CORPORATE REPORT

9-Months`Figures 2004

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PREFACE – KEY FIGURES

Dear Shareholders,

One year ago, we were in the unfortunate position of having to report unsatisfactory business figures and a clearly negative operating result to you. To some extent, this was due to the unscheduled amortisation of goodwill.

Since then, CANCOM has launched comprehensive measures with the aim of turning around the aforementioned situation as quickly as possible.

These measures have been successful. In the third quarter of 2004, the CANCOM Group realised a positive operating result for the fourth successive quarter. This confirms the consolidation course that we set last year.

Group sales in both the third quarter of 2004 and in the first nine months of 2004 were markedly higher than the reference figures for the previous year.

Klaus Weinmann, CEO & President

Since the fourth quarter is generally the quarter when the highest sales are realised, we are anticipating positive net income for the year as a whole.

However, we are not yet satisfied and, indeed, we cannot afford to be. This is why we have already introduced further measures to permanently improve our profit situation in the coming year.

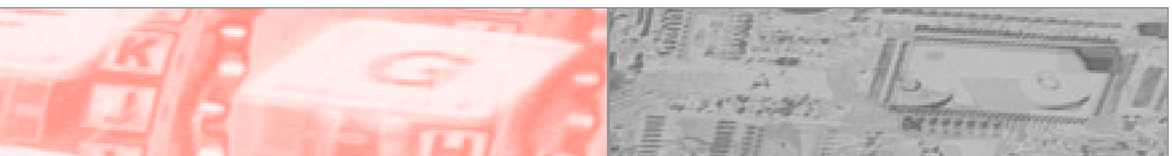
The crux of these measures is the already completed merger of our two largest subsidiaries to create CANCOM Deutschland GmbH. The ensuing cost savings will lead to a positive effect on the company's net income of around € 1 million per annum from 2005 onwards.

Furthermore, our expectation that growth in Group sales can be driven up again next year leads to our assumption that operating income will improve significantly again in 2005.

Key figures

Nine-months`report 2004 in Euro million

Kennzahlenübersicht Neunmonatszahlen 2004 in Mio. Euro	9-months` report 01.01. - 30.09.2004	9-months` report 01.01. - 30.09.2003	Key Figures First 9 months 2004 in Euro million
Konzernumsatz	150.3	133.1	Consolidated Sales
EBITDA CANCOM Konzern	1.9	-1.0	EBITDA CANCOM Group
EBIT CANCOM Konzern	0.7	-18.8	EBIT CANCOM Group
Periodenüberschuss Konzern	0.0	-22.7	Consolidated result
	30.09.2004	**31.12.2003**	
Bilanzsumme	53.5	58.9	Balance Sheet Total
Eigenkapitalquote	44.3 %	36.6 %	Equity Ratio
Mitarbeiter	425	422	Workforce



Business development

1. Business development since the beginning of the financial year

Although the German economy showed a moderate recovery in the first nine months of 2004, the continually rising prices of crude oil have depressed the mood in the marketplace.
Accordingly, the majority of market research institutes have downgraded their 2005 growth forecasts for the German economy.

Recovery was also evident in the German IT market during the first nine months of 2004. According to the Federal Association of the Information Economy, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V., BITKOM), this positive trend will continue in 2005, despite the subdued economic climate.

As in the three previous quarters, the CANCOM Group managed to sustain the positive development of sales and results in the third quarter of 2004.

Both sales and results increased significantly compared to the previous year's third quarter.

An overview of the figures for the first nine months of 2004, and especially of the figures for the third quarter of 2004, is provided below:

Group sales of € 150.3 million were achieved in the first nine months of 2004. In the reference period of 2003, Group sales totalled € 133.1 million. This constitutes organic growth of 13 percent.
Group sales increased on an organic basis by 13 percent to € 50.3 million in the third quarter of 2004 compared with the third quarter of 2003.

Group earnings before interest, taxes, depreciation and amortisation (EBITDA) improved considerably in the first nine months of 2004 compared with the same period last year, i.e. from € -1.0 million to € 1.9 million.
In the third quarter of 2004, Group EBITDA was € 0.5 million following € -0.3 million in the 2003 reference period.

Earnings before interest and taxes (EBIT) have also taken a turn for the better.
Although negative Group EBIT of € -18.8 million was reported in respect of the first nine months of 2003, partly due to special write-offs, positive Group EBIT of € 0.7 million was realised in the first nine months of 2004.
Group EBIT of € 0.2 million for the third quarter of 2004 is the fourth positive quarterly Group EBIT result in succession following negative Group EBIT of € -17.1 million in the third quarter of 2003.

After adjustment for the aforementioned special write-offs, Group EBIT for the first nine months of 2003 amounted to € –2.7 million, and € -0.9 million in the third quarter of 2003. This shows that Group EBIT has improved substantially compared with the respective figures of the previous year, even after adjustment for these special effects.

Although a loss for the period of € -22.7 million was reported for the first nine months of 2003, a balanced result for the period was achieved during the first nine months of 2004.

The Group reduced its balance sheet total considerably from € 58.9 million at 31 December 2003 to € 53.5 million at 30 September 2004. As a result of this reduction in balance sheet total, and the capital increases that were implemented in the current year, the CANCOM Group's equity ratio has increased from 36.6 percent at 31 December 2003 to 44.3 percent at 30 September 2004.

Since the fourth quarter is generally the quarter when the highest sales are realised, positive net income is anticipated for the year as a whole.

It has already been established that the merger of the two major subsidiaries to form CANCOM Deutschland GmbH, which has now taken place, will have a positive effect on net income of around € 1 million per annum.
Furthermore, the expectation that growth in Group sales can be driven up again next year leads to the assumption that operating income will improve significantly again in 2005.

An overview of the most significant developments within the CANCOM Group and its business divisions during the third quarter of 2004 is provided below:

CANCOM increases its shareholding in the subsidiary Tendi AG to 100 percent

In accordance with long-term planning objectives, CANCOM IT Systeme AG increased its shareholding in its Munich-based subsidiary Tendi AG from 95.29 percent to 100 percent in August 2004. 136,411 new CANCOM shares were issued to fund the purchase price. The necessary capital increase

Business development

was entered in the Commercial Register on 23 August 2004. The new shares were admitted for stock exchange trading on 1 November 2004.
The merger of Tendi AG and CANCOM IT Systeme AG became effective with the relevant entry in the Commercial Register on 13 October 2004.

CANCOM subsidiaries merge
In May, CANCOM IT Systeme AG announced the merger of the two subsidiaries, CANCOM media solutions GmbH and Tendi Deutschland GmbH & Co. KG. The merger was entered in the Commercial Register on 11 October 2004.

The resulting full-service IT systems house, with extensive core competencies in the PC and Apple environments, trades under the name of CANCOM Deutschland GmbH.
In Germany, CANCOM Deutschland GmbH is now the major partner of both Apple and Adobe, as well as Microsoft's most important OPEN licensing partner.

2. Order situation

Our high capacity to deliver goods immediately means that the majority of our orders are often converted into sales on the same day or at latest within two weeks. Consequently, the reporting date figures on their own can show a rather arbitrary picture of our order situation, which is why we do not publish them.

3. Development of costs and revenues

In order to counteract the current margin shrinkage in the IT market, CANCOM consistently implemented cost-cutting measures in practically all corporate divisions during the first nine months of 2004.

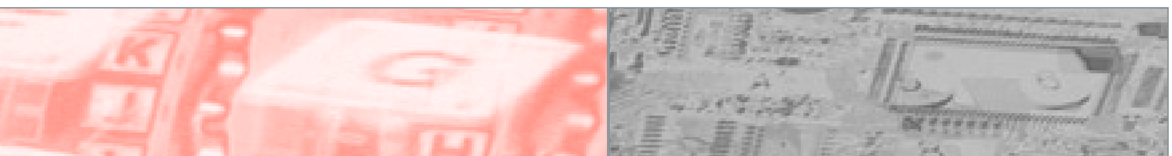
The key measure aimed at achieving a sustainable improvement in earnings was the aforementioned merger of CANCOM media solutions GmbH and Tendi Deutschland GmbH & Co. KG to form CANCOM Deutschland GmbH.

4. Continued strong cash position

The CANCOM Group's cash position is still strong.
Our business makes it necessary to maintain the inventory at an appropriate level. At the same time, this guarantees that we can continue to deliver quickly, which often provides us with a decisive competitive advantage over our business rivals. Our accounts receivable represent a valuable asset, which can be used as security. Our credit lines put us in a position to raise large sums of cash at short notice if necessary. At the same time, they enable CANCOM to finance the company's continued growth.

