

# Q2 2019

INTERIM REPORT AS AT JUNE 30, 2019

**CANCOM**

# Key figures

## CANCOM GROUP

in € million	1H AT A GLANCE		
	1H 2019	1H 2018	Δ
Revenues	791.8	608.5	+30.1%
Gross profit	210.7	175.8	+19.9%
EBITDA (adjusted)	59.1	48.7	+21.4%
EBITDA margin (adjusted)	7.4%	8.0%	-0.6 Pp
EBITA (adjusted)	43.1	36.7	+17.4%
EBIT (adjusted)	35.1	30.2	+16.2%
	<b>30.6.2019</b>	<b>31.12.2018</b>	<b>Δ</b>
Balance sheet total	830.4	838.1	-0.9%
Equity	405.5	390.2	+3.9%
Equity ratio	48.8%	46.6%	+2.2 Pp
Employees	3,442	3,071	+12.1%

## SEGMENTS

in € million	CLOUD SOLUTIONS		
	1H 2019	1H 2018	Δ
Revenues	136.9	109.7	+24.8%
EBITDA (adjusted)	35.4	27.3	+29.7%
EBITDA margin (adjusted)	25.9%	24.9%	+1.0 Pp
Annual Recurring Revenue	145.5	105.7	+37.7%
	IT SOLUTIONS		
in € million	1H 2019	1H 2018	Δ
Revenues	654.9	498.8	+31.3%
EBITDA (adjusted)	31.0	26.7	+16.1%
EBITDA margin (adjusted)	4.7%	5.4%	-0.7 Pp

# Table of contents

4	Foreword by the Executive Boar
<b>5</b>	<b>CONSOLIDATED INTERIM MANAGEMENT REPORT</b>
5	Fundamental information about the Group
7	Economic report
12	Opportunities and risk of future development
13	Forecast
13	Responsibility statement
<b>15</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS</b>
<b>23</b>	<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>

**Dear Shareholders,**

With extraordinarily high corporate growth in the second quarter, and as a result throughout the first half of the year, we were once again able to demonstrate to you the great dynamics of our business model. Despite our already considerable company size, we are still in a position to achieve outstanding growth rates even in the range of over 40 percent. At the same time, the CANCOM Group is mastering a strategic transformation process towards Managed Services and an X-as-a-Service business model that will have a positive impact on our profitability for years to come and will make CANCOM fit for the future. In the IT industry, it is not a matter of course to successfully drive such a process forward and at the same time grow strongly and profitably across the entire breadth of the portfolio. As the Executive Board of CANCOM SE, we are very proud of this and you, our shareholders, can expect a great deal of pleasure from the results of this work in the future. We would like to take this opportunity to thank all our employees, partners and customers for making this progress possible in the first place!

In view of the good starting position, we have raised our annual targets for the remainder of 2019. We now expect all key forecast figures to show very significant growth compared with the previous year's figures.

Your CANCOM SE Executive Board



Thomas Volk  
CEO



Rudolf Hotter  
COO



Thomas Stark  
CFO

# Interim Group management report

for the period 1 January to 30 June 2019

## FUNDAMENTAL INFORMATION ABOUT THE GROUP

### Structure of the CANCOM 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.

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 functions, 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).

These 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 Group segment Cloud Solutions includes the (shared) managed services business as well as the 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 multcloud management software AHP Enterprise Cloud.

The Group segment IT Solutions comprises business relating to comprehensive strategic and technical consulting for projects in the areas of IT infrastructure, IT applications and system integration, as well as related services like 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 two operating Group 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 but also expenses for company acquisitions or income from divestments are 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 support 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 predominantly small and medium sized or rather regionally operating IT manufacturers and IT service providers. 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.

In the narrower competitive environment of system houses (value added resellers) there are 18 companies that generate more than EUR 250 million in sales revenues in the German market according to data from the latest ranking by the trade magazine ChannelPartner. Only four of these companies have domestic sales revenues in excess of EUR 1 billion. According to this ranking, CANCOM was the fourth-largest system house in Germany in 2018 (in 2017 it was ranked fifth). CANCOM is considered by ChannelPartner to be part of this narrower competitive environment as CANCOM continues to cover the full range of products and services of a system house 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 profit<sup>1</sup>, earnings before interest, tax, depreciation and amortization (EBITDA)<sup>2</sup> and earnings before interest, tax and amortization (EBITA)<sup>3</sup>. 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 as a result of the consolidation of newly acquired companies it causes a reduction in earnings before interest and tax (EBIT<sup>4</sup>) purely in accounting terms. 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 (ARR<sup>5</sup>) – 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

2) 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

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

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

5) 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 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.

**ECONOMIC REPORT**

**Performance of the overall economy and the IT market**

**Germany**

CANCOM Group generates the vast majority of its revenue in Germany. According to the monthly report from July 2019 of Deutsche Bundesbank, it is likely that the German economy decreased slightly in the second quarter of the year 2019. In the first quarter 2019 it had achieved moderate growth of 0.6 percent. The bank explains this assessment, amongst others, with domestic economy still driving the development. But special effects, which had supported growth before, were no longer present. In total the Bundesbank describes the general economic trend as weak, mostly due to the ongoing downturn in the industrial sector.

**IT market**

In its most current announcement of July 2019 the German digital association bitkom forecasts, the volume of the information and communications technology (ICT) market in Germany to grow by 2.0 percent to EUR 170.3 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 3.2 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:		+2.4 %
IT hardware (incl. semiconductors):		+1.5 %

\* Source: Bitkom/EITO, July 2019

**Business performance in the first half-year**

The CANCOM Group’s business performance in the first half of 2019 was extraordinarily dynamic, especially in comparison with the generally gloomy economic mood in Germany. Consolidated Group revenue increased in the first six months of the financial year 2019 by 30.1 percent compared to prior year’s period to EUR 791.8 million (prior year: EUR 608.5 million). With 40.3 percent CANCOM achieved a very high growth rate especially in the second quarter. In the first quarter consolidated group revenue had already grown by 20.2 percent.

