

»Leading provider of IT infrastructure
and professional services«



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BUSINESS DEVELOPMENT

1. Business development and general economic situation

Organisational and legal structure of the CANCOM Group

CANCOM IT Systeme Aktiengesellschaft, based in Jettingen-Scheppach, Germany, performs the central financial and management role for the equity investments held by the CANCOM Group.

Focus of activities and sales markets

One of the largest independent systems providers in Germany, the CANCOM Group has been transformed over the last few years from a systems house focusing primarily on hardware and software, into an integrated service provider of comprehensive IT solutions. Its central focus is therefore now on providing IT services, in addition to selling hardware and software from reputable manufacturers. Its IT services offer includes design and integration of IT systems, as well as system operation.

The CANCOM Group's customer base primarily includes commercial end-users, from independent professionals and small, medium and large-sized companies, to public-sector institutions.

Explanation of the control system used within the Group

To control and monitor the development of the individual subsidiaries, once a month CANCOM analyses, among other things, their sales revenues, gross profit, operating expenditure and operating profit, and compares these key figures with the original plan as well as the quarterly forecast. Additionally, the Company regularly uses external indicators such as inflation rates, interest rates, the general economic trend and the business trend within the IT sector – as well as forecasts for these – for the purpose of management control.

Research and development activities

As the business activities of the CANCOM Group are restricted to hardware and software distribution and service provision, no major research and development costs were incurred.

Overview of the CANCOM Group's business development

The CANCOM Group has continued on its path of growth in the first nine months of 2008. Consolidated sales revenues significantly exceeded the figure for the first nine months of 2007, and consolidated profit reached the same high level as in 2007.

Consolidated sales revenues were up 23.1 percent on the figures for the first nine months of 2007, at € 255.3 million compared with € 207.4 million. Consolidated earnings before interest and tax (EBIT) were unchanged in comparison to the same period of 2007, at € 4.2 million.

Significant events and investments

• Acquisition of SYSDAT GmbH Gesellschaft für IT-Lösungen

CANCOM IT Systeme Aktiengesellschaft has acquired 100 percent of the shares of Sysdat GmbH Gesellschaft für IT-Lösungen. The acquisition is documented in a contract of sale dated 29 July 2008. In line with the provisions of the contract of sale, the new subsidiary is included in the Group's financial statements with effect from 1 August 2008, the date of the change of control.



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This move significantly expands CANCOM IT Systeme AG's position in the German systems house environment. An IBM Premier Business Partner and an HP Preferred Partner, SYSDAT GmbH is one of the 15 largest systems houses in Germany. In 2007, with 283 employees, SYSDAT generated sales revenues of € 80.3 million, gross profits of € 20.7 million and EBITDA earnings of € 1.5 million (calculated according to German Commercial Law (Handelsgesetzbuch, HGB)).

• CANCOM Ltd. UK

The Group's fully-owned subsidiary in the UK, CANCOM Ltd., is currently struggling to weather the impact of the recession in the United Kingdom. On top of the recession, there is a dispute over accounts outstanding with a manufacturer in connection with businesses that have been discontinued, for which a provision has had to be accrued under discontinued operations. On the basis of an impairment test in November all options will be investigated, including sale of the company. This would lead to write-downs amounting to up to € 2 million on the value of the investment, which would also be shown under discontinued operations. The relevant reduction in profit is one-off and non-cash, so it will not lead to a reduction in the Group's cash flow.

• Sale of SoftMail IT AG, Switzerland

CANCOM IT Systeme AG has sold its 100 percent Swiss subsidiary SoftMail IT AG in a management buyout in the beginning of July 2008. SoftMail IT AG operates a direct selling business in Switzerland, selling, among other things, translation programmes, telephone book CDs and route planners for end-users. SoftMail's activities were no longer relevant to CANCOM's core business.

Employees

As at 30 September 2008, there were 1,718 people employed by the CANCOM Group.

The employees worked in the following areas (as at 30 September 2008):

Administration	137
Logistic and customer services	56
Marketing and product management	37
Professional service	1,164
Purchasing	36
Sales	288
Total	1,718

The personnel expenses for the first nine months were as follows (in € '000):

	1 Jan. to 30 Sep. 2008	1 Jan. to 30 Sep. 2007
Wages and salaries	44,464	35,816
Social security contributions	7,931	6,342
of which pension provisions	122	120
Summe	52,395	42,278

2. Earnings, financial and assets situation of the CANCOM Group

a) Earnings situation

The CANCOM Group's sales revenues rose considerably in the first nine months of 2008.

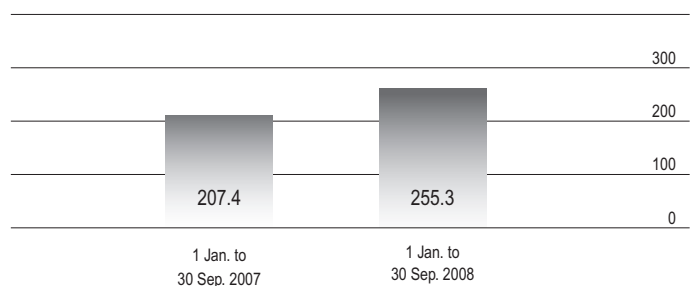
The main reason for this, in addition to the demand for IT services and hardware and software products, is the acquisition of Sysdat GmbH Gesellschaft für IT-Lösungen.

Consolidated sales revenues of the CANCOM Group were 23.1 percent higher than in the first nine months of 2007 at € 255.3 million, compared with € 207.4 million.

Note: Since SoftMail IT AG, which was sold with effect from 31 March 2008, is treated as a discontinued operation in accordance with IFRS rules, the figures given in this report for consolidated sales revenues and profits for the years 2007 and 2008 exclude the sales revenues and profits of SoftMail IT AG.

Sales revenues of the CANCOM Group,

1 Jan. to 30 Sep. 2007 on 1 Jan. to 30 Sep. 2008 (in € million)



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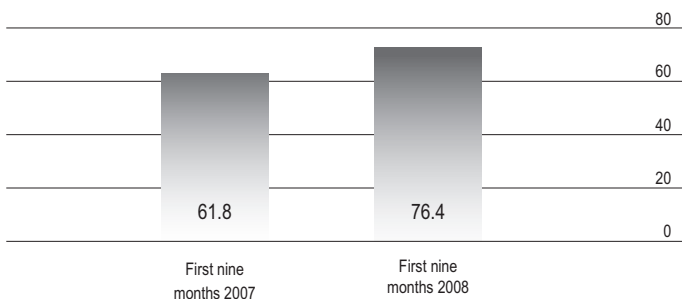
Sales revenues in Germany were at € 225.5 million, and thus 20.8 percent higher in the first nine months of 2008 than in the first nine months of 2007. This growth is partly owing to the acquisition of Sysdat GmbH Gesellschaft für IT-Lösungen.

In international business, Group sales revenues rose by 43.3 percent, from € 20.8 million to € 29.8 million. This increase is mainly the result of the acquisition of CANCOM a+d IT solutions GmbH.

In the business solutions segment, sales revenues were up 11.5 percent, from € 134.6 million to € 150.1 million. In the IT solutions segment, sales revenues were up 44.1 percent, from € 73.1 million to € 105.4 million.

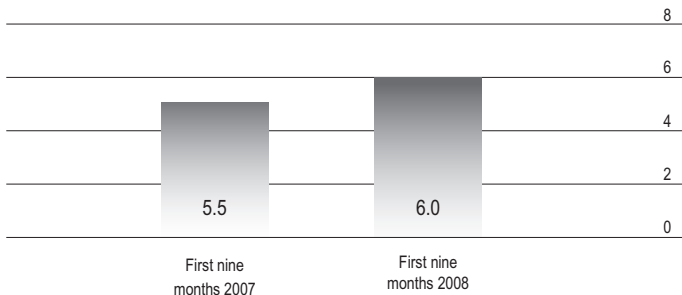
The consolidated gross profit for the first nine months of 2008 was up 23.6 percent on the figure for the same period of 2007, from € 61.8 million to € 76.4 million. This gave rise to a gross profit margin of 29.9 percent, in comparison with 29.8 percent in the same period of 2007.

Gross profit of the CANCOM Group, 1 Jan. to 30 Sep. 2007 on 1 Jan. to 30 Sep. 2008 (in € million)



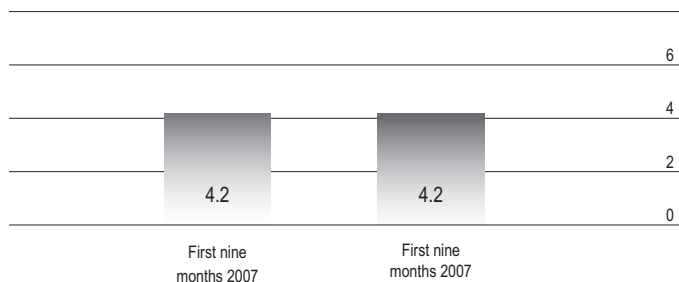
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) were 9.1 percent higher in the first nine months of 2008 than in the first nine months of 2007, at € 6.0 million compared with € 5.5 million.

