

The background of the cover is a dark blue. A large, abstract circular graphic is centered on the page. It consists of several concentric rings. The outermost ring is a thick green band. Inside this is a dark blue ring with white and orange segments. Further in is a green ring with white lines and dots. The center of the graphic is a circular area with a blue-to-purple gradient and a pattern of small white dots that create a tunnel-like perspective effect. Overlaid on this central area is the text 'ON THE WAY TO THE VISION 2030.' in white, bold, sans-serif capital letters.

ON THE WAY TO
THE VISION 2030.

Your strong IT partner.
Today and tomorrow.

BECHTLE

REVENUE:

€4.323 billion

(PLUS 21,1%)

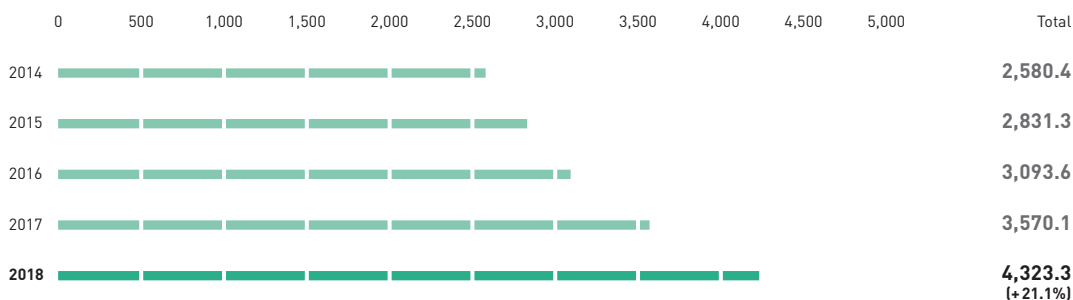
EBT:

€193.2 million

(18.7% MARGE)

5 YEARS IN BRIEF**REVENUE**

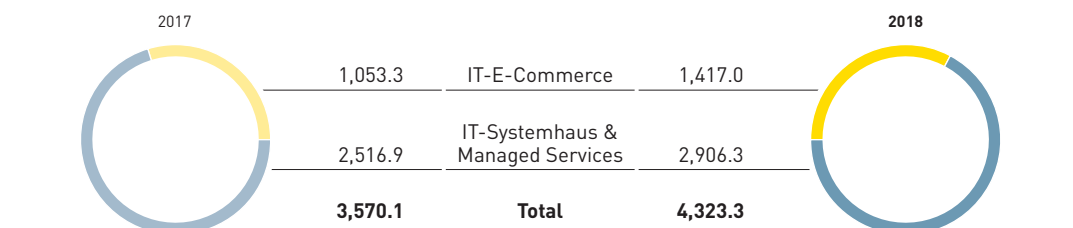
€ m



For revenue performance see page 74 f

REVENUE BY SEGMENTS

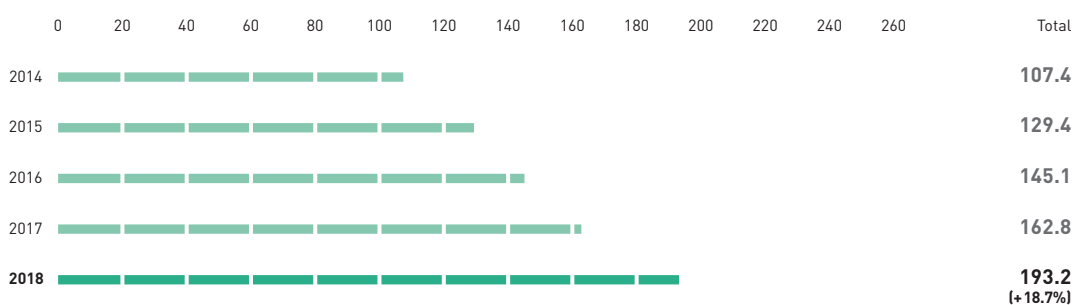
€ m



For segment reporting see page 79 ff

EBT

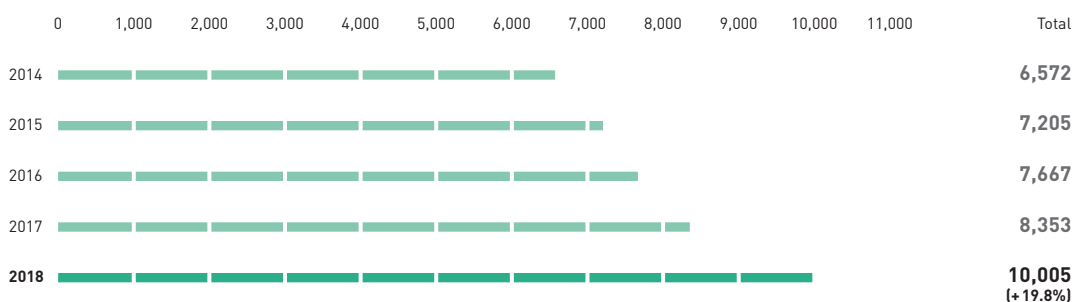
€ m



For earnings situation see page 76 ff

EMPLOYEES

as of 31 December



For development of employee numbers see page 45 ff

EPS:

€3.27

(PLUS 19.7%)

DIVIDEND:

€1.00¹

(PLUS 11.1%)

01. 5 YEARS IN FIGURES

		2014	2015	2016	2017	2018	Change in % 2018–2017
Revenue	€k	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	21.1
IT System House & Managed Services	€k	1,727,073	1,889,494	2,174,893	2,516,872	2,906,290	15.5
IT E-Commerce	€k	853,375	941,809	918,686	1,053,252	1,417,028	34.5
EBITDA	€k	132,251	155,920	171,798	196,182	237,058	20.8
IT System House & Managed Services	€k	88,083	101,831	119,600	140,614	157,764	12.2
IT E-Commerce	€k	44,168	54,089	52,198	55,568	79,294	42.7
EBIT	€k	108,498	129,484	144,083	164,252	195,081	18.8
IT System House & Managed Services	€k	68,907	80,293	96,589	114,501	126,084	10.1
IT E-Commerce	€k	39,591	49,191	47,494	49,751	68,997	38.7
EBIT margin	%	4.2	4.6	4.7	4.6	4.5	
IT System House & Managed Services	%	4.0	4.2	4.4	4.5	4.3	
IT E-Commerce	%	4.6	5.2	5.2	4.7	4.9	
EBT	€k	107,385	129,404	145,100	162,804	193,242	18.7
EBT margin	%	4.2	4.6	4.7	4.6	4.5	
Earnings after taxes	€k	76,194	92,877	103,371	114,562	137,141	19.7
Earnings per share	€	3.63	4.42	4.92	2.73	3.27	19.7
Dividend per share	€	1.20	1.40	1.50	0.90	1.00 ¹	11.1
Equity ratio	%	54.5	53.9	54.7	53.9	43.6	–19.1
Cash and cash equivalents²	€k	156,000	206,660	162,781	174,827	250,922	43.5
Working capital	€k	291,326	294,872	375,645	492,865	580,794	17.8
Cash flow from operating activities	€k	55,965	115,945	53,363	54,261	140,525	159.0
Number of employees (as of 31.12)		6,572	7,205	7,667	8,353	10,005	19.8
IT System House & Managed Services		5,164	5,766	6,212	6,853	7,772	13.4
IT E-Commerce		1,408	1,439	1,455	1,500	2,233	48.9

¹ Proposal to the Annual General Meeting² Incl. time deposits and securities

For more key
figures
see multi-year
overview,
page 224 ff

02. REVIEW BY QUARTER 2018

		1st quarter 01.01–31.03	2nd quarter 01.04–30.06	3rd quarter 01.07–30.09	4th quarter 01.10–31.12
Revenue	€k	955,389	964,970	1,049,555	1,353,404
EBITDA	€k	44,504	52,980	56,629	82,945
EBIT	€k	35,718	43,900	46,457	69,006
EBT	€k	35,400	43,560	46,128	68,154
EBT margin	%	3.7	4.5	4.4	5.0
Earnings after taxes	€k	24,849	30,704	32,488	49,100

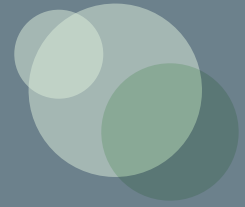


From 10 May 2019,
you can find
the latest figures
for the first
quarter of 2019
at [bechtle.com/
reports](http://bechtle.com/reports)

A common goal for the next twelve years: The Vision 2030 embraces all employees throughout the group.



Manda Bjelobrk, Small Parts Shipping, Logistik & Service
Vanessa Malek, Shipping, Logistik & Service



TO OUR SHAREHOLDERS



Cross reference
within the Annual Report



Cross reference
to other printed works
and other literature



Cross reference
to information on the Internet



Reference to non-financial
performance indicators

TO OUR SHAREHOLDERS

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Q1

423 tested
companiesOverall ranking:
12th place

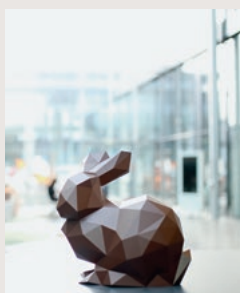
**Bechtle: Best recruiter
in the industry.**

JAN Welcome, Acommit. Bechtle acquires Acommit Group AG, a leading Swiss software and IT infrastructure solutions provider. The company, which was founded in 1983, is a renowned



specialist in ERP software solutions on the basis of Microsoft Dynamics/NAV and the custom-developed DIAS. Acommit has 60 employees at its locations in Horgen, Wallisellen, Lyss and Luzern. In the fiscal year 2017, the

IT service provider generated revenue of about CHF 14 million. **Award-winning recruitment.** For the fourth time in a row, Bechtle is awarded the BEST RECRUITER label in the IT, software and telecommunications industry. Among the 423 companies and institutions tested, Bechtle reaches 12th place. **FEB Digital marketplaces throughout Europe.** Bechtle consolidates shop offers, solutions, services and company information on a single platform, thereby becoming a pan-European digital IT partner. In Germany, the new digital marketplace went online in October 2017 at bechtle.com. The Netherlands and Poland follow in February 2018. Additional countries are successively going live. Austria moves to the new platform in September, and Switzerland in November. **MAR Teamwork as a service.** Cisco Webex Teams is now available as a cloud service with a click. Bechtle thus further expands its multi-cloud portfolio. Bechtle is the first system integrator to enable its customers to obtain the collaboration service from Cisco via a fully automated cloud marketplace. Cisco-certified Bechtle experts also advise companies with regard to the integration of the cloud services in the existing IT infrastructure. **3D in Paderborn.** Solidpro, the Bechtle specialist for 3D product development and digital manufacturing, now presents the 3D printing solution HP Jet Fusion also at its location in Paderborn, Germany. With the new showroom, Germany's leading HP 3D printing partner gives its existing and potential customers an insight into the innovative Multi Jet Fusion technology for prototype production and additive serial production. Solidpro already opened its first demo centre for HP 3D printing in Langenau in 2017.

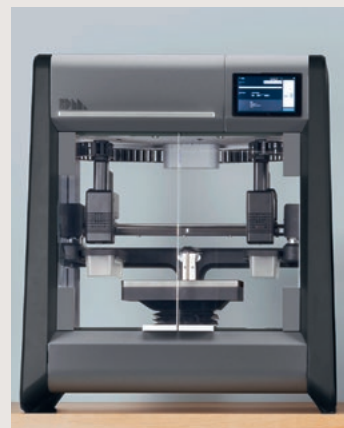


Q2

1999–2013
Chairman of the
Supervisory BoardSince 2018
Chairman of the
Supervisory Board

**Again with us:
Klaus Winkler.**

APR Record on-site. In 2018, the Bechtle Competence Days at group HQ in Neckarsulm again reach record figures in terms of the event scope and number of participants. With 3,120 visitors, the yearly in-house event on 11 and 12 April is more popular than ever. Under the motto "Digital Evolution", the event presents more than 90 hot IT solution topics – more than ever – and an accompanying exhibition with experts from the Bechtle competence centres. **MAY Greetings, Evolusys.** The Bechtle Group strengthens its positioning in the field of software solutions by acquiring Evolusys SA in western Switzerland. The IT consultancy, which was founded in 2006, is a renowned specialist for analytics and cloud solutions on the basis of Microsoft technologies. Evolusys offers a comprehensive solution spectrum ranging from strategic consulting to support and training to the drafting and implementation of turnkey solutions. **JUN Metal rocks.** The 3D metal printing solutions of Desktop Metal Inc. in Burlington, MA, USA, expand the portfolio of Solidpro. Through the cooperation with the US company, the specialist from Langenau further develops the business area of 3D printing solutions. The innovative 3D metal printers from Desktop Metal add a system solution that enables printing, debinding and sintering to Solidpro's portfolio of HP 3D printers. **Welcome back, Klaus Winkler.** Among other things, this year's Annual General Meeting agenda includes the election of Supervisory Board members. All candidates proposed by the administration are broadly approved by the shareholders and shareholder representatives and are elected to the Supervisory Board. The new Chairman of the Supervisory Board is Klaus Winkler. At its constituent meeting, the Supervisory Board elects him as successor to Dr. Matthias Metz, who did not run for office again. Klaus Winkler, Chairman of the Management Board of Heller GmbH, has known Bechtle for more than 20 years and had already served on the Bechtle Supervisory Board from 1999 to 2013.



Q3

60 companies
MDAX30 companies
DAX

Bechtle among the
90 largest companies.

JUL Addition to the multi-cloud portfolio. Bechtle adds Amazon Web Services (AWS) to its range of cloud service providers. The partnership supports the broad positioning of Bechtle as a service provider for modern IT architectures. Henceforth, customers can obtain all AWS cloud services via the Bechtle Clouds platform. The Clouds platform, which is hosted in Bechtle's tier 3+ data centre in Frankfurt, serves as an interface to the global cloud infrastructure of AWS and enables transparent management and billing of the cloud services used. **AUG Vive la France.** By purchasing the French IT provider Inmac WStore, Bechtle executes the largest acquisition in the company's history. In 2017, Inmac WStore generated revenue amounting to about €420 million and had more than 400 employees. Like Bechtle's e-commerce segment, Inmac WStore makes use of combined sales channels, consolidating consulting services by



qualified sales staff with online shops. The range of customers includes companies and public sector clients. By acquiring Inmac WStore, Bechtle becomes one of the Top 5 French IT companies and makes France its largest market in the IT E-Commerce segment. With its Bechtle direct, Bechtle Comsoft

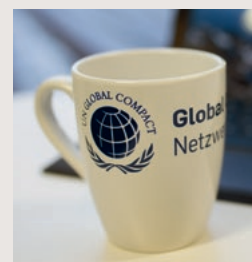
and ARP brands, Bechtle has been active in France since 2000. France is Europe's third-largest IT market after the UK and Germany. **SEP ARTICONA branded products.** ARTICONA is Bechtle's own brand. Initially, the portfolio comprises 1,400 products in the field of IT accessories and connectivity. The product sales take place via the sales teams of the Bechtle IT system houses, Bechtle direct, ARP as well as the online platforms of Bechtle and ARP. The objective is to offer high quality at competitive prices under the ARTICONA brand. **Bechtle in the MDAX.** In the course of a realignment of the indices of Deutsche Börse, Bechtle is included in the MDAX. The MDAX covers the 60 largest listed companies below the 30 DAX shares. The TecDAX listing is retained. **Training record.** In the training year 2018, more than 200 young people embark on their vocational training or integrated degree programme with Bechtle. Thus, our company has more than 600 junior staff members in 15 technical and administrative training professions and degree courses – more than ever before.

Q4

1.6.2011
5,139 employees31.12.2018
10,005 employees

Doubled headcount:
substantial competence gain.

OCT Sustainability. Bechtle joins the United Nations Global Compact and undertakes to integrate ten sustainability principles in the fields of human rights, labour, environment and anti-corruption in its corporate strategy and implement these in its business operations. **Welcome, Stemmer.** Bechtle acquires BT Stemmer GmbH, München, a specialist for network solutions, unified communications, IT security and managed services. In the fiscal year ended, this company's revenue amounted to approximately €60 million. The company has 160 employees at its locations in München, Duisburg, Karlsruhe, Köln, Siegen and Stuttgart. **NOV Bond loans.** Bechtle successfully places a bond loan with a volume of €300 million on the capital market. A remarkable number of about 140 national and international investors participate in the transaction. Bechtle uses the issue primarily for the purpose of financing its recent acquisitions. **Contract awarded.** The EU Commission awards the framework contract for storage solutions to Bechtle. Bechtle is one of five providers that, from now on, will supply more than 50 EU institutions and 30 EU departments in 28 countries of the European Union with infrastructure solutions for data centres. The contract term is seven years. **DEC 10,000 employees.** Bechtle's headcount exceeds the 10,000 mark. The company now has double the number of employees than in June 2011. Bechtle has thus already exceeded the headcount targeted in the company's Vision 2020. **Vision 2030.** The Vision 2030 replaces the Vision 2020, which was published 10 years ago. The new vision is the fourth in Bechtle's 35-year company history. It targets revenue amounting to €10 billion along with an EBT margin of at least 5 per cent and aims at becoming the market leader and regularly achieving above-market growth rates. **Two reinforcements.** With two additional acquisitions, Bechtle strengthens its competencies in the fields of security and 3D CAD. R. Bucker EDV-Beratung Datentechnik GmbH is an IT security specialist. Coffee GmbH is specialised in CAD software. Bechtle thus strengthens its market positioning in the field of product development solutions.



LETTER FROM THE EXECUTIVE BOARD

Dear Stockholders,

I'm sure that you will agree that 2018 has been one of the most outstanding years in our company's history.

Not only because 2018 was economically successful – in fact, it was the eighth record year in a row – but also because it saw the achievement of some remarkable milestones that have placed Bechtle on a solid footing for the future, underlining our focus on sustainable growth.

This includes the so far largest of Bechtle's 90 acquisitions: Inmac WStore, the well-established No. 5 in the French IT market. Another reason why we are very pleased with this acquisition is that the e-commerce specialist also blends in so well in terms of the corporate culture. Experience has shown that this is a vital precondition for a successful integration. With its more than 400 employees, Inmac WStore has also helped us to surpass the mark of 10,000 employees earlier than planned. For 10 years, this figure was part of our Vision 2020. Perhaps that is what made the point at which we passed this target so special – a magical moment that made us understand the magnitude of having grown by 1,652 people in just a year.

Bechtle's inclusion in the MDAX as one of Germany's 90 largest listed companies, which took place in 2018, had a similar effect. This has paved the way for Bechtle's presentation to a larger capital market audience beyond the TecDAX. The attention that we attract is also evident from the highly successful placement of our first bond loan of a volume of €300 million. What is more, the fact that the bond loan was oversubscribed many times over as well as its attractive conditions demonstrate the great trust that investors put in Bechtle's business model and our positive sustainable business performance.

Another highlight of the year ended was the elaboration and publication of our Vision 2030. As in 1988, 1998 and 2008, we again outlined our ambitious guiding star for the next 10 years in 2018. Our visions have always demonstrated Bechtle's entrepreneurial spirit. This tradition is also evident from our new plans for the long-term future. The best thing about the previous visions, however, was always the impressively high degree to which they were implemented. Bechtle and its team have consistently achieved its ambitious goals either on time or with a slight delay. The accuracy of our predictions is extraordinary, perhaps even unique.

Another remarkable aspect of the Vision 2030 is the number of people who contributed to it. Though the Executive Board is responsible for elaborating and formulating the visions and we intensively dealt with the relevant subjects in the year just ended, we also wanted to involve colleagues from various areas. This turned out to be a very wise decision. In this way, we received valuable impulses from new perspectives, learned what our team members are concerned about and received plenty of creative input to discuss. This participative approach is what characterises the vision, and we are very pleased with the result. Under the heading "Bechtle: Integrate IT. Architect the future.", our vision accurately and appropriately takes up our brand core, our expectations and promise, and reinterprets our slogan ("Your strong IT partner. Today and tomorrow.") in a new, fresh way.

I am convinced that the Bechtle Vision 2030 will guide us into a successful and exciting future. Into a future on a rock solid footing, also from an economic perspective! Our robust KPIs effectively demonstrate this strength:

In 2018, we upped our revenue by more than 21 per cent to €4.3 billion and our earnings before taxes (EBT) by 18.7 per cent to €193.2 million following excellent performance throughout all quarters. Apart from the acquisition of Inmac WStore mentioned above, other acquisitions also contributed to this impressive development: Acommit and Evolusys in Switzerland as well as Stemmer and the two specialists Coffee and Bucker (consolidated in 2019) in Germany. These companies supplement our portfolio with attractive future-oriented issues and reinforce our regional presence with solid customer relationships.

All this – the growth, the integration, the further development, the change and shaping the future – is the result of an impressive team effort. Therefore, on behalf of the entire Executive Board, I would like to express our sincere gratitude to all employees for their great commitment in the year ended. We are happy to be part of the huge Bechtle team, which continues to write this outstanding success story.

We still have much to do in the future, as can be seen both from our Vision 2030 and our sustainability report, which we are publishing in addition to our extensive annual report. Under the heading “Architecting the future. IT at heart. Sustainability in mind.”, the report presents information on goals, measures and results achieved by our responsible corporate governance in the 2018 fiscal year. Among other things, the report provides interesting insights into our ecological performance and our social commitment, enabling you to get a comprehensive picture of our targets, achievements and sustainability efforts. Therefore, I recommend reading the sustainability report.

Dear shareholders, I would like to thank you for the trust that you put in Bechtle. I am convinced that other great achievements lie ahead of us – ahead of your company. Stay with Bechtle in future. I look forward to a bright future together with you.

On behalf of the Executive Board of Bechtle AG

Yours sincerely,



Dr. Thomas Olemotz

Chairman of the Executive Board (CEO)

Neckarsulm, 7 March 2019

VISION 2030.

Bechtle: Integrate IT. Architect the future.

Understatements are not an option. Bechtle continues to present itself ambitiously.

For the fourth time in the company's history, Bechtle has formulated a new vision. We have persistently continued to deliver on what started in 1988. So far, we have reached all of the ambitious goals that we set for each decade.

In keeping with this tradition, Bechtle has raised the bar for the 2020s. The Vision 2030 has been developed in an intensive, iterative process involving various employees. As usual, Bechtle has put down clear figures, which will henceforth serve as our benchmark. More than ever, the demands that we have defined for ourselves have also been worded qualitatively. In this way, employees, customers, shareholders, partners and all other stakeholders can easily see where Bechtle – the IT partner of tomorrow – is heading.

We empower business.

We understand our customers and deliver future-oriented IT to drive their success.

IT is our passion.

We are professionals. We strive to excel and we have what it takes. Bechtle is a place where great people accomplish great things.

Growth and foresight underpin our success.

We are able to build a sound future for Bechtle by pursuing sustained profitability. An EBT margin of 5 per cent or more gives us the freedom to invest while safeguarding our security and independence.