5. Significant changes in the risks of future development (since the beginning of the financial year)

There have been no significant changes in the risks of future development at CANCOM since the beginning of the financial year. A detailed list of these risks is included in our current Annual Report commencing on page 26.



Business development

6. Continual development and improvement of our products

Since the trade and service sector forms the CANCOM Group's core business, its research and development activities are restricted to the further development of the ff-eCommerce software and the web shop.

7. Investments

Apart from the usual investments in the continuous improvement of our internal infrastructure, our investment activities in the first nine months of 2004 focused mainly on smaller investments in our headquarters and the attached logistics centre in Jettingen-Scheppach, Germany.

In accordance with long-term planning objectives, CANCOM IT Systeme AG also increased its shareholding in the Munich-based subsidiary Tendi AG from 95.29 percent to 100 percent in August 2004. 136,411 new CANCOM shares were issued to fund the purchase price. The necessary capital increase was entered in the Commercial Register on 23 August 2004. The new shares were admitted for stock exchange trading on 1 November 2004.

8. Employees

The number of employees has risen from 422 at 31 December 2003 to 425 at 30 September 2004, which corresponds to an increase of approximately 0.7 percent. At 30 September 2003, the company had 427 employees. The headcount does not include the employees of eBizcuss.com S.A., since this company was eliminated from the accounts as a discontinued operation in accordance with US GAAP as at 30 September 2003.

9. Outlook for the current financial year

The growth forecasts in respect of German gross domestic product (GDP) for 2004 are quite specific now; they range between 1.8 and 2.0 percent. Experts anticipate growth in GDP of between 1.5 and 2.0 percent next year.
For instance, the International Monetary Fund (IMF) is expecting growth in GDP of 1.9 percent for Germany in the current year. The German government anticipates economic growth of 1.8 percent, whereas the Association of German Chambers of Industry and Commerce (Deutsche Industrie- und Handelskammertag, DIHK) forecasts growth of almost 2 percent. The six leading German economic research institutes predict growth of 1.8 percent in their autumn 2004 report.
They anticipate a growth rate of 1.5 percent for 2005. After an adjustment which takes the number of working days into account, the growth estimate for 2005 is slightly higher than the figure for 2004. The German government forecasts economic growth of 1.7 percent in 2005. The Institute of the German Economy (Institut der Deutschen Wirtschaft, IDW), on the other hand, believes that a GDP growth rate of 2 percent could be achieved in 2005.

At the same time, experts have repeatedly pointed out that the extent of the anticipated economic recovery in Germany depends on several variables. For example, it will be necessary to consistently continue with the implementation of the reform process that has been initiated in Germany. In particular, the persistently high price of crude oil is another risk factor which must be taken seriously.

According to the Federal Association of the Information Economy, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien, BITKOM) the German market for information technology and telecommunications (ITC) is expected to grow by 2.5 percent during the current year. For next year, a growth rate as high as 3.4 percent is anticipated. Specifically, growth is forecasted to be 1.9 percent in the hardware sector, 3.5 percent in the software sector and as high as 4.4 percent in the IT services sector in the year to come.

CANCOM therefore expects that the elimination of the IT investment backlog will continue to gain momentum and show further positive effects on business in the next months.

Business development

Since the fourth quarter is generally the quarter when the highest sales are realised, positive net income is anticipated for the year as a whole.

It has already been established that the merger of the two major subsidiaries to form CANCOM Deutschland GmbH will have a positive effect on net income of around € 1 million per annum from 2005 onwards.
Furthermore, the expectation that growth in Group sales can be driven up again next year leads to the assumption that operating income will improve significantly again in 2005.

10. Shareholdings of members of the Executive and Supervisory Boards (as at 30 September 2004)

Executive Board:	
Raymond Kober	590,741 (6.692 %)
Stefan Kober	511,099 (5.790 %)
Klaus Weinmann	487,645 (5.524 %)
Supervisory Board:	
Willy Kober	11,880 (0.135 %)
Walter von Szczytnicki	6,252 (0.071 %)

11. Notes on the Company's holdings of own shares and stock options held by Board members and employees

No stock options were issued to Board members or employees during the period under review. (Please refer to the Notes for further details on stock options).

CANCOM IT Systeme AG's holdings of own shares:
No own shares were acquired or disposed of in the period under review.

12. Events of particular significance since the end of the quarter

Merger of CANCOM's subsidiary Tendi AG and CANCOM IT Systeme AG

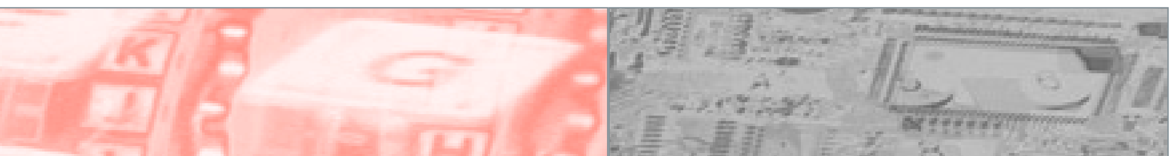
In accordance with the Merger Agreement of 27 August 2004 and the resolution taken by the Annual General Meeting, the fully-owned subsidiary Tendi AG, as transferring company, with registered office in Munich, Germany, was absorbed by its parent company, CANCOM IT Systeme AG, with registered office in Jettingen-Scheppach, Germany, as announced in the report for the second quarter of 2004. The merger was entered in the Commercial Register on 13 October 2004.

Balance Sheet (US-GAAP) – Assets

Aktiva	9-months` report 30.09.2004 (Euro k)	Annual accounts 31.12.2003 (Euro k)	Assets
Kurzfristige Vermögensgegenstände			**Current assets**
Liquide Mittel	4,717	7,523	Cash and cash equivalents
Wertpapiere des Umlaufvermögen	0	0	Short-term investments/ Marketable securities
Forderungen aus Lieferungen und Leistungen	13,664	16,404	Trade account receiveable
Vorräte	8,523	7,670	Inventories
Rechnungsabgrenzungsposten und sonstige kurzfristige Vermögensgegenstände	1,474	1,900	Prepaid expenses and other current assets
Kurzfristige Vermögens-gegenstände, gesamt	**28,378**	**33,497**	**Total current assets**
Langfristige Vermögensgegenstände			**Long-term assets**
Sachanlagevermögen	8,038	8,445	Property, plant and equipment
Immaterielle Vermögensgegenstände	1,014	1,467	Intangible assets
Geschäfts- oder Firmenwert	13,354	12,834	Goodwill
Finanzanlagen und Ausleihungen	589	584	Investments and Notes receivable/loans
Latente Steuern	1,914	1,770	Deferred taxes
Sonstige Vermögensgegenstände	226	293	Other assets
Langfristige Vermögens-gegenstände, gesamt	**25,135**	**25,393**	**Total long-term assets**
Aktiva, gesamt	**53,513**	**58,890**	**Total assets**

Balance Sheet (US-GAAP) – Liabilities and the Shareholders Equity

Passiva	9-months` report 30.09.2004 (Euro k)	Annual accounts 31.12.2003 (Euro k)	Liabilities and shareholders' equity
Kurzfristige Verbindlicheiten			**Current liabilities**
Kurzfristige Darlehen und kurzfristiger Anteil an langfristigen Darlehen	3,271	5,287	Short term debt and current portion of long-term debt
Verbindlichkeiten aus Lieferungen und Leistungen	12,266	13,936	Trade accounts payable
Erhaltene Anzahlungen	45	32	Advance payments received
Rückstellungen	1,663	2,373	Accrued expenses
Umsatzabgrenzungsposten	69	17	Deferred revenues
Verbindlichkeiten aus Ertragssteuern	292	511	Income tax payable
Sonstige kurzfristige Verbindlichkeiten	3,512	5,096	Other current liabilities
Kurzfristige Verbindlichkeiten, gesamt	**21,118**	**27,252**	**Current liabilities, total**
Langfristige Verbindlicheiten			**Long-term liabilities**
Langfristige Darlehen	7,815	8,512	Long-term debt, less current portion
Umsatzabgrenzung	150	205	Deferred revenues
Latente Steuern	0	0	Deferred tax liability
Pensionsrückstellungen	721	731	Pension accrual
Übrige	17	18	Others
Langfristige Verbindlichkeiten, gesamt	**8,703**	**9,466**	**Long-term liabilities, total**
Minderheitenanteile	**0**	**632**	**Minority interest**
Eigenkapital			**Shareholders' equity**
Gezeichnetes Kapital	8,827	8,016	Share capital
Kapitalrücklage	36,780	35,463	Additional paid-in capital
Bilanzgewinn/Bilanzverlust (inklusive Gewinnrücklagen)	-21,766	-21,772	Retained earnings / accumulated deficit
Kumuliertes übriges Comprehensive Income	-149	-167	cumulated other comprehensive income
Eigenkapital, gesamt	**23,692**	**21,540**	**Total shareholders' equity**
Passiva, gesamt	**53,513**	**58,890**	**Total liabilities and shareholders' equity**