EBITDA of the CANCOM Group, 1 Jan. to 30 Sep. 2007 on 1 Jan. to 30 Sep. 2008 (in € million)



Consolidated earnings before interest and taxes (EBIT) were the same as in the first nine months of 2007, at € 4.2 million.

EBIT of the CANCOM Group, first nine months (in € million)



The consolidated net profit after minority interest for the first nine months of 2008 was € 2.0 million, compared with € 3.0 million in same period of 2007. This resulted in earnings per share of € 0.19, as against € 0.29 in the first nine months of 2007.

Order position

In our merchandise business, the majority of incoming orders are converted to sales within two weeks because of our large delivery capacity. Consequently, the reporting date figures on their own do not give a true picture of our order situation in this area of our business, which is why they are not published.

The first signs of the looming recession were seen in the incoming orders in the third quarter. However, because of the increased stability of our services business, which now contributes more than two thirds of our gross profits, and the solid condition of the balance sheet, the Executive Board feels the Group is in a good position in comparison with many of our competitors.

b) Asset and financial position

Objectives of financial management

The core objective of the financial management of the CANCOM Group is to safeguard its liquidity at all times, to ensure that day-to-day business activities can be continued. In addition, the Group aims to achieve optimum profitability as well as a high credit status to ensure favourable financing rates.

Notes on the capital structure

On the assets side of the consolidated balance sheet, the current assets rose by 15.3 percent to € 78.3 million between 31 December 2007 and 30 September 2008. Trade

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accounts receivable rose significantly by 44.5 percent to € 56.8 million. Cash and cash equivalents fell from € 11.8 million to € 5.6 million as a result of seasonal effects as well as the payment of the purchase price for Sysdat GmbH Gesellschaft für IT-Lösungen. Non-current assets were 21.8 percent higher than at 31 December 2007, at € 39.6 million.

On the liabilities side of the balance sheet, there was a 29.6 percent increase in current liabilities, to € 59.4 million. This is mainly owing to the increase in short-term debt and the current portion of long-term debt. This should be seen in the light of the fact that IBM Deutschland GmbH transfers to IBM Kreditbank as they arise the trade accounts payable of Sysdat GmbH Gesellschaft für IT-Lösungen – which means that these trade accounts payable have to be treated as short-term debt. Otherwise, the balance sheet increase is mainly the result of an increase in trade accounts payable. The liabilities to IBM Kreditbank are interest-free for 45 days.

At € 20.1 million, non-current liabilities with a remaining term of at least one year were 9.8 percent higher than at 31 December 2007.

The balance sheet total rose to € 117.9 million, in comparison with € 100.4 million as at 31 December 2007.

The nominal equity capital was increased from € 36.3 million to € 38.4 million over the first nine months of 2007, mainly through transfers to net profits. Overall, therefore, the equity ratio as at 30 September 2008 was 32.6 percent compared with 36.2 percent as at 31 December 2007.

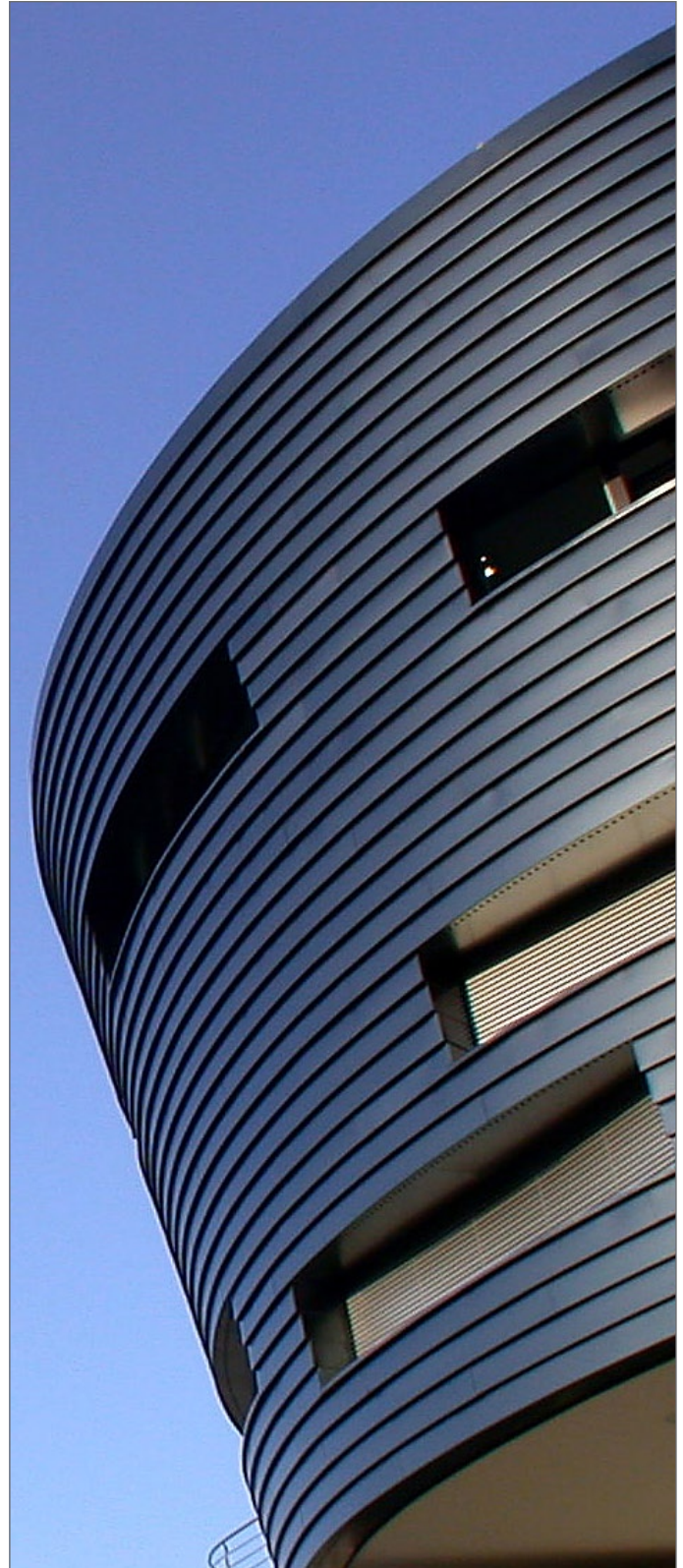
Notes on changes in the cash flow

The cash flow from ordinary activities is traditionally negative during the year, and as at 30 September 2008 there was a negative cash flow of € 4.5 million, compared with € 4.3 million at the same date in 2007.

There was an increase in the negative cash flow from investing activities, from € 2.2 million at 30 September 2007 to € 4.7 million at 30 September 2008.

The cash flow from financing activities rose to € 3.0 million, in comparison with a negative cash flow of € 0.9 million as at 30 September 2007.

Cash and cash equivalents rose to € 5.6 million at 30 September 2008, in comparison with € 1.7 million at 30 September 2007.



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3. Shareholdings of the Executive and Supervisory Boards as at 30 September 2008

Total number of shares:	10,390,751		100%	
	30 Sep. 2008		3 Nov. 2008	
Shares held by Executive Board members:				
Klaus Weinmann:	290,070	2.792%	543,312	5.229%
Paul Holdschik:	13,056	0.126%	54,056	0.520%
Rudolf Hotter			175,000	1.684%
Shares held by Supervisory Board members:				
Walter von Szczytnicki	6,252	0.060%	6,252	0.060%
Dr. Klaus F. Bauer	1,500	0.014%	1,500	0.014%
Stefan Kober	526,289	5.065%	826,289	7.952%
Raymond Kober	620,891	5.975%	920,891	8.863%
Walter Krejci	2,000	0.019%	10,000	0.096%
FGN Financial Global				
Network Beteiligungs AG	0	0.0%	40,000	0.385%

4. Events of particular significance after the reporting date

In an ad hoc announcement issued in accordance with Section 21, paragraph 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) on 3 November 2008, the following persons and legal entities reported that on 31 October 2008 their shares of the voting rights from shares had fallen below the thresholds subject to reporting requirements (15 percent, 10 percent, 5 percent and 3 percent), and as of that date they no longer held any shares in CANCOM IT Systeme AG:

1. AvW Beteiligungsverwaltung GmbH (FN 204069 b), Vienna, Austria
2. Auer von Welsbach Privatstiftung (FN 171457 v), Vienna, Austria
3. Dr Wolfgang Auer von Welsbach, Austria

In an ad hoc announcement issued in accordance with the above Act on 3 November 2008, Klaus Weinmann reported that on 31 October 2008 his share of the voting rights from shares in CANCOM IT Systeme AG had exceeded the thresholds of 3 percent and 5 percent of the voting rights, and now amounts to 5.229 percent (543,312 of the voting rights).