We aspire to lead the market.

We focus on IT markets where we can carve out a leading position. Our growth is above market with our sights set on a revenue mark of 10 billion euros.





Michael Guschlbauer



Dr. Thomas Olemotz



Jürgen Schäfer



Klaus Winkler

MICHAEL GUSCHLBAUER

Member of the Executive Board, responsible for the IT System House & Managed Services segment. Born in 1964, two children. After finishing his training as an office and communication electronics engineer, he first worked in various technical and project management positions and later in the field of sales. In 1994, he transferred to DeTeSystem (later: T-Systems), where he first served as a sales representative and later in various management positions. Eventually, Michael Guschlbauer was put in charge of the Large Enterprises division, Sales & Service management, as a member of the Board of Management of T-Systems Business Services. In January 2008, he embarked on his career at Bechtle as Executive Vice President of Managed Services. A year later, he was appointed as a member of the Executive Board of Bechtle AG and assumed strategic responsibility for the group's IT System House & Managed Services business segment.

"Customer orientation rightfully occupies the first place in our vision. We always make sure that we provide guidance to our customers with advanced expertise and to the best of our knowledge: What IT architecture provides the greatest opportunities and involves the least risk with a view to improving the customer's core business? Our IT business architects are qualified in this area. What is more, Bechtle's networked decentralised structure as well as the integrated collaboration between IT System Houses and E-Commerce companies deliver benefits that customers can only find with Bechtle."

DR. THOMAS OLEMOTZ

Chairman of the Executive Board, responsible for Logistics & Service, Finance, Controlling and Risk Management, Human Resources and Staff Development, IT, Corporate Communications and Investor Relations, Mergers & Acquisitions, Legal and Compliance, Digital Business Services. Born in 1962, married, two adult children. Upon completion of his training as a banker and studies in business economics, Dr. Thomas Olemotz entered Giessen University as a scientific staff member. After obtaining his doctoral degree, he first served as assistant to the Executive Board of Westdeutsche Landesbank and then moved on to the Deutsche Bank group. At Deutsche Gesellschaft für Mittelstandsberatung, he became the division head responsible for medium-sized mergers and acquisitions. His next professional milestones were a position as head of business development at Delton AG and a position as a member of the Executive Board responsible for finance and human resources at Microlog Logistics AG, in which Delton AG holds the majority interest. In March 2007, he stepped over to Bechtle AG, where he first served as CFO and, after about two years, as Executive Board spokesman. He has been Chairman of the Executive Board of Bechtle AG since June 2010.

"A vision is important especially in times of short life cycles, volatility, complexity and constant change. Our Vision 2030 determines a direction and provides guidelines and orientation. In this way, we formulate a goal that is worth working towards. This motivates and helps us to inspire the right people and retain them in our company. This has become more important than ever."

JÜRGEN SCHÄFER

Member of the Executive Board, responsible for the IT e-commerce segment. Born in 1958, married, two adult children. After his studies in business economics and a job at a medium-sized wholesale company, Jürgen Schäfer joined Bechtle in 1988. He was first responsible for purchasing and organisation and was later appointed director of the Bechtle IT system house in Würzburg, Germany. Subsequently, he successfully established the trading business under the Bechtle direct brand and, as division head, supervised the European expansion and the consolidation of all trading processes in Bechtle's logistics and service division. Since his appointment as a member of the Executive Board of Bechtle AG in early 2009, he has been in charge of the e-commerce activities of the Bechtle group.

"This is the fourth time that I have been involved in the implementation of a Bechtle vision. This long-term draft of what we aim at is typical of Bechtle. In terms of our brand core: Bechtle simply has a promising future. Our positioning for further profitable growth is better than ever. Our increasingly perfect and individual customer solutions effectively combine hardware, software and services."

KLAUS WINKLER

Chairman of the Supervisory Board. Born in 1958, married, two children. After his vocational training as a banker at BW Bank AG, Klaus Winkler completed a business administration degree in Stuttgart. Between 1979 and 1994, he held various positions at BW Bank, eventually serving as Head of Corporate Finance. From 1987 to 1988, Klaus Winkler worked for Credit Suisse First Boston Ltd. in London. He took over the management of the BWK GmbH holding company in Stuttgart in 1990. He has been Chairman of the Board of Heller GmbH in Nürtingen since 2003.

"Bechtle AG outlines its vision in unmatched clarity. Highlighting ambitious goals in such a way is impressive and demonstrates courage – and deserves our backing. I look forward to supporting the ambitious path towards the achievement of these goals. I intend to be constructive wherever possible and critical wherever necessary."

REPORT OF THE SUPERVISORY BOARD

DEAR SIR OR MADAM,

The year 2018 was a remarkable year for Bechtle AG: The largest acquisition in the company's history, the first placement of a bond loan, the surpassing of the 10,000 employee mark, the elaboration and communication of the new Vision 2030, and the inclusion in the MDAX were just some of the highlights in the year under review. Moreover, the year was marked by outstanding business performance with double-digit revenue and earnings growth rates. While each of the said items is a major achievement in itself, the sum of them truly makes 2018 a very special year in Bechtle's history. The Supervisory Board was involved in this development at all times and assisted the company with advice on its path towards success.

In the reporting period, the Supervisory Board meticulously performed all audit and controlling duties imposed on it by law and as required by the Articles of Incorporation. The Supervisory Board regularly provided the Executive Board with advice concerning the administration of the group, and closely monitored and supported the company's management and development. In this context, the two boards always cooperated in an open and constructive manner.

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board about all aspects relevant to the company as well as transactions subject to approval. This included, in particular, the acquisition of Inmac WStore and other acquisition projects, the growth and acquisition financing including the placement of a bond loan, the group's business performance, future investments, the risk situation and the opportunity and risk management, as well as basic issues related to the corporate planning and strategy.

The Chairman of the Executive Board, especially maintained close contact with individual Supervisory Board members, primarily with the Chairman of the Supervisory Board, even outside the regular meetings. Additionally, the Executive Board informed the Supervisory Board as a whole about key operational indicators, the fulfilment of business plans and the employment situation of the group, segments and all major subsidiaries on a monthly basis. Moreover, we intensively elaborated the individual quarters and the short and medium-term perspectives at quarterly meetings.

At its meetings, the Supervisory Board regularly looked into the business performance of the group as well as the assets and financial position and the implementation of the corporate strategy. Moreover, we continually dealt with the risk situation and actively participated in the further development of the control and risk management system of Bechtle AG.

Thanks to the timely and detailed information received from the Executive Board and its own audits, the Supervisory Board was able to comply fully with its monitoring and consulting duties. We confirm that the Executive Board has acted legally, correctly and economically in every respect. The Executive Board regularly consulted the legal and compliance department as well as group controlling, and actively used the risk management system.

MEETINGS AND CENTRAL ISSUES

In the reporting period, the Supervisory Board held five ordinary plenary sessions: on 8 February, 14 March (balance sheet meeting for the annual and Consolidated Financial Statements 2017), 12 June (constituent meeting of the newly elected Supervisory Board), 27 July and 19 October 2018. Due to appointments made a long time prior to his candidacy, Dr. Lars Grünert was only able to participate in less than half of the meetings of the Supervisory Board.

Apart from the resolutions adopted at the meetings, the Supervisory Board and/or its committees also adopted resolutions via circular procedure where relevant, in particular in urgent cases. We discussed all measures and transactions that required the approval of the Supervisory Board or its committees in detail at Supervisory Board and committee meetings. At its balance sheet meeting on 14 March 2018, the Supervisory Board approved the annual financial statements and the Consolidated Financial Statements of the prior year (thereby adopting the annual financial statements) and accepted the Executive Board's proposal for the appropriation of profits and the business planning for 2018.

In the past fiscal year, the most important subjects discussed included the following:

- Acquisition of Inmac WStore and other acquisition projects
- Placement of a bond loan
- Vision 2020 and its target achievement
- Elaboration of Vision 2030
- Supervisory Board elections and election proposals of the shareholder side
- Group strategy and target achievement in connection with the implementation of the strategy
- Economic development of the group
- Executive Board compensation
- Sustainability at Bechtle and non-financial group declaration
- Internal audit and risk management system

STAFFING OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

In 2018, the staffing of the Executive Board of Bechtle AG did not undergo any changes. Supervisory Board elections were held in the reporting period. On the employee side, Martin Meyer departed from the Supervisory Board as of the end of the Annual General Meeting on 12 June 2018. Anton Samija was newly elected. Moreover, the shareholder representatives were elected at the Annual General Meeting on 12 June 2018. Dr. Matthias Metz and Dr. Jochen Wolf did not stand for election again. Dr. Lars Grünert and Klaus Winkler were newly elected to the Supervisory Board. Following his election, Klaus Winkler was elected as Chairman of the Supervisory Board, as had been intended. The Supervisory Board thanks all members who have departed for their long-standing commitment and their willingness to participate in the successful development of Bechtle AG.

COMMITTEE WORK

To fulfil its duties, the Supervisory Board has formed three committees.

The audit committee came together on 7 February, 13 March, 29 May, 26 July, 18 October and 17 December 2018. Additionally, it held telephone conferences on 8 May, 9 August and 13 November 2018. In 2018, the audit committee was intensively involved in deals subject to approval – especially the acquisition of Inmac WStore and other acquisitions, the growth and acquisition financing including the placement of a bond loan and long-term contracts. Other subjects discussed included the interim financial reports, the preliminary audits of the annual and Consolidated Financial Statements, the non-financial group report, the proposal for the appropriation of profits and the review of the internal control and risk management system. The meetings also focused on the monitoring of the auditor's independence, the definition of the main issues to be audited, the agreement of the audit fee and the corporate governance. The development of the cash flow and of the working capital was also addressed in the reporting period.

In 2018, the personnel committee came together at five meetings on 30 January, 16 February, 27 August, 4 October and 10 December 2018. The meetings of the personnel committee mainly focused on the compensation system of the Executive Board, the further development of the management organisation and employment contracts with Executive Vice Presidents.

The conciliation committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG) was not convened in 2018.

The Supervisory Board regularly and meticulously evaluates its activity according to the guideline "Efficiency Audit in the Supervisory Board" of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. Based on recommendations from the Supervisory Board, action recommendations were developed, presented at the plenary session and, after an intensive review, included in the work of the Supervisory Board. We consistently monitor the implementation of these recommendations in our Supervisory Board. The basic results of past efficiency audits revealed that the workflows and processes in the Supervisory Board are efficient and target-oriented.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

We intensively reviewed the set of rules of the German Corporate Governance Code (DCGK). To ensure compliance with DCGK, we checked the implementation of the recommendations. Together with the Executive Board, we issued the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in February 2019. Deviations from the recommendations of the Government Commission are explained in detail in the Corporate Governance Report. All declarations of conformity of the last five years and other documents concerning the corporate governance have been, and continue to be, made permanently available to the shareholders on the Internet. In the fiscal year ended, no conflicts of interest of Executive Board or Supervisory Board members emerged that, according to the code, would have had to be disclosed to the plenum without delay and about which the General Meeting would have had to be informed.



Corporate Governance Report,
see page 53 ff



Declaration of Conformity,
see bechtle.com/investors/corporate-governance

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2018

The General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, as auditor of the annual and Consolidated Financial Statements for the 2018 fiscal year. Following the engagement by the Supervisory Board, the auditor audited the annual financial statements of Bechtle AG as well as the Consolidated Financial Statements and the management reports of Bechtle AG and of the Bechtle Group for the 2018 fiscal year, including the accounts and the risk management and early detection system, and awarded unqualified auditor's certificates. The audit also included the monitoring system for early identification of risks, which is to be set up by the Executive Board, and the internal audit and risk management system with respect to the accounting process. The auditor confirmed that the installed systems are suitable for identifying developments endangering the company's going concern at an early stage.

The documents related to the financial statements, the proposal of the Executive Board for the appropriation of profits and the auditor's audit reports were duly sent to the members of the Supervisory Board and discussed in detail in the audit committee and in the Board as a whole. The auditor of the annual and Consolidated Financial Statements also participated in the balance sheet meeting on 13 March 2019. He reported in detail on the material results of his audit and comprehensively answered all questions of the Supervisory Board.

Following its own review of the annual financial statements, Consolidated Financial Statements, management report and group management report, the Supervisory Board approved the results of the audit conducted by the auditor. According to the final result of its audit, there were no objections. At the balance sheet meeting on 13 March 2019, the Supervisory Board thus approved the annual financial statements and the Consolidated Financial Statements in accordance with the recommendation of the audit committee, thereby adopting the annual financial statements pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG). The Supervisory Board agreed to the Executive Board's proposal for the appropriation of the net profit and payment of a dividend of €1.00 per share. We approve the management report and the group management report of the Executive Board and consider the proposal for the appropriation of profits appropriate.

The Supervisory Board also audited and comprehensively discussed the non-financial group declaration of Bechtle AG, which was prepared by the Executive Board and is included in the sustainability report 2018 of Bechtle AG as a separate non-financial group report, at the balance sheet meeting on 13 March 2019. The Executive Board explained the separate non-financial group report and answered the questions of the members of the Supervisory Board. The review conducted by the Supervisory Board did not give rise to any objections to the separate non-financial group report. The Supervisory Board approves the separate non-financial group report.

The success of Bechtle AG is not something to be taken for granted. It is the result of the tireless efforts and high motivation of each individual employee. Therefore, the entire Supervisory Board would like to express its gratitude to all employees of the Bechtle Group, the Executive Vice Presidents and the Managing Directors of the group companies, as well as the members of the Executive Board. The Supervisory Board is proud to provide advice and supervision to such a successful, highly motivated and motivating company.

On behalf of the Supervisory Board



Klaus Winkler
Chairman

Neckarsulm, 13 March 2019



GROUP MANAGEMENT REPORT



GROUP MANAGEMENT REPORT

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COMPANY

BUSINESS ACTIVITY

As a vendor-independent one-stop provider, our wide portfolio covers the entire spectrum of products and services for the IT infrastructure of companies and public institutions. In this way, we are capable of offering every customer an optimum, perfectly suitable solution for their IT needs – this is our principle of doing business.

BUSINESS MODEL

One-stop IT provider. As a one-stop IT provider, Bechtle is active in Germany, Austria and Switzerland with about 70 system houses and is one of Europe's leading online IT dealers, with subsidiaries in 14 countries. Founded in 1983 and headquartered in Neckarsulm, Germany, the IT company combines the strength and resilience of a financially sound, international group with the proximity, personal care and flexibility of a regional service provider. Bechtle offers a one-stop, vendor-independent, comprehensive IT portfolio to its 70,000 customers from the fields of industry and trade, the public sector and the financial industry.

Bechtle's business activity comprises two segments: In the IT System House & Managed Services segment, the service spectrum includes IT strategy consulting, the sale of hardware, software and application solutions, project planning and rollout, system integration, maintenance and training as well as the provision of cloud services and the complete operation of the customer IT. We have bundled our pure trading business in IT E-Commerce, the second business segment. In this segment, we offer our customers hardware and standard software via the Internet and telesales with a multi-brand strategy. Our portfolio comprises more than 70,000 products.

BUSINESS SEGMENTS

Segments jointly work on the market. In eleven European countries, Bechtle is only represented with e-commerce companies; in Germany, Austria and Switzerland, however, it is represented in both segments. Here, the segments jointly operate in the market in order to increase the market share and customer penetration.

In recent years, we have taken numerous steps in order to further improve the collaboration between the segments, thereby also expanding our cross-selling potential. Under the name "BforB" (Bechtle for Bechtle), sales teams of the two segments cooperate in joint sales activities. Initially launched as a pilot project, BforB is now also available to other system houses in Germany.

Bechtle's new online platform went live in November 2017. The URL bechtle.com now features a digital marketplace that presents the entire bandwidth of Bechtle's service and solution portfolio at a glance. The previous separation between the Bechtle shop and the company website has thus been eliminated. We are now able to address every customer holistically and systematically offer additional solutions. At the same time, this helps us to boost customer satisfaction and penetration. In the coming years, this digital marketplace will be further developed in order to leverage the role of bechtle.com both for the distribution team and for the sale of products and services.

IT SYSTEM HOUSE & MANAGED SERVICES

Service portfolio covers the entire IT value chain. Bechtle's service portfolio in the IT System House & Managed Services segment spans the entire IT value chain. The portfolio mainly focuses on digitisation, cloud, mobility, security and IT as a service. A key competitive advantage stems from the fact that Bechtle is a one-stop provider. By individually compiling an offer comprising various inter-linked services and freely configurable service levels, Bechtle is capable of elaborating a bespoke solution for every customer. The service and solution portfolio is subject to ongoing review and adaptation to market and customer requirements.

Almost 4,500 service team members, certified specialists, system engineers and consultants offer customers expertise, advanced specialised competence, long-standing IT project experience and the ability to rapidly implement individual requirements in the area of IT services. Bechtle has bundled specialist know-how in 65 competence centres that are active throughout the country. Numerous certifications by all renowned vendors guarantee premium qualification of our services.



Premium qualification
thanks to vendor
certifications



The plural form "Bechtle Clouds" has been used deliberately: We offer a suitable cloud strategy for every enterprise.

Binjam Merhawi, Expert Sales,
Bechtle Clouds

Marc Götde, Portfolio- & Service-Design
Manager, Bechtle Clouds

Melanie Schüle, Management,
Bechtle Clouds



More information about individual Bechtle IT solutions is available at bechtle.com/de-en/it-solutions

■ Bechtle IT solutions. Information technology in companies is getting increasingly complex, and the requirements are on the rise. Bechtle IT solutions help companies boost their productivity while streamlining and simplifying workflows:

■ Business applications. The ongoing digitisation has brought about new challenges for enterprises. The networking of people, machines, processes and services is expanding. This requires smart tools that can be integrated in the corporate network. In this area, Bechtle offers numerous applications for customer relationship management, enterprise resource planning, CAD/CAM, product life-cycle management, collaboration, enterprise content management, business intelligence, virtual reality and artificial intelligence.

■ Data centre. The data centre is where a company's digital heart beats. Failure or malfunction of the data centre can have serious consequences for a company or public institutions and can disrupt business processes or cause severe financial losses. Therefore, customers need architecture concepts for fail-safe, future-proof data centres. In this area, Bechtle offers consulting and system integration services for the development of strategies, server assessments, data analyses, consolidation of network, server and storage resources, procurement, installation, virtualisation, automation and commissioning of the network, server and storage structure and integration of backup and archiving solutions.

■ Modern workplace. Companies are faced with the challenge of managing increasingly complex and demanding IT workplaces. Key aspects include the costs, security, mobility, collaboration and software provisioning. A workplace solution must be able to handle all of this in order to ensure the smooth flow of corporate processes. With its managed workplace services, Bechtle takes over the entire functional and cost responsibility for IT workplaces, while optimising and constantly modernising them. Furthermore, Bechtle's workplace solutions standardise IT workplaces, optimise the equipment and speed up processes, thereby establishing the technical preconditions for future-proof provisioning concepts.

■ Networking. More and more systems need to communicate over the network and be integrated in the network. The resulting surge in the data volume impacts the required network capacities. Therefore, the availability and security of the IT and also the network infrastructure are becoming increasingly important. The employees, too, expect modern communication and collaboration equipment as well as the flexibility of being able to access the company's resources at any time and from anywhere. In this area, Bechtle offers comprehensive solutions ranging from basic network checks to enterprise and data centre networking offerings to unified communications.

■ Security. Today, IT security means much more than merely an effective firewall. The subject of security must be considered and understood holistically, especially in view of the considerable number of internal attacks. Bechtle Security offers its customers a comprehensive solution portfolio in order to provide maximum security against cyberattacks. This is made possible by means of an integrated

end-to-end security solution – no matter whether Industry 4.0, a conventional IT infrastructure, a cloud solution or mobile networking is concerned. Bechtle's certified IT security experts plan and develop IT security strategies, implement IT security infrastructures and supervise these with 24/7 monitoring. Moreover, we offer corporate data protection and data security solutions. Qualified data protection and IT security officers take care of the consulting, design and implementation.

Clouds. Bechtle addresses the need for increased business flexibility and mobility along with cost optimisation by providing comprehensive cloud services and cloud technologies. However, there are no standard solutions for cloud environments. Rather, each company has different requirements, for which a suitable cloud strategy should be found. The right strategy and suitable cloud technologies are necessary to reach defined corporate goals. As a multi-cloud provider, Bechtle is well equipped to provide all customers with suitable solutions. The provision of cloud consulting services is the first step. The spectrum offered comprises private cloud and public cloud solutions as well as the cloud implementation. Security is a top priority in the field of cloud services as well – especially the question of where exactly the data are stored. Many customers prefer data centres in Germany. This need is addressed by Bechtle's data centre in Frankfurt am Main, which was established in 2017 to meet the highest security and availability demands. The public and business cloud services are bundled under the name Bechtle Clouds.



More information on the Bechtle cloud services is available at bechtle.com/de-en/clouds

IT services. Today, many companies want to outsource their IT or parts of it. The advantage: Instead of having to worry about administration and technology-related issues, enterprises can concentrate more efficiently on their core business. In this way, IT becomes a service that can be purchased under consideration of the actual needs and the available budget. In this field, Bechtle offers a comprehensive portfolio that covers all areas related to IT operation:



[bechtle-clouds.com](https://bechtle.com/de-en/clouds)

Managed services. With currently more than one million managed IT workplaces and data centre systems, Bechtle is specialised in the provision of cost-efficient managed services. In this field, we assume responsibility for defined operating tasks related to all the areas of the customers' IT. Through remote operation or on-site supervision of data centres, clients, printers and networks, as well as comprehensive, multilingual user services for the customer IT infrastructure, Bechtle guarantees optimum operability of the IT systems along with cost efficiency over the entire life cycle.



More information on Bechtle IT services is available at bechtle.com/de-en/it-services

Professional services. Our professional services comprise all required planning, architecture and implementation services for the establishment of future-proof IT infrastructures. Approximately 6,900 technology certifications ensure cutting-edge expertise in all matters related to the cloud, Industry 4.0, mobility, networking and security subjects and the establishment and operation of server and storage architectures. The professional services are divided into three areas: project and service management, IT consulting and system engineering.

■ **IT business architects.** The Bechtle IT business architects focus on designing the customer IT infrastructure in such a way that the customers are well prepared for the future. In initial talks, this starts by means of an application-oriented, objective examination from the outside and continues with a systematic in-depth investigation of the individual IT structures on-site. The analysis ranges from interviews with the various departments to joint innovation workshops. After recording the current state, the architects design a suitable optimum IT architecture for the future.

■ **Financial services.** IT investments comprise not only the purchase of IT, but also maintenance contracts, warranty agreements, licence management, insurances and asset management. Especially companies with numerous national and international locations often look for ways to combine high quality standards with economic aspects in a meaningful way. The BaFin-licensed Bechtle Financial Services AG offers financing services throughout the Bechtle Group, combining the requirements of IT and finance.