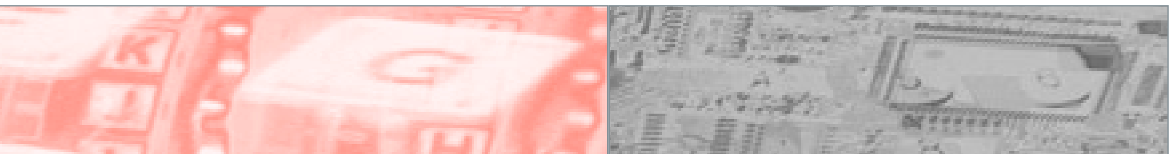


Income statement (US-GAAP)

Zahlenangaben in T€ Gewinn- und Verlustrechnung	01.07.04 -30.09.04	01.07.03 -30.09.03	01.01.04 -30.09.04	01.01.03 -30.09.03	Figures in Euro k Income Statement
Umsatzerlöse	50,302	44,543	150.306	133,130	Revenues
Herstellungskosten (Materialaufwand)	-44,160	-38,763	-131.362	-115,475	Manufacturing costs
Bruttoergebnis	**6,142**	**5,780**	**18.944**	**17,655**	**Gross operating income**
Vertriebskosten	-4,453	-4,723	-11.943	-14,540	Distribution costs
Allgemeine Verwaltungskosten	-1,956	-2,075	-7.024	-6,225	General administrative costs
Sonstige betriebliche Aufwendungen und Erträge	417	-16,035	685	-15,739	Other operating expenses and income
Summe Kosten	**-5,992**	**-22,833**	**-18.282**	**-36,504**	**Total costsich**
davon gewöhnliche Abschreibungen	*-384*	*-588*	*-1.205*	*-1,690*	*there in regular amortisation*
sowie Sonder-Abschreibungen	*0*	*-16,174*	*0*	*-16,174*	*and unscheduled amortisation*
EBITDA	**534**	**-291**	**1.867**	**-985**	
Betriebsergebnis	**150**	**-17,053**	**662**	**-18,849**	**Operating income**
Finanzergebnis	-178	-208	-592	-650	Financial income
Sonstige Aufwendungen und Erträge	54	-21	-19	263	Other expenses and income
Ergebn. v. Steuern und Minderheitenanteile	**26**	**-17,282**	**51**	**-19,236**	**Result before taxes and minority interest**
Steuern vom Einkommen und Ertrag	-21	-1,162	-29	-422	Income tax
Minderheitenanteile	0	13	-16	92	Minority interest
einzustellende Bereiche	0	-3,001	0	-3,179	Discontinued Operations
Konzernergebnis	**5**	**-21,432**	**6**	**-22,745**	**Consolidated result**

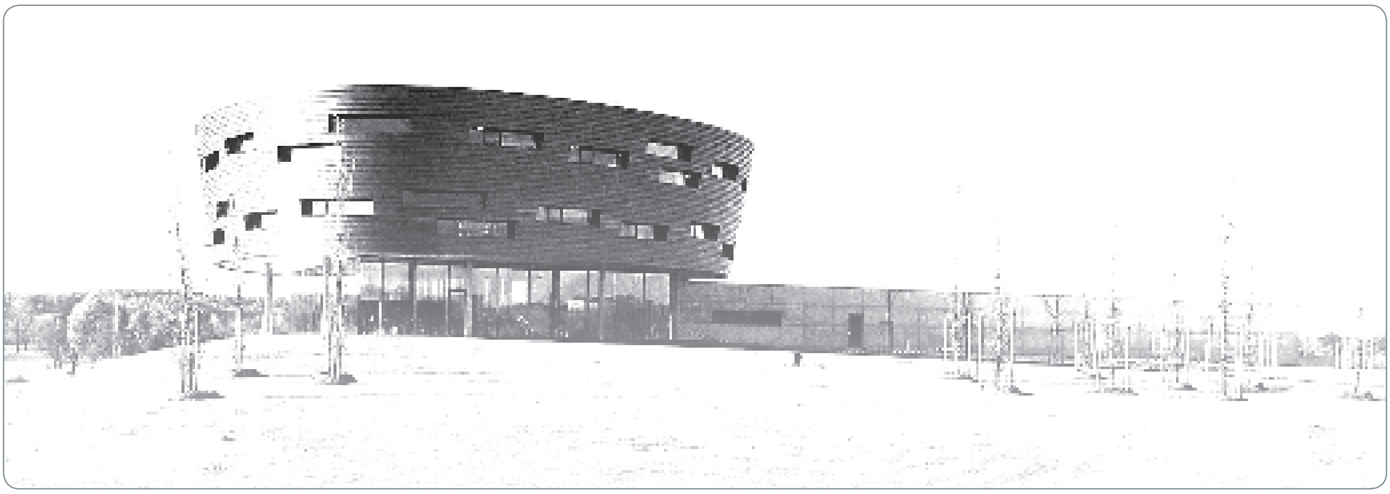
Cash flow statement

Kapitalfluss	01.01.04 - 30.09.04 (Euro k)	01.01.03 - 30.09.03 (Euro k)	Cashflow
Cashflow aus betrieblicher Tätigkeit:			**Cash flows from operating acivities:**
Jahresergebnis	**5**	**-22,745**	**Net profit/loss (period)**
Anpassungen für:			adjustments for:
Anteile anderer Gesellschafter	16	-92	Minortiy interest
	21	**-22,837**	
Abschreibungen	1,205	17,864	Depreciation and amortisation
Gewinn/Verlust aus dem Abgang von Anlagevermögen	83	2,595	Losses on the disposal of fixed assets
Zunahme/Abnahme der latenten Steuern	-144	178	Increase/decrease in deferred tax asset
Zunahme/Abnahme kurzfristiger Vermögenswerte	2,313	5,540	Increase/decrease in short-term assets
Zunahme/Abnahme sonstige Aktiva	62	-145	increase/decrease in other assets
Zunahme/Abnahme der Rückstellungen	-720	-294	increase/decreaseand in accruals
Zunahme/Abnahme Verbindlichkeiten	-3,446	-5,423	Increase/decrease in liabilities
Aus betrieblicher Tätigkeit erwirtschaftete/ eingesetzte Zahlungsmittel	**-626**	**-2,522**	**Net cash provided by operating activities**
Erwerb von Tochterunternehmen, abzüglich erworbener liquider Mittel	-157	0	Acquisition of subsidiaries, net of cash aquired
Erwerb von Anlagevermögen	-450	-924	Purchase of property, plant and equipment
Erlöse aus dem Verkauf von Anlagevermögen	22	754	Income from asset disposals
Für Investitionen eingesetzte Zahlungsmittel	**-585**	**-170**	**Net cash used in investing activities**
Einzahlungen aus Kapitalerhöhungen	1,344	0	Inflows from capital increases
Kapitalerhöhungskosten	-226	-1	Costs of capital increase
Einzahlungen aus der Aufnahme von kurz- oder langfristigen Darlehen	0	3,049	Inflows from short or long-term borrowings
Auszahlungen aus der Tilgung von kurzfristige Darlehen	-2,016	0	Cash repayments of short term borrowings
Auszahlungen aus der Tilgung von langfristigen Darlehen	-697	0	Cash repayments of long term borrowings
Auszahlung an Unternehmenseigner	0	0	Payment of enterprice owner
Sonstige	0	0	Other
Aus der Finanzierungstätigkeit erzielte/ eingesetzte Zahlungsmittel	**-1,595**	**3,048**	**Net cash used from financing activities**
Erhöhung/Verminderung der liquiden Mittel	**-2,806**	**356**	**Net increase/decr. in cash and cash equivalents**
Liquide Mittel zu Beginn der Periode	7,523	6,996	Cash and cash equivalents at beginning of period
Liquide Mittel am Ende der Periode	**4,717**	**7,352**	**Cash and cash equivalents at end of period**