5. Risk report

There have been no major changes in the risks of future development at CANCOM since the start of the current financial year. Details of the risks can be found in the annual report for 2007, starting on page 37. The annual report can be downloaded from www.cancom.de, or obtained free of charge from the Company.

6. Opportunities report

There have been no major changes in the opportunities of future development at CANCOM since the beginning of the current financial year. Details of the opportunities can be found in the annual report for 2007, starting on page 41.

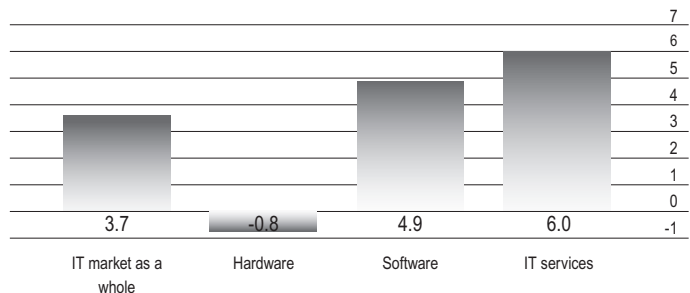
7. Forecast

The positive trend in the German IT sector should continue in 2009, according to the German Association of Information Economy, Telecommunications and New Media (Bitkom). Experts in the industry expect sales in the IT services segment – and particularly in the software segment – to grow by 4.9 percent and 6.0 percent respectively.

*Source: Bitkom, September 2008

In addition, the Company feels that the trend towards full-service solutions in a one-stop shop will continue.

Development of the German IT sector in 2009* (real change in comparison with 2007, as a percentage)



* Forecast: Bitkom, September 2008

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CANCOM geared its business policy to these trends at an early stage and, because of the promising prospects, it intends to continue pursuing the same policy.

The business plan therefore provides for organic growth, among other things by appointing new IT consultants and technicians, so as to strengthen as a matter of priority the IT services provided by existing locations.

In its media customer business, CANCOM will place increased emphasis on IT infrastructure solutions and services. The structural changes brought about in sales and distribution in 2007 are intended to enable employees in the media environment to improve customer sales potential and achieve a higher net product by means of a larger product portfolio.

In the Windows-based hardware and software business, the existing business units are to be consolidated further, for instance by expanding key account management. The enlargement of the individual sales and distribution units and the introduction of the new position of Regional Key Account Managers will ensure that the quality approach in the go-to-market strategy is boosted further.

The CANCOM Group's market position in the German IT environment is also to be consolidated by means of targeted acquisitions. The current market environment continues to offer favourable conditions for this policy.

CANCOM aims to make improvements to its quality management, for instance by steadily improving customer satisfaction and the efficiency of certain business and work processes. The introduction of Microsoft's ERP system Dynamic AX™ in July 2007 has brought with it a multitude of new opportunities with regard to the supply chain, such as delivery directly from Distribution to the customer, and the significant improvement in e-procurement. Overall, the improvement and streamlining of logistics processes, and concentration at the Company headquarters, should result in significant cost savings in this area. By cross-selling and by taking advantage of synergy effects and best practices, costs are to be reduced and resources gathered, so that CANCOM can operate even more competitively in the market in the future. The resulting benefits will bring added value to CANCOM and to its customers and business partners.

However, our planned strategic orientation also carries risks with it. For instance, acquisitions planned or already carried out may not develop as positively as expected, and have a negative impact on CANCOM's performance. An unexpected worsening of general economic conditions could also have a significant negative impact on future business prospects.

Under the present conditions, the Executive Board expects the financial years 2008 and 2009 to bring further growth in sales revenues and a further improvement in the financial situation.

Jettingen-Scheppach, Germany, October 2008
CANCOM IT Systeme Aktiengesellschaft

The Executive Board

This document has not been audited. It contains statements and information about the future that are based on the assumptions and estimates of the Executive Board of CANCOM IT Systeme Aktiengesellschaft. These statements are identifiable by words and phrases such as "plan", "intend", "will", "expect", "we feel" etc. and are based on current expectations, assumptions and assessments. Although we feel that these expectations are realistic, we cannot guarantee their correctness. The assumptions may be subject to several internal and external risks and uncertainties, which may lead to the actual results deviating considerably, either positively or negatively, from the situations and figures forecast. The following influencing factors are relevant in this respect: changes in the general economic and business situation; changes in interest rates and foreign currency exchange rates; changes in the competitive situation, for instance by the emergence of new competitors, new products and services or new technologies; changes in the consumer habits of target customer groups etc.; and changes to the business strategy.

CANCOM does not plan to update its forecasts, nor does it make any commitment to do so.

CONSOLIDATED BALANCE SHEET (IFRS) – ASSETS

Zahlenangaben in T€ Aktiva	09/30/2008	12/31/2007	Figures in € '000 Assets
Kurzfristige Vermögenswerte			Current assets
Zahlungsmittel und Zahlungsmitteläquivalente	5,616	11,778	Cash and cash equivalents
Forderungen aus Lieferungen und Leistungen	56,779	39,316	Trade accounts receivable
Vorräte	7,516	8,551	Inventories
Aufträge in Bearbeitung	2,119	932	Orders in process
Rechnungsabgrenzungsposten und sonstige kurzfristige Vermögenswerte	6,255	7,372	Prepaid expenses and other current assets
Kurzfristige Vermögenswerte, gesamt	78,285	67,949	Total current assets
Langfristige Vermögenswerte			Long-term assets
Sachanlagevermögen	4,884	3,019	Property, plant and equipment
Immaterielle Vermögenswerte	4,154	3,817	Intangible assets
Geschäfts- oder Firmenwert	26,526	21,889	Goodwill
Finanzanlagen	57	140	Investments
Nach der Equity-Methode bilanzierte Finanzanlagen	13	14	Investments accounted for by the equity method
Ausleihungen	182	182	Notes receivable/loans
Latente Steuern aus temporären Differenzen	429	404	Deferred taxes arising from temporary differences
Latente Steuern aus steuerlichem Verlustvortrag	2,477	2,663	Deferred taxes arising from tax loss carryover
Sonstige Vermögenswerte	921	349	Other assets
Langfristige Vermögenswerte, gesamt	39,643	32,477	Total long-term assets
Aktiva, gesamt	117,928	100,426	Total assets

CONSOLIDATED BALANCE SHEET (IFRS) – EQUITY AND LIABILITIES

Zahlenangaben in T€ Passiva	09/30/2008	12/31/2007	Figures in € '000 Equity and liabilities
Kurzfristige Schulden			Current liabilities
Kurzfristige Darlehen und kurzfristiger Anteil an langfristigen Darlehen	9,916	1,935	Short term debt and current portion of long-term debt
Verbindlichkeiten aus Lieferungen und Leistungen	33,138	27,522	Trade accounts payable
Erhaltene Anzahlungen	215	815	Advanced payments received
Rückstellungen	8,400	6,671	Accrued expenses
Umsatzabgrenzungsposten	1,624	1,594	Deferred revenues
Verbindlichkeiten aus Ertragssteuern	479	1,236	Income tax payable
Sonstige kurzfristige Schulden	5,683	6,056	Other current liabilities
Kurzfristige Schulden, gesamt	59,455	45,829	Total current liabilities
Langfristige Schulden			Long-term liabilities
Langfristige Darlehen	5,158	4,510	Long-term debt, less current portion
Genussrechtskapital und nachrangige Darlehen	11,563	11,563	Profit-participation capital and subordinated loans
Umsatzabgrenzungsposten	1,126	867	Deferred revenues
Latente Steuern aus temporären Differenzen	852	675	Deferred taxes from temporary differences
Pensionsrückstellungen	168	168	Pension provisions
Sonstige langfristige Schulden	1,241	560	Other long-term liabilities
Langfristige Schulden, gesamt	21,108	18,343	Total Long-term liabilities
Eigenkapital			Equity
Gezeichnetes Kapital	10,391	10,391	Shared capital
Kapitalrücklage	15,441	15,441	Additional paid-in capital
Bilanzgewinn/Bilanzverlust (inklusive Gewinnrücklagen)	12,686	10,721	Net profit (incl. retained earnings)
Eigenkapitaldifferenz aus Währungsumrechnung	-186	-294	Currency translation difference
Minderheitenanteile	33	-5	Minority interests
Eigenkapital, gesamt	38,365	36,254	Total equity
Passiva, gesamt	117,928	100,426	Total equity and liabilities