■ **Training.** Qualified employees are the basis of our success. In this age of digitisation, it is important to continually further develop the staff expertise and qualifications. The 22 Bechtle training centres are certified training partners of renowned manufacturers. For customers with several branches, this presence enables uniform training on-site. The offer covers a wide spectrum, with more than 15,000 seminar dates for 500 hot IT topics.

■ **Remarketing.** Bechtle Remarketing offers comprehensive hardware management throughout the life cycle. The experienced Bechtle Remarketing specialists check and evaluate the legacy equipment that is to be replaced and take over the hardware directly at the customer's location. The data erasure takes place in certified Remarketing facilities especially equipped for this purpose. We either prepare the legacy systems for resale or duly dispose of them in accordance with environmental regulations.

IT E-COMMERCE

Comprehensive portfolio of IT products in 14 European countries.

■ **Hardware and software.** In the IT E-Commerce segment, the Bechtle Group competently covers all common IT areas with a broad portfolio of IT products ranging from hardware to standard software to peripherals. The Bechtle direct brand is represented in 14 European countries and has achieved a good competitive position in all markets. With more than 70,000 products in the online shop, Bechtle direct offers customers a comprehensive portfolio for IT infrastructures. The Bechtle shops thus offer customers everything they need for the operation of their IT. The ARP brand is present in six European countries. The offer of the ARP companies focuses on medium-sized businesses and the public sec-

tor. The portfolio comprises all common IT products. The products under the internal ARTICONA brand, which had previously been marketed by ARP only, has supplemented the portfolio of all companies of the Bechtle Group since the reporting period. Furthermore, Bechtle is active with the Buyitdirect brand in the Netherlands and, since the reporting period, with Inmac WStore in France.

The business in the IT E-Commerce segment is guided by two basic principles: Firstly, the direct personal contact of the sales staff with the customer is ensured through active telephone calls to existing and potential customers. The sales team plays a key role in generating revenue by acquiring new customers and doing more business with existing customers. Customers with complex requirements in particular benefit from the personal contact with a partner who is able to offer individual solutions, custom-tailored to the customer's needs.

Secondly, the segment has established highly process-controlled, lean order processing workflows that are crucial to the success of the e-commerce segment. To a certain extent, the underlying processes are even part of the actual service. For example, many of the purchase orders in IT E-Commerce are processed according to the fulfilment principle: Bechtle forwards incoming purchase orders directly to manufacturers or distributors, who then ship the goods to the customers in the name and for the account of Bechtle. Bechtle ensures the shipping quality, which is mainly determined by the speed, by means of agreements with partners and daily audits. The customer benefits in numerous respects. The networking of the online shops with the stocks of vendors and distributors ensures high availability and up-to-date information. The delivery time, too, is aligned with customer needs: orders received by 4 p.m. are shipped on the same day and usually delivered on the next day. Lean processes also ensure low process costs. The customer thus benefits from competitive prices, while Bechtle is still able to earn an attractive margin. Moreover, by applying the fulfilment principle, we keep our stock level low, thereby reducing the risk of devaluation of IT products, which are characterised by very short innovation cycles.



Process control,
fulfilment principle,
shipping quality,
daily audits,
short delivery times

Many customers are eager to implement a uniform IT infrastructure – often across national boundaries. Therefore, the European positioning of Bechtle is a major advantage especially for international customers. Customers thus benefit from:

- uniform/central processes;
- uniform service levels; and
- contacts in all countries.

The product database, which has been harmonised across all national companies, forms the basis for this. This is one of Bechtle's unique selling points, as no other company – not even large manufacturers – has achieved such a level of standardisation in 14 European countries.



Up-to-date prices
and availabilities

Another key business process concerns the goods and pricing system and the uniform product database, which are accessed by all subsidiaries all over Europe. Every night, the European pricing system (EPS) developed by Bechtle loads more than 48 million pieces of pricing and availability information from IT manufacturers and distributors and calculates the respective national prices. Suppliers are primarily selected on the basis of the lowest price and the ability to ship immediately across Europe. Market-related product information is automatically updated online for the country-specific web shops.



bios® stands for
Bechtle Information &
Ordering System,
for further information
see Glossary,
page 228

E-procurement. The bios® shops are a special feature of Bechtle. This online procurement system is custom-tailored to the needs of the customers. Its objective is to reduce order and flow times, to use framework agreements optimally throughout the entire company, to manage IT stocks automatically and thus to save time and money. About 50 per cent of our customers throughout Europe have substantially reduced their process costs in connection with the procurement and management of IT products with the help of bios®. More than 50 per cent of all trading orders of the Bechtle Group are processed via our e-procurement services on bechtle.com. The services offered are not limited to the supply of hardware and software; rather, they begin with comprehensive advice on products and solutions and the creation of customised procurement concepts in the form of defined product ranges and framework agreements. Customers who use bios® benefit from high flexibility in the product selection as well as from standardisation and can thus ensure uniformity of their IT infrastructure in all purchase orders.



bios® provides a tangible
reduction of process costs
and high flexibility in
product selection

In the public-sector division, Bechtle also consistently maintains its customer-specific approach with its bios® shops. By means of the breakdown into research & education, health care, church & welfare and public administration, we make greater allowance for the heterogeneous structure of the public sector.

MARKETS

Focus on customers of all industries, especially medium-sized companies. Bechtle has a great deal of experience with medium-sized customers. For this reason, the medium-sized segment belongs to our core target group. We define the size of a company on the basis of the number of PC workstations. The minimum size is 20 workstations, and the upper limit for classification as medium-sized business is 2,000 PCs. However, apart from such conventional medium-sized businesses, we also increasingly address larger companies and groups of companies as well as public-sector clients with more than 2,000 PC workstations.

As far as the industries are concerned, Bechtle welcomes all customers, i.e. its activities are not confined to specific industries. However, the special requirements of the tendering procedures of public-sector clients have resulted in our establishment of a more clearly focused, individualised approach to this customer group. As an internal service unit, the central public-sector division supports the decentralised system houses and the trading companies in processing public invitations to tender.

03. INDUSTRY SEGMENTATION OF BECHTLE AG BY REVENUE

%



Geographically, Bechtle's IT System House & Managed Services segment operates in Germany, Austria and Switzerland. The sales office established in Bruxelles, Belgium, in 2011 represents an exception. This office was established especially for the business with European institutions. In the IT E-Commerce segment, the Bechtle Group is active throughout Europe and is represented in a total of 14 countries. Based on the Global IT Alliance (GITA) initiated in 2014, Bechtle also has a network of partner enterprises outside Europe.



See Locations,
page 38 ff

COMPETITIVE POSITION

Leading in all major IT markets. According to the German Federal Statistical Office, almost 90,000 IT companies in Germany offer products and services in the fields of IT hardware, software and IT services. These companies vary greatly with regard to their size, service spectrum and specialisation. About 80,000 of these IT companies merely operate on a local scale and seldom exceed an annual revenue of €1 million. About 8,500 companies generate annual revenue of up to €50 million. According to the Federal Statistical Office, the group of medium-sized IT companies generating annual revenue of €50 to €250 million comprises about 150 companies. Only 30 companies, including Bechtle, are on the list of largest system houses that are active in Germany.



destatis.de

In Germany, Bechtle enjoys an excellent market position. According to the industry medium "Channel-Partner", our company continued to be the top system house in 2018 measured by domestic revenue. Throughout the year, we further extended our lead over the competitors. What is even more important than the revenue is the competitive strength. According to a survey also conducted by "Channel-Partner" among German system houses for the purpose of identifying the most significant competitors, Bechtle was the most frequently mentioned company, having been mentioned by more than 50 per cent of the system houses.

The market research institute EITO currently estimates the total volume of the German IT market in 2018 at €79.9 billion, this also includes the revenue generated with private customers, but no telecommunication revenue. With its annual revenue of about €2.9 billion in Germany, Bechtle's market share currently amounts to about 4 per cent. Germany's ten largest system houses, which the industry

medium “ChannelPartner” assesses every year, jointly account for a market share of about 15 per cent. These figures clearly show how fragmented the German IT market still is. Small and medium-sized companies still account for by far the largest market share. Despite the ongoing consolidation pressure, this situation is unlikely to change in the medium run.

According to its own information, Bechtle is one of the market leaders in the system house business in Switzerland. In Austria, Bechtle AG is currently present with six system house locations. We intend to further expand our market position there.



See Locations,
page 38 f

In the IT E-Commerce segment, the group considers its market position in Germany, Switzerland and the Netherlands to be outstanding. Owing to the acquisition of Inmac WStore, Bechtle has also become one of the market leaders in France. In the other European countries, Bechtle occupies a stable position.

RESEARCH AND DEVELOPMENT

Development services for internal and customer purposes. As a pure service and trading company, Bechtle does not engage in research. However, we conduct software and application development activities both for internal purposes and for individual customer projects. Additionally, we develop software to cover special industry needs and offer it in modular form.

In the software and application solutions division, our work includes the design, development and implementation of software to customer order, e.g. for SharePoint or ERP projects. Acommit AG in Horgen, which was acquired in January 2018, is a leading Swiss service provider for software and IT infrastructure solutions. Founded in 1983, the company is a renowned specialist in the field ERP software solutions based on Microsoft Dynamics NAV and the custom-developed DIAS.

Modus Consult AG, which joined the Bechtle Group in 2015, engages in significant development activities. Among other things, the company develops ERP solutions on the basis of Microsoft Dynamics for various industries in the fields of manufacturing and trade. In customer projects, solutions are also implemented in the fields of customer relationship management (CRM), enterprise content management (ECM) and business intelligence (BI).

In the ERP/CRM environment, solutions based on Microsoft Dynamics 365 are available for the following industries:

- Modus Foodvision for the food and beverages industry
- Modus Engineering for machine and plant engineering
- Modus Industry for the clocked serial production of plastics and metal processing
- Modus Furniture for furniture manufacturing and trade
- Modus Bauvision for the main construction industry and the secondary construction trades

The range of services also comprises a service-oriented IT landscape. Besides individual development work in customer projects, development work was also done to update the solutions in all the various industries mentioned above. These are currently being converted for the next generation of Microsoft's ERP suites in order to ensure that we will continue to be able to deliver fully. Thanks to the expansion of our SharePoint portfolio as a central graphical user interface and the integration of the processes with the Microsoft Power Platform, we are able to make the entire offering of the Microsoft Platform including selected third-party providers available to medium-sized companies. New subjects such as the Internet of Things, artificial intelligence and augmented reality are also promoted here. Modus Consult seamlessly connects cloud systems to locally installed systems.

Products of ELO (electronic Leitz organiser) are used in the ECM projects. In this area, Modus Consult has also developed its own standard modules, which are deployed or customised in customer projects.

Modus Consult also assists customers in pure CRM projects. These projects are the ones that are most intensively cloud-oriented. The CRM portfolio comprises marketing solutions as well as sales, service, user portal and support functions.

Modus Consult covers the field of business intelligence with the QlikView and QlikSense products from Qlik®. Based on the Qlik standard, various so-called Modus View Solutions have been created for use in customer projects, where they can be customised.

Apart from this, no major development work was done in the reporting period.



Bechtle Comsoft serves as a "Trusted Advisor" for the licensing and asset management of enterprise software. The colleagues are comfortable with all vendors.

Leonie Germann, Sales Back Office SAM, Comsoft Germany

Deniz Tunctas, Software Licence Specialist, Comsoft Germany

Stefanie Fernandes Silva, Software Licence Specialist, Comsoft Germany

From left to right

STRUCTURE

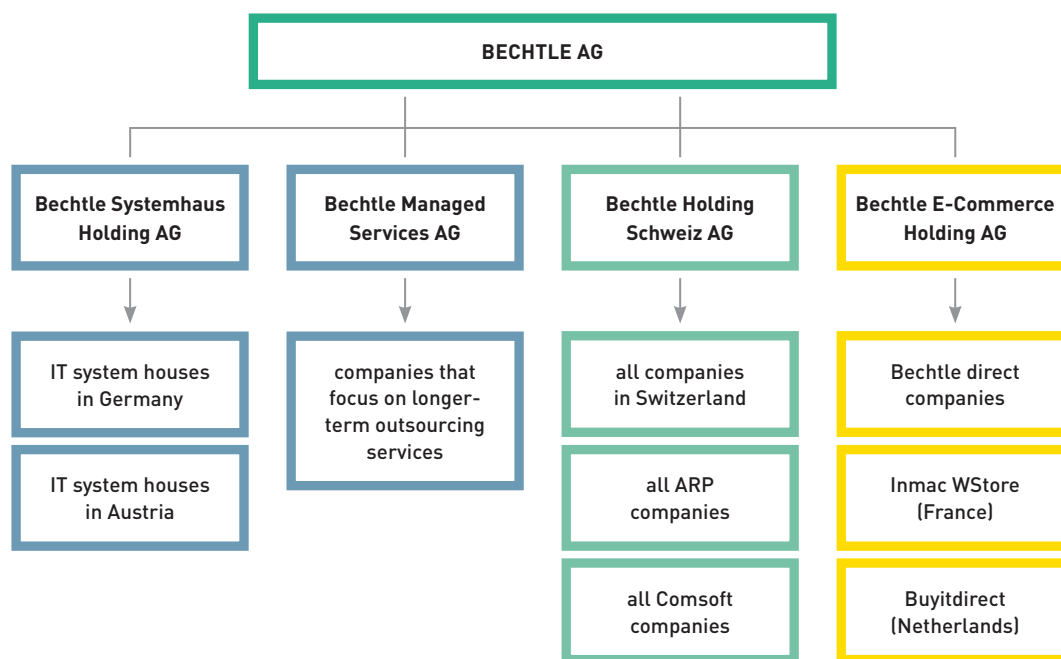
Bechtle is the largest IT system house in Germany and is active in 14 countries across Europe. Thus, we are one of the leading partners for innovative IT architectures. The principle of networked decentralisation is an important factor that has contributed to Bechtle's success. The local companies are responsible for the customer relationships and focus entirely on their core competencies. Central services are made available by the holding for all group companies.

LEGAL STRUCTURE

Customer-oriented legal structure. The principle of networked decentralisation and our regional subsidiaries' focus on the core business can also be seen in the legal structure. The Bechtle Group has a conventional holding structure. As the parent company and holding for the entire group of companies, Bechtle AG is responsible for all administrative tasks such as controlling, finance, corporate communications and investor relations, IT, human resources and staff development, legal and compliance, and mergers and acquisitions. Bechtle Logistik & Service GmbH also belongs to the holding. This company bundles the purchasing, European purchasing & services, warehouse/logistics, marketing, product management, address management as well as the returns and spare parts management for the entire group.

Under Bechtle AG, there is another level of holding companies in which the business fields and brands of the two segments IT System House & Managed Services and IT E-Commerce are bundled and business development tasks are increasingly being taken care of.

04. HOLDING STRUCTURE OF BECHTLE AG



The legally independent subsidiaries are allocated to this second holding level. All subsidiaries are wholly owned by Bechtle AG, either directly or via investment companies.

Objectives of this two-level holding structure:

- To relieve the decentralised subsidiaries of administrative and cross-company work, thereby enabling them to concentrate on the core business;
- To bundle competencies and resources in order to establish synergies, e.g. by achieving economies of scale in purchasing and logistics;
- To centrally provide outsourcing and cloud services, in particular, in order to optimise the capacity utilisation throughout the group; and
- To outline clearly aligned lean leadership responsibility and competence, which are vital in view of the size of the Bechtle Group.

In the reporting period, the Executive Board did not significantly change the existing legal structure of the Bechtle Group.



For a list of subsidiaries see Notes, page 205 ff

MANAGEMENT

Management structures reflect networked decentralisation. The separation of the strategic group management by the Executive Board from the leadership of the operational units in the daily business remains the key characteristic of the management structure. In this way, Bechtle underlines the principle of networked decentralisation, which is rooted in the business model. At the same time, this enables us to stay abreast of the extensive and continually growing management tasks and the highly dynamic business environment.



bechtle.com/
executive-vice-presidents

The Executive Vice Presidents serve as a link between the group's Executive Board and the operating units. On the one hand, these are the Executive Vice Presidents for the cross-segmental public-sector division and the central finance department. The Executive Vice Presidents in the IT System House & Managed Services segment, on the other hand, are responsible for the activities of the Bechtle IT system houses in the northern/eastern, western, central and southern regions of Germany, the managed services area, the application solutions and the system house activities in Switzerland. In the reporting period, the position of an Executive Vice President in the e-commerce segment was newly established for the Mediterranean region (France, Spain, Italy and Portugal). At the individual locations, the Managing Directors are responsible for the business success of their companies. In this way, Bechtle promotes and supports entrepreneurial drive and responsibility at all locations. This is backed by a highly earnings-oriented compensation system.

LOCATIONS



For an overview
of the subsidiaries,
see Notes,
page 205 ff

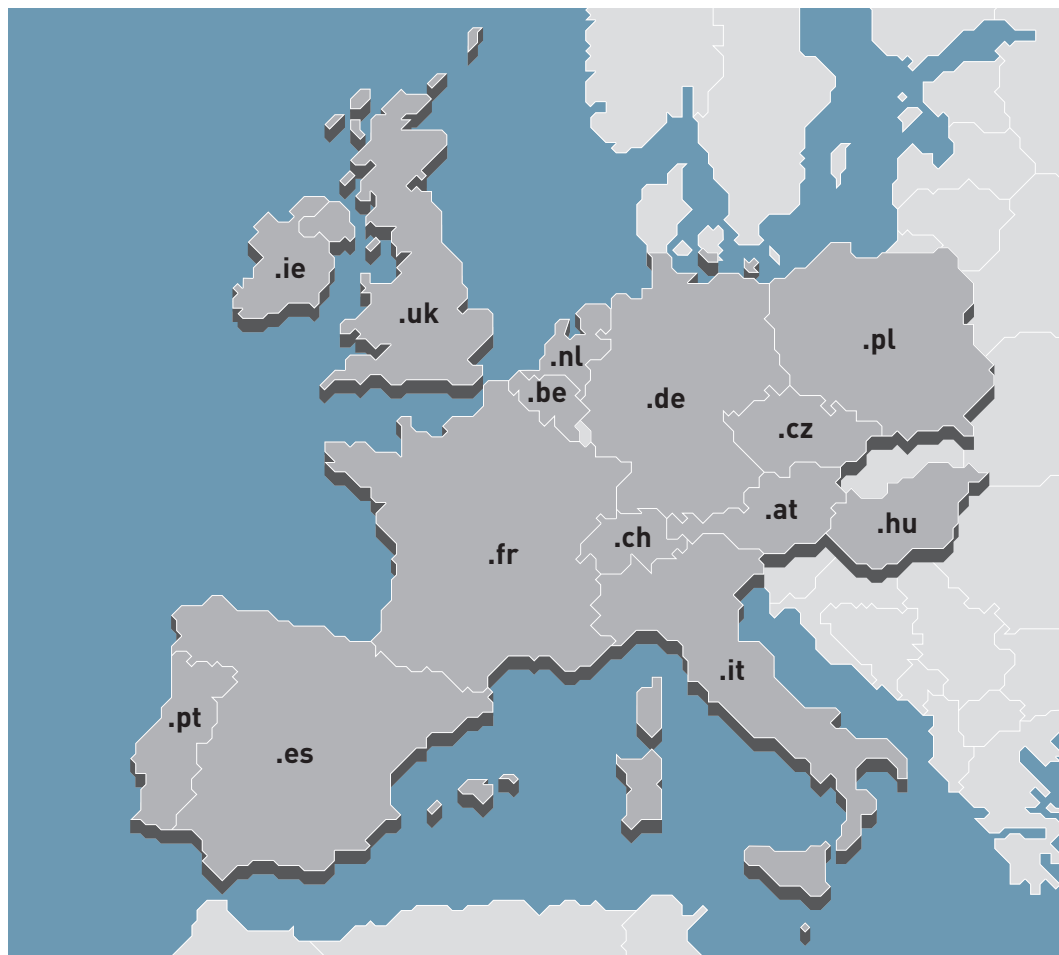
Largest location: Headquarters in Neckarsulm. The Bechtle Group is headquartered in Neckarsulm. Besides Bechtle AG, Logistik & Service GmbH and the German intermediate holding companies are also domiciled here. With almost 1,700 employees, Neckarsulm is the largest location in our group. In total, Bechtle AG has about 100 operating companies. The majority of the IT system houses and service and trading companies are located primarily in Germany, followed by Switzerland.



See Notes,
Scope of Consolidation,
page 133

France becomes second-most important market in terms of size. In the reporting period, Bechtle purchased Inmac WStore, thereby executing the largest acquisition in the company's history. Inmac, which is based in Roissy-en-France, near Paris, and has branches in Le Plessis-Robinson and Angoulême, is one of the top five IT providers in France. Through the acquisition, France has become Bechtle's second largest market in terms of the revenue, and even the largest in the IT E-Commerce segment.

05. E-COMMERCE LOCATIONS OF BECHTLE AG



Under the Bechtle direct brand, we have IT E-Commerce locations in a total of 14 European countries. Additionally, we are present in six European countries with the ARP brand. Moreover, ARP operates a purchasing company in Taiwan. In the reporting period, the Comsoft direct brand was active in this segment in two countries. As Comsoft Netherlands has been merged with the Dutch Bechtle direct company as of 1 January 2019, France is the only country in which Comsoft is still active in the IT E-Commerce segment. The Inmac WStore brand has been newly added in France.



See
Business Activity,
page 26,
and Forecast Report,
page 111 ff

Three new companies in the IT system house segment. In the consulting-intensive service business of the IT System House & Managed Services segment, local customer contacts are vital. For this reason, we have a dense network of IT system houses at about 70 locations in Germany, Austria and Switzerland. In this structure, the Managing Directors of the operating subsidiaries act in the capacity of independent entrepreneurs with a high level of personal responsibility in their local markets.



[www.bechtle.com/
locations](http://www.bechtle.com/locations)

06. SYSTEM HOUSE LOCATIONS OF BECHTLE AG



In the reporting period, Bechtle added three companies to the group in this segment. In January 2018, Bechtle took over the Swiss company Acommit, which is headquartered in Horgen and has additional locations in Wallisellen, Lyss and Luzern. In May, EvoluSys was added, another Swiss company, which is based in Coppet, western Switzerland. In October, Bechtle acquired Stemmer GmbH, which is headquartered in München and has branches in Duisburg, Karlsruhe, Köln, Siegen and Stuttgart. Two additional acquisitions that were reported in the reporting period – Bucker GmbH, headquartered in Hille, Ostwestfalen, and Coffee GmbH, which is based in Angelburg, Hessen, and has seven more locations in Germany – will become effective this year pending the approval under cartel law.

VISION, STRATEGY AND CONTROLLING

Our goal is to ensure the company's long-term success through sustainable, profitable growth. In this context, the combination of long-term orientation and timely controlling of the business forms the basis for our success. Thus, the management is responsible for making sure that nothing develops in the wrong direction and monitoring important indicators at shorter intervals. The managerial duties also focus on the long-term development of the Bechtle Group. In the reporting period, we elaborated and published the Vision 2030, thereby highlighting the long-term focus of the strategy of the Bechtle Group.