Development of equity

Figures in Euro k	Comprehensive Income	Comprehensive Income	Consolidated result (including revenue reserves)	Capital reserves	Subscribed capital	total
31. December 2002		**-7**	**340**	**35,178**	**7,836**	**43,347**
Consolidated result	-22,112		-22,112			-22,112
Other net comprehensive income - less currency conversion difference	-160					
Other comprehensive income		-160				-160
Comprehensive income	-22,272					
Capital increase				299	180	479
Other changes				-14		-14
31. December 2003		**-167**	**-21,772**	**35,463**	**8,016**	**21,540**
Consolidated result	6		6			6
Consolidated capital						
Other net comprehensive income - Less currency conversion income	18					
Other comprehensive income		18				18
Comprehensive income	**24**					
Capital increase				1,544	811	2,355
Other changes				-226		-226
30. September 2004		**-149**	**-21,766**	**36,781**	**8,827**	**23,693**



Appendix

Notes to the accounts
for the quarterly report as at 30 September 2004

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM IT Systeme AG as at 30 September 2004 were prepared according to the US Generally Accepted Accounting Principles (US GAAP) for the first time in 2002. Prior to this, the consolidated financial statements were prepared pursuant to the International Accounting Standards (IAS). All mandatory Statements of Financial Accounting Standards (SFAS) were taken into consideration. The figures for the previous year were established according to the same principles. The consolidated income statement was prepared according to the cost-of-sales accounting method.

The conditions of Section 292a of the German Commercial Code (HGB, Handelsgesetzbuch) for exemption from the obligation to draw up consolidated financial statements according to German commercial law are satisfied. The necessary additional disclosures which must be made to take advantage of this exemption are detailed in Section D. The judgement as to whether these conditions are met is based on the German Accounting Standard 1 (GAS, Deutscher Rechnungslegungsstandard, DRS) issued by the German Accounting Standards Board (GASB, Deutscher Standardisierungsrat, DSR). In order to make the figures comparable to those in consolidated financial statements prepared according to German commercial law, we have published all the information and notes required by German commercial law that go beyond the disclosure requirements of US GAAP.

The consolidated financial statements were drawn up in euro. Unless otherwise stated, all amounts are in thousand euro (€ ,000).

The financial year covers the period from 1 January 2004 to 31 December 2004.

The shares are traded in the regulated market (Prime Standard) of the Frankfurt Stock Exchange (FWB, Frankfurter Wertpapierbörse), the securities code is ISIN DE0005419105.

The main business purpose of CANCOM IT Systeme Aktiengesellschaft and its consolidated subsidiaries is the marketing of complete IT system solutions (hardware, software and network products) in both the PC and Apple environments. It also offers a comprehensive range of IT services (e.g. consulting, system integration, service & support and training). The Group predominantly operates in the DTP (desktop publishing) and media environments.

2. Scope of consolidation

The consolidated financial statements include CANCOM IT Systeme AG and all subsidiaries in which CANCOM IT Systeme AG has either a direct or an indirect majority shareholding, or in which it holds the majority of voting rights. These subsidiaries were fully consolidated. There are no other associated equity investments which were to be consolidated in accordance with the equity method.

With effect from 30 September 2003 the 58.3 percent shareholding in the French company, eBizcuss.com S.A., and its subsidiaries, KA Services S.A.R.L. and EIRE Services S.A.R.L., which was still fully consolidated as at 31 March 2003, was divested. Accordingly, the consolidated cash flow statement for the previous year was adjusted for the figures of the sub-Group, eBizcuss.com S.A.

In accordance with the Capital Contribution Contract of 12 March 2004, CANCOM IT Systeme Aktiengesellschaft acquired the remaining 16,000 shares (40 percent) in CANCOM Ltd. based in Guildford, United Kingdom, for a cash consideration of 130,000 and 255,000 new no-par-value bearer shares of CANCOM IT Systeme Aktiengesellschaft. The necessary capital increase of CANCOM IT Systeme Aktiengesellschaft was entered in the Commercial Register on 19 April 2004.

In accordance with the contract of 30 March 2004, deed no. S 408/2004, the subsidiaries CANCOM business solutions GmbH and CANCOM media solutions GmbH, as the absorbing company, merged into the newly created CANCOM Deutschland GmbH. The merger was entered in the Commercial Register on 11 June 2004.

In accordance with the shareholders' resolution of 2 July 2004, CANCOM media solutions GmbH has changed its name to CANCOM Deutschland GmbH. The change was entered in the Commercial Register on 6 July 2004.

In accordance with the Capital Contribution Contracts of 2 July and 10 July 2004, 4 July and 19 July 2004, respectively 2 August and 10 August 2004, CANCOM IT Systeme Aktiengesellschaft acquired the remaining 212,749 shares in Tendi for 136,411 new no-par-value bearer shares of CANCOM IT Systeme Aktiengesellschaft. The required capital increase of CANCOM IT Systeme Aktiengesellschaft was entered in the Commercial Register on 23 August 2004.

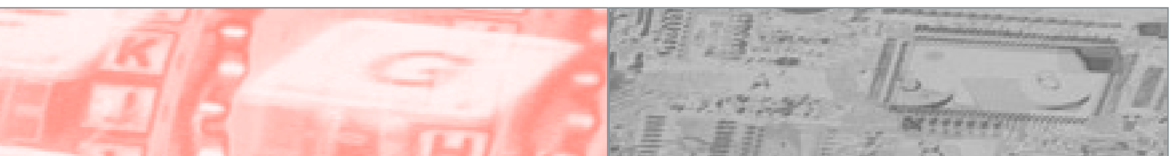
In accordance with the contract of 6 August 2004, deed no. B 89/2004, Tendi Verwaltungs GmbH, Tendi Deutschland GmbH & Co. KG and IT Consult GmbH merged and were absorbed by CANCOM Deutschland GmbH. The merger was entered in the Commercial Register on 1 October 2004 in respect of Tendi Verwaltungs GmbH, on 11 October 2004 in respect of Tendi Deutschland GmbH & Co. KG and on 13 October 2004 in respect of IT Consult GmbH.

Furthermore, Bytehouse International Deutschland GmbH and Maily Software GmbH & Co. KG, as the absorbing company, merged in accordance with the contract of 6 August 2004, deed no. B 91/2004. The merger was entered in the Commercial Register on 26 October 2004.

In accordance with the contract of 6 August 2004, deed no. B 94/2004, Maily Software GmbH & Co. KG was converted into a so-called 'Gesellschaft mit beschränkter Haftung' (GmbH, limited liability company) under German law. The company name was changed to Maily Distribution GmbH. The relevant entry in the Commercial Register was made on 26 October 2004.

In addition, Maily Verwaltungs GmbH and the absorbing company Maily Distribution GmbH merged in accordance with the contract of 6 August 2004, deed no. B 97/2004. The merger was entered in the Commercial Register on 26 October 2004.

With the contract of 27 August 2004, deed no. B 223/2004, Tendi AG and CANCOM IT Systeme Aktiengesellschaft, as the absorbing company, merged. The merger was entered in the Commercial Register on 13 October 2004.



Appendix

Pursuant to the notarial act of 15 September 2004, reference no. 1384, Tendi Österreich Verwaltungs GmbH & Co. KG has transferred its assets to CANCOM Computersysteme Ges.m.b.H. The transfer has not yet been entered in the Commercial Register.

The following German and international subsidiaries are included in the consolidated financial statements of CANCOM IT Systeme Aktiengesellschaft for the period ended 30 September 2004 according to the principles of full consolidation:

	Company's registered office	Stake as %
1. CANCOM Deutschland GmbH	Scheppach, Germany	100.0
and its subsidiaries		
• CANCOM Computersysteme Ges.m.b.H.	Graz/Austria	100.0
• CANCOM (Switzerland) AG	Caslano/Switzerland	100.0
2. Novodrom GmbH	Scheppach, Germany	100.0
3. Maily Distribution GmbH	Sindelfingen, Germany	100.0
4. CANCOM Ltd.	Guildford/UK	100.0
5. SoftMail IT AG	Caslano/Switzerland	100.0

3. Accounting and valuation methods

Preparation of the financial statements included in the consolidated financial statements
The financial statements of German and international companies included in the consolidated financial statements were prepared as at the reporting date for the quarterly report of CANCOM IT Systeme AG.