INCOME STATEMENT (IFRS)

Zahlenangaben in T€	07/01/08	07/01/07	01/01/08	01/01/07	Figures in € '000
Gewinn- und Verlustrechnung	-09/30/08	-09/30/07	-09/30/08	-09/30/07	Income Statement
Umsatzerlöse	98,224	69,652	255,288	207,415	Revenues
Sonstige betriebliche Erträge	-49	536	276	1,680	Other operating income
Andere aktivierte Eigenleistungen	0	0	305	1	Other capitalised services rendered for own account
Gesamtleistung	98,175	70,188	255,869	209,096	Total operating revenue
Materialaufwand /					Cost of purchased
Aufwand für bezogene Leistungen	-69,739	-50,043	-179,501	-147,314	materials and services
Rohhertrag	28,436	20,145	76,368	61,782	Gross profit
Personalaufwand	-19,359	-13,953	-52,395	-42,415	Personnel expenses
Abschreibungen auf Sachanlagen					Depreciation of property, plant and equipment
und immaterielle Vermögensgegenstände	-720	-451	-1,747	-1,239	and amortisation of intangible assets
Sonstige betriebliche Aufwendungen	-6,888	-4,618	-18,001	-13,910	Other operating expenses
Betriebsergebnis	1,469	1,123	4,225	4,218	Operating income
Zinsen und ähnliche Erträge	86	26	207	95	Interest and similar income
Zinsen und ähnliche Aufwendungen	-432	-249	-1,117	-725	Interest and other expenses
Abschreibungen auf Finanzanlagen	0	0	-5	0	Write-downs of financial assets
Gewinn-Verlustanteile aus Joint Ventures,					Share in profit or loss from joint ventures
die nach der Equity-Methode bilanziert werden	0	0	-1	-5	accounted for by the equity method
Währungsgewinne / -verluste	-13	1	-33	20	Foreign currency exchange income / losses
Ergebnis vor Steuern					Profit before taxes
(und Minderheitenanteile)	1,110	901	3,276	3,603	(and minority interests)
Steuern vom Einkommen und Ertrag	-271	-273	-897	-363	Income tax expense
Ergebnis nach Steuern					
aus fortzuführenden Geschäftsbereichen	839	628	2,379	3,240	
Verlust aus aufgegebenen Geschäftsbereichen	-355	99	-376	39	Loss from discontinued operations
Jahresüberschuss	484	727	2,003	3,279	Net profit for the year
davon entfallen auf Gesellschafter					thereof attributable to the
des Mutterunternehmens	498	607	1,965	2,975	shareholders of the parent
davon entfallen auf Minderheiten	-14	120	38	304	thereof attributable to minority interests
Durchschnittlich im Umlauf befindliche					Average number of
Aktien (Stück) unverwässert	10,390,751	10,390,751	10,390,751	10,390,751	shares outstanding (basic)
Durchschnittlich im Umlauf befindliche					Average number of
Aktien (Stück) verwässert	10,390,751	10,390,751	10,390,751	10,390,751	shares outstanding (diluted)
Ergebnis je Aktie (unverwässert)	0.05	0.06	0.19	0.29	Earnings per share (basic)
Ergebnis je Aktie (verwässert)	0.05	0.06	0.19	0.29	Earnings per share (diluted)

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

Zahlenangaben in T€	01/01/08	01/01/07	Figures in € '000
Kapitalfluss	-09/30/08	-09/30/07	Cashflow
Cashflow aus gewöhnlicher Geschäftstätigkeit:			Cash flow from ordinary activities:
Periodengewinn vor Steuern- und Minderheitenanteilen	3,276	3,603	Net profit for the period before taxes and minority interests
Berichtigungen:			Adjustments:
+/- Abschreibungen auf Sachanlagen und immaterielle Vermögensgegenstände	1,747	1,239	+/- Depreciation of property, plant and equipment, and amortisation of intangible assets
+/- Veränderungen der langfristigen Rückstellungen	413	0	+/- Changes in long-term accruals
+/- Veränderungen der kurzfristigen Rückstellungen	513	-1,741	+/- Changes in current accruals
+/- Ergebnis aus dem Abgang von Anlagevermögen	23	41	+/- Profit/ losses on the disposal of fixed assets
+/- Zinsaufwand	910	630	+/- Interest expense
+/- Veränderungen der Vorräte	1,975	-139	+/- Changes in inventories
+/- Veränderungen der Forderungen aus Lieferungen und Leistungen sowie anderer Forderungen	-11,366	-3,568	+/- Changes in trade accounts receivable and other accounts receivables
+/- Veränderungen der Verbindlichkeiten aus Lieferungen und Leistungen sowie anderer Schulden	-940	-3,001	+/- Changes in trade accounts payables and other accounts payable
+/- Gezahlte Zinsen	-239	-148	+/- Interest paid
+/- Gezahlte und erstattete Ertragsteuern	-922	-560	+/- Income tax payments and rebates
+/- Ertrag / Aufwand aus Entkonsolidierung	63	-633	
Nettozahlungsmittel aus betrieblicher Tätigkeit	-4,547	-4,277	Net cash from operating activities
Cashflow aus Investitionstätigkeit			Cash flow from investing activities
+/- Erwerb von Tochterunternehmen	-6,666	-406	+/- Acquisition of subsidiaries
+/- Beim Kauf von Anteilen erworbene Zahlungsmittel	1,710	0	
+/- Zahlungen für Zugänge zu immateriellen Vermögenswerten sowie Sachanlagen	-2,586	-2,653	+/- Payments for additions to intangible assets as well as property, plant and equipment
+/- Zahlungen für Zugänge und Abgänge zu anderen Finanzanlagen	0	-90	+/- Payments for additions to and disposal of financial assets
+/- Erlöse aus dem Abgang von Sachanlagen und Finanzanlagen	133	913	+/- Proceeds from disposal of property, plant and equipment as well as financial assets
- Beim Verkauf von Anteilen hingegebene Zahlungsmittel	-214	-214	- Cash used in disposal of equity holdings
+/- Erhaltene Zinsen	207	95	+/- Interest received
+/- Einzahlungen / Auszahlungen aufgegebenen Geschäftsbereiche	2,675	174	+/- Cash inflow / outflow from discontinued
Für Investitionstätigkeit eingesetzte Nettozahlungsmittel	-4,741	-2,181	Net cash used in investing activities
Cashflow aus Finanzierungstätigkeit			Cash flow from financing activities
+/- Erlöse aus der Ausgabe von gezeichnetem Kapital	0	0	+/- Income from issuance of share capital
+/- Kapitalerhöhungskosten	0	0	+/- Costs of capital increase
+/- Ein/Auszahlungen für aufgenommene Kredite	3,903	1,474	+/- Inflows/ outflows from borrowings
+/- Gezahlte Zinsen	-878	-577	+/- Interest paid
Für Finanzierungstätigkeit eingesetzte Nettozahlungsmittel	3,025	897	Net cash used in financing activities
Nettozu-/abnahme von Zahlungsmitt. u. Zahlungsmittelaquivalente	-6,263	-5,561	Net change in cash and cash equivalents
+/- Wechselkursbedingte Wertänderungen	101	-67	+/- Changes in value resulting from foreign currency exchange
+/- Finanzmittelbestand am Anfang der Periode	11,778	7,302	+/- Cash and cash equivalents as at beginning of period
Finanzmittelbestand am Ende der Periode	5,616	1,674	Cash and cash equivalent sat end of period
<i>Zusammensetzung:</i>			<i>Breakdown:</i>
<i>Liquide Mittel</i>	<i>5,616</i>	<i>1,674</i>	<i>Cash</i>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Aktien/ Shares	Gezeichnetes Kapital Issued capital	Kapitalrücklagen/ Capital reserves	Gewinnrücklagen Revenue reserves	Eigene Anteile Treasury shares
	TStück/Quantity '000	T€ /'000	T€ /'000	T€ /'000	T€ /'000
31. Dezember 2006	10,391	10,391	15,441	122	0
Kapitalerhöhungen	0	0	0		
Veränderung der kumulierten Währungsdifferenzen					
Veränderung der Rücklagen:					
- Veränderung stock options					
- IPO Kosten					
Ergebnis des Berichtszeitraums					
Minderheitenanteile					
- Minderheitenanteile-Ergebnisteil					
- Ausschüttungen					
- Veränderungen durch Erwerb/Veräußerungen					
31. Dezember 2007	10,391	10,391	15,441	122	0
Kapitalerhöhungen	0	0	0		
Veränderung der kumulierten Währungsdifferenzen					
Veränderung der Rücklagen:					
- Veränderung stock options					
- IPO Kosten			0		
Ergebnis des Berichtszeitraums					
Minderheitenanteile					
- Minderheitenanteile-Ergebnisanteil					
- Ausschüttungen					
- Veränderungen durch Erwerb/Veräußerungen					
30. September 2008	10,391	10,391	15,441	122	0