VISION AND STRATEGY

New vision provides long-term orientation. Shortly after its foundation, Bechtle formulated its long-term goals in a vision. Since then, we have successively established new visions at intervals of about ten years. In the reporting period, we elaborated and published the new Vision 2030. Apart from important qualitative statements, growth targets are again specified. By 2030, the group intends to generate a total revenue of €10 billion, with an EBT margin of at least 5 per cent. This goal will require average revenue growth of about 7 per cent per year along with an above-average increase in profitability of at least 8 per cent per year.




Vision 2030,
see page 13


Acquisitions have always been part of Bechtle's growth strategy. Thus, the goals of the Vision 2030 are to be achieved both organically and by means of acquisitions. Organically, we can build on our experience in the IT market, which already stretches back 35 years, and our high market penetration. From 2008 to 2018, we achieved an average annual organic growth rate of 11.3 per cent.

So far, growth through acquisitions has taken place mainly through the acquisition of smaller to medium-sized businesses in the IT System House & Managed Services segment. However, in its search for suitable acquisition candidates, the company often also examines larger businesses. In the reporting period, for instance, Bechtle acquired Inmac WStore. This trading-only company belongs to our IT E-Commerce segment. With revenue of more than €400 million, Inmac WStore makes a significant contribution to our growth. What matters to us most is that an acquisition strengthens the market position of the Bechtle Group in terms of the regional coverage, customers and/or services. Accordingly, the objectives are to supplement our IT-specific expertise and to intensively process strategically important markets and customer groups in order to gain market shares.

Bechtle: Integrate IT. Architect the future. For the first time, the Bechtle vision has a heading: Bechtle: Integrate IT. Architect the future. The company's operations are guided by its focus on customer orientation, which is measured by the customer's success. Equally important are our expertise, professional IT handling and our commitment to our core competence – aspects that are summarised in the statement: IT is our passion. Our entrepreneurial spirit and our independence are reflected in the goal of achieving an EBT margin of at least 5 per cent. Our declared goal is to gain market leadership in the markets in which we operate.


Our fundamental values
provide orientation

Fundamental values form the basis. The basic values of Bechtle AG, which are rooted in the corporate philosophy, are a central component of the corporate culture. Together with the internal management principles, the sustainability code and the code of conduct, these values reinforce the long-term strategic objectives and provide all employees with orientation with respect to efficient, sustainable corporate governance and control.


See **Employees**,
page 49 ff

In view of the shortage of specialists and executives in the entire IT industry, training and staff development are critical success factors for the implementation of the strategy and the pursuit of the long-term growth targets. Our objective is to provide innovative, solution-oriented and efficient concepts for the customer IT by means of duly qualified personnel. In this way, we aim to ensure a competitive positioning in an environment marked by rapid change.

07. CORPORATE GOVERNANCE OF BECHTLE AG

Market, HR and resources:

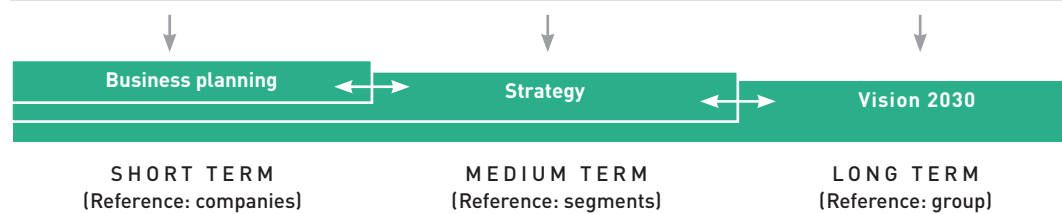
■ Customers ■ Competitors ■ OEMs ■ Employees ■ Finance

Management systems:

■ Reporting and control ■ Scorecard ■ Risk management and early risk identification ■ Compliance management

Guidelines:

■ Vision ■ Code of conduct ■ Corporate philosophy ■ Management principles ■ Sustainability code



SYSTEMS AND INSTRUMENTS

Relevant corporate management indicators defined. The Executive Board of Bechtle AG is responsible for the overall planning and realisation of the group's long-term targets. The main objective of the company development is to effectively increase the enterprise value through profitable growth.

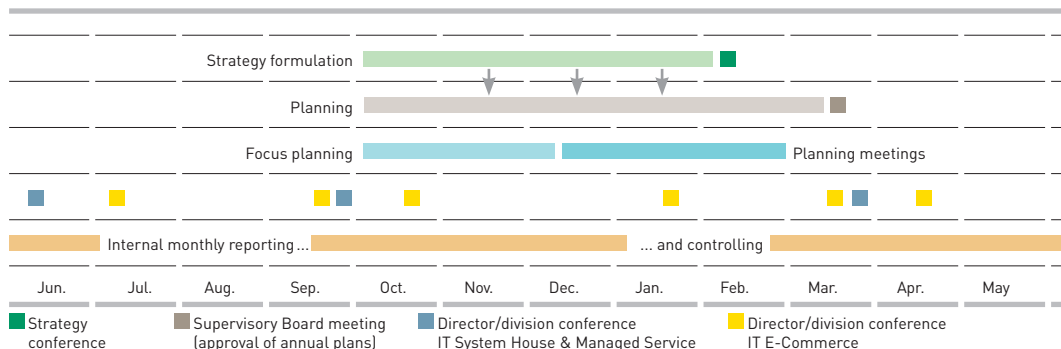
The short and medium-term planning for the controlling of the operational units and the resulting measures are derived from the long-term corporate planning. At the same time, they are also geared to the development of the competitive and market environment. For all employees of the Bechtle Group, the top priority is to achieve growth and increase returns through successful customers, and to attain market leadership on their local turf.

Revenue, revenue growth, gross margin or contribution margin, earnings before taxes (EBT) and the EBT margin are relevant key performance indicators for the defined economic targets. Individual profit-sharing schemes are in place to enhance the employees' commitment to agreed targets.

Various reporting systems ensure that all units always have an overview of the performance indicators relevant to them and can manage the business operations accordingly. At group level, the consolidated data across all operational units from the various reporting systems are used for the coordination of investment and financing decisions, early identification of target/actual variances and initiation of suitable measures.

Non-financial aspects also taken into consideration. However, many mission-critical indicators cannot be quantified, or only indirectly. This includes factors such as the brand reputation, customer satisfaction, staff qualification, experience, motivation and leadership qualities, aspects of corporate social responsibility as well as the values and corporate culture, which can only be described qualitatively, if at all.

08. PLANNING AND REPORTING PROCESS OF BECHTLE AG



See
Competitive Position,
page 33 f

To get a better picture of the reputation in the market, Bechtle conducts customer surveys and examines studies and assessments by professional media, industry associations and market research institutes. Among other things, the results of these studies are used within the scope of the strategic planning in order to assess the company's image in relation to competitors. The customer satisfaction factor is analysed in both company segments at regular intervals. The results serve as indicators for the quality of the customer loyalty. On this basis, we derive suitable measures in order to duly align our sales activities.



Training, employee
motivation and staff
development for successful
customer retention

Combined with target-oriented staff training and development, these analyses help Bechtle to continue to provide customers with comprehensive, flexible and competent consulting services. Personnel-related data such as staff turnover and qualification are also used as internal key performance indicators. The aim is to systematically develop the employees in all fields of qualification and to increase the motivation in order to further improve the employee loyalty. Our company's low staff turnover rate of 10.0 per cent is below the industry average.

SUSTAINABILITY

Sustainability is firmly rooted in the corporate strategy. Bechtle has always been an enterprise with a long-term focus. We are driven by strong goals that are formulated in a measurable vision. From the outset, sustainability has been part of our strategic orientation. We believe that economic, environmental and social responsibility belong together. This means that we can only be successful if we manage to keep business and social interests in a healthy balance. In 2013, Bechtle elaborated a sustainability code that brings home our responsibility towards society as a whole and the important guiding principles to all Bechtle employees and business partners. Since 2015, we have also published a sustainability report. As of 2017, this report also contains the non-financial group report. The sustainability report is available at bechtle.com/sustainability. In the reporting period, Bechtle joined the United Nations Global Compact, undertaking to integrate ten sustainability principles in the fields of human rights, labour, environment and anti-corruption in its corporate strategy and to implement these in its business operations.



[bechtle.com/
sustainability](http://bechtle.com/sustainability)

EMPLOYEES

Dedicated and competent employees play a key role in the success of our company and will continue to serve as an important basis for further profitable growth. For this reason, Bechtle continues to invest in training. In this way, we make sure that we will be able to gain and bond talented experts on a long-term basis.

DEVELOPMENT OF THE EMPLOYEE NUMBERS

Almost 20 per cent more employees than in prior year. As of 31 December 2018, the Bechtle Group had a total workforce of 10,005 (prior year: 8,353), a year-on-year increase of 1,652 employees or 19.8 per cent. On average, 9,083 employees worked for Bechtle during the reporting period (prior year: 7,968 employees), an increase of 14.0 per cent. The increase in the number of employees mainly reflects the new recruitment associated with the company growth and, in this year, especially the acquisitions performed.

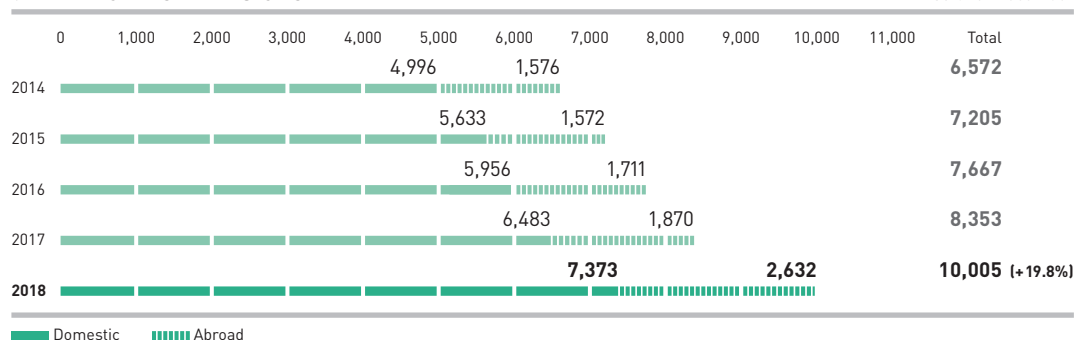


See Notes,
Employees,
page 198 f

In Germany, the number of employees as of the end of the year increased by 890 or 13.7 per cent. The number of employees active abroad increased by 762 or 40.7 per cent. Thus, more than a quarter of all employees work abroad.

09. EMPLOYEES BY REGIONS

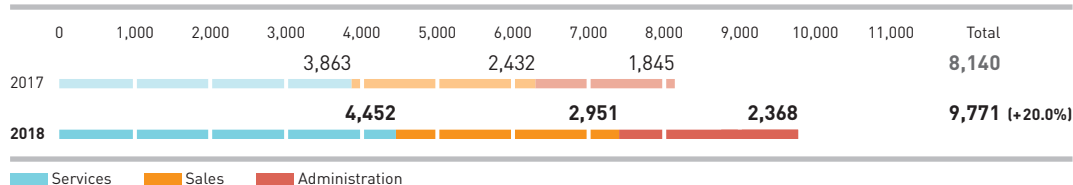
as of 31 December



Broken down by function areas, the service area experienced the greatest headcount increase. In 2018, the number of employees throughout the group was 589 or 15.2 per cent more than in the prior year. In the administration, the headcount went up by 523, an increase of 28.3 per cent. The number of sales employees went up by 519 or 21.3 per cent.

10. EMPLOYEES BY AREAS

as of 31 December



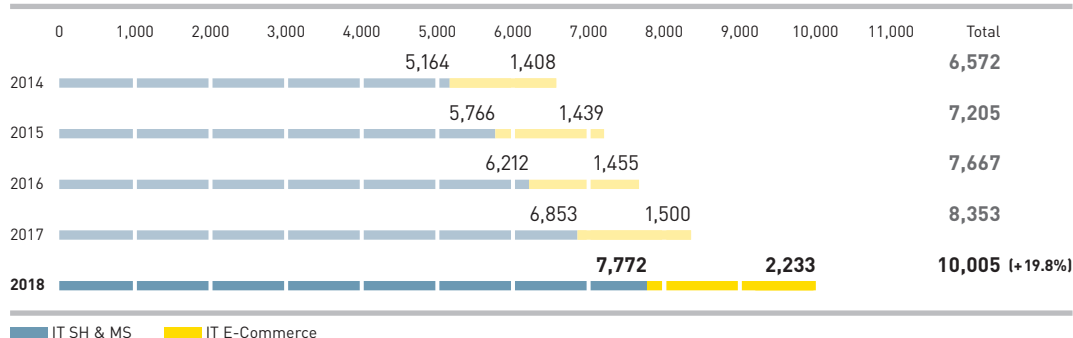
Services Sales Administration

For internal costing reasons, the staff information by areas does not take absentees into consideration. In the reporting period, we redefined the term "absent". While in the past, this only considered employees on parental leave, employees who are absent for more than six weeks are now counted. We have adjusted the prior-year figures accordingly.

At the business segment level, the headcount increased sharply especially in the e-commerce segment. The acquisition of Inmac WStore alone added 474 employees to the company. In total, the IT E-Commerce workforce increased by 733 or 48.9 per cent. In the IT System Mouse & Managed Services segment, the headcount went up by 919 or 11.0 per cent.

11. EMPLOYEES BY SEGMENTS

as of 31 December

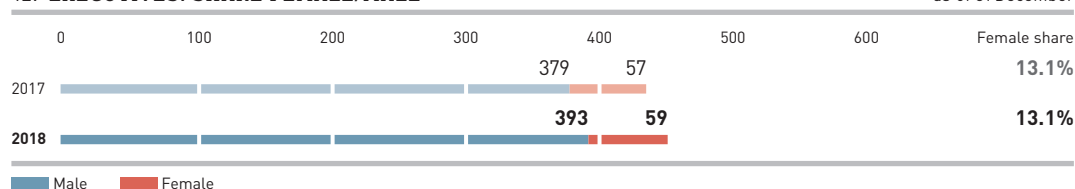


IT SH & MS IT E-Commerce

We are convinced that the diversity of the employees promotes team performance and makes an effective contribution to the business success. As an IT enterprise active throughout Europe, Bechtle already has a balanced proportion of various cultures and nationalities and of men and women. As in the prior year, women currently account for approximately 27 per cent of all employees. Among the executives, 13 per cent of all employees are female, as in the prior year. Among the trainees, women account for more than 24 per cent. At 50 per cent, the central divisions have the highest share of women, followed by 40 per cent in the e-commerce segment and 20 per cent in the system house segment.

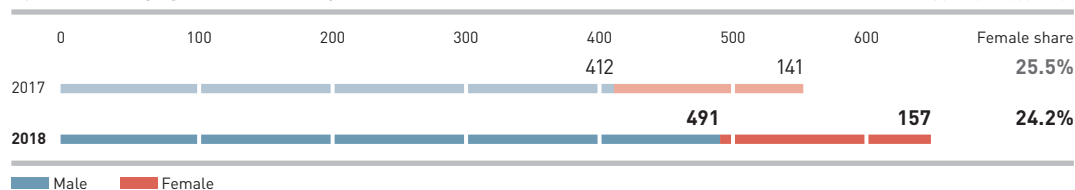
12. EXECUTIVES: SHARE FEMALE/MALE

as of 31 December



13. TRAINEES: SHARE FEMALE/MALE

as of 31 December



Training at Bechtle means to take responsibility within a short time. Teamwork and the skills of experienced colleagues help trainees to do so.

Armin Seifer, SharePoint Consultant, HanseVision

David Wostracki, student on an integrated degree programme in online media, Bechtle AG

Nina Vogt, trainee in media design, Logistik & Service

PERSONNEL EXPENSES AND SALARY MODEL

Personnel expenses up by disproportionately low rate. In 2018, expenses for wages and salaries including social contributions increased by a disproportionately low rate of 16.3 per cent compared to revenue, resulting in a decrease in the personnel expense ratio. The personnel intensity amounted to 60.3 per cent (prior year: 61.0 per cent) in relation to the gross profit.

14. PERSONNEL EXPENSES

		2018	2017
Personnel and social expenses	€m	590.7	507.7
Personnel and social expenses per employee ¹	€k	66.7	65.4
Personnel expense ratio	%	13.7	14.2

¹ Without absentees; prior-year figure adjusted

The salary model of almost all Bechtle employees consists of fixed and variable components. The amount of the variable compensation depends on the target achievement level in the particular field of responsibility or on the performance of the group. For sales staff, the variable component is calculated according to the amount of the contribution margin achieved, while the revenue serves as the indicator for employees in the service sector. In the administration, the variable component is calculated according to the earnings before taxes. As a matter of principle, the performance-related compensation of Managing Directors is calculated on the basis of the achievement of the earnings and revenue targets defined at the beginning of the year.

The interchange in a community is appreciated by all colleagues, both in the local team and across locations.

Julian Schaller, Product Management Lenovo, Logistik & Service

Tharshika Pathmanathan, Product Management Lenovo, Logistik & Service



EDUCATION AND TRAINING

Training serves to secure tomorrow's manpower requirements. To ensure the supply of qualified junior personnel, Bechtle continuously puts a lot of emphasis on training young people. We consider training as an investment in the future for the purpose of actively forestalling a shortage of qualified staff. Over the years, we have become a renowned training company for various administrative and technical professions. In collaboration with cooperative universities, we also offer integrated degree programmes in various economic and technical subjects.



bechtle-azubit.de

In the reporting period, more than 200 young people embarked on their training or integrated degree programme with our company. As of the end of the reporting period, the company had a total of 648 young trainees (prior year: 553), including about 80 abroad. Technical training professions (326 trainees) outweigh administrative training professions (240 trainees). Moreover, 47 young people studied on an economic degree programme and 35 on a technical degree programme of a cooperative university. At 7.7 per cent, the training ratio in Germany was slightly higher than in the prior year (7.5 per cent). At the head office in Neckarsulm, the training ratio is 9.7 per cent. Our goal is to raise the training ratio in Germany to 12 per cent in the medium term. To reach this ambitious goal, Bechtle invests in innovative training marketing.



648 trainees

Successful training concepts continued. Our training initiative AZUBIT consists of various blocks that complement each other. By means of this initiative, we introduce high-school students to our future-oriented, hands-on training concept, in which trainees can quickly assume responsibility and contribute their own ideas. Numerous high-school students also benefit from the wide range of high-school internships. The cooperation with schools is another opportunity for drawing young people's attention to Bechtle as an attractive training company. By means of applicant training, school class visits to our group headquarters and presentations in school classes, we give high-school students an authentic glimpse into the training in our company and establish personal contact with the young people. Furthermore, we make use of numerous recruiting events to present ourselves as a training company. In the reporting period, Bechtle was awarded the employer label "MINT Minded Company" in recognition of its special interest in students, graduates and talents in the fields of maths, IT, science and technology.

To facilitate the first steps in our company and the day-to-day business, all trainees participate in the two-day introductory event MIKADO. At this event, the newcomers get to know Bechtle and especially group HQ with its service units. During their training, a tried-and-tested mentoring model, regular meetings and cross-location seminars give the young people opportunity to engage in interchange and network. The fact that upon graduation, we are able to offer virtually all trainees and students on integrated degree programmes employment contracts shows how successful the measures are.

Bechtle Academy offers comprehensive education and training programme. The Bechtle Academy, which was established by the company back in 1999, complements the individual training at the group locations, offering all employees a comprehensive programme. The programme ranges from ongoing training measures to the acquisition of special skills to interdisciplinary seminars. On top of this, the Bechtle Academy is also responsible for the monthly introductory events for new employees. From an organisational perspective, the Academy's activities are assigned to the staff-development department. The Academy's main duty is to support the achievement of the growth targets of the Bechtle Group by means of suitable strategic staff-development measures. In the reporting period 2018, the Bechtle Academy conducted 523 classroom events with a total of 6,904 participants (prior year: 432 events with 5,261 participants). Furthermore, all employees have access to the seminars of the Bechtle training centres, which are an integral part of the Bechtle system houses.

We want to continuously improve the quality of the training offers and thus the competencies of all employees. In addition to the Academy's classroom events, we therefore offer iLEARN, an online learning management system with a wide range of subjects, throughout the group. Thus, we have a target group-oriented training offering for newcomers as well as professionals. The courses are available in up to ten languages for 14 European countries. Since October 2016, all Bechtle employees have access to this e-learning platform. The objective of iLEARN is to ensure uniform, state-of-the-art knowledge at all locations, thereby further expanding our competitiveness. Moreover, it helps us to achieve flexibility in terms of the place and time and increases the satisfaction of the participants, who are able to learn at their own speed. Moreover, we reduce emissions and costs resulting from business trips for training purposes.

The Bechtle-certified IT business architects programme was launched in 2012 in order to satisfy our customers' increasing demand for IT consulting services and IT strategy support. In this 13-days programme, employees learn how to elaborate long-term IT strategies aligned with the business development needs of the customers. Meanwhile, more than 50 certified architects serve in 30 companies.

Trainee programme again receives quality label. Bechtle offers ambitious newcomers with a knack for IT an attractive trainee programme that focuses on “Sales (industry)”, “Sales (public-sector division)” and “IT system engineering/IT consulting”. In 2018, the programme again demonstrated its effectiveness. Following an intensive quality audit by the Trendence Institute in collaboration with the Ludwig Maximilian University (LMU) in München, it was awarded the “Career-promoting & fair trainee programme” label for the seventh consecutive time.



[bechtle.com/
trainee_en](https://bechtle.com/trainee_en)

Executive positions to be increasingly staffed from our own ranks. To continue to be able to cover the demand for executives from our own ranks, our staff development has introduced two development programmes for executives. Since 2013, the yearly junior management programme has been offered to employees who do not yet perform any executive tasks or who have just started assuming some executive responsibility, but who reveal further management potential. This programme focuses on leadership. The general management programme, which focuses on the company management, was launched in 2011. Its objective is to prepare talented executives for general management duties. In both programmes, the employees are jointly prepared for taking on new responsibilities. Additionally, they benefit from diverse individual interchange and support offers, such as mentoring with experienced executives. All staff-development programmes promote intensive interchange among the participants and within the entire company, in order to share knowledge and experience and to learn from each other.



Always moving ahead:
Bechtle employees participate in
numerous qualification measures.

Rebecca Strothmann, Account Manager,
International Customers, Bechtle direct

Patrick Laux, Team Leader Sales,
International Customers, Bechtle direct



For further information
on the HR work, see
bechtle.com/sustainability

Quality and quantity: In response
to its many job postings, Bechtle
receives numerous applications from
just the right people.