Principles of consolidation
The financial statements of the individual subsidiaries were included in the consolidated financial statements by the acquisition method. This means the purchase costs of the subsidiary are set off against the shareholders' equity of the subsidiary in question at the time of acquisition. Any differences are allocated to the assets and liabilities of the subsidiaries, if they have hidden assets. Any remaining difference on the asset side is capitalised as goodwill under intangible assets. In line with the Statement of Financial Accounting Standards (SFAS) 142, goodwill is no longer subject to scheduled amortisation. Instead, an impairment test must be carried out at least once a year. The reviews of goodwill based on market values are to be carried out at reporting unit level. For the purposes of this rule, a reporting unit is an operating segment or one level below.

Profits, losses, sales revenues, expenses and income within the Group and existing accounts payable and receivable between the Group companies are eliminated. Shares held by other shareholders are shown independently of shareholders' equity in a separate adjusting item.

Estimates and assumptions
In drawing up the consolidated financial statements we have to make estimates and assumptions. These have an impact on the amounts shown for assets, liabilities and contingent liabilities and also the reporting of expenditure and income. The actual amounts may deviate from these assumptions and estimates.

Currency conversion principles
Conversion of the financial statements of international subsidiaries is carried out according to the concept of functional currency. In the CANCOM Group, all international subsidiaries are financially independent (so-called 'foreign entities'). The assets and liabilities are accordingly converted at the rate of exchange fixed on the reporting date, while income and expenditure is converted at the average rate for the period. Differences from the conversion rate on the reporting date in the previous year and between the net income in the balance sheet and in the income statement are included under comprehensive income without affecting the net income.

Currency

	Q 2/2004	Q2/2003	Q2/2002
Swiss francs			
• Rate on reporting date	1 € = 1.554 SFR	1 € =1.559 SFR	1 € = 1.455 SFR
• Average rate	1 € = 1.547 SFR	1 € = 1.521 SFR	1 € = 1.467 SFR
Pounds sterling			
• Rate on reporting date	1 € = 0.686 GBP	1 € =0.706 GBP	1 € = 0.653 GBP
• Average rate	1 € = 0.673 GBP	1 € = 0.692 GBP	1 € = 0.629 GBP

Realisation of sales revenues
Revenues for sales of hardware and software are realised when ownership and risk pass to the customer, if payment is pre-arranged by contract or determinable and it is probable that the accounts receivable relating to the sale will be met. Sales relating to system integration are realised only after acceptance by the customer or installation, if this is an essential condition for taking into operation the product. The revenue figures show the amounts after deduction of cash discounts, price reductions, customer bonuses and rebates.

Research and development
Other than development costs relating to the production of the integrated EDP system, ff-eCommerce, no research and development costs were incurred in the period under review (for further information please refer to the section on Intangible assets).

Advertising costs
Expenditure on advertising and sales promotion is recorded as affecting the net result at the time it is incurred.

Earnings per share
Earnings per share is determined in accordance with the Statement of Financial Accounting Standards (SFAS) 128 'Earnings per share'. The (basic) income is calculated by dividing the consolidated income by a weighted average number of ordinary shares outstanding in the financial year. The (diluted) income is calculated on the basis that all potentially diluted stock options will be exercised.

Short-term assets
Inventories are valued at the lower of acquisition/manufacturing cost or market value (lower of cost or market method). Generally, the average value

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method is used. Replacement cost is generally used as a basis for establishing the market value. Calculation of the replacement cost is limited by the net sales revenue as the maximum value and the net sales revenue less profit margin as the minimum value. Items with reduced marketability are valued at the lower net sale value. No extraordinary write-downs were necessary during the year under review.

Accounts receivable are shown at their net sale value, allowing for a write-down for doubtful debts. Where the agreed interest rate for long-term accounts receivable is less than the market rate, the nominal amount of the account receivable is discounted. Trade accounts receivable are not discounted. If it is doubtful whether an account receivable can be collected, a provision for doubtful accounts is formed.

Other assets are shown at their nominal values.

Short-term investments/marketable securities are classified as Trading Securities, in accordance with SFAS 115. They are valued at their market value, and all changes since the previous year are included as affecting the operating result.

Cash and cash equivalents include cash in banks and cash on hand and can be converted into cash within a period of three months at most.

Prepaid expenses are accrued to charge expenses to their relevant accounting period.

Intangible assets

In line with SFAS 142 'Goodwill and other intangible assets', intangible assets purchased are valued at acquisition cost and the estimated residual value is amortised by the straight-line method over the expected useful life of the assets. Assets are amortised uniformly throughout the Group by the straight-line method (generally over three to five years) over the period during which the relevant company can expect to use the asset. Since 1 January 2002, goodwill from acquisitions is no longer subject to scheduled amortisation. Instead, it is subject to an impairment test at least once per year. SFAS 142 distinguishes between intangible assets with limited and indeterminable useful lives. Only intangible assets with limited useful lives are subject to scheduled amortisation, unlike intangible assets with indeterminable useful lives, which are instead reviewed at least once a year to determine if a write-down is necessary. With the exception of goodwill, all intangible assets have a limited useful life.

The impairment value of goodwill is reviewed in a two-stage process at reporting unit level based on segmental reporting in accordance with SFAS 142. The first step constitutes a comparison of the book values of the reporting unit, including allocated goodwill, with their market values.
The market value of the reporting unit is the value at which it could be bought or sold as an entity on the valuation date. CANCOM IT Systeme AG calculates the market value as the present value of the future cash flows of the reporting unit, discounted by a market interest rate. If the market value is less than the book value, a second step is taken, in which the market value is split into assets and debts in a hypothetical purchase price allocation according to the rules for first-time consolidation. The residual value is the (implicit) reporting date value of the goodwill. If this is less than the book value (of the goodwill), extraordinary amortisation of the (implicit) reporting date value is carried out with an effect on net income.

Intangible assets developed in-house, i.e. expenditure arising from the company's own activities for the development or modification of software if the modification is certain to provide additional functionality, are capitalised, provided that the software developed is for internal use (SOP 98-1 'Accounting for the costs of computer software developed or obtained for internal use') or for sale or marketing (SFAS 86, FIN 6 'Accounting for the costs of computer software to be sold, leased or otherwise marketed'). The decisive factor here is the point in time at which technical feasibility is reached, with development costs having an effect on the net income up to the point in time when technical feasibility of a product is established. According to SOP 98-1, technical feasibility is reached as soon as a project has been authorised by management and the necessary funds have been provided, it is probable that the project will reach completion and the software is being used for its intended purpose. According to SFAS 86, for technical feasibility to be reached, it is necessary that the program design, i.e. all functions, features and performance requirements for production, be established. Once technical feasibility is established, all costs arising, i.e. in this case the costs of programming, are capitalised up to the completion of the software.

Capitalisation of intangible assets developed in-house is carried out on the basis of manufacturing costs, which essentially include direct personnel costs for the staff respectively employed. Overheads are also capitalised. These assets are amortised by the straight-line method over the expected useful life of the asset.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or manufacturing cost. They are subject to scheduled straight-line depreciation over their useful lives. The valuations are based on the following useful lives:

Administrative and warehouse buildings	33 1/3 years
Fixtures, fittings and equipment	4-10 years

Low-value assets are written off in full in the year of acquisition and shown in the schedule of fixed assets as additions and disposals and as depreciation for the current financial year.

Extraordinary depreciation on long-term assets

If there are indications that the book value of a long-term asset cannot be recovered, the requirement for an extraordinary write-down is reviewed on the basis of Statement of Financial Accounting Standards (SFAS) 144 'Accounting for the impairment of long-lived assets and for long-lived assets to be disposed of'. Long-term assets that will continue to be used in the future are subjected to an impairment test by comparing the book value and the undiscounted future inflow and outflow of funds. If this value (as at the reporting date) is less than the net book value, depreciation requirements are ascertained, in a second step, by balancing the book value with the fair value of the asset. SFAS 144 is not used for goodwill, for which SFAS 142 applies.

Investments

Other notes receivable/loans are valued at acquisition cost. Non-interest-bearing and low-interest-bearing notes receivable and loans are valued at their present value. Shares in subsidiaries in which control is exercised only temporarily because the subsidiary is being held exclusively for the purpose of resale in the near future, as defined by SFAS 115 'Accounting for certain investments in debt and equity securities', are valued at their net book values. The investments do not include any securities traded on organised stock markets.