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

Eigenkapitaldiff. aus der Währungsumrechnung/ Translation reserve	Eigenkapitaldiff. aus der erstmaligen Anwendung von IFRS	Bilanzgewinn/ Earned surplus	Minderheitenanteile Minority interests	Eigenkapital gesamt/Total equity	
T€ /'000	T€ /'000	T€ /'000	T€ /'000		
-138	-153	6,070	1,671	33,404	31 December 2006
				0	Capital increase
-156				-156	Change in accumulated foreign currency exchange difference
				0	Change in reserves: - change in stock options
				0	- IPO costs
		4,682		4,682	Net profit for the period
				0	Minority interests
			523	523	Result of minority interests
			-349	-349	Profit distribution
			-1,850	-1,850	Change by acquisition/sale
-294	-153	10,752	-5	36,254	31 December 2007
				0	Capital increase
108				108	Change in accumulated foreign currency exchange difference
				0	Change in reserves: - change in stock options
				0	- IPO costs
		1,965		1,965	Net profit for the period
				0	Minority interests
			38	38	Result of minority interests
				0	Profit distribution
				0	Change by acquisition/sale
-186	-153	12,717	33	38,365	30 September 2008



NOTES TO THE CONSOLIDATED ACCOUNTS

NOTES

to the consolidated accounts for the quarter ended 30 September 2008

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM IT Systeme Aktiengesellschaft and its subsidiaries ("the CANCOM Group" or "the Group") for the financial year 2008 are drawn up according to International Financial Reporting Standards or International Accounting Standards (IFRS/IAS).

The main corporate objective of CANCOM IT Systeme Aktiengesellschaft and its consolidated subsidiaries is the sale and distribution of integrated IT system solutions (hardware, software and network products) and the provision of a broad range of IT services (e.g. consulting, system integration, service and support, and training).

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

The financial year covers the period from 1 January to 31 December 2008. The address of the Company's registered office is Messerschmittstrasse 20, 89343 Jettingen-Scheppach, Germany.

The shares are traded on the Regulated Market of the FWB Frankfurt Stock Exchange under ISIN DE0005419105 and are admitted to the Prime Standard of Deutsche Börse AG.

2. Reporting entity – scope of consolidation

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

The following German and non-German subsidiaries are included in CANCOM IT Systeme Aktiengesellschaft's consolidated financial statements for the period ended 30 September 2008:

	Company's registered office	Shareholding
1. CANCOM Deutschland GmbH and its subsidiaries	Jettingen-Scheppach, Germany	100.0
• CANCOM Computersysteme GmbH and its subsidiary	Graz/Thondorf, Austria	100.0
– CANCOM a+d IT solutions GmbH	Perchtoldsdorf, Austria	100.0
• CANCOM Switzerland AG	Caslano, Switzerland	100.0
2. CANCOM NSG GmbH	Jettingen-Scheppach, Germany	100.0
3. SYSDAT GmbH Gesellschaft für IT-Loesungen and its subsidiary	Cologne, Germany	100.0
• SYSNET Computer-Systemvertriebsgesellschaft mbH	Cologne, Germany	100.0
4. CANCOM IT Solutions GmbH	Munich, Germany	100.0
5. CANCOM physical infrastructure GmbH sowie deren Tochtergesellschaft	Jettingen-Scheppach, Germany	100.0
• Novodrom People Value Service GmbH	Jettingen-Scheppach, Germany	100.0
6. acentrix GmbH	Jettingen-Scheppach, Germany	51.0
7. CANCOM EN GmbH	Jettingen-Scheppach, Germany	100.0
8. CANCOM Ltd.	Guildford, UK	100.0

The entire equity capital of SoftMail IT AG, with the nominal value of CHF 100,000, has been sold to Jens Schulz by contract of sale dated 4 July 2008. The sale was effective from 31 March 2008. The net profit of SoftMail IT AG in the first quarter of 2008 and in 2007 is shown under discontinued operations.

The impact of the omission of SoftMail IT AG on the consolidated companies is shown below:

	Balance sheet at 31 March 2008	Balance sheet at 31 December
Cash and cash equivalents	-214	-160
Trade accounts receivable	-261	-120
Inventories	-113	-68
Prepaid expenses and other current assets	-124	-117
Current assets	-712	-465
Other assets	-12	-13
Non-current assets	-12	-13
Total assets	-724	-478
Trade accounts payable	-582	-127
Advance payments received	-9	-9
Accrued expenses	-24	-28
Other current liabilities	-6	-9
Current liabilities	-621	-173
Long-term debt	0	0
Non-current liabilities	0	0
Total liabilities	-621	-173
Net assets sold	-103	-305

NOTES TO THE CONSOLIDATED ACCOUNTS

CANCOM IT Systeme AG has purchased 100 percent of the shares of SYSDAT GmbH Gesellschaft für IT-Lösungen, nominally valued at DM 5,000,000.00 (€ 2,556,459.41). This is documented by a contract of sale (deed no. B1230/2008) dated 29 July 2008 drawn up by notary Dr Thomas Braun.

The purchase price is € 5,950,000.00 and was paid on 12 August 2008. The company was included in the consolidated financial statements from 1 August 2008 since, according to the contract of sale, CANCOM IT Systeme Aktiengesellschaft effectively gained control over SYSDAT GmbH Gesellschaft für IT-Lösungen once the contract had been signed on 29 July 2008.

The object of the company is the development and implementation of IT solutions.

Change to the reporting entity in 2008:

Name and registered office of the company	Date of acquisition	Equity investment	Share of voting rights
SYSDAT GmbH Gesellschaft für IT-Lösungen	1 August 2008	100	100
• SYSNET Computer-Systemvertriebs-gesellschaft mbH	1 August 2008	100	100

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at 1 August 2008, the date from which the figures for SYSDAT GmbH Gesellschaft für IT-Lösungen were first included in CANCOM's consolidated financial statements:

	Fair values T€	Carrying amounts T€
Cash and cash equivalents	1.710	1.710
Trade accounts receivable	8.478	8.478
Inventories	1.053	1.053
Prepaid expenses and other current assets	1.259	1.259
Current assets	12.500	12.500
Property, plant and equipment	744	744
Intangible assets	667	57
Goodwill	267	267
Investments	1	1
Deferred taxes arising from temporary differences	65	65
Deferred taxes arising from tax loss carryover	452	452
Long-term assets	2.196	1.586
Total assets	14.696	14.086
Short-term debt and current portion of long-term debt	4.726	4.726
Trade accounts payable	5.383	5.383
Accrued expenses	1.258	1.258
Deferred revenues	58	58
Income tax payable	1	1
Other current liabilities	651	651
Current liabilities	12.077	12.077
Deferred taxes	191	0
Other long-term liabilities	268	268
Long-term liabilities	459	268
Total liabilities	12.536	12.345
Net assets acquired	2.160	

The acquisition gave rise to goodwill of € 4,286k as well as intangible assets of € 610k. Recognition of the goodwill takes account of the benefits to the entire Group of using the high level of skills contributed by SYSDAT GmbH Gesellschaft für IT-Lösungen as an IBM Premier Business Partner and an HP Preferred Partner.

3. Accounting and valuation policies

The same accounting and valuation policies were used as in the consolidated financial statements for the financial year 2007, which can be downloaded from www.cancom.de.

Currency conversion principles**Currency**

	Third quarter 2008	Third quarter 2007	Third quarter 2006
Swiss francs			
• Stichtagskurs	€ 1= SFR 1.578	€ 1= SFR 1.660	€ 1= SFR 1.588
• Durchschnittskurs	€ 1= SFR 1.608	€ 1= SFR 1.637	€ 1= SFR 1.566
Britisches Pfund			
• Stichtagskurs	€ 1= GBP 0.796	€ 1= GBP 0.698	€ 1= GBP 0.677
• Durchschnittskurs	€ 1= GBP 0.782	€ 1= GBP 0.676	€ 1= GBP 0.685

Classification of financial instruments

An interest rate swap was used as a hedging tool as defined by IFRS 7.22-23 for a variable-rate loan in the financial year 2008. The swap was sold for € 33k at the beginning of July.