This exceptionally positive business development in the first half of 2019 was driven by a very widespread demand for IT products and services. Exceptionally high demand came, especially in the second quarter, from the healthcare and the public sector. Nevertheless, almost all other customers groups showed positive signals. But also the group segment Cloud Solutions continued to generate a growth rate in the clear double-digits and thus performed very satisfying. Additionally, these pleasing results have been supported by the contributions to revenue and earnings from the new subsidiaries in the United Kingdom, which had been acquired already in 2018.

After adjustments for special investments in the strategic corporate transformation the earnings before interest, taxes, depreciation and amortization of CANCOM Group, i.e. EBITDA (adjusted), was EUR 59.1 million (prior year: EUR 48.7 million). This represents an increase of 21.4 percent. The EBITDA margin (adjusted) in the first half-year was thus 7.4 percent (prior year: 8.0 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. The settlement of the transaction occurred accordingly during the reporting period.

## Order position – Annual Recurring Revenue

CANCOM Group: Annual Recurring Revenue (EUR million)	
June 2019	145.5
June 2018	105.7

In its Cloud Solutions segment CANCOM reports, amongst others, on its managed services business and the business with its proprietary software AHP Enterprise Cloud. Managed services contracts and software sales lead to recurring monthly 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 June 2019 amounted to EUR 145.5 million, representing a year-over-year increase of 37.7 percent (June 2018: EUR 105.7 million). The organic growth of ARR in the reporting period was 17.3 percent compared to prior year's period.

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 June 30, 2019, the CANCOM Group employed 3,442 people (June 2018: 3,071). This represents an increase of 12.7 percent compared with prior year's reporting date.

The Group's staff worked in the following areas:

### CANCOM Group: Staff

	30.6.2019	30.6.2018
Professional Services	2,099	1,898
Sales	761	665
Central Services	582	508
<b>Total</b>	<b>3,442</b>	<b>3,071</b>

## Earnings, financial and asset position of the CANCOM

### Earnings position

CANCOM Group: Sales revenues (EUR million)	
H1 2019	791.8
H1 2018	608.5

In the first half of the financial year 2019, the CANCOM Group generated consolidated revenues of EUR 791.8 million (prior year: EUR 608.5 million). This represents growth of 30.1 percent compared with the same period of the prior year. Organic sales growth, i.e. excluding the effects of acquisitions, was 21.9 percent in the reporting period.

Geographically speaking, sales of CANCOM in Germany increased by 22.6 percent to EUR 658.4 million in the reporting period (prior year: EUR 536.9 million). In its international business, CANCOM achieved sales of EUR 133.5 million, corresponding to growth of 86.2 percent which was supported by the acquisition of OCSL in the United Kingdom (prior year: EUR 71.7 million).

In the Cloud Solutions Group segment, CANCOM achieved a year-on-year increase in revenue of 24.8 percent to EUR 136.9 million in the first half of 2019 (prior year: EUR 109.7 million). Organic sales growth amounted to 15.8 percent in this period.

In the Group segment IT Solutions, CANCOM increased sales in the reporting period by 31.3 percent year-on-year to EUR 654.9 million (prior year: EUR 498.8 million). Organic sales growth in the same period amounted to 23.3 percent.

The figures for the second quarter of 2019 show an increase in consolidated revenue of 40.3 percent to EUR 421.8 million (prior year: EUR 300.6 million). In the Cloud Solutions segment, CANCOM increased revenue by 22.2 percent to EUR 70.0 million (prior year: EUR 57.3 million) and in the IT Solutions segment by 44.6 percent to EUR 351.9 million (prior year: EUR 243.3 million).

CANCOM Group's total revenue in the reporting period amounted to EUR 796.4 million (prior year: EUR 611.9 million) and in the second quarter to EUR 424.7 million (prior year: 302.8 million).

CANCOM Group: Gross profit (EUR million)	
H1 2019	210.7
H1 2018	175.8

In the first half of 2019, CANCOM Group gross profit rose by 19.9 percent year-on-year to EUR 210.7 million (prior year: EUR 175.8 million). The gross profit margin was thus 26.5 percent (prior year: 28.7 percent).

In the Cloud Solutions Group segment, gross profit of EUR 67.6 million in the reporting period was 23.1 percent higher than in the prior year (prior year: EUR 54.9 million). In the Group segment IT Solutions, CANCOM recorded a gross profit increase of 18.2 percent to EUR 139.4 million (prior year: EUR 117.9 million).

The figures for the second quarter of 2019 show an increase in consolidated gross profit of 19.1 percent to EUR 106.8 million (prior year: EUR 89.7 million). In the Cloud Solutions segment, CANCOM achieved a gross profit increase of 18.7 percent to EUR 33.6 million (prior year: EUR 28.3 million) and in the IT Solutions segment a gross profit increase of 19.4 percent to EUR 70.9 million (prior year: EUR 59.4 million).

#### CANCOM Group: Staff expenses (EUR '000)

	H1 2019	H1 2018
Wages and salaries	112,773	94,355
Social security contributions	17,254	14,661
Pension expenses	349	209
<b>Total</b>	<b>130,375</b>	<b>109,225</b>

At EUR 130.4 million, staff expenses in the first half of the current financial year were 19.4 percent up on the comparable figure for the prior year (prior year: EUR 109.2 million). In the second quarter of 2019 alone, personnel expenses rose by 17.3 percent to EUR 65.0 million (prior year: EUR 55.4 million).

Other operating expenses amounted to EUR 26.7 million in the reporting period, representing an increase of 17.6 percent (prior year: EUR 22.7 million).

In the second quarter the figure was EUR 13.5 million, representing an increase of 8.9 percent against prior year's figure (prior year: EUR 12.4 million)

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

H1 2019	59.1
H1 2018	48.7

In the period from January to June 2019, the CANCOM Group's EBITDA (adjusted)<sup>6</sup> amounted to EUR 59.1 million, an improvement of 21.4 percent over the prior year (prior year: EUR 48.7 million). The organic growth of the EBITDA (adjusted) was 10.7 percent.

The adjustment takes into account special investments in the strategic corporate transformation and incidental acquisition costs, which totaled EUR 5.4 million in the first quarter (prior year: EUR 4.4 million).