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Deferred taxes
Deferred taxes are accrued according to the balance sheet liability method. This involves the accrual of deferred taxes for temporary differences between the basis of calculation for tax and commercial law purposes, which will most probably equalise in the future, and for temporary result differences from consolidation measures affecting net income. Deferred taxes are assessed using the tax rates applying in the respective year the differences are reversed, if these have already been approved on the balance sheet date. In accordance with SFAS 109 'Accounting for income taxes', the deferred tax assets and liabilities are shown separately in the Group figures. For loss carryovers that reduce future tax burdens, deferred tax assets have been accrued if it is probable that they will be realised. The value of the deferred taxes is reviewed and adjusted if necessary. Deferred taxes are shown in the balance sheet at their nominal value; no discounting is carried out.

Accrued expenses and liabilities
Accrued expenses for employee benefits mainly include performance-related pension obligations, which are determined on the basis of actuarial reports using the projected unit credit method and taking into account future increases in salaries and pensions. Accruals are made for contribution-based pension schemes only to the amount of the contributions still due at the balance sheet date. In the event of unforeseeable changes in pension obligations or plan assets, actuarial profits and losses can occur which are not reported in the income statement. These profits and losses, which have been incurred but not yet entered with effect on net income, are to be realised to the extent that at the beginning of the financial year they exceed a range determined by a value which is more than 10 percent above the greater of the following two values, namely of the pension obligations and plan assets.

Other accruals are made when there is an uncertain external obligation with a financial and/or legal cause, which is expected to be claimed and which can be reliably quantified. The obligation is valued on the basis of best estimate, taking into account unit costs and overheads. General administrative and distribution costs, as well as development costs, are not taken into account.

Liabilities are valued at their repayment value, which is equivalent to their market value.

Stock options
SFAS 123 ‚Accounting for stock-based compensation' provides rules for the reporting of and notes on stock-based employee compensation plans. However, CANCOM IT Systeme Aktiengesellschaft makes use of its right of choice provided for in SFAS 123 and reports its stock-based employee compensation plan in accordance with APB 25. In line with APB 25, stock-based employee compensation agreements are valued by the intrinsic value method, based on the intrinsic value of the option. At CANCOM IT Systeme Aktiengesellschaft, the market value of the share on the date of issue corresponds to the exercise price, which means that no personnel costs are incurred in this connection.

Comprehensive income
In accordance with SFAS 130 'Reporting comprehensive income', the Company is obliged to show separately in its financial statements the comprehensive income and its components, i.e. consolidated net income and othercomprehensive income. Cumulative other comprehensive income consists of differences from currency conversion that are not included in the consolidated net income. Please refer to the Statement of changes in shareholders' equity.

Consolidated cash flow statement
The cash flow statement is drawn up according to SFAS 95 'Statement of cash flows' and shows the inflow and outflow of cash in the Group during the year under review. It distinguishes between cash flows from operating activities and cash flows from investment and financing activities.

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

New accounting standards
In December 2002, the FASB published SFAS 148 'Accounting for stock-based compensation - transition and disclosure - an amendment of FASB Statement No. 123'. This standard expands SFAS 123 'Accounting for stock-based compensation' by inclusion of alternative transitional regulations for the voluntary first-time inclusion of stock-based compensation in the balance sheet on the basis of time values. SFAS 148 also imposes a series of additional requirements in respect of the notes to the financial statements as regards the applied accounting method and the ensuing effects on net income in all financial statements, including interim financial statements. CANCOM IT Systeme Aktiengesellschaft still reports its stock option plans in accordance with APB 25, which means that SFAS 148 does not have any impact on the consolidated result.

In May 2003, the FASB published SFAS 150 'Accounting for certain financial instruments with characteristics of both liabilities and equity'. This standard contains rules on the accounting of financial instruments which often find application in stock buyback schemes and were reported as shareholders' equity by the issuers in the past. SFAS 150 stipulates that certain outstanding financial instruments with characteristics of both liabilities and shareholders' equity must be classified as liabilities. In most cases, the relevant market value changes are shown as affecting net income. SFAS 150 can have an effect on ratios, control variables and certain stock buyback schemes. SFAS 150 has no impact on the consolidated result.

4. Acquisitions and divestments in the third quarter of 2004

In accordance with the Capital Contribution Contracts of 2 July and 10 July 2004, 4 July and 19 July 2004, respectively 2 August and 10 August 2004, CANCOM IT Systeme Aktiengesellschaft acquired the remaining 212,749 shares in Tendi for 136,411 new no-par-value bearer shares of CANCOM IT Systeme Aktiengesellschaft. The necessary capital increase of CANCOM IT Systeme Aktiengesellschaft was entered in the Commercial Register on 23 August 2004.

B. Notes to the consolidated balance sheet

1. Cash and cash equivalents

Cash and cash equivalents comprises exclusively of cash in banks payable on demand and cash in hand. The amount of € 840k of the cash and cash equivalents is pledged to a bank.

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2. Short-term investments/marketable securities

Short-term investments/marketable securities consists of short-term time deposits.

3. Trade accounts receivable

The trade accounts receivable are due within one year.

4. Inventories

Inventories consist almost exclusively of merchandise, particularly hardware components and software. The majority of the hardware components are stored at the logistics centre in Scheppach, Germany.

5. Prepaid expenses and other current assets

This item mainly consists of other current assets. These include bonuses and rebates receivable from suppliers (€ 492k), tax reimbursements (€ 77k), loans to employees (€ 66k), other loans (€ 57k) and creditors with a debit balance (€ 23). The prepaid expenses include deferred insurance premiums and advance payments.

6. Fixed assets

6.1 Property, plant and equipment

Property, plant and equipment mainly consists of the grounds and buildings of the administrative and logistics centre in Scheppach, Germany amounting to € 5.9 million, and the equipment necessary for the small-parts warehouse and the manual pallet rack of € 0.9 million. Computer equipment, tenant's fittings and office furnishings are also shown under this item.

6.2 Intangible assets

Intangible assets predominantly include software that has either been purchased or produced in-house. The book value of in-house produced intangible assets mainly comprises costs of approximately € 687k for customising the integrated EDP system, ff-eCommerce. The probability that the in-house software production projects will generate economic benefit is concluded from the fact that the software, on the basis of which the new software has been developed, is already being used by the Company and that a significant improvement in processes has been achieved.

6.3 Goodwill

Goodwill at the balance sheet date mainly includes the relevant figures arising from the consolidation of the sub-Group, Tendi AG, CANCOM Deutschland GmbH and CANCOM Ltd.

7. Deferred tax assets

The deferred tax assets were capitalised on the basis of the existing approximately € 13.3 million losses carried forward. Where the losses carried forward were taken on as a result of company acquisitions, deferred tax assets were accrued without affecting net income, by netting against the relevant goodwill.

For further notes, please see Section C. 7.

8. Short-term debt and current portion of long-term debt

The item of short-term debt and current portion of long-term debt comprises liabilities to banks. These are drawings on credit facilities provided by banks and those portions of long-term loans due for repayment within one year.

9. Trade accounts payable

The trade accounts payable are due within one year.

10. Accruals for pensions

Individual performance-related commitments exist in relation to Executive Board members. In addition, a further performance-related commitment to a former employee was taken on in connection with the acquisition of a company.

The amount of the pension commitments for pension schemes in Germany is calculated essentially by the years of employment and remuneration of the individual employees.

11. Other accrued expenses

Other accrued expenses mainly include accruals for invoices not yet received (€ 1,102k), severance payments, salaries (€ 129k), costs of litigation (€ 113k), financial statement costs (€ 107k) and occupational accident insurance (€ 54k).

The total amount of the accrued expenses is due within one year, apart from the accrual for severance payments of € 13k that is shown under other long-term liabilities.

12. Income tax payable

Income tax payable consists of liabilities for the years 2002 to 2004 and income tax payable for the years 1997 to 2000 according to the result of tax audits.

13. Other current liabilities

Other current liabilities include sales tax liabilities (€ 1,636k), wages and salaries (€ 549k), debtors with a credit balance (€ 381k), social security contributions (€ 343k) and salaries and church tax (€ 254k).

14. Long-term debt

Long-term debt consists exclusively of liabilities to banks with a remaining term to maturity of at least one year. The portion of these debts that is due within the next 12 months is shown under short-term debt and current portion of long-term debt.