B. Notes to the consolidated balance sheet**1. Cash and cash equivalents**

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

2. Trade accounts receivable

The trade accounts receivable are payable within a year.

NOTES TO THE CONSOLIDATED ACCOUNTS

3. Inventories

Inventories consist almost exclusively of merchandise, particularly hardware components and software. Most of it is stored at the logistics centre in Jettingen-Scheppach, Germany.

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

	30 Sep. 2008	31 Dec. 2007
	€ '000	€ '000
Finished products and goods	7,516	8,465
Down-payments made	0	86
	<u>7,516</u>	<u>8,551</u>

4. Orders in progress

The orders in progress are orders calculated according to the percentage of completion method. They amount to € 2,227k less down-payments of € 108k.

5. Prepaid expenses, deferred charges and other current assets

This item mainly consists of other current assets. These include bonuses due from suppliers (€ 2,019k), receivables arising from a copyright levy (€ 1,314k), tax refunds (€ 622k), creditors with a debit balance (€ 340k), a claim to the payment of a purchase price (€ 252k), receivables from employees (€ 234k), marketing revenue (€ 232k), a claim in respect of a loan to SoftMail IT AG (€ 228k), receivables due from suppliers for returned goods (€ 196k) and receivables from former shareholders (€ 142k).

The prepaid expenses and deferred charges (€ 586k) include deferred insurance premiums.

6. Non-current assets (fixed assets)

6.1 Property, plant and equipment

Property, plant and equipment mainly consists of the equipment necessary for the automated small parts warehouse and the manual pallet rack, valued at € 0.5 million. Computer equipment, tenant's fittings and office furnishings and equipment are also reported under this item.

In a contract for work and services of 27 April 2007, recorded by notary Bernd Eilbrecht (deed no. 177/2007) and formed between CANCOM IT Systeme Aktiengesellschaft and Jinova Hamburg-Harburg Grundstücks GmbH & Co. KG, CANCOM IT Systeme Aktiengesellschaft undertook to build an office building with a dispatch centre on the land at Messerschmittstrasse 20 in Jettingen-Scheppach, Germany.

An all-inclusive fixed price of € 4,025,000 was agreed as remuneration for the entire work and services to be performed by the Company.

The building was ready for use in February 2008, following inspection and approval. The purchase price was paid on 28 March 2008.

6.2 Intangible assets

The intangible assets include purchased software (€ 1,444k), software produced in-house (€ 690k), a customer list (€ 1,967k) and orders received (€ 53k).

The carrying amount of the software produced in-house mainly comprises the costs for the development (customising) of the integrated ERP system, Microsoft®Dynamics AX™. A great economic benefit was attributed to the in-house software projects, on the basis of the savings potential created by automating the systems used for business processes and carrying out sector and company-specific adjustments. In addition, Microsoft®PtDynamics AX™ will enable the systems of any companies acquired in the future to be integrated into the Group more quickly, and any potential for synergies to be realised swiftly.

6.3 Goodwill

Goodwill at the balance sheet date mainly includes the relevant figures arising from the inclusion of CANCOM Deutschland GmbH, SYSDAT GmbH Gesellschaft für IT-Lösungen, CANCOM IT Solutions GmbH, CANCOM NSG GmbH, CANCOM Ltd., UK and CANCOM a+d IT solutions GmbH in the consolidated financial statements.

6.4 Loans

Loans include the asset value from reinsurance, which amounts to € 182k.

7. Deferred tax assets

The deferred tax assets are as follows:

Deferred taxes from	Temporary differences € '000	Tax loss carried forward € '000
As at 1 January 2008	404	2,663
Inflow from capitalisation	65	452
Tax expenditure from profit and loss calculation	-155	-588
Tax saving / expenditure from profit and loss calculation under discontinued operations included	115	-50
As at 30 September 2008	429	2,477

The deferred tax assets for tax loss carryforwards were capitalised on the basis of the existing corporation tax loss carryforwards of approximately € 8.3 million (31 December 2007: € 9.2 million) and German trade tax loss carryforwards of approximately € 6.7 million (31 December 2008: € 8.3 million).

The deferred taxes from temporary differences are the result of differences in goodwill (€ 226k), intangible assets (€ 70k), other provisions (€ 120k) and pension provisions (€ 13k).

NOTES TO THE CONSOLIDATED ACCOUNTS

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

Short-term debt and the current component of long-term debt comprise liabilities due to banks. These are drawings on credit facilities provided by banks and the portion of long-term loans due for repayment within one year.

9. Trade accounts payable

The trade accounts payable are due within one year.

10. Other provisions

Other provisions mainly include outstanding invoices (€ 2,317k), bonuses and commission (€ 1,822k), copyright levy (€ 1,314k), severance payments and salaries (€ 1,294k), holiday entitlements (€ 1,003k), purchase price for shares in affiliated companies (€ 677k), trade association payments (€ 315k), contingent risks (€ 292k), additional leasing costs (€ 254k), cost of financial statements (€ 199k), social security contributions and tax on wages and salaries (€ 72k), maintenance (€ 30k) and supervisory board payments (€ 17k).

The total amount of the provisions includes long-term provisions amounting to € 1,210k, which are included under other long-term liabilities. These mainly relate to a provision for the purchase of shares in affiliated companies (€ 382k), a provision for severance payments which is legally mandatory in Austria (€ 359k), anniversaries (€ 126k) and uncertain risks (€ 182k).

11. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2006, 2007 and 2008.

12. Other current liabilities

Other current liabilities include sales tax liabilities (€ 3,267k), tax on wages and salaries and church tax (€ 1,079k), debtors with a credit balance (€ 551k), wages and salaries (€ 224k), purchase price liabilities (€ 173k) and social security contributions (€ 131k).

13. Long-term loans

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

14. Capital from profit-participation rights and subordinated loans

This item includes profit-participation rights of € 6,000,000 (PREPS 2005-1 and PREPS 2005-2), mezzanine capital of € 3,913,000 (Bayern Mezzaninekapital GmbH & Co. KG) and a subordinated loan of € 1,650,000 (Sparkasse Günzburg-Krumbach no. 6005 000 119).

15. Deferred tax liabilities

The deferred tax liabilities provide for deviations from the tax balance sheets. They are the result of the revaluation of intangible assets (€ 582k), software produced in-house (€ 210k), capital from profit-participation rights and subordinated loans (€ 27k), orders in progress (€ 22k), other provisions (€ 6k) and long-term loans (€ 5k).

They are recognised at an individual tax rate of between 25 percent (for the Austrian subsidiary) and 31.58 percent.

16. Pension provisions

Provisions for pensions include € 132k for members of the Executive Board and € 36k for other employees.

Individual defined benefit obligations exist with regard to an Executive Board member. There are also other defined benefit obligations for other employees who joined the Company as the result of an acquisition.

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

17. Equity capital

Changes in the equity capital are shown on page 15.

Share capital

The Company's share capital at 30 September 2008 was € 10,390,751, divided into 10,390,751 notional no-par-value shares.

Authorised and conditional capital

According to the articles of association, the Company's authorised capital at 30 September 2008 amounted to € 4,838,671, divided up as follows:

At the Annual General Meeting of 16 June 2004 a resolution was passed authorising the Executive Board to increase the share capital by a maximum of € 838,671 in one or more stages by issuing up to 838,671 new notional no-par-value bearer shares in exchange for cash or non-cash contributions. The capital increases require the approval of the Supervisory Board and must be carried out by 15 June 2009. The shareholders were granted subscription rights which can be rescinded in the event of a capital increase through non-cash contributions in connection with the acquisition of an equity investment or parts of other companies. The Executive Board is also authorised to exclude fractional amounts from the shareholders' subscription rights; the Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2004/I).

Furthermore, on the basis of a resolution of the Annual General Meeting of 25 June 2008, the Executive Board and the Supervisory Board are together authorised to increase the share capital by a maximum of € 1,000,000 in one or more stages by issuing up to 1,000,000 new notional no-par-value bearer shares in exchange for cash. The capital increases must be carried out by 24 June 2013.

The Executive Board is authorised to rescind the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

- a) for fractional amounts;

NOTES TO THE CONSOLIDATED ACCOUNTS

b) if the capital increase is in exchange for cash and the proportion of the share capital accounted for by the new shares, for which subscription rights are excluded, is not greater than 10 percent of the share capital existing at the time the new shares are issued; and if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same securities class and nature which are already quoted when the price is finally determined by the Executive Board as laid down by Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). When the 10 percent threshold is calculated, the proportion of the share capital that is accounted for by new or repurchased shares that have been issued or sold since 25 June 2008 with the simplified exclusion of preemptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act must be taken into account, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds which have been issued since 25 June 2008 in accordance with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act.