The second quarter showed an increase in EBITDA (adjusted) of 23.7 percent to EUR 31.3 million (prior year: EUR 25.3 million).

In the first half of 2019 the EBITDA margin (adjusted) was 7.4 percent (prior year: 8.0 percent).

For the second quarter EBITDA margin (adjusted) was 7.4 percent (prior year: 8.4 percent).

#### CANCOM Group: EBITDA margin (adjusted)

H1 2019	7.4 %
H1 2018	8.0 %

In the first half of 2019, the Cloud Solutions Group segment contributed to the positive earnings trend with an increase in EBITDA (adjusted) of 29.7 percent to EUR 35.4 million compared with the same period in the prior year (prior year: EUR 27.3 million). The organic growth of EBITDA (adjusted) in the Cloud Solutions segment was 19.0 percent.

The EBITDA margin (adjusted) in the Cloud Solutions segment was thus 25.9 percent (prior year: 24.9 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 31.0 million, which corresponds to an improvement of 16.1 percent over the same period of the prior year (prior year: EUR 26.7 million). The organic growth of EBITDA (adjusted) in the IT Solutions segment was 6.7 percent.

The EBITDA margin (adjusted) was 4.7 percent (prior year: 5.4 percent).

The figures for the second quarter show an increase in EBITDA (adjusted) of 27.5 percent to EUR 18.1 million (prior year: EUR 14.2 million) in the Cloud Solutions segment and an increase in EBITDA (adjusted) of 25.0 percent to EUR 17.0 million (prior year: EUR 13.6 million) in the IT Solutions segment.

The EBITDA margin (adjusted) in the Cloud segment was 25.9 percent (prior year: 24.8 percent) in the second quarter and 4.8 percent (prior year: 5.6 percent) in the IT Solutions segment.

The EBITDA of the CANCOM Group, i.e. without taking the adjustments into account, amounted to EUR 53.7 million in the reporting period and was thus 21.2 percent above the prior year's figure (prior year: EUR 44.3 million). EBITDA in the Cloud Solutions segment amounted to EUR 16.0 million (prior year: EUR 12.7 million), representing an increase of 20.6 percent, and in the IT Solutions segment to EUR 13.7 million (prior year: EUR 13.0 million), a raise of 34.4 percent.

**CANCOM Group: Depreciation and amortization**  
(EUR '000)

	H1 2019	H1 2018
Depreciation	15,984	12,026
Amortization	7,985	6,494
<b>Total</b>	<b>23,969</b>	<b>18,520</b>

Depreciation and amortization of CANCOM Group increased by 29.7 percent to EUR 24.0 million in the first half of 2019 (prior year: EUR 18.5 million).

In the second quarter depreciation and amortization were at EUR 12.3 million and thus 28.1 percent up compared to the prior year (prior year: EUR 9.6 million).

	CANCOM Group: EBITA (adjusted) (EUR million)
H1 2019	43.1
H1 2018	36.7

In the first six months of the current financial year, the CANCOM Group achieved an increase in EBITA (adjusted)<sup>7</sup> of 17.4 percent to EUR 43.1 million (prior year: EUR 36.7 million). In the same period, in the Group segment Cloud Solutions the EBITA (adjusted) amounted to EUR 29.6 million (prior year: EUR 23.2 million). In the segment IT Solutions the EBITA (adjusted) was EUR 21.0 million (prior year: EUR 19.0 million).

In the second quarter, the CANCOM Group's EBITA (adjusted) amounted to EUR 23.1 million, an increase of 20.3 percent over the prior year (prior year: EUR 19.2 million). In the Cloud Solutions group segment, EBITA (adjusted) amounted to EUR 14.9 million in the second quarter (prior year: EUR 12.0 million). In the IT Solutions segment, EBITA (adjusted) was at EUR 12.1 million in the second quarter (prior year: EUR 9.7 million).

Excluding the adjustment, the CANCOM Group's EBITA for the reporting period was EUR 37.7 million, up 16.7 percent on the prior year (prior year: EUR 32.3 million).

In the Cloud Solutions Group segment, EBITA for the same period was EUR 26.1 million (prior year: EUR 21.2 million). In the IT Solutions segment it amounted to EUR 20.4 million (prior year: EUR 17.8 million).

In the second quarter, CANCOM Group EBITA amounted to EUR 20.3 million, an increase of 27.7 percent over the prior year (prior year: EUR 15.9 million). In the Cloud Solutions group segment, EBITA amounted to EUR 12.8 million in the second quarter (prior year: EUR 10.5 million). In the IT Solutions segment, EBITA was at EUR 11.9 million in the second quarter (prior year: EUR 8.6 million).

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

<sup>7</sup> 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

<b>CANCOM Group: EBIT (adjusted)</b> (EUR million)	
H1 2019	35.1
H1 2018	30.2

The CANCOM Group's EBIT (adjusted)<sup>8</sup> amounted to EUR 35.1 million in the first half of 2019 (prior year: EUR 30.2 million). CANCOM thus achieved an improvement of 16.2 percent over the prior year.

In the Cloud Solutions segment, EBIT (adjusted) amounted to EUR 24.7 million in the first half of the year (prior year: EUR 18.2 million). In the IT Solutions segment, EBIT (adjusted) amounted to EUR 17.9 million (prior year: EUR 17.5 million).

In the second quarter, CANCOM Group's EBIT (adjusted) amounted to EUR 18.9 million, an increase of 20.4 percent over the prior year (prior year: EUR 15.7 million). In the Cloud Solutions Group segment, EBIT (adjusted) amounted to EUR 12.2 million in the second quarter (prior year: EUR 9.4 million). In the IT Solutions segment, EBIT (adjusted) was EUR 10.5 million in the second quarter (prior year: EUR 8.9 million).

Excluding the adjustment, EBIT in the first half of 2019 amounted to EUR 29.7 million (prior year: EUR 25.8 million), representing an increase of 15.1 percent.

In the same period in the Cloud Solutions Group segment, EBIT was EUR 21.2 million (prior year: EUR 16.2 million). In the IT Solutions segment it amounted to EUR 17.3 million (prior year: EUR 16.3 million).