Hüseyin Yalcin, Human Resources,
Bechtle AG

Megan Wörthmann, trainee in wholesale
and international trade management,
Logistik & Service

Marie Wickinghoff, Human Resources,
Bechtle AG

Award-winning recruitment. In 2018, Bechtle again received the “Best Recruiters Gold” award. Thus, we reached the first place in the IT, software and telecommunications industry for the fourth time in a row. In the overall ranking, we were in 12th place out of a total of 423 companies tested in Germany. This award confirms the effectiveness of our company’s recruitment strategy. In the reporting period, Bechtle received a total of 22,069 applications.



CORPORATE GOVERNANCE REPORT

Bechtle's corporate governance is focused on meeting the company's responsibility towards all stakeholders. In this context, we have always made it our guiding principle to act as a respectable merchant. This continues to be reflected in the values and corporate culture and represents a key orientation standard for the Executive Board and the Supervisory Board.

In this section, the Executive Board and Supervisory Board jointly report on the corporate governance at Bechtle AG according to Section 3.10 of the German Corporate Governance Code (DCGK). Bechtle AG publishes the declaration on corporate governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB) on its website.



[bechtle.com/
corporate-governance](https://bechtle.com/corporate-governance)

SHAREHOLDERS AND ANNUAL GENERAL MEETING

All shares of Bechtle AG are no-par bearer shares and grant the same voting rights. To enable shareholders to safeguard their rights at the Annual General Meeting, the Executive Board appoints a proxy that the shareholders can authorise to exercise their voting rights. Bechtle ensures that the proxy can be reached even during the Annual General Meeting. The invitation as well as the reports and documents required for the Annual General Meeting are published on the Internet.



bechtle.com/agm

Bechtle AG endeavours to organise the Annual General Meeting efficiently and within a reasonable time frame. In this context, we follow the provisions of the German Corporate Governance Code (DCGK), according to which an ordinary annual general meeting should end after no more than four to six hours. In recent years, all Annual General Meetings of Bechtle AG remained within this limit.

As previously, the Annual General Meeting of Bechtle AG will not be broadcast over the Internet. In the opinion of the Executive Board and of the Supervisory Board, the organisational costs of an Internet broadcast would exceed the benefits for the company and its shareholders.

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD



See Report of the
Supervisory Board,
page 18 ff

In the German dual system, the company management (i.e. the Executive Board) and the controlling unit (i.e. the Supervisory Board) are strictly separated from each other. Nevertheless, these two boards collaborate closely for the good of the company. The Supervisory Board is involved in all major corporate decisions and assists the Executive Board by providing advice whenever necessary. The Executive Board regularly, duly and comprehensively informs the Supervisory Board of all material issues relating to business development, business planning, strategy, risk management, potential risks and opportunities with respect to business performance as well as compliance-related subjects. The information and reporting obligations are specified in detail in the rules of procedure of the Executive Board. The Executive Board informs the Supervisory Board without delay about any extraordinary events that are of importance to the assessment of the situation, development or management of the company. The Supervisory Board and especially the Chairman of the Supervisory Board also obtain information about the company's situation and important business transactions outside the scope of the regular Supervisory Board meetings. Thus, the Supervisory Board has a useful information base for monitoring operations with valuable suggestions and recommendations. As a matter of principle, the Executive Board forwards its documents to the members of the Supervisory Board in coordination with the Chairman of the Supervisory Board in good time before Supervisory Board meetings, in order to enable the members to duly prepare for the meetings. According to the rules of procedure of the Supervisory Board, important business transactions are subject to the approval of the Supervisory Board.

The Executive Board and the Supervisory Board observe the generally accepted corporate governance principles. Should they culpably violate their duty to exercise due care, Bechtle AG may assert damage claims against them. To cover this risk, the company has taken out directors & officers liability insurance for the members of the Executive Board and of the Supervisory Board. A deductible of 10 per cent has been agreed for the Executive Board in line with the statutory provisions, but not for the Supervisory Board. Bechtle AG does not believe that a deductible would contribute to an improved sense of responsibility and motivation of the Supervisory Board.

EXECUTIVE BOARD

The staffing and responsibilities of the Executive Board are the same as in the prior year. The Executive Board comprises three members. Dr. Thomas Olemotz is its Chairman.



bechtle.com/executive-supervisory-boards

The Supervisory Board of Bechtle AG has examined the subject of determining a target for the female quota in the Executive Board. Currently, the share of women on the Executive Board is 0 per cent. The Supervisory Board is firmly convinced that bonding the members of the Executive Board to the company and keeping them in the company on a long-term basis serves the company's interests. Therefore, the Supervisory Board does not believe in changing the staffing of the Executive Board solely for the purpose of increasing the proportion of women. Therefore, increasing the number of members of the Executive Board for the mere sake of ensuring a certain female quota is not a viable option. Therefore, the Supervisory Board has determined a target quota of 0 per cent for the proportion of women on the Executive Board with effect from 1 July 2017 until 30 June 2022.

The Executive Board of Bechtle AG has adopted targets for the female quota at the two executive levels under the Executive Board. For the staffing of the two executive levels under the Executive Board, qualification is the top priority. Moreover, the objective is to commit employees to Bechtle on a long-term basis. The first executive level under the Executive Board comprises the Executive Vice Presidents. Currently, the share of women at this level is 0 per cent. For the said reasons, in its decision of 29 May 2017, the Executive Board set the target quota for the first executive level from 1 July 2017 to 30 June 2022 to 0 per cent.

The second executive level under the Executive Board comprises the decision makers in managerial positions as well as other executives that report directly to a member of the Executive Board. As of 30 June 2017, the share of women at this level amounted to 5.48 per cent. In its decision of 29 May 2017, the Executive Board set the target for the second executive level with effect from 1 July 2017 to 5.5 per cent. The deadline for reaching this target quota is 30 June 2022.

The Executive Board of Bechtle AG requires the company and all employees to abide by the law. To highlight the importance of doing so, a code of conduct was published a number of years ago. This code of conduct is binding for all employees and serves as a guideline to avoid violations and duly handle compliance incidents. A compliance board was set up simultaneously. The compliance board consists of the Executive Board of Bechtle AG and a permanent representative of the legal department. All employees as well as external parties can contact the compliance board via a hotline and a protected e-mail account. The compliance board reviews and assesses reports and violations and makes sure that any required measures are taken. Additionally, the compliance board advises decision makers in handling compliance-relevant situations. It continually processes reported incidents and uses the information to specify and further develop compliance requirements.



compliance@bechtle.com

EXECUTIVE BOARD COMPENSATION

In the reporting period, the total compensation of the members of the Executive Board consisted of a fixed basic salary and performance-related variable compensation comprising a short-term component and a long-term component (moving calculation) with a three-year horizon. The criteria for the general assessment of the variable compensation include EBT, revenue growth, the EBT margin and, for the long-term compensation component, a minimum return on equity. Apart from this, the Supervisory Board may, at its own discretion, grant the Executive Board a special bonus. As in the past, the company did not make any pension commitments to members of the Executive Board in the reporting period.

Bechtle AG presents the compensation of the Executive Board in individualised form, making use of the standard DCGK tables. These disclosures are made in the Notes.

Bechtle AG largely complies with Section 4.2.3 (2) sentence 6 DCGK, according to which the amounts of the executive board compensation as a whole and of its variable compensation components should be capped. With respect to the fixed compensation and the greater part of the variable compensation components, the employment contracts of the current members of the Executive Board of Bechtle AG specify limits. So far, only the fringe benefits and part of the variable compensation components (and thus of the compensation as a whole) are not subject to any contractual limits. In view of the fact that the Executive Board compensation is already capped with respect to its material components, the company believes that full application of the recommendation in Section 4.2.3 (2) sentence 6 DCGK would not provide any tangible added value, neither for Bechtle AG nor for its shareholders. Therefore, the recommendation will continue to be complied with only partially.

Depending on their position, the members of the Executive Board are assigned vehicles for business and private use as fringe benefits in addition to the Executive Board compensation.

The employment contract of Dr. Thomas Olemotz, Chairman of the Executive Board, does not provide for any severance cap pursuant to Section 4.2.3 (4) DCGK, as the Supervisory Board does not consider a formal cap to be appropriate under consideration of the company's interests. Therefore, the recommendation of Section 4.2.3 (4) DCGK has not been and will not be complied with. The Chairman of the Executive Board is subject to the statutory regulations in the event of premature termination of the employment contract.

Moreover, the employment contract of the Chairman of the Executive Board provides for payment of a one-off severance amount in the event of the justified exercising of the special right of termination by him in the case of a change of control, for which a cap of three years' compensation is agreed.

SUPERVISORY BOARD

In line with the Articles of Incorporation, the Supervisory Board of Bechtle AG consists of twelve members. In accordance with the German Co-determination Act (MitbestG), it consists of equal numbers of shareholder representatives and employee representatives. The Supervisory Board currently includes four female members. Various members have a special international background, and all shareholder representatives are independent. Some of the employee representatives are normal employees of the company.



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Members of the
Supervisory Board,
page 212 f

Supervisory Board elections were held in the reporting period. On the employee side, Anton Samija was newly elected to the Supervisory Board. Uli Drautz, Daniela Eberle, Barbara Greyer, Volker Strohfeld and Michael Unser were re-elected. The shareholder representatives proposed by the Supervisory Board were elected at the Annual General Meeting on 12 June 2018. Kurt Dobitsch, Prof. Dr. Thomas Hess and Sandra Stegmann were re-elected. Due to her judicial appointment, Elke Reichart had already served on the Supervisory Board since December 2017. The Annual General Meeting confirmed her in this office. Dr. Lars Grünert and Klaus Winkler were newly elected. At the constituent meeting of the Supervisory Board after the Annual General Meeting, Klaus Winkler was elected as Chairman, as had been intended.

Bechtle AG is required by law to ensure a female quota of at least 30 per cent on the Supervisory Board. Currently, the proportion of women on our Supervisory Board is 33 per cent.

Contrary to the recommendation of Section 5.3.2 (3) sentence 3 DCGK, the Chairman of the Supervisory Board of Bechtle AG also serves as Chairman of the audit committee. He engages in intensive exchange with the Executive Board and is closely acquainted with the goings-on in the company. Thus, the company does not consider a separation of the leading positions on the Supervisory Board and the audit committee to be necessary.

A nomination committee has not been formed. In view of the staffing of the Supervisory Board, the Supervisory Board does not consider such a committee to be necessary at present.

CVs of all Supervisory Board members are to be published on the company's website and updated every year. In the past, this recommendation has not always been complied with. Henceforth, however, the Supervisory Board will publish the CVs of all Supervisory Board members.

The Supervisory Board endeavours to fulfil its duties with due care. Every three years, the Supervisory Board has the efficiency of its activity comprehensively audited on the basis of the guideline of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. Such an audit was carried out during the reporting period and showed that the Supervisory Board works efficiently. Should the Supervisory Board come to the conclusion that the efficiency is deteriorating, the audit will be conducted on an annual basis.

Under consideration of Section 5.4.1 (2) of the German Corporate Governance Code (DCGK), the Supervisory Board has set down goals concerning its composition in writing. The Supervisory Board thus intends to ensure that at least two members of the Supervisory Board fulfil the criterion of internationality to a special degree. However, the Supervisory Board does not see any necessity to fix the number of independent members of the Supervisory Board. Currently, all shareholder representatives fulfil the criterion of "independence", as they do not have any personal or business relationship with the company, its organs, a controlling shareholder or a company affiliated with a controlling shareholder and do not exercise any advisory or organ functions for customers, suppliers, creditors or other business partners of Bechtle AG. Nevertheless, the Supervisory Board will continue to propose representatives of business partners as members of the Supervisory Board if their specific skills are more beneficial to the company than potential conflicts of interests could be detrimental. For the aforesaid reasons, the Supervisory Board does not consider it to be necessary to disclose the number of independent members among the shareholders which it believes to be appropriate and the names of these members in the Corporate Governance Report. In terms of diversity, the Supervisory Board has not determined any goals. Moreover, the Supervisory Board has not determined any standard limit for the affiliation with the Supervisory Board. In this area too – as in the case of the staffing of the Executive Board and executive positions and in its dealings with all employees – Bechtle AG aims at long-term cooperation. In the past, Bechtle AG often benefited from the long-standing expertise of experienced members of the Supervisory Board. This would be desirable in the future as well.

The rules of procedure of the Supervisory Board and the targets adopted by the Supervisory Board for its composition provide for an age limit of 70 for election to the supervisory committee.

Pursuant to Section 5.4.1 (2), second half of sentence 1 DCGK, the Supervisory Board has created and adopted a skills profile for the entire board. In summary, each member of the Supervisory Board must, among other things, have the skills and expertise needed to duly perform his or her duties according to law and the Articles of Incorporation, and at least one member of the Supervisory Board must have expertise in the field of accounting or auditing. Furthermore, the members of the Supervisory Board must, in their entirety, be familiar with the industry in which the company operates. Furthermore, each member of the Supervisory Board must have enough time for the exercise of his or her mandate. With respect to skills and experience, each member should have a general understanding of the business activity of an IT system house, especially of the market environment, the individual business areas, customer needs, the regions in which the company is active and the company's strategic orientation. Moreover, individual or several members should be knowledgeable in the field of financial accounting or auditing, business administration, corporate governance as well as compliance and leadership. All members should also be able to assess and evaluate the correctness, efficiency and appropriateness of the business decisions to be evaluated and the annual financial statements.

Presently, the goals determined by the Supervisory Board for its composition and the requirements of the skills profile are met. These goals will also be taken into consideration in future election proposals to be submitted to the Annual General Meeting, and efforts will be made to fulfil the skills profile.

SUPERVISORY BOARD COMPENSATION

The regulations concerning the Supervisory Board compensation did not change in the reporting period. These regulations were adapted by resolution of the Annual General Meeting of 9 June 2016 and are explained in Article 11 of the Articles of Incorporation of Bechtle AG. The compensation structure takes the responsibility and scope of activity of the individual members into account. Any chairmanship and vice-chairmanship, as well as committee activities and committee chairmanship, are taken into consideration. Success-oriented compensation is not planned. Bechtle AG presents the compensation of members of the Supervisory Board in individualised form. These disclosures are made in the Notes.



[bechtle.com/satzung](https://www.bechtle.com/satzung)



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Members of the Supervisory Board have not been granted any loans, and no liability has been assumed on their behalf. The same applies to members of the Executive Board. During the reporting period, the company did not have any share option programmes or similar securities-oriented incentive systems.

CONFLICTS OF INTEREST

The members of the Executive Board and of the Supervisory Board are committed to the interests of the company. In their decisions within the scope of their activity, they are not permitted to pursue personal interests or use for themselves business opportunities to which the company is entitled. In the past fiscal year, the members of the Supervisory Board and Executive Board did not experience any conflicts of interests, e.g. due to an advisory function or role on a body for customers, suppliers, creditors or business partners. Detailed information on the existing mandates of the board members on supervisory boards and similar supervisory bodies of other companies is presented in the Notes to the Consolidated Financial Statements.



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Members of the
Supervisory Board,
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TRANSPARENCY

Bechtle attaches great importance to open, trusting communication with its shareholders and other stakeholders. Therefore, the company engages in fair, timely and reliable dialogue with all stakeholders. For the Executive Board and the Supervisory Board, openness and transparency are key principles of conduct. All relevant information is published simultaneously in English and German. Financial dates, financial reports, press releases and presentations are also made available on the company's website.



[bechtle.com/investors](https://www.bechtle.com/investors)

ACCOUNTING AND AUDITING OF ANNUAL FINANCIAL STATEMENTS

Bechtle prepares the Consolidated Financial Statements and the half-yearly financial report according to the applicable rules of the International Financial Reporting Standards (IFRS) as applied in the EU. The annual financial statements are prepared according to the regulations of the German Commercial Code (HGB).

The annual and Consolidated Financial Statements were audited by the audit firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, Germany, which the General Meeting had appointed as auditor for the 2018 fiscal year.

Before the election proposal was submitted by the Supervisory Board, the audit firm Ernst & Young GmbH issued a declaration of independence pursuant to Section 7.2.1 (1) DCGK. According to this declaration, there are no business, personal, financial or other relationships between the audit firm, its bodies and audit managers, on the one hand, and the Bechtle Group and members of its bodies, on the other hand, that could cast doubt on the auditor's independence. The audit firm was not involved in the accounting or preparation of the annual or Consolidated Financial Statements.

The auditor participates in the Supervisory Board discussions on the annual and Consolidated Financial Statements, will attend the balance sheet meeting on 13 March 2019 and reports the results of its audit. Moreover, the auditor provides additional information and answers questions of the Supervisory Board concerning the audit.

Keeper of customer data. Bechtle's data centre in Frankfurt securely hosts the physical and virtual infrastructures of numerous customers.

Jürgen Meßmer, Department Head,
Infrastructure Services & Data Centre,
Bechtle AG

Florian Münch, Infrastructure Specialist,
Bechtle AG

From left to right



SHARE

As a whole, 2018 was a successful year for the Bechtle share. Despite the extremely difficult market conditions, our share performed well, though the price posted a slight minus at the end of the year. Due to the inclusion in the MDAX, the interest shown in the Bechtle share has increased noticeably. This is evident from the significantly higher trading volume and increased enquiries, particularly of international investors. Especially in times of uncertainty, the sustainable dividend policy of Bechtle AG is an attractive aspect for investors.

REALIGNMENT OF THE INDICES

Bechtle share included in the MDAX. In the course of a realignment of the indices of Deutsche Börse, the Bechtle share was included in the MDAX stock index on 24 September 2018. Thus, Bechtle is one of Germany's 90 largest listed companies. The listing in the technology index TecDAX, which Bechtle has been part of since its foundation in 2004, will continue alongside the MDAX listing.

STOCK MARKET

Weak stock market year 2018. The development of the European financial market in 2018 was dominated by political events. Especially the trade dispute between China and the USA, the uncertainty about Italy's budget and, last but not least, the Brexit negotiations imparted negative impulses to both small and institutional investors. Though the global economy made a positive start into 2018, the signs of weakening of the economic performance increased noticeably in the course of the year.

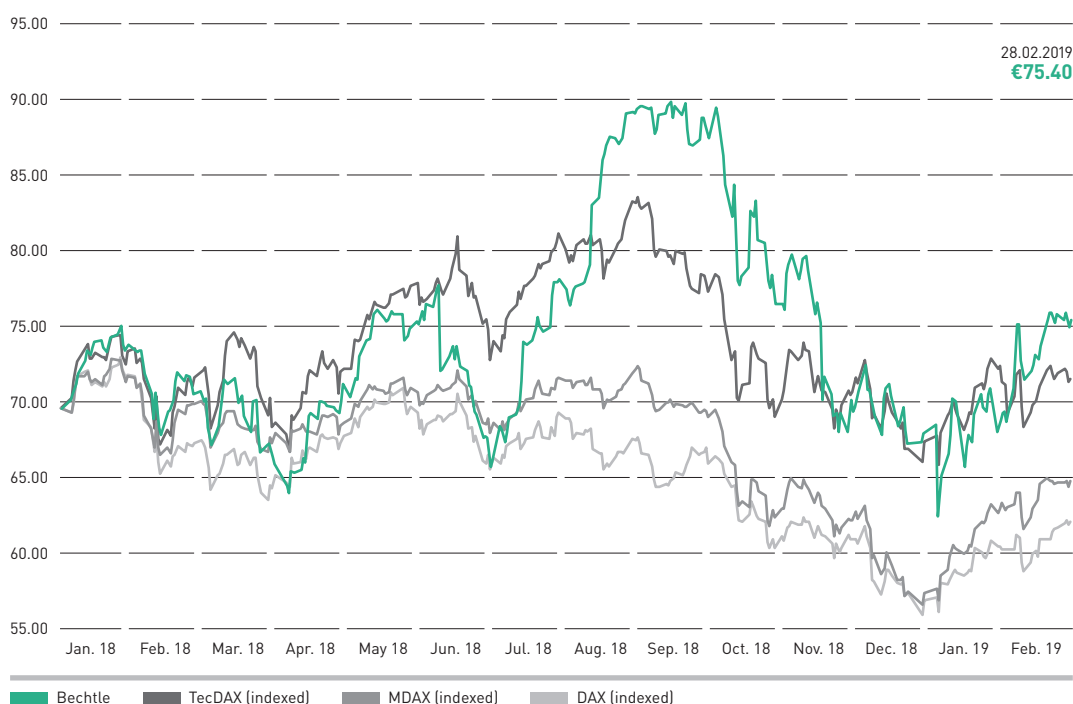
The German stock market initially reacted with highly volatile price movements. As early as January, the DAX reached a new all-time high of about 13,600 points, dropped below 12,000 in March and then returned to 13,000 in May. From the second half of the year and especially towards the end of the trading year, all indices suffered significant losses. In the course of the year, the DAX, MDAX and SDAX even posted double-digit dips of 18.3 per cent, 17.6 per cent and 20.0 per cent, respectively. The technology index TecDAX fared slightly better, falling merely 3.1 per cent.

SHARE PERFORMANCE

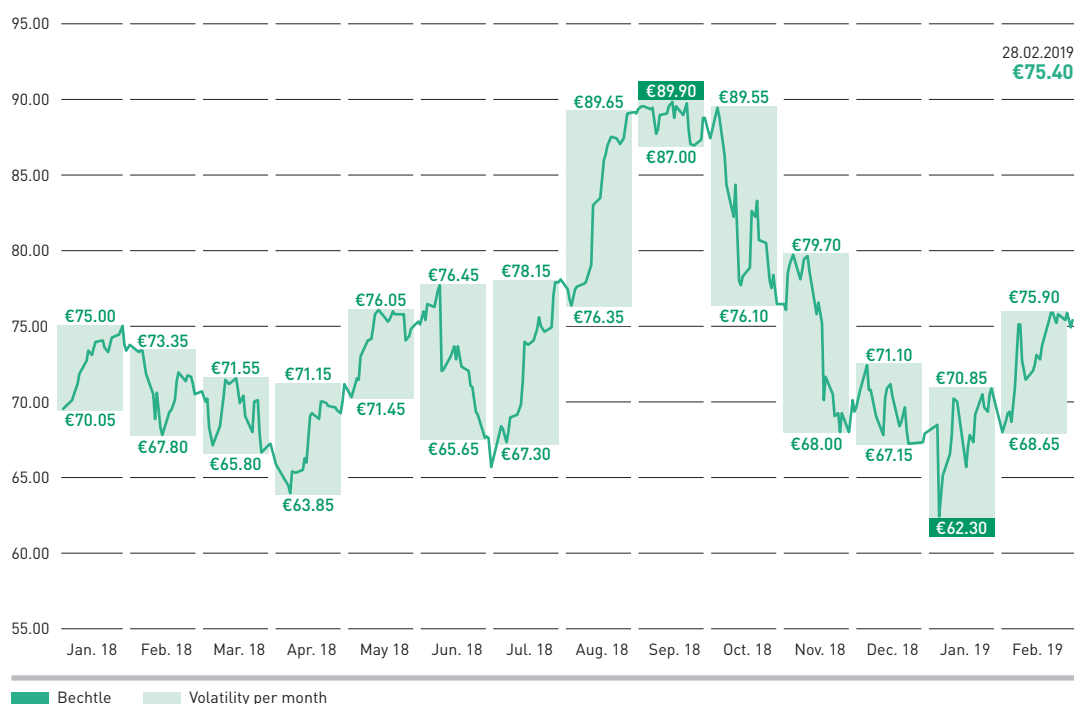
Bechtle share resilient despite weak market. The Bechtle share started into the stock market year 2018 with a long volatile phase. In the first half of the year, our share price fluctuated between €64 and €77. On 4 April 2018, the share dropped to its annual low of €63.85. Starting from the second half of the year, the share price went up continually, outperforming all indices. On 12 September 2018, it reached a new all-time high of €89.90. The Bechtle share was unable to buck the general stock market trend in the fourth quarter of the reporting period. Like the rest of the market, it suffered losses and closed the stock market year at €67.85. With a minus of 2.4 per cent, the performance of the Bechtle share was nevertheless better than that of the reference indices.

