition and revaluation of intangible assets (EUR 10,731 thousand), software development costs (TEUR 1.818), other financial assets (EUR 1,287 thousand), loans to affiliated companies (EUR 1,010 thousand), goodwill (EUR 646 thousand), property, plant and equipment (EUR 367 thousand), capitalized contract costs (EUR 378 thousand), contract assets (EUR 121 thousand), prepaid expenses (EUR 41 thousand), trade receivables (EUR 23 thousand), other liabilities (EUR 19 thousand) and other provisions (EUR 6 thousand).

They are measured at the respective tax rates of between 17% (subsidiaries in the United Kingdom) and 32.46% (subsidiaries domiciled in Cologne, Germany).

11. Other non-current financial liabilities

Other non-current financial liabilities include purchase price liabilities for leasing amounting to EUR 32,496 thousand, purchase price liabilities for the shares in OCEAN Group amounting to EUR 13,125 thousand, the OCSL Group amounting to EUR 8,201 and purchase price liabilities for the shares in medocino Gesellschaft für vernetzte Systeme mbH amounting to EUR 601 thousand.

C. Segment information

Segment information is provided in accordance with IFRS 8 „Operating Segments“. The segment information is based on the segmentation used for internal control purposes (management approach).

The Group reports two business segments - Cloud Solutions and IT Solutions.

Description of reportable segments

The Cloud Solutions segment includes CANCOM Pironet AG & Co KG, PIRONET Enterprise Solutions GmbH, Pironet AG, PIRONET NDH Beteiligungs GmbH, CANCOM Synaix GmbH, Ocean Intelligent Communications Ltd., Ocean Unified Communications Ltd., Ocean Network Services Ltd. plus the business areas of CANCOM GmbH, CANCOM on line GmbH and OCSL Group, which are allocated to the Cloud Solutions segment. This business segment comprises the CANCOM Group's Cloud and Shared Managed Services business, including cloud hardware, software and service businesses allocated to projects. The range of services includes analysis, consulting, delivery, implementation and services and thus offers customers the necessary orientation and support for the transformation of their corporate IT into the cloud. As part of its range of services, the CANCOM Group is in a position to take over the complete or partial operation of IT for its customers with scalable cloud and managed services - in particular shared managed services. Selling expenses attributable to Cloud Distribution are included in this segment. The cloud business also benefits from synergies with general CANCOM sales and marketing, whose costs are allocated to the IT Solutions reporting segment.

The IT Solutions business segment includes CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM ICT Service GmbH, CANCOM on line GmbH, Cancom on line B.V.B.A., CANCOM physical infrastructure GmbH, medocino Gesellschaft für vernetzte Systeme mbH, CANCOM Inc., HPM Incorporated, OCSL Group (The Organised Group Ltd., Organised Computer Systems Ltd., OCSL Managed Services Ltd., OCSL Project Services Ltd., M.H.C. Consulting Services Ltd., OCSL Employee Services LLP, OCSL ITO Ltd., OCSL Property LLP) less the business areas of CANCOM GmbH, CANCOM on line GmbH and the OCSL Group which are allocated to the Cloud Solutions segment or 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 within the scope of projects as well as professional IT services and support.

“Other companies“ includes CANCOM SE, CANCOM Managed Services GmbH, CANCOM Financial Services GmbH, CANCOM LTD, CANCOM OCEAN LTD, CANCOM UK Holdings Limited plus the area of CANCOM GmbH to be allocated to the „Other companies“ segment. CANCOM SE and the division of CANCOM GmbH to be allocated to this segment include the staff or management function. As such, it provides a number of services to its subsidiaries. This area also includes the costs of central Group management and investments in internal Group projects.

Reconciliations

The reconciliation item shows topics that are not directly related to the business segments and other companies. These include intra-segment sales and income tax expense.

Income tax expenses are not included in the results of the business segments. As the tax expense is allocated to the parent company in the case of tax unity, the allocation of income tax does not necessarily correspond to the structure of the segments.

Information on geographical areas

	Sales revenue acc. to client location		Sales revenue acc. to entity location	
	01.01.- 31.03.2019 €'000	01.01.- 31.03.2018 €'000	01.01.- 31.03.2019 €'000	01.01.- 31.03.2018 €'000
Germany	288,987	255,506	305,490	270,557
Outside Germany	81,006	52,381	64,503	37,330
Group	369,993	307,887	369,993	307,887
			Non-current assets	
			31.03.2019 €'000	31.03.2018 €'000
Germany			267,941	226,967
Outside Germany			96,341	47,958
Group			364,282	274,925

Non-current assets include property, plant and equipment, intangible assets, goodwill and other non-current assets. Financial instruments and deferred tax assets are excluded.

D. Notes to the consolidated income statement

1. Other operating income

Other operating income breaks down as follows:

	01.01.- 31.03.2019 €'000	01.01.- 31.03.2018 €'000
Rental income	4	0
Income not relating to the period	241	327
Government grants	111	151
Compensation for damages	0	8
Other operating income	54	9
Total	410	495

Income relating to other periods mainly includes income from the prior year amounting to EUR 141 thousand.

2. Capitalized contract costs

The capitalized contract costs relate to start-up costs for multi-year customer contracts in the amount of EUR 217 thousand and relate to personnel costs of the Group's own employees of EUR 151 thousand and externally procured subcontractor services of EUR 66 thousand.