In the second quarter, CANCOM Group EBIT amounted to EUR 16.1 million, an increase of 28.8 percent over the prior year (prior year: EUR 12.5 million). In the Group segment Cloud Solutions, EBIT in the second quarter was EUR 10.1 million (prior year: EUR 7.9 million). EBIT in the IT Solutions segment amounted to EUR 10.3 million in the second quarter (prior year: EUR 7.8 million).

<b>CANCOM Group: Profit for the period</b> (EUR million)	
H1 2019	21.9
H1 2018	16.8

The CANCOM Group's net profit for the period amounted to EUR 21.9 million in the first half of the current financial year, an increase of 30.4 percent (prior year: EUR 16.8 million).

In the second quarter, the profit for the period of CANCOM Group was EUR 12.9 million, an increase of 55.4 percent (prior year: EUR 8.3 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 830.4 million as of 30 June 2019 (31 December 2018: EUR 838.1 million). Of this amount, EUR 405.5 million was attributable to equity and EUR 424.9 million to liabilities. The CANCOM Group's equity ratio rose to 48.8 percent at the end of the first half of 2019 (31 December 2018: 46.6 percent). Accordingly, the debt ratio was 51.2 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 91.8 million.

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

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

### Liabilities and equity

On the liabilities side of the balance sheet, current liabilities amounted to EUR 340.7 million at the end of the first half of 2019 (31 December 2018: EUR 368.9 million). As in the first quarter, reduced trade payables and other current liabilities were lower than at the end of 2018. This resulted in a decrease in total current liabilities.

At EUR 84.2 million as of 30 June 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). Only the other non-current financial liabilities were slightly higher and lead to the given change.

Equity rose slightly in the course of the first six months of the 2019 financial year as a result of the balance sheet profit booked, reaching a value of EUR 405.5 million as at 30 June 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 459.4 million at the end of the reporting period on 30 June 2019 (31 December 2018: EUR 470.6 million). The decrease compared to the 2018 year-end is primarily due to lower a lower level of cash and cash equivalents as of the balance sheet date.

Non-current assets amounted to EUR 371.0 million as of 30 June 2019 (31 December 2018: EUR 367.6 million). They were therefore hardly changed at the end of the first six months of 2019.

### Cash flow and liquidity

The operating cash flow for the period from January to June 2019 amounted to EUR -6.8 million (prior year: EUR -22.6 million). Slightly higher depreciation and amortization as well as a change in inventories and in trade payables and other liabilities had a positive influence on operating cash flow. Lower income taxes added to this effect. These items more than offset the opposite effect from the change in trade receivables and other liabilities. As a consequence, the operating cash flow was improved by EUR 15.8 million.

At EUR -18.2 million, cash flow from investing activities showed a significantly reduced cash outflow as in the prior year (prior year: EUR -30.1 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 half-year as in the first half of the prior year.

At EUR -9.9 million, cash flow from financing activities was significantly changed compared to the prior year's level (prior year: EUR -25.9 million). This was a consequence of the fact, that the dividend for the financial year 2018, amounting to EUR 17.6 million, was paid shortly after the end of the reporting period.

In the reporting period from January to June 2019, cash and cash equivalents changed by EUR -34.9 million to EUR 100.5 million compared with cash and cash equivalents at the beginning of the fiscal year (December 31, 2018: EUR 135.2 million). The figure thus remained at a high level and significantly above prior year's level due to the later payout date of the dividend (30 June 2018: EUR 79.5 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

There were no reportable events after the end of the reporting period.

## FORECAST

### 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, in the interim statement on the first quarter 2019 and in this half-year financial report. 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

For the Executive Board of CANCOM SE only the raised growth projection for the IT hardware sector (incl. semiconductors) by trade association bitkom does constitute a positive change 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 this presentation reference is made in this connection and in addition to the information described in this half-year report. Based on the very positive business development in the current reporting period and the improved environment for the ICT market, the Executive Board has adapted the statements made in the Annual Report 2018 about CANCOM Group's expected development.

As before, 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 and in this half-year report as well as with regard to the current business development, the Executive Board now forecasts a very significant increase in Group sales for the 2019 financial year (before: „significant increase“). Group gross profit, Group EBITDA and Group EBITA are now also expected to increase very significantly year-on-year (before: „significant increase“).

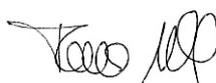
For the Group segment IT Solutions, the Executive Board now expects a very significant increase in revenue, gross profit, EBITDA and EBITA (before: „significant increase“).

For the Cloud Solutions Group segment, the Executive Board now also expects a very significant increase in revenue, gross profit, EBITDA and EBITA (before: „significant increase“), whereby, as already forecast earlier, this increase should be above the level of the increase in the IT Solutions segment. In addition but unchanged to previous expectations, a very significant increase in Annual Recurring Revenue (ARR) compared to the figure as of December 2018 is expected.

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, Germany, in August 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“, „assume“, „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	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2018
<b>Current assets</b>				
Cash and cash equivalents		100,459	135,247	79,509
Trade accounts receivable		286,425	274,410	220,501
Other current financial assets	B.1.	15,137	16,295	13,553
Inventories		42,311	32,142	42,617
Contract assets	B.2.	6,274	5,874	6,348
Prepaid expenses and other current assets	B.3.	8,754	6,607	5,217
<b>Total current assets</b>		<b>459,360</b>	<b>470,575</b>	<b>367,745</b>
<b>Non-current assets</b>				
Property, plant and equipment (tangible assets)		78,757	79,196	66,081
Intangible assets		69,430	74,046	65,750
Assets from right of use		44,785	37,460	24,191
Goodwill		158,133	157,442	133,908
Long-term financial assets		4,000	4,000	5,248
Loans		1,207	1,206	1,318
Capitalized contract expenses		1,674	1,039	0
Other non-current financial assets	B.4.	7,194	7,745	6,519
Contract assets	B.2.	1,459	1,699	1,030
Deferred taxes arising from temporary differences	B.5.	3,347	3,189	10,434
Deferred taxes arising from tax loss carryforward	B.5.	583	298	102
Other assets		461	246	259
<b>Total non-current assets</b>		<b>371,030</b>	<b>367,566</b>	<b>314,840</b>
<b>Total assets</b>		<b>830,390</b>	<b>838,141</b>	<b>682,585</b>