15. THE BECHTLE SHARE – PERFORMANCE FROM JANUARY 2018 TO FEBRUARY 2019

€



16. THE BECHTLE SHARE – HIGHS AND LOWS FROM JANUARY 2018 TO FEBRUARY 2019



See
bechtle.com/share
for the current
share price

At the end of the year, the market capitalisation amounted to €2,849.7 million. In the ranking of Deutsche Börse as of 31 December 2018, Bechtle was in 15th place in terms of market cap in the TecDAX, dropping four places, partly also due to the index reorganisation. In the MDAX, Bechtle ranks 75th.

17. TRADING DATA OF THE BECHTLE SHARE

		2018	2017	2016	2015	2014
Closing price at the end of the year	€	67.85	69.52	49.41	44.03	32.99
Performance	%	-2.4	+40.7	+12.2	+33.5	+33.4
High (closing price)	€	89.90	72.71	52.28	46.32	32.99
Low (closing price)	€	63.85	46.50	36.85	32.25	24.67
Market cap – total ¹	€m	2,849.7	2,919.8	2,075.2	1,849.3	1,385.6
Avg. turnover/trading day ²	shares	101,037	45,637	30,515	46,580	41,281
Avg. turnover/trading day ²	€	7,668,425	3,604,891	2,789,577	3,452,399	2,452,888

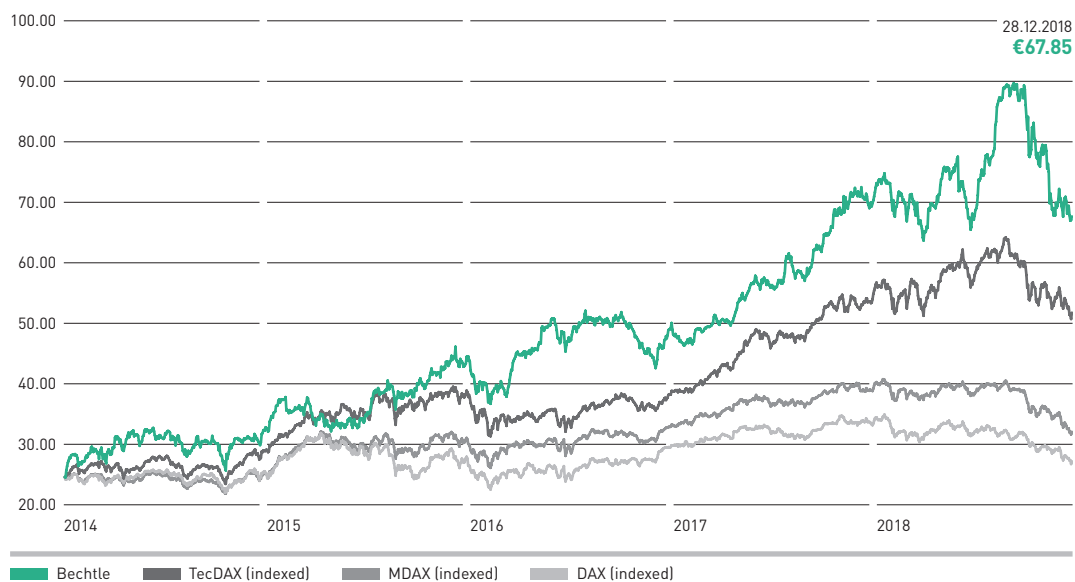
¹ As of the end of the year

² All German stock exchanges

In 2018, the average daily stock exchange turnover amounted to €7,668.4 thousand, more than double the amount of the prior year. Measured in terms of the number of shares, the trading volume also increased significantly. On average, 101,037 Bechtle shares were traded per day, about twice the number of the prior year. In the TecDax ranking of Deutsche Börse, Bechtle ranked 20th in terms of the stock exchange turnover (prior year: 22nd place). In the MDAX, Bechtle was in 89th place on 31 December 2018.

18. THE BECHTLE SHARE – PERFORMANCE FROM 2014 TO 2018

€

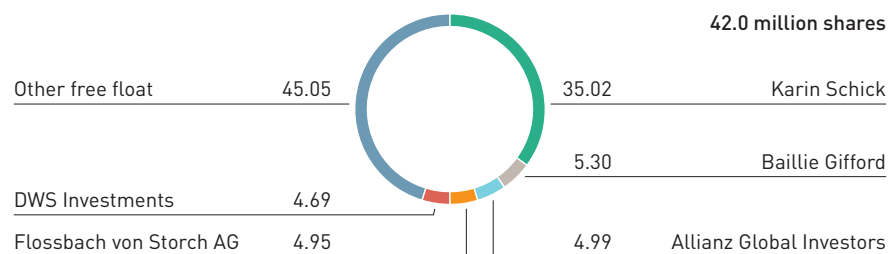


SHAREHOLDER STRUCTURE

Shareholder structure almost unchanged. Karin Schick – still the company's largest shareholder – holds an interest of 35.02 per cent. This figure comprises the shares of Schick GmbH, of which Karin Schick is a partner, and shares belonging to her son. As of the end of the reporting period, the free float amounted to 64.98 per cent. These shares are held by a wide spectrum of private and institutional investors in Germany and abroad.

19. SHAREHOLDER STRUCTURE

%



As of 31 December 2018

DIVIDEND

Dividend regularly increased. Since its IPO in 2000, Bechtle has been pursuing a shareholder-friendly dividend policy focused on continuity. In the TecDAX, Bechtle is one of the few companies to have continued to distribute profits to shareholders year after year without interruption and to regularly increase the dividend. So far, Bechtle has never reversed this trend. This too underscores the reliability of the highly shareholder-oriented distribution policy of Bechtle AG.

In view of the outstanding results achieved in 2018, the Executive Board and the Supervisory Board have agreed to propose a dividend of €1.00 per share for the 2018 fiscal year to the General Meeting. In the prior year, Bechtle AG had paid out a dividend of €0.90 per share. Subject to the approval of the Annual General Meeting, the payout proposal would correspond to an dividend increase of 11.1 per cent. This would be the ninth increase in a row.

As of 31 December 2018, the number of shares with dividend entitlement was 42,000,000. Thus, the sum to be distributed for the 2018 fiscal year amounts to €42.0 million. This means a dividend payout ratio of 30.6 per cent of the consolidated earnings after taxes (prior year: 33.0 per cent). In relation to the annual closing price of our share, the dividend yield amounts to 1.5 per cent, slightly more than in the prior year (1.3 per cent).

EARNINGS PER SHARE

Earnings per share about 20 per cent over prior year. The improvement of the operating earnings was accompanied by a corresponding rise in the earnings per share (EPS). Based on the number of voting rights of 42.0 million shares and earnings after taxes of €137.1 million, EPS amounted to €3.27, some 19.7 per cent or €0.54 more than in the prior year (€2.73).

20. SHARE PERFORMANCE INDICATORS

		2018	2017	2016	2015	2014
Shares with dividend entitlement ¹	shares	42,000,000	42,000,000	21,000,000	21,000,000	21,000,000
Earnings per share	€	3.27	2.73	4.92	4.42	3.63
Amount distributed	€m	42.0 ²	37.8	31.5	29.4	25.2
Dividend payout ratio	%	30.6 ²	33.0	30.5	31.7	33.1
Cash dividend per share	€	1.00 ²	0.90	1.50	1.40	1.20
Dividend yield ¹	%	1.5 ²	1.3	1.5	1.6	1.8
Price/earnings ratio ¹		20.8	25.5	20.1	19.9	18.2

¹ As of the end of the year

² Subject to approval of the General Meeting



For further key figures, see Multi-year Overview, page 224 ff

ANNUAL GENERAL MEETING

All proposed candidates elected to the Supervisory Board. On 12 June 2018, the Executive Board and the Supervisory Board welcomed about 600 shareholders and guests to the 18th Annual General Meeting of Bechtle AG at the “Harmonie” concert and congress centre in Heilbronn. The attending shareholders represented 74.64 per cent of the company’s entire issued capital. In the Supervisory Board election, all candidates proposed by the administration were elected to the Supervisory Board. The other agenda items discussed were also adopted with clear majorities. This fact again underlines the high trust placed in the Executive Board and the Supervisory Board.

CAPITAL MARKET



Bechtle share currently covered by twelve analysts. In 2018, a total of twelve institutions reported on Bechtle in detailed surveys and ad-hoc analyses: Baader Bank, Bankhaus Lampe, Berenberg, Commerzbank, Deutsche Bank, DZ Bank, Hauck & Aufhäuser, Kepler Cheuvreux, Landesbank Baden-Württemberg, M. M. Warburg, Metzler and Quirin Privatbank. The latter started covering the company in November 2018. Bechtle pursues regular constructive dialogue with all institutions. This is enhanced by analyst visits to the headquarters, various conferences and roadshows.

Intensive investor relations work continued. We are also in constant touch with all other interested capital market players. In 2018, there were numerous contacts with existing and potential investors. In individual discussions, roadshows and investor conferences, Bechtle provided information about the company’s economic situation, business strategy and outlook. The Capital Markets Day that was held in September in the context of the Bechtle IT forum in Frankfurt also attracted a lot of interest. Furthermore, many investors made use of the opportunity to inform themselves about Bechtle during a visit to group headquarters in Neckarsulm.

Moreover, personal contact with private investors is an important element of the investor relations activities. Apart from the Annual General Meeting, Bechtle’s agenda in the fiscal year ended included the introduction of the group to private investors within the scope of the Shareholder Days, which were held for the 13th time. By means of a presentation and a tour of the Bechtle headquarters, the shareholders gained a deeper insight into our company. This event strengthens our bond with our shareholders.

We always endeavour to inform all capital market players in a transparent, comprehensive and timely manner about all significant events in our company. Therefore, our website always features up-to-date corporate information such as presentations, financial reports, press releases and ad-hoc releases.

For further information, visit our website or contact us.



bechtle.com/investors



See Imprint,
page 236



In addition to delivering figures, Bechtle's IR team engages in direct interchange with numerous stakeholders all over the year.

Martin Link, Head of Investor Relations,
Bechtle AG

Julia Hofmann, Investor Relations,
Bechtle AG

TAKEOVER-RELATED DISCLOSURES

The disclosures required pursuant to Section 315a (1) of the German Commercial Code (HGB) are presented below:

As of 31 December 2018, the company's issued capital amounted to €42 million, divided into 42,000,000 no-par bearer shares (ordinary shares). The pro-rata amount of the issued capital that is allocated to each share is €1.00. All shares have voting rights and are entitled to dividends. The rights and obligations associated with the ordinary shares are as specified in the German Stock Corporation Act (AktG).

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



bechtle.com/
shareholder-structure

The company is aware of the following direct or indirect capital interests exceeding 10 per cent of the voting rights as of the balance sheet date:

Karin Schick, Gaildorf, Germany: 35.02 per cent, thereof 28.82 per cent directly and 6.19 per cent indirectly. No changes occurred until 1 March 2019, the reporting date.

There are no shares with special rights granting powers of control.

There are no employee share ownership plans or similar schemes under which employees hold interests in the capital without directly exercising their control rights.

The appointment and dismissal of members of the Executive Board is governed by Sections 84 et seq. of the German Stock Corporation Act (AktG) and Section 31 of the German Co-determination Act (MitbestG). The regulations of the Articles of Incorporation do not deviate from these statutory provisions. In accordance with Article 6.1 of the Articles of Incorporation, the Executive Board consists of one or several persons. The number of Executive Board members is determined by the Supervisory Board. According to Article 6.4 of the Articles of Incorporation, the Supervisory Board may appoint a member of the Executive Board as the Chairman or Spokesman of the Executive Board.



bechtle.com/
satzung

The conditions for amendments to the Articles of Incorporation are outlined in Sections 179 to 181 of the German Stock Corporation Act (AktG). The General Meeting of Bechtle AG has delegated the authority to make amendments that merely concern the wording of the Articles of Incorporation to the Supervisory Board (see Article 10.4 of the Articles of Incorporation).



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Issued Capital,
page 158 f

Pursuant to Sections 202 et seq. of the German Stock Corporation Act (AktG), the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's issued capital by a total of up to €14 million by issuing new bearer shares against cash contributions and/or contributions in kind until 11 June 2023 (authorised capital according to Article 4.3 of the Articles of Incorporation). Detailed information on this subject is available in the Notes.

The purchase of treasury shares is only permissible according to the provisions of Section 71 (1) of the German Stock Corporation Act (AktG). Based on the resolution of the Annual General Meeting of 16 June 2015, the Executive Board is authorised to purchase treasury shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). This authorisation is valid until 15 June 2020. Treasury shares must be purchased via the stock exchange or within the framework of a public purchase bid or via a public invitation to the shareholders to submit offers for sale. The price the company pays per share shall, in the case of purchase via the stock exchange, not exceed or fall under the price of the company's share on the Xetra trading of the Frankfurt stock exchange (or a similar successor system), which is determined by the opening auction, or, in the case a public purchase bid or a public invitation to the shareholders to submit offers for sale, shall not exceed or fall under the average closing prices of the company's share on the five stock exchange trading days prior to the decision on the publication of the public purchase bid or the publication of the invitation to submit offers for sale by more 10 per cent (without transaction costs). The scope of the authorisation is limited to 10 per cent of the issued capital. Other shares of the company that it has already purchased and still possesses or that are attributable to it pursuant to Sections 71 et seq. of the German Stock Corporation Act (AktG) shall be taken into consideration. The buy-back authorisation has been granted for any purpose permitted by law. Currently, there are no plans to implement a share buy-back programme.

The company has no significant agreements that would apply in the event of a change of control due to a takeover bid.

The employment contract with the Chairman of the Executive Board contains a clause that limits the severance to be granted in the event of premature termination of employment due to a change of control to the compensation for three years. The company has not concluded any other compensation agreements with members of the Executive Board or employees for the case of a takeover bid.

FRAMEWORK CONDITIONS

In 2018, the macroeconomic performance remained positive, though not as dynamic as in the prior year. In most markets relevant to Bechtle, the IT industry grew faster than the overall economy. Bechtle was able to use the positive impulses to achieve a significant revenue increase and further expand its market share.

MACROECONOMY



Economic performance slightly weaker than in prior year. In 2018, the macroeconomic performance in the EU remained positive. According to the latest figures of the European Commission, the gross domestic product (GDP) was not able to reach the high performance levels of the prior year, but nevertheless increased 1.9 per cent (prior year: 2.4 per cent). Among the Bechtle markets in the EU, the growth varied considerably. In terms of GDP growth, Italy (1.0 per cent) as well as Belgium and the UK (1.4 per cent each) were at the bottom of the scale. Hungary (4.8 per cent) and Poland (5.1 per cent) were among the top performers. At 6.8 per cent, Ireland recorded the highest growth, as in the prior year. In 2018, investments in equipment – an indicator that is relevant to Bechtle – experienced above-average growth of 4.9 per cent in the EU. The dynamic grew compared to the prior year's figure of 4.2 per cent.



In the German economy, the pace of growth slowed somewhat more sharply in 2018. According to the German Federal Statistical Office, GDP increased 1.5 per cent in the reporting period (prior year: 2.2 per cent), the lowest growth rate in five years. Nevertheless, investments in equipment increased by an above-average rate of 4.5 per cent, compared to 3.7 per cent in the prior year. The growth of government investments, however, merely amounted to 1.1 per cent (prior year: 1.6 per cent).

INDUSTRY



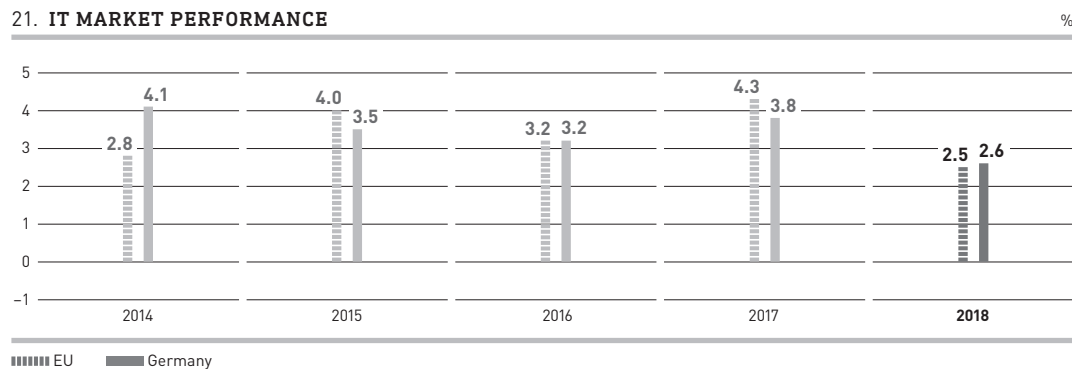
Mixed industry performance across countries and segments. The IT market performance in 2018 was excellent. In the EU and most of the national markets relevant to us, the industry grew faster than the overall market. However, the growth rates were lower than in the prior year. The market research institute EITO reports growth of 2.6 per cent in the IT market in the EU, compared to 3.8 per cent in the prior year. The two subsegments services and software made a positive contribution to this growth, recording an increase of 2.6 per cent and 6.0 per cent, respectively. According to the market

researchers, the hardware segment shrank 2.0 per cent (prior year: +4.3 per cent). With a decline of only 0.3 per cent, mobile devices remained largely unchanged compared to the prior year. All other product groups, however, underwent a loss of almost 3 per cent. In 2018, the hardware sales once again developed very differently in the countries in which Bechtle is represented. Five countries recorded growth, including Hungary with the highest growth of 6.1 per cent and Switzerland and the Netherlands – which are important to Bechtle in the hardware market – with 4.2 and 4.0 per cent, respectively. In all other countries, hardware sales declined, especially in Italy with –5.2 per cent and the Czech Republic with –6.8 per cent.

In Austria, the IT market grew by a total of 2.7 per cent; hardware increased 1.0 per cent, services 2.5 per cent and software 4.6 per cent. Switzerland recorded significant growth of 4.0 per cent; service revenue increased 2.6 per cent, hardware 4.2 per cent and software 6.3 per cent.

In the reporting period, the growth dynamics of the IT market in Germany slackened. In 2018, the German IT market grew 2.5 per cent, compared to 4.3 per cent in the prior year. However, the growth rate is still similar to that of the EU. The performance in the individual segments in Germany was mixed. The hardware business dropped 2.3 per cent, due especially to the relatively large decline in the private customer business. In some product groups, the revenue generated with industrial customers continued to grow in 2018. The service revenue increased 2.3 per cent, and software increased 6.3 per cent.

21. IT MARKET PERFORMANCE



OVERALL ASSESSMENT

Bechtle grows stronger than overall economy and IT industry. Despite the declining growth in the course of the year and compared to the prior year, the economic performance in the reporting period imparted positive impulses. GDP grew in all countries in which Bechtle is present. Economic performance was positive in Germany, too. With growth rates that surpassed the macroeconomic level, the IT industry proved to be even more robust than the economy in general. Nevertheless, some parts of this industry, too, were less dynamic than in the prior year. The hardware market suffered declines in a number of countries, though this was due partly to the influence of the private customer segment.

Bechtle AG rode the wave of the generally still positive trend: The revenue increase in all regions and in both segments was considerably above the overall growth of the IT market. With this above-average increase, Bechtle also outperformed most of its competitors. In the reporting period, we were thus able to further expand our market share.

Apart from the macroeconomic performance and the economic trend in the industry, the Bechtle markets did not witness any significant events outside the company that had a noteworthy impact on business performance in 2018. The upcoming Brexit and the negotiations on how the process will actually take place did not have any noticeable effect, neither on the UK subsidiary nor on the group as a whole.

Whether data glasses or data gloves: Bechtle's logistics centre also reflects the future of IT.

Daniel Lötterle, Incoming Goods,
Logistik & Service

Anna Merkel, Team Coordination
Incoming Goods Small Parts,
Logistik & Service



EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

The outstanding performance of Bechtle AG in the 2018 fiscal year was mainly borne by two factors: on the one hand, the highly dynamic organic revenue performance with double-digit growth rates; and on the other hand, the acquisition of Inmac WStore in September 2018 – the largest acquisition in the company's history. Throughout the year, the growth was strong in all quarters and was broadly supported by both segments and all regions. The growth was especially strong in international e-commerce, also organically.

ORDER POSITION

Significant year-on-year increase in incoming orders. For the sale of IT products and the provision of services, Bechtle concludes both short-term and long-term contractual relationships. The IT E-Commerce segment is characterised almost entirely by the conclusion of pure trading deals with very short order and delivery times. In the IT System House & Managed Services segment, project deals can take anywhere from several weeks to one year. Especially in the fields of managed services and cloud computing, most of the framework and operating agreements that Bechtle concludes with its customers have terms of several years.

Incoming orders during a fiscal year largely correspond to the revenue in this period. In the reporting period, this figure amounted to €4.33 billion, some 20 per cent more than in the prior year (€3.61 billion). The incoming order volume climbed 14 per cent from €2.54 billion to €2.91 billion in the IT System House & Managed Services segment, and 32 per cent from €1.07 billion to €1.42 billion in the IT E-Commerce segment.

As of the end of the year, the group's order backlog was worth approximately €671 million, some 18 per cent more than at the end of 2017 (€569 million). Of this amount, the IT System House & Managed Services segment accounted for €563 million (prior year: €490 million), and the IT E-Commerce segment for €108 million (prior year: €79 million). The order backlog in the IT System House & Managed Services segment is approximately two months. In the trading segment, the order backlog is about four weeks, as direct and fast delivery of the goods is the main priority.