The Executive Board and the Supervisory Board will decide together on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2008/II).

In addition, on the basis of a resolution of the Annual General Meeting of 22 June 2005, the Executive Board is authorised to increase the share capital by a maximum of € 3,000,000 in one or more stages by issuing up to 3,000,000 new notional no-par-value bearer shares in exchange for cash contributions or contributions in kind. The capital increases require the approval of the Supervisory Board and must be carried out by 20 June 2010. Shareholders have been granted subscription rights which may be rescinded in the event of a capital increase through non-cash contributions in connection with the acquisition of an equity investment or parts of other companies. The Executive Board is also authorised, subject to the agreement of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right; the Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2005/III).

In accordance with the articles of association, the conditional capital at 30 September 2008 amounted to € 5,000,000, and is established as follows:

The share capital is increased conditionally by up to € 5,000,000 through the issue of up to 5,000,000 new no-par-value shares. The conditional increase in capital will only be implemented to the extent that the holders of bonds which the Executive and Supervisory Boards have been authorised by resolution of the AGM of 25 June 2008 to issue up to 24 June 2013, exercise their conversion rights/obligations or their option rights. The new shares will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new shares will 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 the net income for the year. The Executive Board is authorised to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

The Executive Board did not exercise these powers in the period from 1 January to 30 September 2008.

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

18. Minority interests

Minority interests relate to the share of the equity held by the minority shareholders of acentrix GmbH.

19. Capital risk management

The Group manages its capital with the aim of maximising the return to stakeholders through the optimisation of the debt and equity balance. It is ensured that all entities in the Group can operate under the going concern premise. The capital structure of the Group consists of debt, cash and cash equivalents and the equity attributable to equity holders of the parent company, comprising issued shares, reserves and retained earnings.

The goals of the capital management are to ensure that the Group will be able to continue as a going concern and to obtain an adequate return on equity. To implement these goals the Group takes its capital as a proportion of the total capital.

The capital is monitored on the basis of the economic equity. The economic equity is the balance sheet equity. The debt capital is defined as current and non-current components, provisions and other liabilities as well as prepaid expenses and deferred charges.

C. Notes to the consolidated income statement

1. Segment reporting

The CANCOM Group discloses segmental information according to the rules of IAS 14.

The primary segment reporting format of the CANCOM Group is based on geographical segments, since the risks, the return on equity and the earnings potential of the Group are influenced mainly by whether the business is operational in Germany or elsewhere in Europe.

The secondary segment reporting format of the CANCOM Group is based on the business segments: business solutions and IT solutions.

The same principles apply to the preparation of the segmental report as in the financial statements for the year 2007.

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

The CANCOM Group's primary segmental reporting for 2008 includes the following companies in Germany: CANCOM Deutschland GmbH, CANCOM IT Solutions GmbH, CANCOM NSG GmbH, SYSDAT GmbH Gesellschaft für IT-Lösungen, CANCOM physical infrastructure GmbH, Novodrom People Value Service GmbH, acentrix GmbH, CANCOM EN GmbH and CANCOM IT Systeme Aktiengesellschaft.

The Europe segment includes CANCOM Ltd., CANCOM (Switzerland) AG, CANCOM Computersysteme GmbH and CANCOM a+d IT solutions GmbH.

The performance pool method is used for internal transfer pricing for transactions between the segments.

NOTES TO THE CONSOLIDATED ACCOUNTS

Geographical segments	Germany		Europe		Elimination		Consolidation	
	09/30/08	09/30/07	09/30/08	09/30/07	09/30/08	09/30/07	09/30/08	09/30/07
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Sales revenues								
- External sales	225,454	186,597	29,834	20,818				
- Inter-segment sales	4,810	5,169	88	101	-4,898	-5,270		
- Total income	230,264	191,766	29,922	20,919	-4,898	-5,270	255,288	207,415
Profit								
EBITDA	5,847	5,638	125	-181			5,972	5,457
- Depreciation and amortisation	1,463	1,146	284	93			1,747	1,239
Operating profit (EBIT)	4,384	4,492	-159	-274			4,225	4,218
- Interest income							207	95
- Interest expense							-1,117	-725
- Write-downs of financial assets							-5	0
- Profits and losses from joint ventures recognised according to the equity method	-1	-5	0	0			-1	-5
Profit from ordinary activities							3,309	3,583
- Extraordinary profit	0	0	0	0			0	0
- Currency differences							-33	20
- Income tax							-897	-363
- Discontinued operations	0	-123	-376	162			-376	39
Consolidated income for the year							2,003	3,279
of which attributable to the shareholders of the parent company							1,965	2,975
of which attributable to minority interest							38	304
Other information								
- Segment assets ^{1,2}	105,346	77,368	9,676	5,555			115,022	82,923
- Current liabilities	54,521	33,381	4,934	2,761			59,455	36,142
- Non-current liabilities	17,136	13,161	2,929	17			20,065	13,178
- Investments ¹	10,416	2,640	493	185			10,909	2,825

¹ Segment assets and investments including goodwill from capital consolidation² Excluding deferred tax assets

NOTES TO THE CONSOLIDATED ACCOUNTS

In secondary segment reporting, the IT solutions segment includes the subsidiaries CANCOM NSG GmbH, SYSDAT GmbH Gesellschaft für IT-Lösungen, CANCOM physical infrastructure GmbH, Novodrom People Value Service GmbH, acenix GmbH, CANCOM IT Solutions GmbH as well as the CANCOM Deutschland GmbH cost centres allocated to them.

The business solutions segment comprises the companies CANCOM IT Systeme Aktiengesellschaft, CANCOM Deutschland GmbH, CANCOM EN GmbH, CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH, CANCOM (Switzerland) AG and CANCOM Ltd., less the cost centres allocated to CANCOM IT Solutions GmbH.

Secondary reporting segment	business solutions		IT solutions		Elimination		Consolidated	
	09/30/08	09/30/07	09/30/08	09/30/07	09/30/08	09/30/07	09/30/08	09/30/07
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenues								
- External sales	150,143	134,629	105,145	73,119				
- Inter-segment sales	1,700	1,055	1,030	330	-2,730	-1,385		
- Total income	151,843	135,684	106,175	73,449	-2,730	-1,385	255,288	207,748
Segment assets 1,2	68,049	55,238	46,973	27,685			115,022	82,923
Investments 1	2,233	2,522	8,676	303			10,909	2,825

¹ Segment assets and investments including goodwill from capital consolidation ² Excluding deferred tax assets

Information on dominant customers:

The Siemens Group customers (Siemens IT Solutions and Services and Fujitsu Siemens Computers) each account for more than 5 percent of the total sales of the CANCOM Group, and significantly more than 5 percent of the contribution margin.

2. Sales revenues

The sales revenues of € 255,288k include order revenues of € 1,177k calculated using the POC method.

3. Other operating income

Other operating income comprises the following:

Deferred taxes from	1 January - 30 September 2008	1 January - 30 September 2007
	€'000	€'000
Rent	107	269
Income from the sale of Maily Distribution GmbH	0	633
Income from customising performed for own account	0	300
Income not relating to the period	76	326
Insurance recovery	24	130
Other operating income	69	22
Total	325	1,144

Income not relating to the period mainly includes payments received in relation to receivables that had been written off, income from debtors with a credit balance also written off, and income from the reversal of a provision for warranties.

4. Other own work capitalised

This item includes in-house services connected with the manufacture of non-current assets.