**EQUITY AND LIABILITIES**

(in €'000)	Notes	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2018
<b>Current liabilities</b>				
Short-term loans and current portion of long-term loans		4,319	904	1,153
Subordinated loans - short-term portion		2,013	1,753	2,411
Trade accounts payable		256,654	271,478	193,153
Other current financial liabilities	B.6.	16,702	21,018	13,718
Provisions	B.7.	3,281	3,234	3,150
Deferred income		205	310	422
Contract liabilities	B.8.	16,597	22,922	17,716
Income tax liabilities		8,281	6,394	4,741
Other current liabilities	B.9.	32,634	40,884	23,551
<b>Total current liabilities</b>		<b>340,686</b>	<b>368,897</b>	<b>260,015</b>
<b>Non-current liabilities</b>				
Long-term loans		1,692	2,050	891
Subordinated loans		690	1,338	2,142
Deferred income		36	115	242
Contract liabilities	B.8.	1,951	1,964	2,537
Deferred taxes arising from temporary differences	B.10.	15,036	15,602	21,531
Pension provisions		1,910	1,872	2,103
Other non-current financial liabilities	B.11.	60,325	52,831	23,588
Other non-current liabilities	B.7.	2,596	3,266	3,137
<b>Total non-current liabilities</b>		<b>84,236</b>	<b>79,038</b>	<b>56,171</b>
<b>Equity</b>				
Capital stock		35,044	35,044	35,044
Capital reserves		205,170	204,742	204,421
Net retained profit/net accumulated loss (incl. revenue reserves)		165,018	148,057	122,570
Equity capital difference due to currency translation and exchange rate differences		236	233	166
Non-controlling interests		0	2,130	4,198
<b>Total equity</b>		<b>405,468</b>	<b>390,206</b>	<b>366,399</b>
<b>Total equity and liabilities</b>		<b>830,390</b>	<b>838,141</b>	<b>682,585</b>

## CONSOLIDATED STATEMENT OF INCOME

(in €'000)	Notes	Q2		6 months	
		Apr. 1 - Jun. 30, 2019	Apr. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
Sales revenues		421,849	300,626	791,842	608,513
Other operating income	D.1.	1,600	911	2,010	1,406
Other own work capitalized		787	1,253	1,910	1,985
Capitalized contract expenses	D.2.	439	0	656	0
<b>Total revenue</b>		<b>424,675</b>	<b>302,790</b>	<b>796,418</b>	<b>611,904</b>
Cost of purchased materials and services		-317,880	-213,134	-585,745	-436,114
<b>Gross profit</b>		<b>106,795</b>	<b>89,656</b>	<b>210,673</b>	<b>175,790</b>
Human resources expenses	D.3.	-65,039	-55,375	-130,375	-109,225
Amortization and write-downs of intangible assets, and depreciation and write-downs of tangible assets		-12,348	-9,570	-23,969	-18,520
Impairment expenses on financial assets including reversals of impairments		190	173	116	445
Other operating expenses	D.4.	-13,455	-12,395	-26,711	-22,686
<b>Operating result</b>		<b>16,143</b>	<b>12,489</b>	<b>29,734</b>	<b>25,804</b>
Interest and similar income		94	244	265	466
Interest and other expenses		-477	-458	-942	-1,097
Other financial result: income		0	1	0	1
Other financial result: expenses		0	0	-40	-194
Income from investments		0	0	0	27
Amortization and write-downs of financial investments		0	-5	0	-5
Currency translation gains/losses		111	53	445	39
<b>Earnings before taxes</b>		<b>15,871</b>	<b>12,324</b>	<b>29,462</b>	<b>25,041</b>
Income taxes	D.5.	-3,015	-4,026	-7,619	-8,182
<b>Earnings after taxes from continuing operations</b>		<b>12,856</b>	<b>8,298</b>	<b>21,843</b>	<b>16,859</b>
Earnings from discontinued operations		8	-39	8	-45
<b>Net income/(loss) for the period</b>		<b>12,864</b>	<b>8,259</b>	<b>21,851</b>	<b>16,814</b>
thereof attributable to the stockholders of the parent		12,864	8,293	21,798	16,924
thereof attributable to non-controlling interests	D.6.	0	-34	53	-110
Average number of shares outstanding (basic)		35,043,638	35,043,638	35,043,638	35,043,638
Average number of shares outstanding (diluted)		35,584,792	35,043,638	35,591,677	35,043,638
<b>Earnings per share from continuing operations (basic) in €</b>		<b>0.37</b>	<b>0.24</b>	<b>0.62</b>	<b>0.48</b>
<b>Earnings per share from continuing operations (diluted) in €</b>		<b>0.36</b>	<b>0.24</b>	<b>0.61</b>	<b>0.48</b>
<b>Earnings per share from discontinued operations (basic) in €</b>		<b>0.00</b>	<b>-0.00</b>	<b>0.00</b>	<b>-0.00</b>
<b>Earnings per share from discontinued operations (diluted) in €</b>		<b>0.00</b>	<b>-0.00</b>	<b>0.00</b>	<b>-0.00</b>
<b>Earnings per share attributable to stockholders of the parent from net income/loss for the period (basic) in €</b>		<b>0.37</b>	<b>0.24</b>	<b>0.62</b>	<b>0.48</b>
<b>Earnings per share attributable to stockholders of the parent from net income/loss for the period (diluted) in €</b>		<b>0.36</b>	<b>0.24</b>	<b>0.61</b>	<b>0.48</b>