REVENUE PERFORMANCE

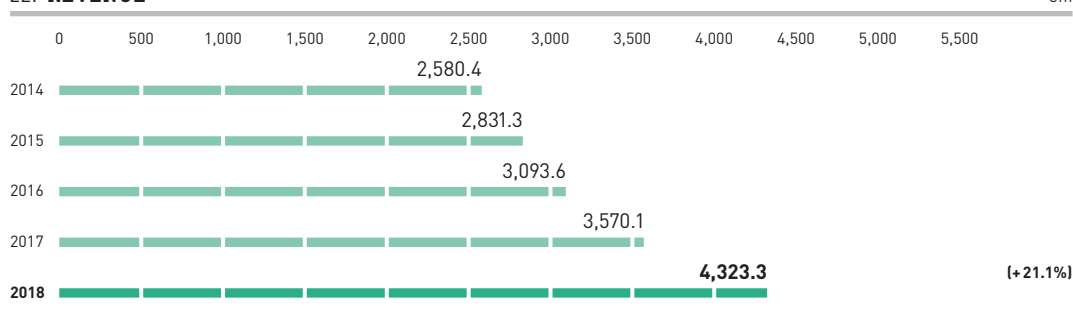


See Notes,
Revenues,
page 146

21.1 per cent year-on-year revenue increase. In the 2018 fiscal year, Bechtle increased its revenue by 21.1 per cent from €3,570.1 million to €4,323.3 million, achieving substantial growth. The organic growth amounted to 15.8 per cent. This was the second-highest organic growth rate in a fiscal year since 2002. The organic growth had only been higher in 2010, reaching almost 23 per cent.

22. REVENUE

€m



The growth was broadly supported by all regions and segments. At about 46 per cent, the growth of the international e-commerce was especially significant. From the organic perspective, too, the European trading companies achieved the highest growth of about 24 per cent.

Throughout the year, the growth remained in the double-digit range. Further into the year, the dynamics increased due to the acquisitions. Organically, the growth rates receded slightly from quarter to quarter, while remaining at a high level.

23. REVENUE PERFORMANCE

€m

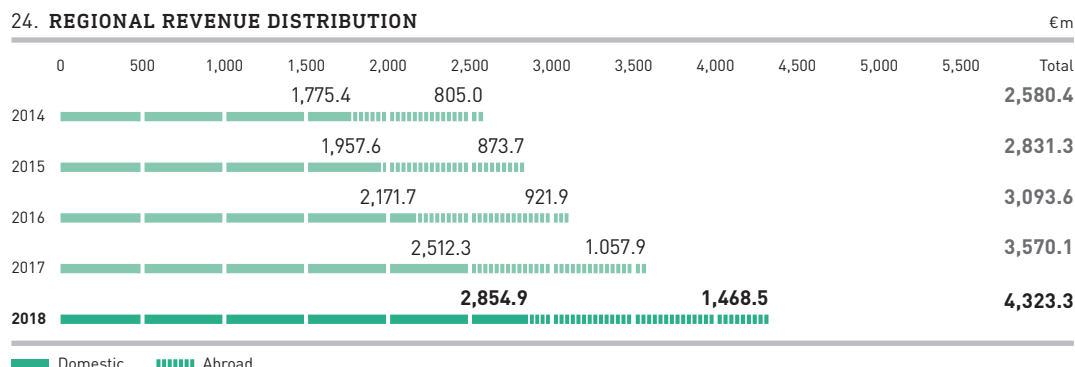
	Q1		Q2		Q3		Q4	
	2018	2017	2018	2017	2018	2017	2018	2017
Group revenue	955.4	803.1	965.0	822.2	1,049.6	873.9	1,352.9	1,070.9
% of total annual revenue	22.1	22.5	22.3	23.0	24.3	24.5	31.3	30.0



For calculation,
see Personnel,
page 46

At 14.3 per cent, the average full-time and part-time headcount increased at a lower rate than revenue. In the reporting period, Bechtle thus further increased its productivity. Based on a number of 8,316 full-time and part-time employees (prior year: 7,276), revenue per employee amounted to €520 thousand, compared to €491 thousand in the prior year.

24. REGIONAL REVENUE DISTRIBUTION



In Germany, revenue increased by a very significant rate of 13.6 per cent, almost all of which was achieved organically. Thus, Germany remains Bechtle's biggest market. Though the share of total revenue dropped due to the acquisition of Inmac WStore in France, it still reached a high level of 66.0 per cent (prior year: 70.4 per cent). Especially due to the acquisitions, revenue abroad increased 38.8 per cent.

COST AND EARNINGS PERFORMANCE

EBT growth slightly below revenue growth.

Cost of sales. In the reporting period, gross earnings increased 18.2 per cent – a rate lower than the revenue growth rate – to €642.9 million (prior year: €543.8 million). Compared to revenue, the cost of sales developed at a disproportionately high rate of 21.6 per cent. This was due to the demand and acquisition-driven increase of 22.2 per cent in material costs. On the other hand, the increase of 15.0 per cent in personnel expenses for the employees in the area of services, whose personnel expenses are included in the cost of sales, was below average. The gross margin thus amounted to 14.9 per cent (prior year: 15.2 per cent).



See Notes,
Expense Structure,
page 146

25. COST OF SALES/GROSS EARNINGS

		2018	2017	2016	2015	2014
Cost of sales	€m	3,680.4	3,026.3	2,610.5	2,394.0	2,189.5
Gross earnings	€m	642.9	534.8	483.1	437.3	391.0
Gross margin	%	14.9	15.2	15.6	15.4	15.2

Distribution costs and administrative expenses. In 2018, distribution costs increased at a below-average rate of 19.1 per cent to €257.2 million (prior year: €216.0 million). The distribution cost ratio thus receded slightly from 6.0 per cent to 5.9 per cent. Administrative expenses increased 18.6 per cent from €173.4 million to €205.7 million. The administrative expense ratio thus also declined slightly from 4.9 per cent to 4.8 per cent. Other operating income totalled €15.1 million, considerably more than in the prior year (€9.8 million). This was due to the higher bonus payments from vendors and distributors.



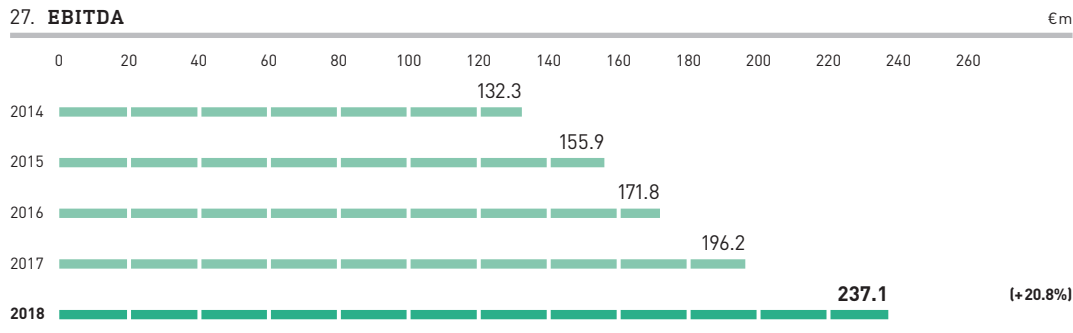
See Employees,
page 48

26. DISTRIBUTION COSTS/ADMINISTRATIVE EXPENSES

		2018	2017	2016	2015	2014
Distribution costs	€m	257.2	216.0	196.3	182.8	166.6
Distribution cost ratio	%	5.9	6.0	6.3	6.5	6.5
Administrative expenses	€m	205.7	173.4	153.0	138.4	124.0
Administrative expense ratio	%	4.8	4.9	4.9	4.9	4.8

Earnings situation. In the reporting period, earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed 20.8 per cent to €237.1 million (prior year: €196.2 million). The increase is mainly attributable to the disproportionately low increase of 16.3 per cent in personnel expenses and the relatively high increase in other operating income. The EBITDA margin was 5.5 per cent, as in the prior year.

27. EBITDA



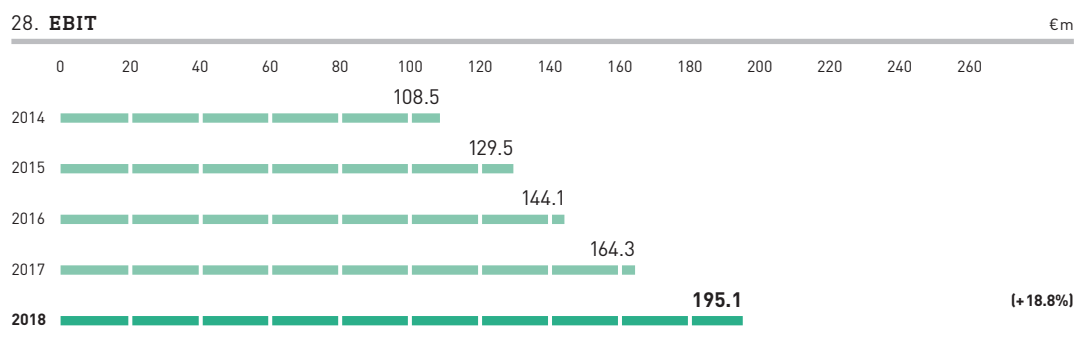
In 2018, depreciation and amortisation amounted to €42.0 million, 31.5 per cent above the prior-year figure of €31.9 million. Acquisition-related factors were among the reasons for the relatively high increase. This item was affected by purchase price allocations in the amount of €3.0 million, especially as a result of the acquisition of Inmac WStore. Accordingly, amortisation of customer bases underwent the highest increase of more than 100 per cent. Nevertheless, software as well as property, plant and equipment accounted for the bulk of the depreciation and amortisation, totalling €35.1 million (prior year: €28.0 million). Property, plant and equipment mostly consists of the company's own IT, purchased assets such as the buildings at various locations, tenant installations and office equipment. Moreover, assets used by customers under long-term maintenance agreements are depreciated.



See Value Information,
page 85

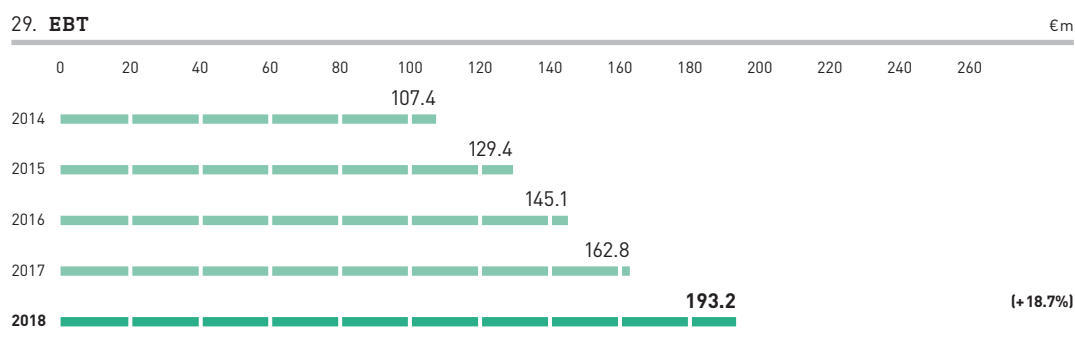
The depreciation and amortisation rate increased slightly to 1.0 per cent as of the end of 2018 (prior year: 0.9 per cent). Compared to the other expense items, it was rather insignificant. For 2018, the goodwill impairment tests again did not reveal any need for impairment.

Earnings before interest and taxes (EBIT) improved by 18.8 per cent to €195.1 per cent (prior year: €164.3 million). The EBIT margin dropped from 4.6 per cent to 4.5 per cent.



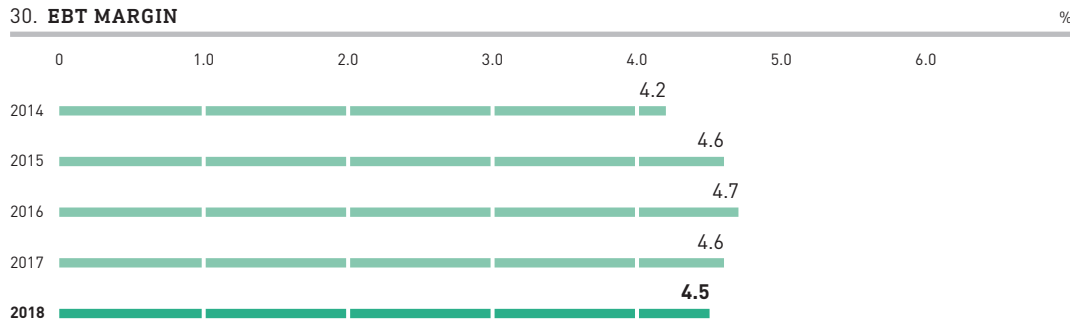
The financial earnings of –€1.8 million were affected by a greater increase in expenses. This reflected the significantly higher financial liabilities in connection with the acquisition of Inmac WStore.

Earnings before taxes (EBT) increased 18.7 per cent to €193.2 million (prior year: €162.8 million). In the course of the year, the second and fourth quarters experienced above-average growth, while the first and third quarters lagged behind the revenue performance. All in all, the significant increase in material costs, depreciation and amortisation could not be compensated. Although the earnings performance was highly positive, it remained slightly behind the revenue performance. In the third and fourth quarters, the said effects from the purchase price allocation of Inmac WStore were noticeable.



In the reporting period, the EBT margin was 4.5 per cent, compared to 4.6 per cent in the fiscal year 2017. Despite the substantial purchase price allocation effects amounting to €3.0 million, rounding differences would have brought the margin to 4.5 per cent even without this effect.

30. EBT MARGIN

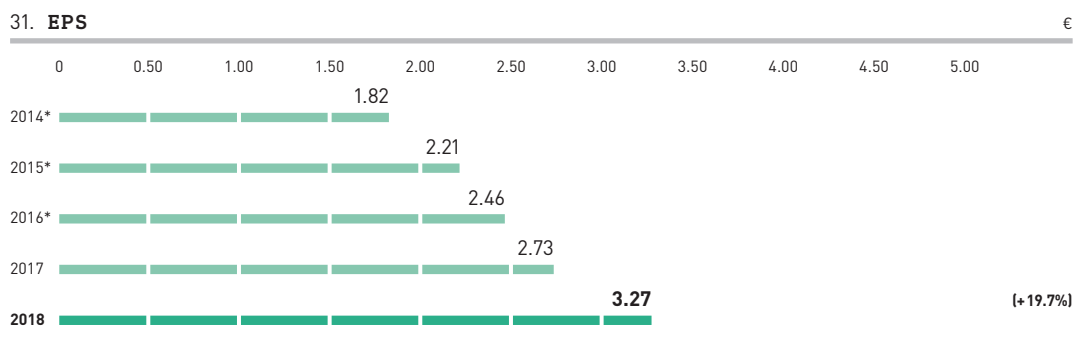


See Notes,
Income Taxes,
page 148

In the reporting period, income tax expenses increased 16.3 per cent to €56.1 million (prior year: €48.2 million). Due to the higher earnings share from other countries, some of which have lower tax rates, the tax rate declined from 29.6 per cent to 29.0 per cent.

Earnings after tax amounted to €137.1 million, 19.7 per cent more than in the prior year (€114.6 million). Earnings per share amounted to €3.27, compared to €2.73 in the prior year.

31. EPS



* Prior year adapted to share split



See Foreign Currencies,
page 106 f

The effects of inflation on the earnings position are rather low, as inflation-related purchase price increases can also be passed on to customers. The effects of the exchange rate risk on the earnings position are described in the Risk Report.



See Dividend,
page 65

Owing to this excellent performance, the Executive Board and the Supervisory Board propose to pay out a dividend of €1.00 per share to the shareholders. Compared to the prior year, the dividend is thus 11.1 per cent higher, and the dividend payout ratio amounts to 30.6 per cent.

SEGMENT REPORT

Good performance supported by both segments.

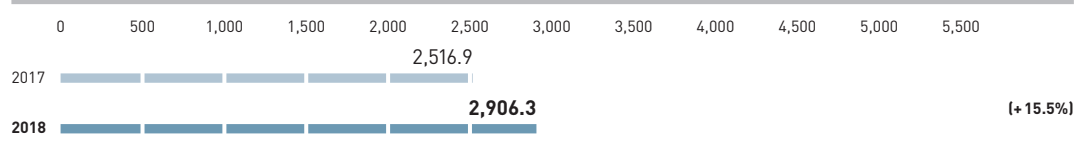
IT System House & Managed Services. In the service segment, Bechtel generated revenue of €2,906.3 million in 2018, an increase of 15.5 per cent (prior year: €2,516.9 million). In total, the IT System House & Managed Services segment accounted for 67.2 per cent of the group revenue (prior year: 70.5 per cent).



See Notes,
Segment Information,
page 182 ff

32. SEGMENT REVENUE IT SYSTEM HOUSE & MANAGED SERVICES

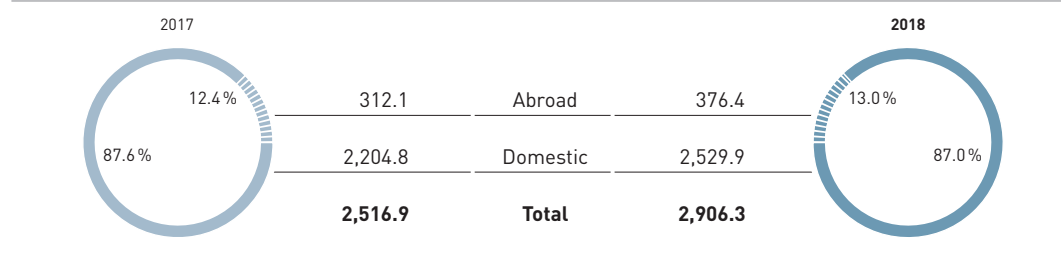
€m



With an increase of 20.6 per cent (due partly to acquisitions), especially the system houses in Switzerland and Austria were growth drivers. At a largely organic rate of 14.7 per cent, the domestic growth was very high as well. With their comprehensive, up-to-date service offering, the Bechtel system houses continue to boost the existing demand and gain market shares.

33. REVENUE DISTRIBUTION IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m

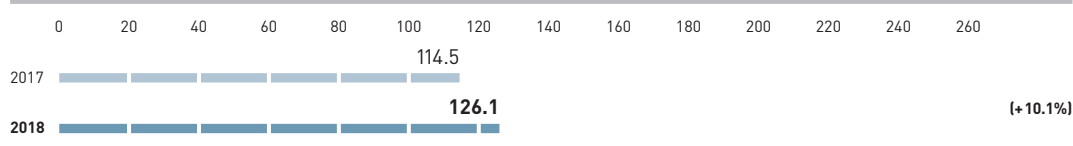


Productivity in the IT System House & Managed Services segment increased as a result of the below-average headcount increase compared to revenue growth. Based on an average number of 6,640 full-time and part-time employees (prior year: 5,921 employees), revenue per employee amounted to €438 thousand (prior year: €425 thousand).

In 2018, EBIT in the IT System House & Managed Services segment climbed 10.1 per cent to €126.1 million (prior year: €114.5 million). The EBIT margin dropped from 4.5 per cent to 4.3 per cent. Among other factors, this was caused by the higher depreciation and amortisation due to investments in prior years.

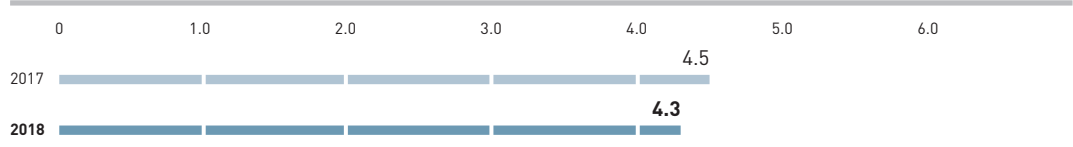
34. EBIT IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m



35. EBIT MARGIN IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

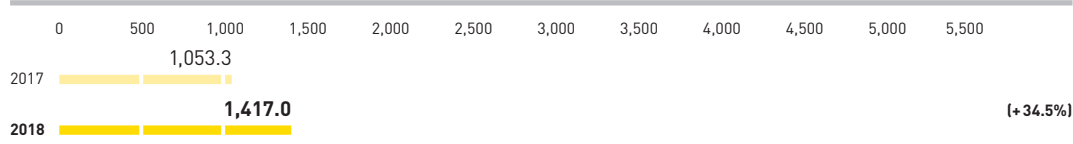
%



IT E-Commerce. In the reporting period, the IT E-Commerce segment increased its revenue 34.5 per cent to €1,417.0 million (prior year: €1,053.3 million), due especially to the acquisition of Inmac WStore. However, the segment also achieved organic revenue growth of 18.8 per cent.

36. SEGMENT REVENUE IT E-COMMERCE

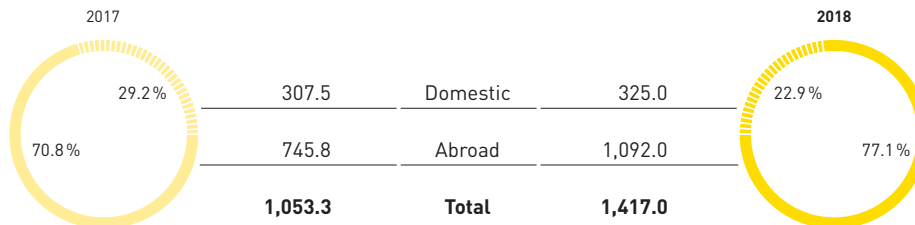
€m



In this segment, too, the international companies were the main growth drivers. In the reporting period, the revenue generated by these companies increased 46.4 per cent to €1,092.0 million, exceeding the one-billion-euro mark for the first time. Organically, the growth abroad amounted to 24.2 per cent. The German trading companies increased their revenue 5.7 per cent to €325.0 million (prior year: €307.5 million).

37. REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT

€m



In the reporting period, revenue per employee increased as well. Based on an average of 1,676 full-time and part-time employees (prior year: €1,355), this figure increased to €845 thousand (prior year: €777 thousand).

In the reporting period, EBIT in the IT E-Commerce segment came under pressure, especially due to the substantial increase in depreciation and amortisation in connection with the purchase price. Nevertheless, efficiency improvements and initial synergy effects from the acquisition of Inmac WStore made it possible to increase the EBIT 38.7 per cent to €69.0 million (prior year: €49.8 million).

38. EBIT IN THE IT E-COMMERCE SEGMENT

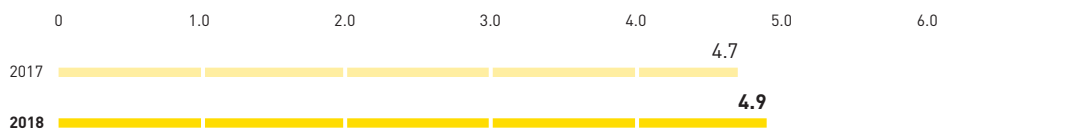
€m



The EBIT margin improved from 4.7 per cent to 4.9 per cent.