3. Personnel expenditure

Personnel expenses break down as follows:

	01.01.- 31.03.2019 €'000	01.01.- 31.03.2018 €'000
Wages and salaries	56,448	46,626
Social security contributions	8,739	7,114
Pension expenses	149	110
Total	65,336	53,850

4. Other operating expenses

Other operating expenses break down as follows:

	01.01.- 31.03.2019 €'000	01.01.- 31.03.2018 €'000
Premises costs	1,568	1,234
Insurance and other charges	394	431
Motor vehicle costs	762	521
Advertising costs	489	414
Stock exchange and entertainment costs	123	50
Hospitality and travelling expenses	2,275	1,812
Delivery costs	1,420	777
Third-party services	1,292	1,123
Repairs, maintenance, leasing	1,375	1,149
Communications and office costs	830	600
Professional development and training costs	911	480
Legal and consultancy costs	802	694
Fees and charges, costs of money transactions	147	294
Other operating expenses	868	712
Total	13,256	10,291

5. Income taxes

The income tax rate for German companies amounts to 31.4 % (prior year: 31.3 %) and relates to corporation tax, trade tax and solidarity surcharge. The slight increase in the income tax rate is attributable to a slight increase in the average trade tax rate.

The differences between the reported tax expenses and the tax rate for CANCOM SE are as follows:

	01.01.- 31.03.19 €'000	01.01.- 31.03.18 €'000
Earnings before tax	13,591	12,717
Expected tax expenses at rate for German companies (31.4%; previous year: 31.3%)	4,268	3,980
- Difference from tax paid outside Germany	28	32
- Changes from valuation allowance of deferred taxes on loss carry-forwards	107	10
- Tax-exempt income/non tax-relevant losses in disposals	11	-1
- Actual income tax not relating to the period	-7	-31
- Permanent differences	20	0
- Non-deductible operating expenses as well as additions and reductions in relation to trade tax	154	176
- Effects from tax rate changes	35	-10
- Miscellaneous	-12	0
Total Group income tax expenses	4,604	4,156

The actual tax rate is as follows:

	01.01.- 31.03.19 €'000	01.01.- 31.03.18 €'000
Income before tax	13,591	12,717
Income tax	4,604	4,156
Actual tax expenses rate	33.88%	32.68%

Income taxes include income taxes paid or owed in the individual countries as well as deferred taxes:

	01.01.- 31.03.19 €'000	01.01.- 31.03.18 €'000
Actual income tax expense	5,600	5,190
Deferred taxes:		
Assets	-479	327
Liabilities	-418	-1,361
	-897	-1,034
Actual income tax expense	-99	0
Group income tax	4,604	4,156

6. Non-controlling interests

Minority interests account for 4.91% (beginning of year) - 4.84% (March 31, 2019) of the Pironet AG subgroup's net result for the period (EUR 53 thousand).

E. Other information

1. Affiliated and related companies and persons

CANCOM SE prepares these consolidated financial statements as the parent company. These consolidated financial statements are not included in any superordinate consolidated financial statements.

Within the meaning of IAS 24, Mr. Thomas Volk, Rudolf Hotter and Thomas Stark are considered a related party who, in their capacity as a member of the CANCOM SE Executive Board, can exercise significant influence over the CANCOM Group. In addition, the members of the Supervisory Board are also related parties within the meaning of IAS 24. Other related parties within the meaning of IAS 24.9 b may be considered:

- Polecat Intelligence Ltd.,
- tyntec Group Ltd. and subsidiaries,
- Unify Square and subsidiaries
- ABCON Vermögensverwaltung GmbH and subsidiaries,
- Inter-Connect Holding GmbH,
- DV Immobilien Management GmbH,
- SBF AG and subsidiaries,
- Elber GmbH,
- Mutares AG,
- Alfmeier SE,
- Athanor Gesellschaft für Beratung und Beteiligung mbH and subsidiaries,
- Wild Consult LLC,
- Accelerate Commerce GmbH,
- MediaMarktSaturn Retail Group and subsidiaries,
- Digitales Gründerzentrum der Region Ingolstadt GmbH,
- Artificial Intelligence Network Ingolstadt GmbH,
- AL-KO Kober SE as well as
- Stemmer Imaging AG.

Transactions with related parties were settled net between 10 and 30 days at market prices and usual market conditions.

The following business volumes were realised in the area of deliveries and services to related parties in accordance with IAS 24 in the period 01.01. - 31.03.2019: The purchase of AL-KO Kober SE (a subsidiary of PRIMEPULSE SE) and its subsidiaries totaled EUR 648 thousand (gross), of which EUR 387 thousand was outstanding as of the balance sheet date. The purchase of Stemmer Imaging AG (a subsidiary of PRIMEPULSE SE) and its subsidiaries totaled EUR 83 thousand (gross), of which EUR 0 thousand was outstanding as of the balance sheet date. The purchase of Inter-Connect GmbH (a subsidiary of PRIMEPULSE SE) and its subsidiaries totaled EUR 28 thousand (gross), of which EUR 15 thousand was outstanding as of the balance sheet date. The purchase of Alfmeier SE amounted to EUR 15 thousand (gross), of which EUR 0 was outstanding as of the balance sheet date.

No business volumes were realized in the area of trade receivables from related parties in accordance with IAS 24.

2. Shareholdings of executive bodies (as of balance sheet date)

Stockholder	Shares	Percentage	Stock options
Thomas Volk			54,000 (exercisable)
	5,000	0,0143	200,000 (not exercisable)
Thomas Stark			60,000 (not exercisable)
	0	0,0000	

3. Participation in the company within the meaning of § 20 IV AktG (German Stock Corporation Act)

In the period from January 1 to March 31, 2019, no shareholder notified CANCOM SE in writing of a majority interest within the meaning of Section 20 of the German Stock Corporation Act (AktG).

CANCOM SE

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