---

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in €'000)	Q2		6 months	
	Apr. 1 - Jun. 30, 2019	Apr. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
<b>Net income/loss for the period</b>	<b>12,864</b>	<b>8,259</b>	<b>21,851</b>	<b>16,814</b>
<b>Other comprehensive income</b>				
<b>Items possibly to be reclassified in profit or loss in subsequent periods</b>				
Currency translation difference	-2,597	733	4	586
Income taxes	816	-230	-1	-184
<b>Items not to be reclassified in profit or loss</b>				
Change in actuarial gains/losses from pensions	6	1	6	1
Deferred taxes from change in actuarial gains/losses from pensions	-2	0	-2	0
<b>Other comprehensive income for the period (after taxes)</b>	<b>-1,777</b>	<b>504</b>	<b>7</b>	<b>403</b>
<b>Comprehensive income for the period</b>	<b>11,087</b>	<b>8,763</b>	<b>21,858</b>	<b>17,217</b>
thereof attributable to stockholders of the parent	11,087	8,797	21,805	17,327
thereof attributable to non-controlling interests	0	-34	53	-110

**STATEMENT OF CASH FLOWS**

(in €'000)	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
<b>Cash flow from ordinary activities</b>		
Profit for the period before taxes and non-controlling interests	29,462	25,041
Adjustments		
+ Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	23,969	18,520
+ Depreciations and write-downs on financial investments	0	5
+ Interest result and other financial result	717	797
+/- Changes in long-term provisions	-649	-278
+/- Changes in short-term provisions	38	75
+/- Result from the sale of intangible assets, tangible assets and financial assets	-468	-639
+/- Changes in inventories	-10,150	-19,657
+/- Changes in accounts receivable from purchases and services, as well as other receivables	-11,519	6,389
+/- Changes in accounts payable from purchases and services, as well as other payable	-29,943	-35,852
- Interest paid	-233	-243
+/- Income tax paid and refunded	-8,630	-16,666
+/- Non-cash expenses and income	-2	0
+/- Share-based compensation with share settlement	630	0
+/- Cash inflow/outflow from discontinued operations	9	-45
<b>Net cash from operating activities</b>	<b>-6,769</b>	<b>-22,553</b>
<b>Cash flow from investing activities</b>		
- Acquisition of subsidiaries and equity instruments of other companies	-6,512	-30,031
+ Cash from acquisitions	761	2,763
- Acquisition of long-term financial assets	0	-6
- Payments for additions to intangible assets and tangible assets	-13,755	-15,762
+ Income from disposal of intangible assets, tangible assets and financial assets	1,314	910
+ Outflow of financial assets held-for-sale	0	12,000
+ Interest and dividends received	37	46
<b>Net cash used in investing activities</b>	<b>-18,155</b>	<b>-30,080</b>
<b>Cash flow from financing activities</b>		
- Repayment of long-term debt (incl. short-term portion)	-860	-1,215
+/- Changes in short-term financial liabilities	3,434	-2,643
- Interest paid	-101	-136
- Dividends paid	0	-17,551
+/- Receipts and payments for finance lease	-5,396	-4,348
- Payments for purchasing non-controlling interests in controlling situation	-7,024	0
<b>Net cash used in financing activities</b>	<b>-9,947</b>	<b>-25,893</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-34,871</b>	<b>-78,526</b>
+/- Changes in value resulting from foreign currency exchange	83	416
+/- Cash and cash equivalents at the beginning of the period	135,247	157,619
<b>Cash and cash equivalents at the end of the period</b>	<b>100,459</b>	<b>79,509</b>
<i>Structure:</i>		
<i>Cash</i>	<i>100,459</i>	<i>79,509</i>
<i>Cash from discontinued operations</i>	<i>0</i>	<i>0</i>
	<b>100,459</b>	<b>79,509</b>

**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
<b>December 31, 2017</b>	<b>17,522</b>	<b>17,522</b>	<b>221,943</b>	<b>73,240</b>	<b>-236</b>	<b>-302</b>	<b>-153</b>	<b>50,150</b>	<b>362,164</b>	<b>2,086</b>	<b>364,250</b>
Initial application IFRS 16				232					232		232
<b>January 1, 2018</b>	<b>17,522</b>	<b>17,522</b>	<b>221,943</b>	<b>73,472</b>	<b>-236</b>	<b>-302</b>	<b>-153</b>	<b>50,150</b>	<b>362,396</b>	<b>2,086</b>	<b>364,482</b>
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
<b>December 31, 2018</b>	<b>35,044</b>	<b>35,044</b>	<b>204,742</b>	<b>93,892</b>	<b>233</b>	<b>-314</b>	<b>-153</b>	<b>54,632</b>	<b>388,076</b>	<b>2,130</b>	<b>390,206</b>
Other comprehensive income								21,798	21,798	53	21,851
Comprehensive income					3	4			7	0	7
Capital increase					3	4		21,798	21,805	53	21,858
Changes in reserves:											
Reposting balance sheet profit/retained earnings				30,581				-30,581	0		0
Recognition of share-based compensation			428						428		428
Changes due to acquisition of non-controlling interests				-4,841					-4,841	-2,183	-7,024
<b>June 30, 2019</b>	<b>35,044</b>	<b>35,044</b>	<b>205,170</b>	<b>119,632</b>	<b>236</b>	<b>-310</b>	<b>-153</b>	<b>45,849</b>	<b>405,468</b>	<b>0</b>	<b>405,468</b>

# Segment information – IFRS

Segment information	Cloud solutions		IT solutions	
	Jan. 1 - Jun. 30, 2019 €'000	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2019 €'000	Jan. 1 - Jun. 30, 2018 €'000
<b>Sales revenues</b>				
- External sales	136,927	109,688	654,887	498,835
- Intersegment sales	4,571	3,598	3,319	3,045
- Total sales revenues	141,498	113,286	658,206	501,880
- Cost of purchased materials and services	-73,881	-58,412	-518,824	-383,968
- Human resources costs	-30,040	-23,947	-93,797	-80,727
- Other income and expenses	-5,713	-5,574	-15,145	-11,744
<b>EBITDA</b>	31,864	25,353	30,440	25,441
- Depreciation and amortization	-5,795	-4,220	-10,037	-7,633
- Amortizations	-4,888	-4,969	-3,097	-1,525
<b>Operating result (EBIT)</b>	21,181	16,164	17,306	16,283
- Interest income	43	208	212	236
- Interest expenses	-40	-59	-1,538	-1,398
- Other financial income	0	0	0	1
- Other financial expenses	0	0	-40	-194
- Income from investments	0	0	0	27
- Depreciations and write-downs on financial investments	0	0	0	-5
Result from ordinary activities	21,184	16,313	15,940	14,950
- Foreign currency exchange differences				
Earnings before taxes	21,184	16,313	15,940	14,950
- Income taxes				
- Discontinued operations	8	-39	0	-6
<b>Consolidated net income for the year</b>				
thereof attributable to stockholders of the parent				
thereof attributable to non-controlling interests				