15. Shareholders' equity

Authorised and conditional capital (as at 30 September 2004)

By resolution of the Annual General Meeting held on 16 June 2004, the Executive Board is authorised until 15 June 2009 to increase the share capital once or repeatedly by up to a total of € 838,671, by issuing up to 838,671 new no-par-value bearer shares against cash or non-cash

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contributions, subject to the approval of the Supervisory Board. The shareholders have been granted a subscription right which may be excluded in the event of a capital increase through non-cash contributions in connection with an acquisition of investments. The Executive Board is also entitled to exclude fractional amounts from the shareholders' subscription right. The terms of the relevant share rights and other conditions of the share issue are determined by the Executive Board, subject to the approval of the Supervisory Board (Authorised Capital I).

In accordance with the resolution of the Annual General Meeting held on 16 June 2004, the Executive Board is also authorised until 15 June 2009 to increase the share capital once or repeatedly by up to a total of € 827,101, by issuing up to 827,101 new no-par-value bearer shares against cash contributions, subject to the approval of the Supervisory Board. With the approval of the Supervisory Board, the Executive Board may exclude the shareholders' subscription rights if the new shares are issued at a price that is not substantially lower than the stock market price. The Executive Board is also entitled to exclude fractional amounts from the shareholders' subscription right. The terms of the relevant share rights and other conditions of share issue are determined by the Executive Board, subject to the approval of the Supervisory Board (Authorised Capital II).

By a resolution of the Annual General Meeting held on 17 July 2001, the Executive Board is authorised to increase the share capital once or repeatedly until 15 June 2006 by up to a total of € 2,333,322 by issuing up to 2,333,322 new no-par-value bearer shares against cash or non-cash contributions, subject to the approval of the Supervisory Board (Authorised Capital III). The shareholders have been granted a subscription right which may be excluded in the event of a capital increase through non-cash contributions in connection with an acquisition of investments. The Executive Board is also entitled to exclude fractional amounts from the shareholders' subscription right. The terms of the relevant share rights and other conditions of the share issue are determined by the Executive Board, subject to the approval of the Supervisory Board (Authorised Capital III).

In addition, the share capital has been conditionally increased by up to € 3,560,866 through the issue of 3,560,866 new no-par-value shares. The conditional capital increase will be implemented to the extent that holders of bonds exercise their conversion rights or obligations and option rights. The Executive Board, subject to the approval of the Supervisory Board, was authorised by the Annual General Meeting of 27 May 2002 to issue these shares until 25 May 2007. The new shares carry dividend rights from the beginning of the financial year for which, at the time of their issue, no resolution of the Annual General Meeting has been passed on the appropriation of net income.

In addition, a conditional increase in share capital by up to € 180,000 through the issue of 180,000 new no-par-value shares was carried out. The conditional capital increase is only carried out to the extent beneficiaries of warrants, which the Executive Board was authorised to issue based on the resolution of the Annual General Meeting held on 18 April 2000, exercise their conversion right. The shares resulting from the exercised option right are entitled to profit participation from the beginning of the financial year in which they originate as a result of the option right being exercised.

C. Notes to the consolidated statement of income

1. Segment reporting

The CANCOM Group discloses segmental information according to the rules of the Statement of Financial Accounting Standards 131 Disclosures about segment of an enterprise and related information (SFAS 131).

SFAS 131 includes rules regarding reporting on the operating segments of a company. In addition, it requires a breakdown by products and services and by geographical regions.

In general, according to SFAS 131, segmental information should include those figures that form the internal basis for performance assessments and resource allocation.

The CANCOM Group is internally subdivided by geographical regions. In the Product division, the CANCOM Group operates as a buyer and seller of hardware and software, i.e. as a dealer. The divisions of Consulting and System Integration currently account for significantly less than 10 percent of the Group's sales.

Owing to the similarity of the operating segments, the CANCOM Group combines its segments as permitted by SFAS 131.17. The segments are similar in terms of products, customer groups and distribution types and channels.

In 2004, the CANCOM Group has only one segment. It includes hardware and software sales, IT consultancy as well as telephone and on-site technical support.

The accounting methods used for internal reporting on the segment are in line with the accounting and valuation methods described in Section A 3. The only differences arise from currency conversion; these result in slight deviations between the data for internal reporting and the relevant disclosures for external accounting.

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

Segmental assets

Since the CANCOM Group has only one segment, the segmental assets are split only by geographical regions.

The CANCOM Group's segmental reporting for 2004 includes the following companies for Germany: CANCOM Deutschland GmbH, Novodrom GmbH, Maily Distribution GmbH and CANCOM IT Systeme Aktiengesellschaft.

Outside Germany, it includes the following companies: CANCOM Ltd., CANCOM (Switzerland) AG, CANCOM Computersysteme Ges.m.b.H. and Soft Mail IT AG.

Geographical data

The table shown below divides up different data from the consolidated financial statements by region. All the figures reported were calculated in the same way as the relevant consolidated data, which is why the totals of the segmental data correspond to the consolidated values.

Appendix

Information on dominant customers

The CANCOM Group has no customers that individually account for a minimum of 3 percent of its total sales

2. Other operating expenses and income

Other operating expenses and income consist of the following:

in T€	01.07.-30.09.04	01.07.-30.09.03
Goodwill amortisation	0	-14,820
Special depreciation of intangible assets	0	-1,354
Income not relating to the period	109	171
Income from benefits in money's worth and payments in kind for employees	125	98
Other operating income	151	166
Total	**385**	**-15,739**

3. Financial income

in T€	01.07.-30.09.04	01.07.-30.09.03
Other interest and similar income	49	49
Interest and similar expenses	-641	-699
Financial income	**-592**	**-650**

Interest income mainly comprises interest on cash in banks and interest from customers.

4. Other expenses and income

Other expenses and income consist exclusively of currency differences.

5. Personnel expenses

Die Personalaufwendungen setzen sich wie folgt zusammen:

in T€	01.07.-30.09.04	01.07.-30.09.03
Wages and salaries	11,648	11,581
Social security contributions	1,827	1,986
Pension expenses	53	0
Total	**13,528**	**13,567**

The personnel expenses for the subsidiary eBizcuss.com S.A. were deducted from the figures for the previous year. They are included under the item of discontinued operations.

6. Cost of purchased materials and services

Materials and services purchased in the first nine months of 2004 amount to € 125,299k compared with € 109,977k in the reference period of 2003. As in the previous year, goods purchased account for the full amount.

7. Income tax

The result before income taxes breaks down as follows:

in T€	01.07.-30.09.04	01.07.-30.09.03
In Germany	-693	-22,723
Outside Germany	727	400
Result before income taxes	**34**	**-22,323**

Income tax comprises the income taxes paid or due and deferred taxes in the individual countries.

in T€	01.07.-30.09.04	01.07.-30.09.03
Current tax expense		
In Germany	10	32
Outside Germany	163	212
	173	**244**
Deferred taxes		
Tax assets	-144	178
Tax liabilities	0	0
	-144	**178**
Group tax expenses	**29**	**422**

The income tax rate for German companies amounts to 38.3 percent on average compared with 38.2 percent in 2003. Since the income of the partnerships is allocated to the joint-stock companies, it relates to corporation tax, trade tax and solidarity surcharge.

The computation of income tax in accordance with SFAS 109 ‚Deferred taxes' includes tax deferrals resulting from differing valuations in the commercial balance sheet and the tax balance sheet, from realisable carryovers, from differences in results between the tax valuations in the individual financial statements of the consolidated subsidiaries and the standard CANCOM valuation, or from the consolidation processes, if these balance out over the course of time. Deferred tax claims relating to the carrying forward of unused tax losses are capitalised, in view of the expected future positive results. The deferred taxes are calculated on the basis of the taxation rates expected to apply to the period in which an asset is realised or a debt satisfied. The taxation rates used are those that apply or will apply on the balance sheet date.

In calculating deferred taxes, all temporary differences are included in the tax deferrals, regardless of the time of their realisation. The tax rates used were those applying on the reporting date. The deferred tax claims relate exclusively to future tax savings due to realisable loss carryovers.

Deferred tax assets or liabilities are netted with tax expenses for the current year and shown under income tax.