Other own work capitalised consists of the following:

	€'000
Self-provided services for Microsoft® Dynamics AX™	103
Work capitalised for construction of new wing	102
Work capitalised in connection with computer centre	100

5. Personnel expenses

Personnel expenses consist of the following:

€'000	1 January - 30 September 2008	1 January - 30 September 2007
Wages and salaries	44,464	35,945
Social security contributions	7,809	6,390
Pension expenses	122	80
Total	52,395	42,415

NOTES TO THE CONSOLIDATED ACCOUNTS

6. Other operating expenses

The other operating expenses consist of the following:

€'000	1 January - 30 September 2008	1 January – 30 September 2007
Office space	3,332	2,168
Insurance and other charges	611	599
Motor vehicles	3,526	2,905
Advertising	934	1,121
Stock exchange and entertainment expenses	434	323
Hospitality and travel expenses	1,546	1,160
Delivery costs	1,557	1,234
Third-party services	2,214	1,532
Repair, maintenance, leasing	488	699
Communication and office expenses	920	785
Legal and consulting expenses	593	524
Fees and charges for monetary transactions	213	248
Allowance for bad debts	426	33
Other operating expenses	1,207	579
Total	18,001	13,910

7. Interest income / expenses

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

8. Income tax

The rate of income tax for the German companies is 30.76 percent. This is made up of corporation tax, trade tax and the solidarity surcharge. The table below explains the divergence between the tax expenses reported and those at the tax rate of CANCOM IT Systeme Aktiengesellschaft:

	1 January - 30 September 2008	1 January – 30 September 2007
Ergebnis vor Ertragsteuern	2,861	3,338
Expected tax at rate to German companies (30.76 percent; 2007: 38.12 percent)	880	1,272
- Differences from tax paid abroad	-17	-8
- Change in allowance for deferred tax assets on losses carried forward	-69	-907
- Changes in deferred tax assets owing to reduction in tax rate from 2008	0	328
- Tax-free income	47	33
- Actual income tax not relating to period	-2	-20
- Permanent differences: non-deductible operating expenses and additions and reductions due to trade tax	-37	-179
- Other	11	-180
- Tax saving shown under discontinued operations	84	24
Total Group income tax	897	363

The income tax consists of the following:

	€'000
Utilisation of tax loss carryforwards of CANCOM IT Systeme Aktiengesellschaft	457
Deferred taxes owing to deviations from tax balance sheet of CANCOM IT Systeme Aktiengesellschaft	-1
Corporation tax and solidarity surcharge of CANCOM IT Systeme Aktiengesellschaft	79
Trade tax of CANCOM IT Systeme Aktiengesellschaft	105
Tax expense of CANCOM IT Systeme Aktiengesellschaft in previous years	-1
Deferred taxes owing to deviations from tax balance sheet of CANCOM Deutschland GmbH	17
Tax expense of CANCOM Deutschland GmbH in previous years	-12
Capitalisation of tax loss carryforwards of CANCOM IT Solutions GmbH	-127
Deferred taxes owing to deviations from tax balance sheet of CANCOM IT Solutions GmbH	51
Tax expense of CANCOM IT Solutions GmbH in previous years	-47
Deferred taxes owing to deviations from tax balance sheet of CANCOM NSG GmbH	-36
Tax expense of CANCOM NSG GmbH in previous years	2
Utilisation of tax loss carryforwards of SYSDAT GmbH Gesellschaft für IT-Lösungen	452
Capitalisation of tax loss carryforwards of SYSDAT GmbH Gesellschaft für IT-Lösungen	2
Trade tax of SYSDAT GmbH Gesellschaft für IT-Lösungen	16
Tax expense of SYSDAT GmbH Gesellschaft für IT-Lösungen in previous years	-1
Utilisation of tax loss carryforwards of CANCOM physical infrastructure GmbH	49
Utilisation of tax loss carryforwards of acentrix GmbH	5
Deferred taxes owing to deviations from tax balance sheet of acentrix GmbH	-1
Corporation tax and solidarity surcharge of acentrix GmbH	15
Trade tax of acentrix GmbH	10
Capitalisation of tax loss carryforwards of CANCOM Computersysteme GmbH, Austria	-12
Capitalisation of tax loss carryforwards of CANCOM a+d IT solutions GmbH, Austria	-87
Deferred taxes owing to deviations from tax balance sheet of CANCOM a+d IT solutions GmbH, Austria	-4
Capitalisation of tax loss carryforwards of CANCOM Ltd., UK	-149
Tax saving of CANCOM Ltd., UK recognised under discontinued operations	115
Utilisation of tax loss carryforwards of the Softmail Group, Switzerland	31
Tax saving of the SoftMail Group, Switzerland recognised under discontinued operations	-31
Total	897

The actual tax rate is calculated as follows:

	€'000
Income before tax	2,861
Income tax	897
Actual tax expense rate	31.35 %

Tax losses not yet utilised and for which no deferred tax claim was recognised in the balance sheet amounted to € 1.3 million (IAS 12.81.e).

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

NOTES TO THE CONSOLIDATED ACCOUNTS

€'000	1 January - 30 September 2008	1 January – 30 September 2007
Actual income tax paid	167	792
Deferred taxes:		
Assets	745	-268
Liabilities	-15	-161
	730	-429
Group tax expenses	897	363

The calculation of income tax in accordance with IAS 12 takes account of tax deferrals resulting from differing valuations in the commercial balance sheet and the tax balance sheet, from realisable loss carryforwards, from differing results between the tax valuations in the individual financial statements of the consolidated subsidiaries and the standards applied throughout the Group, and from consolidation processes, in as far as these balance out over the course of time. Deferred tax claims relating to the carrying forward of unused tax losses are partially capitalised, as positive results are expected within the next 5 years. The deferred taxes are calculated on the basis of the anticipated tax rates in the period in which an asset is realised or a debt satisfied. The tax rates used are those that apply or will apply on the balance sheet date.

9. Discontinued operations

The impact of discontinued operations on the income statement was a loss of € 376k. Details of the main areas are given below.

SOFT-MAIL Group:

The net impact of the sale of the SoftMail Group was recognised under discontinued operations as a loss of € 108k. This amount consists of revenue (including other operating income) of € 886k, expenses of € 727k, pre-tax profits of € 159k and deferred tax savings of € 50k owing to an existing tax loss carryforward. The loss on the sale was € 217k.

CANCOM Ltd. „Apple B stock“:

The impact recognised under discontinued operations is a loss of € 268k. At the end of 2006, CANCOM Ltd. discontinued its sales of Apple “B stock”, as from that time onwards Apple took on this role itself. In June 2008, Apple made additional claims to CANCOM Ltd. for payment for parts supplied. The validity of the claims is disputed by CANCOM Ltd. The amount reported represents provisions made as a precaution by the management of CANCOM Ltd., and amounts to € 383k less deferred tax savings of € 115k owing to an existing tax loss carryforward.

10. Minority interests

Minority interests are equivalent to 49 percent of the net income of acentrix GmbH (€ 78k).

D. Notes to the cash flow statement

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

The indirect method was used to establish the cash flow from current activities. The cash flow from ordinary activities was € 0.3 million lower than in the first nine months of 2007.

The cash resources of € 5,616k include cash and cash equivalents. This item shows cash in hand and cash at banks, as well as current-asset securities.

For details of the acquisition of SYSDAT GmbH Gesellschaft für IT-Lösungen, please refer to section A.2 of these Notes (Reporting entity – scope of consolidation). Cash of € 1,710k was acquired with the company.

NOTES TO THE CONSOLIDATED ACCOUNTS

E. Other disclosures**1. Related party disclosures**

CANCOM IT Systeme Aktiengesellschaft has prepared these consolidated financial statements as the parent company with ultimate control. These consolidated financial statements are not included in any other consolidated financial statements.

CANCOM Financial Services GmbH, the joint venture formed in January 2006 with TRS Technology Refresh GmbH, is a related party as defined by IAS 24. This company was set up to strengthen customer loyalty to the CANCOM Group by offering added value in the field of finance. CANCOM Financial Services GmbH brokers the leasing contracts concluded by TRS Technology Refresh GmbH.

For the purposes of IAS 24, Klaus Weinmann can be considered a related party who can exercise a significant influence on the CANCOM Group, both as an Executive Board member and as a shareholder in CANCOM IT Systeme Aktiengesellschaft. Rudolf Hotter and Paul Holdschik, who also belong to the Executive Board, are further related parties for the purposes of IAS 24, as are the members of the Supervisory Board.

There were no receivables or payables in relation to the Executive Board or the other companies in the CANCOM Group at the balance sheet date.

There is a consultancy agreement in place between CANCOM IT Systeme Aktiengesellschaft and the Chairman of its Supervisory Board, Walter von Szczytnicki. This was approved in accordance with Section 114 of the German Stock Companies Act (Aktiengesetz, AktG), and provides for annual remuneration of € 60k.

On 27 June 2007, the Supervisory Board approved an M&A consultancy agreement with Auriga Corporate Finance GmbH of Munich, Germany, dated 7 March 2007, in accordance with Section 114 I of the German Stock Companies Act (Aktiengesetz, AktG) on the occasion of the designated election of the managing director of Auriga Corporate Finance GmbH, Walter Krejci, to the Supervisory Board of CANCOM IT Systeme AG.

Transactions with related parties were settled in the same way as arm's length transactions.

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

Please see page 8 of this report for a list of shareholdings.

3. Equity interests in the Company as defined in Section 20 IV of the German Stock Companies Act (Aktiengesetz, AktG)

No shareholder reported in writing to CANCOM IT Systeme Aktiengesellschaft a majority shareholding as defined by Section 20 of the above Act in the period from 1 January to 30 September 2008.



Interim Report



Q3/2008

MASTHEAD

CANCOM IT SYSTEME AG

INVESTOR RELATIONS

MESSERSCHMITTSTR. 20

89343 JETTINGEN-SCHEPPACH

GERMANY