## 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](http://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 half-year 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 half 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
<b>Current assets</b>	<b>1,329</b>	<b>1,329</b>
Property, plant and equipment (tangible assets)	91	91
Intangible assets	1,115	2
Assets from right of use	213	213
<b>Non-current assets</b>	<b>1,419</b>	<b>306</b>
<b>Total assets</b>	<b>2,748</b>	<b>1,635</b>
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
<b>Current liabilities</b>	<b>553</b>	<b>553</b>
Deferred taxes	361	0
Other non-current financial liabilities	132	132
<b>Non-current liabilities</b>	<b>493</b>	<b>132</b>
<b>Total liabilities</b>	<b>1,046</b>	<b>685</b>
<b>Net assets acquired</b>	<b>1,702</b>	<b>950</b>

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.

### Mergers and accretion in the first half-year 2019

medocino Gesellschaft für vernetzte Systeme mbH was merged into CANCOM GmbH by way of a merger agreement dated 2 May 2019. The merger was entered in the commercial register of CANCOM GmbH on 15 May 2019.

By way of a merger agreement dated 27 June 2019 PIRONET NDH Beteiligungs GmbH was merged into CANCOM Managed Services GmbH (formerly Pironet AG). The merger was entered in the commercial register of CANCOM Managed Services GmbH on 11 July 2019.

The accretion of CANCOM Pironet AG & Co. KG to CANCOM Managed Services GmbH is a consequence of this merger.

By way of a merger agreement dated 27 June 2019 CANCOM Synaix GmbH was merged onto CANCOM Managed Services GmbH. The merger was entered into the commercial register of CANCOM Managed Services GmbH on 19 July 2019.

By way of a merger agreement dated 27 June 2019 PIRONET Enterprise Solutions GmbH has been merged onto CANCOM GmbH. The merger has been entered into the commercial register of CANCOM GmbH on 8 August 2019.

### 3. Accounting an 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", IFRS 9 „Financial Instruments“ and IFRS 15 „Revenue from Contracts with Customers“ were applied for the first time as of January 1, 2018, and the corresponding amounts will be reported in a year-on-year comparison with regard to the notes in the Annual Report as of December 31, 2018.

## B. Noes to the consolidated balance sheet

### 1. Other current financial assets

This item includes purchase price receivables from leasing projects (EUR 6,793 thousand), bonus receivables from suppliers (EUR 6,461 thousand), marketing revenues (EUR 1,325 thousand), creditors with debit balances (EUR 433 thousand) and receivables from employees (EUR 125 thousand).

### 2. Contract assets

The current contract assets amount to EUR 6,274 thousand and the non-current contract assets to EUR 1,459 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 5,003 thousand), commission income (EUR 419 thousand), insurance refunds (EUR 103 thousand) as well as receivables from social insurance carriers (EUR 55 thousand).

Prepaid expenses and deferred charges (EUR 3,139 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 6,975 thousand) and assets from employee benefits (EUR 213 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
Disposal from actuarial loss on pension provisions recognized directly in equity*	4	0
Tax income from profit and loss calculation	110	285
Currency exchange gains/losses*	44	0
<b>As at June 30, 2019</b>	<b>3,347</b>	<b>583</b>

\* directly recognised in equity

As of 30 June 2019, the CANCOM Group had corporate income tax loss carryforwards of EUR 6.0 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 3.8 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 994 thousand), intangible assets (EUR 620 thousand), other financial liabilities (EUR 513 thousand), pension provisions (EUR 441 thousand), other financial liabilities (EUR 319 thousand), other provisions (EUR 164 thousand), loans to associated companies (EUR 129 thousand) and intercompany liabilities.

## 6. Other current financial liabilities

Other current financial liabilities include purchase price liabilities for leasing (EUR 9,733 thousand), accounts receivable with credit balances (EUR 3,023 thousand), liabilities to former affiliated companies (EUR 2,776 thousand), purchase price liabilities for the shares of OCEAN Group (EUR 557 thousand), outstanding cost accounts (EUR 392 thousand) and Supervisory Board remuneration (EUR 221 thousand).

## 7. Other provisions

The provisions mainly comprise warranties (EUR 2,504 thousand), interest expenses (EUR 904 thousand), anniversary provisions (EUR 667 thousand), provisions for staff expenses (EUR 506 thousand), severance payments (EUR 416 thousand), costs for the financial statements (EUR 254 thousand), litigation costs (EUR 239 thousand), archiving costs (EUR 149 thousand) and uncertain risks (EUR 173 thousand).

The total amount of provisions includes non-current provisions of EUR 2,596 thousand, which are reported under other non-current liabilities. They mainly relate to warranties (EUR 1,209 thousand), provisions for anniversary bonuses (EUR 667 thousand), provisions for staff expenses (EUR 506 thousand), archiving costs (EUR 122 thousand) and the provision for severance payments necessary in Austria (EUR 76 thousand).