Appendix

The transfer of deferred tax assets and liabilities in the balance sheet and deferred taxes in the income statement is shown in the following table:

in T€	01.07.-30.09.04	01.07.-30.09.03
Change in deferred tax assets according to the balance sheet	-144	532
Change in deferred tax liabilities according to the balance sheet	0	0
Change in tax assets and liabilities accrued with no effect on net income	0	-354
Deferred taxes according to the income statement	**-144**	**178**

As at 30 September 2004, German corporation tax loss carryovers amounted to € 11,719k compared with € 13,245k as at 30 September 2003. German trade tax loss carryovers amounted to € 18,258 as against 13,784k in the 2003 reference period 2003. The non-German corporation tax loss carryovers as at September 2004 amounted to € 1,561k in comparison to €1,736k as at 30 September 2003. Deferred tax assets were accrued for corporation tax loss carryovers in the amount of € 1,562k. For trade tax loss carryovers, deferred tax assets to the amount of € 352k were accrued. Hence, total deferred tax assets amount to € 1,914k in comparison with € 1,770k as at 31 December 2003.

Deferred tax assets on losses carried forward are only accrued if future profits against which they can be offset are expected. The relevant deferred tax claims were capitalised on the balance sheet date.

The following table shows the transitional statement of tax expenses (or income) that is anticipated for the respective financial year. Expected tax expenses (or income) are calculated by multiplying the effective overall German tax rate of 38.3 percent (2003: 38.2 percent) with the result before income taxes. The overall tax rate comprises corporation tax of 25 percent, solidarity surcharge of 5.5 percent and an effective trade tax rate of 11.9 percent (2003: 11.8 percent).

in T€	01.07.-30.09.04	01.07.-30.09.03
Expected tax expenses	13	-8,527
Taxation rate difference outside Germany	-223	-129
Non-deductible extraordinary goodwill amortisation	0	5,660
Non-deductible loss on disposal	0	801
Change in the adjustment item for deferred tax assets	-5	1,629
Tax expenses in the previous year	233	985
Permanent differences	68	-10
Other	-57	13
	29	**422**

8. Discontinued operations

The effect of discontinued operations within the income statement amounted to € 3,179k in the period from 1 January to 30 September 2003. The main discontinued operations are detailed below.

eBizcuss.com S.A.
The netted effect of eBizcuss of € -2,567k was shown as a discontinued operation under EBIT. The costs mainly relate to purchased materials, wages and salaries, other operating expenses, amortisation, depreciation and interest costs totalling € 23, 315k as opposed to revenues of € 20,748.

IT-Consult GmbH
The Executive Board resolved on 29 September 2003 to discontinue the business operations of IT-Consult GmbH, in particular the marketing of the Streamguide product. The expenses and income in connection with the company's operations of € -612k were netted and reported under the item of EBIT. The main costs amounting to € 620k relate to other operating expenses. Other operating income totalled € 8k.

9. Earnings per share

in T€	01.07.-30.09.04	01.07.-30.09.03
Consolidated result	5	-22,745
Weighted average shares		
• Basic	8,827,411	8,016,010
• Diluted	8,827,411	8,016,010
Earnings per share		
• Basic	€ 0,00	-2,88
• Diluted	€ 0,00	-2,88

D. Explanation of divergent accounting, valuation and consolidation methods according to Section 292a (2) No. 4b of the German Commercial Code (Handelsgesetzbuch, HGB)

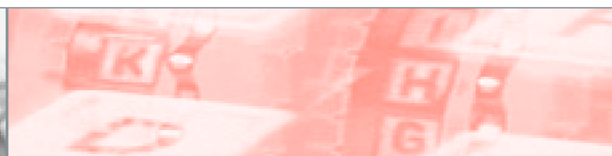
The accounting, valuation and consolidation methods applied in these financial statements deviate in the following ways from German law governing the preparation of consolidated accounts:

- Costs of capital increase

  In accordance with SFAS 109.36c, external expenses for initial public offering and capital increase that can be directly attributed are to be shown in the balance sheet as a deduction from shareholders' equity after deferred taxes have been subtracted.

- Expenses in relation to acquisitions

  According to SFAS 141.20 and SFAS 141.24, the cost of acquisition of investments should include not only the consideration paid for the acquisition of interests in the companies, but also direct costs (external consultancy fees for auditors, legal advisors etc., including for acquisition price valuation) incurred in connection with the acquisition.



Appendix

- Deferred taxes

  According to SFAS 109, deferred taxes are to be accrued on tax losses carried forward where they appear to be realisable in the future. The deferral in question is used in the period in which the tax loss is claimed. In view of the existing losses carried forward, deferred tax assets are capitalised in the period under review.

- Accrued expenses

  Accrued expenses are valued on the basis of best estimate.

E. Other disclosures

1. Stock options

In previous years 124,350 stock options were issued to employees (at an exchange ratio of 1/1). These cannot be exercised until a specified period after the Annual General Meetings in 2004, 2005 and 2006. Altogether 41,800 stock options have now returned to the Company because the beneficiaries have left the Group. A total of 82,550 of 180,000 possible stock options have thus been issued so far.
No stock option rights to shares were issued to employees during the period under review as the said stock option programme has expired in the meantime.
There are currently no plans to launch a new stock option programme.
Stock options were issued to the Management and to the first and second level managerial employees of both CANCOM IT Systeme AG and its affiliated companies, but not to the Executive Board members of CANCOM IT Systeme AG. The lock-up period is generally three years and the exercise period ends five years after the option rights are issued. The issue of option rights is not dependent on the achievement of any particular performance targets.

2. Associated and related companies and persons

CANCOM IT Systeme AG has drawn up these consolidated financial statements as the parent company. The consolidated financial statements are not included in any other consolidated financial statements.

For the purposes of SFAS 57, Klaus Weinmann, Raymond Kober and Stefan Kober can be considered related persons who can exercise considerable control on the CANCOM Group both as Executive Board members and as shareholders in the parent company. The members of the Supervisory Board are also related persons for the purposes of SFAS 57.

There were no accounts receivable or payable in relation to the Executive Board or the other companies within the CANCOM Group at the balance sheet date.

Since 1 November 2001 there has been a consultancy agreement in place between CANCOM IT Systeme AG and the Chairman of its Supervisory Board. This was approved by the Supervisory Board in accordance with Section 114 of the German Companies Act (AktG, Aktiengesetz). The agreement is for an unspecified term and is terminable at 31 October 2004 at the earliest. The annual remuneration amounts to € 120k.

Transactions with related persons were accounted for at market prices.

3. Director's holdings (as at the balance sheet date)

The shareholder structure is shown on page 7 of this quarterly report.

Notes to the consolidated accounts

geographical segments	Germany		Europe		Elimination		consolidation	
	30.09.04	30.09.03	30.09.04	30.09.03	30.09.04	30.09.03	30.09.04	30.09.03
	T€	T€	T€	T€	T€	T€	T€	T€
Sales revenues								
- External sales	119,657	103,419	30,649	29,711				
- Sales between segments	7,371	6,964	687	1,137	-8,058	-8,101		
- Total income	127,028	110,383	31,336	30,848	-8,058	-8,101	150,306	133.130
Result								
EBITDA	650	-1,576	1,216	591			1,866	-985
- Depreciation and amortization	1,059	17,680	146	184			1,205	17,864
(EBIT)[1]	-409	-19,256	1,070	407			661	-18,849
- Interest income							49	49
- Interest expense							-641	-699
Result of ordinary activities							**69**	**-19,499**
- Extraordinary result	0	0	0	0			0	0
- Currency differences							-19	263
- Income tax							-29	-422
- Minority interest							-16	92
- Discontinuing operations							0	-3,179
Consolidated income							**5**	**-22,745**
Other information								
- Segment assets[1]	46,242	50,162	7,271	7,397			53,513	57,559
- Current liabilities	17,971	21,636	3,148	4,329			21,119	25,965
- Long-term liabilities	8,689	10,028	13	28			8,702	10,056
- Investments[1]	913	1,336	69	62			982	1,398

[1] Segment assets and investments including goodwill from consolidation of capital

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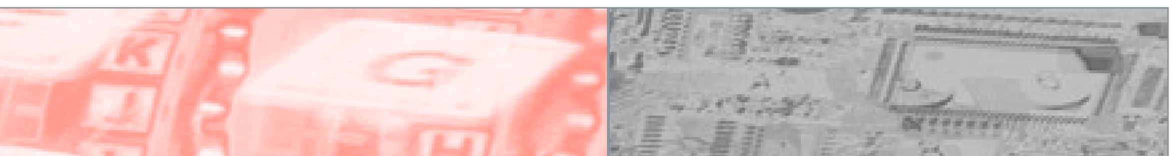

IT SYSTEME AG

CANCOM®

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9-months` figures 2004

CORPORATE REPORT

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