## 8. Contract liabilities

Current contract liabilities amount to EUR 16,597 thousand and non-current contract liabilities to EUR 1,951 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 VAT liabilities (EUR 10,310 thousand), bonuses and employee bonuses (EUR 9,693 thousand), vacation and overtime (EUR 6,834 thousand), wage and church taxes (EUR 4,279 thousand), employers' liability insurance (EUR 450 thousand), social insurance (EUR 392 thousand), wages and salaries (EUR 259 thousand), severely handicapped levy (EUR 110 thousand), interest and bank charges (EUR 97 thousand) and travel expense liabilities (EUR 73 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	-965
Currency exchange gains/losses*	38
<b>As at June 30, 2019</b>	<b>15,036</b>

\* 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 9,473 thousand), software development costs (EUR 2,094), other financial assets (EUR 1,151 thousand), goodwill (EUR 688 thousand), capitalized contract costs (EUR 506 thousand), property, plant and equipment (EUR 390 thousand), loans to affiliated companies (EUR 315 thousand), other provisions (EUR 252 thousand), contract assets (EUR 83 thousand), prepaid expenses (EUR 41 thousand), trade receivables (EUR 25 thousand) and other liabilities (EUR 18 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 (EUR 39,206 thousand), purchase price liabilities for the shares in OCEAN Group (EUR 12,625 thousand), purchase price liabilities for the shares in CANCOM UK (formerly OCSL Group) (EUR 7,893 thousand) and purchase price liabilities for the shares in medocino Gesellschaft für vernetzte Systeme mbH (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 Managed Services GmbH (formerly Pironet AG), Ocean Intelligent Communications Ltd., Ocean Unified Communications Ltd., Ocean Network Services Ltd. plus the business areas of CANCOM GmbH, CANCOM on line GmbH and CANCOM UK Group (formerly 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, CANCOM Inc., HPM Incorporated, CANCOM UK Group (formerly OCSL Group), CANCOM UK TOG Limited (formerly The Organised Group Ltd.) CANCOM UK Limited (formerly Organised Computer Systems Ltd.), CANCOM UK Managed Services Ltd (formerly OCSL Managed Services Ltd.), CANCOM UK Project Services Ltd (formerly 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 VVM 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.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000	01.01.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
Germany	631,882	507,587	658,373	536,862
Outside Germany	159,960	100,927	133,469	71,652
Group	791,842	608,514	791,842	608,514

	Non-current assets	
	30.06.2019 €'000	30.06.2018 €'000
Germany	267,936	248,576
Outside Germany	96,341	50,366
Group	364,277	298,942

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.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
Rental income	12	0
In come not relating to the period	1,724	724
Government grants	196	290
Compensation for damages	41	375
Other operating income	37	17
<b>Total</b>	<b>2,010</b>	<b>1,406</b>

Income relating to other periods mainly include income from reversal of provisions (EUR 1,015 thousand), income from disposal of fixed assets (EUR 563 thousand) and revenue from the prior year (EUR 141 thousand).

### 2. Capitalized contract costs

The capitalized contract costs relate to start-up costs for multi-year customer contracts (EUR 656 thousand) and related personnel costs of the Group's own employees (EUR 321 thousand) as well as externally procured subcontractor services (EUR 335 thousand).

### 3. Personnel expenditure

Personnel expenses break down as follows:

	01.01.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
Wages and salaries	112,773	94,355
Social security contributions	17,253	14,661
Pension expenses	349	209
<b>Total</b>	<b>130,375</b>	<b>109,225</b>

#### 4. Other operating expenses

Other operating expenses break down as follows:

	01.01.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
Premises costs	3.163	2.992
Insurance and other charges	907	776
Motor vehicle costs	1.662	1.486
Advertising costs	1.018	945
Stock exchange and entertainment costs	271	259
Hospitality and travelling expenses	4.414	3.992
Delivery costs	2.638	1.767
Third-party services	2.815	2.144
Repairs, maintenance, leasing	2.966	2.387
Communications and office costs	1.744	1.468
Professional development and training costs	1.522	1.230
Legal and consultancy costs	1.651	1.382
Fees and charges, costs of money transactions	320	409
Other operating expenses	1.620	1.449
<b>Total</b>	<b>26.711</b>	<b>22.686</b>

#### 5. Income taxes

The income tax rate for German companies amounts to 32.0 % (prior year: 31.4 %) 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.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
<b>Earnings before tax</b>	<b>29,462</b>	<b>25,041</b>
<b>Expected tax expenses at rate for German companies (32.0%; previous year: 31.4%)</b>	<b>9,428</b>	<b>7,863</b>
- Difference from tax paid outside Germany	-145	36
- Changes from valuation allowance of deferred taxes on loss carry-forwards	214	58
- Tax-exempt income/non tax-relevant losses in disposals	148	1
- Actual income tax not relating to the period	-2,068	8
- Permanent differences	35	0
- Non-deductible operating expenses as well as additions and reductions in relation to trade tax	175	231
- Effects from tax rate changes	-16	-24
- Miscellaneous	-152	9
<b>Total Group income tax expenses</b>	<b>7,619</b>	<b>8,182</b>

The actual income taxes relating to other periods include tax income of EUR 1,742 thousand deriving from the fact, that the loss carried forward from 2009 of a subsidiary, which had been a restructuring case according to Sec. 8 c Corporation Tax Law, has been acknowledged by the tax office retrospectively.

The actual tax rate is as follows:

	01.01.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
Income before tax	29,462	25,041
Income tax	7,619	8,182
Actual tax expenses rate	25.86%	32.67%

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

	01.01.- 30.06.2019 €'000	01.01.- 30.06.2018 €'000
<b>Actual income tax expense</b>	9,181	9,824
<b>Deferred taxes:</b>		
Assets	-395	4,089
Liabilities	-965	-5,731
	-1,360	-1,642
<b>Actual income tax expense</b>	-202	0
<b>Group income tax</b>	<b>7,619</b>	<b>8,182</b>

#### 6. Non-controlling interests

Minority interests account for 4.91% (beginning of year) – 0.00% (10 April 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, Munich,
- 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 1 January – 30 June 2019: The purchase of AL-KO Kober SE (a subsidiary of PRIMEPULSE SE) and its subsidiaries totaled EUR 822 thousand (gross), of which EUR 338 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 96 thousand (gross), of which EUR 6 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 36 thousand (gross), of which EUR 4 thousand was outstanding as of the balance sheet date. The purchase of Alfmeier SE amounted to EUR 39 thousand (gross), of which EUR 21 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. Participation in the company according to § 20 IV German Stock Corporation Act (AktG)**

In the period from 1 January to 30 June 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**

Investor Relations

Erika-Mann-Straße 69

80636 München

Germany

Phone +49 89 54054-5193

Fax +49 8225 996-45193

[ir@cancom.de](mailto:ir@cancom.de)

[www.cancom.de](http://www.cancom.de)