39. EBIT MARGIN IN THE IT E-COMMERCE SEGMENT

%



ASSETS POSITION

Bechtle's balance sheet has always displayed its economic solidity and financial independence. This was also the case in the 2018 fiscal year. Drawing on this strength, we made additional use of our borrowing potential by successfully placing the first bond loan in our company's history. In this way, we are able to utilise the currently attractive opportunities of debt-financed growth, while retaining the robustness of our performance indicators.



Concerning the assets position of the segments, see Notes, page 185

Balance sheet total up considerably due to acquisitions and other factors. As a result of the acquisition financing, among other reasons, the balance sheet total of the Bechtle Group increased substantially in the reporting period. As of 31 December 2018, this figure amounted to €2,027.2 million, some 40.4 per cent more than in the prior year.

40. CONDENSED BALANCE SHEET

€m

	2018	2017	2016	2015	2014
Assets					
Non-current assets	659.3	415.2	368.2	344.4	321.9
Current assets	1,367.9	1,028.2	901.1	806.0	694.7
Equity and liabilities					
Equity	883.2	777.3	694.1	620.7	554.0
Non-current liabilities	464.9	127.3	118.0	119.2	95.9
Current liabilities	679.1	538.8	457.3	410.6	366.7
Balance sheet total	2,027.2	1,443.4	1,269.3	1,150.4	1,016.6

On the assets side, non-current assets amounted to €659.3 million, some 58.8 per cent more than in the prior year. This item was mainly affected by changes in goodwill as well as other intangible assets, which, due to acquisitions in the reporting period, underwent a sharp increase by €152.4 million and €72.4 million, respectively. Besides, property, plant and equipment also further increased in 2018 due to investments. However, at €56.6 million, the amount spent on investments remained below that of the prior year (€66.9 million). The investment ratio receded to 24.8 per cent (prior year: 40.5 per cent).

The capitalisation ratio increased, reaching 32.5 per cent as of 31 December 2018 (prior year: 28.8 per cent). In the reporting period, the coverage of the non-current assets by the equity dropped from 187.2 per cent to 134.0 per cent.

Current assets went up by €339.7 million or 33.0 per cent to €1,367.9 million. This item was mainly affected by the above-average increase in trade receivables and inventories, due mainly to acquisitions. The DSO (days sales outstanding) increased slightly from 40.2 to 41.3 days. One of the reasons for this was the good business performance of the international companies, part of which involved longer payment deadlines. The ratio of inventories to revenue went up from 5.9 per cent to 6.5 per cent. This development reflects the acquisition of Inmac WStore, which maintains its own warehouse in Roissy-en-France, France. However, this figure still indicates that Bechtle ties up only a small amount of capital in the form of stock on hand. Moreover, most of the inventories are linked directly to projects and are pre-financed on behalf of the customer. Owing to the improved cash flow and other factors, cash and cash equivalents underwent a significant increase of €83.0 million.

Liquidity remains high. All in all, the liquidity of the Bechtle Group – including short-term time deposits and securities – amounted to a very high figure of €250.9 million (prior year: €174.8 million). In addition to the total liquidity, Bechtle has a liquidity reserve of €102.9 million in the form of unused cash credit lines, guarantee credit lines and money market credit lines.

Inflation and currency changes did not have any material impact on the amount of the assets. The inflation rates in the reporting period remained at a low level in the key markets, and the balance sheet items are mostly held in euros. In 2018, the net assets dropped €0.8 million (prior year: +€5.1 million) due to currency translation differences recognised outside profit or loss and the hedging of net investments in foreign operations.

In the business of Bechtle AG, which does not involve a great deal of property, plant and equipment, the ROCE (return on capital employed) is usually largely affected by the development of current assets and liabilities, on the one hand, and the earnings performance, on the other. During the reporting period, the ROCE amounted to 20.6 per cent, compared to 22.3 per cent in the prior year. The decline was mainly caused by the balance sheet extension due to the acquisition of Inmac WStore and the associated disproportionately high increase in average capital employed.

41. ROCE/CAPITAL EMPLOYED

		2018	2017	2016	2015	2014
ROCE	%	20.6	22.3	24.0	23.7	22.3
Capital Employed	€m	948.2	738.0	601.0	546.4	486.4

Year on year, the working capital underwent an increase of 17.8 per cent, a rate lower than the revenue growth rate. In relation to the revenue, the figure declined from 13.8 per cent to 13.4 per cent. Though the inventories and trade receivables underwent a substantial increase that was mainly caused by the acquisitions, this effect was compensated for by a greater increase in trade payables for reasons associated both with the reporting date and with the acquisitions. At the bottom line, the working capital thus improved slightly.

42. WORKING CAPITAL

	2018	2017	2016	2015	2014
Working capital	€m 580.8	492.9	375.6	294.9	291.3
In % of revenue	13.4	13.8	12.1	10.4	11.3

On the equity and liabilities side, current liabilities increased by €140.2 million or 26.0 per cent to €679.1 million. For reasons related to the reporting date, trade payables underwent the greatest increase of €135.2 million. Other liabilities went up €28.8 million. Among other factors, this increase was caused by personnel liabilities, as the positive business performance resulted in higher performance-related compensation components for employees. Due to maturities, current financial liabilities declined by €46.1 million.

As of the reporting date, non-current liabilities amounted to €464.9 million, some €337.6 million more than in the prior year. This was almost exclusively due to the effect of the said bond loan of a volume of €300 million on the financial liabilities, which increased by €310.7 million from €69.9 million to €380.6 million. Accordingly, the share of non-current liabilities in the balance sheet total climbed from 8.8 per cent to 22.9 per cent.

Equity up 13.6 per cent. In the reporting period, equity grew 13.6 per cent to €883.2 million. The increase was the result of the €105.9 million increase in retained earnings. Due to the balance sheet extension, the equity ratio nevertheless receded from 53.9 per cent to a still very robust figure of 43.6 per cent. The return on equity increased from 16.9 per cent to 18.1 per cent.

43. RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

	2018	2017	2016	2015	2014
Return on equity	18.1	16.9	17.1	17.2	15.6
Return on total assets	9.1	9.6	9.6	9.5	8.9

As a result of the bond loan, the debt ratio increased from 85.7 per cent to 129.5 per cent as of 31 December 2018. Financial liabilities exceeded the cash and cash equivalents, i.e. this is the first time that our net debt amounts to a positive figure, namely €142.6 million, compared to –€46.0 million in the prior year.

As a result of the balance sheet extension, the return on assets – a key performance indicator that reflects the return on the total assets employed – dropped from 9.6 per cent to 9.1 per cent in the reporting period.

VALUE INFORMATION

In almost all cases, the fair value of the current assets and liabilities correspond to the carrying amount. Within the scope of the non-current assets, intangible assets with a limited useful life, property, plant and equipment as well as trade receivables, income tax receivables, other assets as well as time deposits and deferred taxes are measured at amortised cost. The carrying amounts of the goodwill and of the brands presented under other intangible assets are reviewed for impairment by means of annual impairment tests on the basis of the value in use. As the values in use significantly exceeded the carrying amounts, no impairment was applied to these assets. Non-current liabilities are carried at amortised cost.



See Notes,
page 144 f



For value in use of
the goodwill, see Notes,
page 149 f



Two sets of eyes are a team.
With different perspectives that
supplement each other in every
subject area.

Sebastian Schwab, Senior VIPM Microsoft
Surface, Logistik & Service

Laura Osterholz, Assistant to the Executive
Vice President, Systemhaus Holding

FINANCIAL POSITION

For many years, Bechtle has succeeded in generating the financial means required for growth and investments from its ongoing business operations. In 2018, this was again evident from the substantial improvement of the cash flow from operating activities. At the same time, however, the reporting period saw the largest acquisition in the company's history. This, in turn, impacted the cash flows from investing and financing activities as well as the free cash flow.

CASH FLOW STATEMENT



See Assets Position,
page 82 f

Free cash flow impacted by high payments for acquisitions. In 2018, the cash inflow from operating activities amounted to €140.5 million, significantly more than in the prior year (€54.3 million). Apart from the higher earnings before taxes, this was due especially to changes in net assets. While the cash outflow for inventories was €3.0 million higher than in the prior year due to acquisitions, the cash outflow from trade receivables was €12.6 million lower than in the prior year. The change in trade payables was especially significant. Compared to the cash outflow of €5.5 million for this item in the prior year, 2018 saw a cash inflow of €69.0 million, an effect caused among other reasons by acquisitions.



See Notes,
page 172

The cash outflow from investing activities amounted to €280.6 million, compared to €62.7 million in the prior year. This was mainly due to the payments for acquisitions, which went up €220.9 million to €232.6 million. In 2018, Bechtle purchased Inmac WStore, thereby executing the largest acquisition in the company's history. The cash outflow for investments in intangible assets and property, plant and equipment amounted to €56.4 million, some €10.7 million less than in the prior year.

The cash flow from financing activities must also be viewed in the context of the acquisition of Inmac WStore. This item totalled €221.4 million, compared to €33.6 million in the prior year. The cash flows reflect the short-term bridge financing of Inmac, its repayment and the successful placement of a bond loan. The dividend payout, however, which was increased for the eighth time in a row, had only a slight in comparison.

The free cash flow dropped from –€24.1 million to –€147.2 million. This was mainly due to the said payments for acquisitions. Without this effect, the free cash flow would have been positive.

44. CASH FLOW

€m

	2018	2017	2016	2015	2014
Cash flow from					
operating activities	140.5	54.3	53.4	115.9	56.0
investing activities	-280.6	-62.7	-41.4	-34.5	-25.9
financing activities	221.4	33.6	-36.3	-25.7	-30.0
Cash and cash equivalents	245.4	162.4	140.4	164.8	106.7
Free cash flow	-147.2	-24.1	-7.0	74.9	29.3

The main terms of the financial liabilities are explained in the Notes to the Consolidated Financial Statements. Due to the secondary importance of financial earnings to the Bechtle Group, a change in the interest rate would not have any major impact on the financial position.



See Notes,
page 169

At Bechtle AG, off-balance-sheet financing instruments primarily concern operating leases. Details are presented in the Notes to the Consolidated Financial Statements.



See Notes,
Operating Leases,
page 196

Currently, the Executive Board of Bechtle AG does not see any signs of liquidity bottlenecks for the group. There are sufficient financial resources for further organic growth and growth through acquisitions.

FINANCIAL MANAGEMENT PRINCIPLES AND OBJECTIVES

Financial independence. The objective of Bechtle's financial policy is to keep the group's financial power at a high level, thereby retaining the company's financial independence by ensuring adequate liquidity. At the same time, risks are to be avoided as far as possible or hedged effectively. For example, the Rules of Procedure of the Executive Board prohibit all kinds of speculative forward transactions. This applies especially to currencies, goods and securities, as well as forward transactions associated with these, unless they serve the hedging of ongoing business operations.

As a matter of principle, Bechtle uses derivative financial instruments exclusively for hedging its operating activities. In the reporting period, these were currency futures, currency options, interest swaps and currency swaps. The hedging of the euro – the group currency – represents a key subject of the financial management. We use instruments that protect the equity in euros and that do not have any effect on profit or loss in the income statement as well as instruments that hedge cash flows in foreign currencies, thereby largely minimising the currency risk in the income statement. Hedging



See Notes,
page 142f and
page 173ff

measures are primarily taken for Swiss francs and pounds sterling, as asset items and cash flows outside the euro area are largely held and generated in these currencies. In individual cases and projects, purchase prices in other foreign currencies or prices that depend on the exchange rate are hedged with the help of derivatives.

For the investment of excess liquidity, quick availability is more important than maximum yield, e.g. in order to be able to access available cash and cash equivalents in the event of acquisitions or major project pre-financing measures. Thus, purely financial goals – such as the optimisation of the financial income – are subordinate to the acquisition strategy and the company growth. This financial flexibility forms the basis for Bechtle's success in a highly consolidating market. The liquidity situation is centrally managed and monitored by the treasury.

Investment business is only conducted with investment-grade debtors. For time deposits within the European Union, investments with corresponding deposit guarantee are preferred. As such a guarantee only exists to a limited extent in Switzerland, investments in this country are only made at banks with an excellent credit rating.

STRATEGIC FINANCING MEASURES

Bond loan successfully placed for the first time. In 2018, the current business and necessary replacement investments were financed with cash and cash equivalents and the operating cash flow. For the first time, the funds required for the acquisitions in the second half of the fiscal year just ended were covered by placing a bond loan. The bond loan comprised a volume of €300 million in four tranches: two for five years, one for seven years and one for ten years. The bond loan, which was oversubscribed multiple times, was made available on 9 November 2018.

The acquisition financing resulted in a balance sheet extension and a changed weighting of individual positions. In the year under review, Bechtle made use of the existing leverage potential and increased the debt ratio in the balance sheet. As of 31 December 2018, the debt ratio amounted to 129.5 per cent, compared to 85.7 per cent in the prior year. At 43.6 per cent (prior year: 53.9 per cent), the equity ratio is still high and forms the basis of our financial flexibility, which allows us to continue to make use of any acquisition opportunities that might arise at short notice. Therefore, Bechtle holds funds amounting to €250.9 million in the form of cash as well as time deposits and securities that are available at short notice.

As a matter of principle, Bechtle pursues the goal of having sufficient access to various financing sources at all times.

OVERALL ASSESSMENT

As previously, the Executive Board of Bechtle AG considers the company's economic position as of the reporting date to be good. Most of the forecasts made on the basis of the fiscal year 2017 were fulfilled, and the key performance indicators of 2018 impressively underline Bechtle's economic strength. In the reporting period, only the gross margin and the EBT margin were slightly below our expectations, which was, however, due mainly to our extremely high revenue growth.

45. COMPARISON OF THE ACTUAL AND PROJECTED BUSINESS PERFORMANCE

	Forecast AR 2017	Forecast for the first half of 2018	Actual 2018	Comparison
Revenue	Significant increase over 2017	Very significant increase over 2017	Growth: 21.1%	Fulfilled
Cost of sales	In line with the revenue	–	Growth: 21.6%	Fulfilled
Gross margin	> 15%	–	14.9%	Not entirely fulfilled
Distribution cost ratio	About 6%	–	5.9%	Fulfilled
Administrative expense ratio	< 5%	–	4.8%	Fulfilled
EBT	Significant increase over 2017	Very significant increase over 2017	Growth: 18.7%	Fulfilled
EBT margin	Slight increase over 2017	Slight increase over 2017	From 4.6% to 4.5%	Not fulfilled
Dividend	Dividend payout ratio of about one third of the EAT	–	Dividend payout ratio: 33.0%	Fulfilled

OPPORTUNITY AND RISK REPORT

Business operations always involve interdependent opportunities and risks. The purpose of Bechtle's opportunity and risk management is to identify opportunities and risks at an early stage and to duly evaluate them. On this basis, we aim to seize sensible business opportunities and limit business risks as far as possible.

OPPORTUNITY AND RISK MANAGEMENT

BASIC UNDERSTANDING

From the perspective of the Bechtle Group, opportunities and risks are closely interlinked. Making use of an opportunity is usually implicitly associated with a risk. For this reason, we already record and assess many of the opportunities in the context of the risk management system. Thus, all statements made below concerning the risk management largely apply to the opportunity management as well. However, opportunities that are not linked to any risk are also identified. The leaner opportunity management of Bechtle AG that has been established for this purpose is derived mainly from the strategy of the business segments and their goals. The direct responsibility for the early and continuous identification, assessment and control of opportunities is borne primarily by the group's Executive Board and the operational management in the individual business segments and holding companies, i.e. the Executive Vice Presidents and Managing Directors. Like the risk management, these tasks are an integral part of the corporate planning and control system. The management of Bechtle AG puts a lot of emphasis on detailed evaluations and comprehensive scenarios concerning the market and competitive position and critical success factors for the company's performance. The potential for specific opportunities for the individual business segments is derived from this information. These are discussed in planning meetings between the Executive Board and the executives with operating responsibility, and suitable measures and targets are agreed in order to make use of this potential.



See
Vision and Strategy,
page 41 ff

Bechtle AG defines risk management as the entirety of all organisational arrangements and measures to identify risks and manage them. The main objective of the risk management is the timely identification of risks, their assessment and the initiation of suitable risk control measures. In this way, the company endeavours to avoid risks or to avert or minimise possible harmful consequences of the occurrence of the risk for the company. The assessment ranges from minor risks to material and existential risks.

The management firmly believes that it is not the task of risk management to avoid all risks. To successfully exploit opportunities, which are inherently linked to risks, a company must deliberately take risks in the course of its business activity. However, it is important to limit risks to an acceptable degree, to control them in the best way possible and to maintain an appropriate balance with the accompanying opportunities. This degree is governed by the risk policy and risk strategy under consideration of the company's overriding basic orientation. At Bechtle AG, the risk strategy is based on the corporate culture, the corporate guidelines and the company's strategic goals. These aspects govern everyday operations and, in various ways, serve as an orientation aid for all decisions. The key elements of these basic cultural definitions are rooted in our Bechtle corporate philosophy, our code of conduct, our sustainability code, our management principles and our social media policy.

ORGANISATION

In line with the organisational structure of the Bechtle Group, the risk management clearly distinguishes between duties and responsibilities of the group holding/intermediate holdings and of the operational subsidiaries and individual management areas. The group controlling has established a reporting system that enables early identification of developments that threaten the company's success. Apart from the provision of various analysis tools for the operational units, the insights gained from periodic analyses and statistics support an effective risk management in the individual areas. The Managing Directors and Business Unit Leaders thus bear a substantial part of the responsibility for the active risk management. This basic principle also corresponds to the decentralised business model and the management philosophy of Bechtle AG. The risk management organisation did not undergo any material changes compared to the prior year.

The risk management organisation of Bechtle AG mainly performs two functions:

■ **Process-independent monitoring.** This comprises the review of the operability of all processes.

The Internal Audit department is an important part of the process-independent monitoring. It audits business operations retroactively for compliance and suitability. The Executive Board thereby fulfils its statutory duty pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). At Bechtle AG, the Internal Audit department continuously conducts reviews of the incoming orders, month-end closings and other event-specific areas of group accounting. The suitability of the early risk identification system set up by the Executive Board and the effectiveness of individual risk control measures and of the accounting-related internal control system are reviewed by the auditors within the scope of the audit of the annual financial statements and during the year by the company management.

■ **Early warning and monitoring system.** The structure of the systems is geared towards strategic and operational threats and ensures the operability of the risk management and other corporate processes. Early warning systems help the company identify risks and opportunities in good time. In connection with the identification of latent risks, special attention is paid to early indicators. The monitoring comprises the continuous review of the effectiveness, adequacy and efficiency of the measures and of the needed control structures.



See
Collaboration between
the Executive Board and
the Supervisory Board,
page 54

Within the scope of the risk management, effective communication across all hierarchy levels is of decisive importance for the interlinking with the operational business. Therefore, board and team work is an important instrument for the organisation and control of the needed information flow. At the top level of Bechtle AG, this comprises the Supervisory Board, Executive Board and risk management meetings. At the management level, especially meetings of the Executive Vice Presidents, Managing Director and strategy conferences, planning and individual meetings as well as round tables with the Executive Board are held in order to meet this need.

Are we on plan?
Joint coordination ensures the
success of project processes.



Frederik Hawerkamp, Sales Back Office,
Systemhaus Dortmund

Katja Ferlic, Sales Back Office,
Systemhaus Dortmund

Frank Simon, Team Head of Public Sector
Division Tenders, Systemhaus Dortmund

From left to right

GROUP ACCOUNTING

According to Section 315 (4) of the German Commercial Code (HGB), the group management report of capital market-oriented companies must address key features of the internal control and risk management system (ICS) with respect to the group accounting process. In this connection, Bechtle uses the definition of the Institute of Public Auditors in Germany (IDW). According to this definition, an ICS consists of the principles, procedures and measures that the management introduces in the company for the organisational implementation of the decisions of the management. The duties and goals of the ICS are as follows:



- To ensure the effectiveness and efficiency of the business activity. This also includes the protection of tangible and intangible assets as well as the prevention and/or detection of financial losses that may be caused by own employees or third parties;
- To ensure the correctness and reliability of the internal and external accounting; and
- To comply with the legal regulations applicable to the company.

The principles, the structural and process organisation and the processes of the accounting-related ICS are outlined in policies and organisational instructions that are continually adapted to the latest external and internal developments. The controls defined throughout the group are outlined in a group accounting manual. The requirements in the guidelines and organisational instructions are based on statutory standards as well as on voluntarily defined corporate standards.

With respect to the financial accounting, this ensures that business transactions and facts are fully and duly identified, processed and reflected in the accounts, thereby ensuring correct accounting.



RISK IDENTIFICATION AND ASSESSMENT

To pinpoint all risks relevant to Bechtle AG as comprehensively as possible, the company uses risk assessment forms. These forms structure various risk types in the form of a checklist. The content of this list can be adapted and supplemented by the executives involved in risk identification and assessment in order to take any peculiarities of individual business areas into consideration.

The risk assessment form, whose purpose is to map possible risks as comprehensively as possible, serves as the basis for the risk assessment: Each risk is assessed for probability of occurrence and expected damage amount (risk potential), evaluated according to the gross method and positioned in a risk matrix indicating the significance (A, B and C risks). The result is an additive presentation of all identified risks in the form of a "risk map", both for Bechtle AG as a group and for each of its business segments.

RISK CONTROL

The company responds to identified risks on a case-by-case basis and with different strategies.

- Risk avoidance: Refraining from activities involving risks may mean that opportunities cannot be used either.
- Risk limitation: Minimisation of the probability of occurrence
- Risk reduction: Reduction of the average probability of occurrence
- Risk compensation: The risk is borne by the company and economically compensated by an offsetting transaction.
- Risk transfer: Transfer of the risk to another (insurance) company
- Acceptance of the risk: No countermeasures taken

RISK REPORTING AND DOCUMENTATION

At least once a year, the management of Bechtle AG holds risk management meetings, whose content is subject to ongoing review and further development. In addition to the risk management meetings of Bechtle AG, separate meetings at which the risks are explicitly discussed and continuously reassessed with the responsible individuals are held for each segment and executive division. The members of the Executive Board attend each of these meetings. The Executive Vice Presidents and individual employees entrusted with controlling and risk management responsibilities also participate in the meetings. Thus, all areas and responsibilities that are important for the company's success are involved in the risk management process. At quarterly intervals, this group also receives a status query in which the previous assessment of risks is reviewed and any new risks are queried. In addition to the standard reporting and assessment of risks at these meetings, there is an arrangement for ad-hoc reporting. In this way, critical issues are duly reported to the Executive Board and subsequently to the responsible bodies (audit committee, Supervisory Board) and other individuals involved in the risk management process.

OPPORTUNITIES

MARKET AND COMPETITION

Like all other players on the IT market, Bechtle AG is subject to the sector's performance and to macroeconomic developments. Of course, a positive economic environment presents opportunities for further successful company growth. However, even in the event of macroeconomic or sector-specific stagnation or decline, Bechtle can benefit from consolidation in the competitive landscape and expand its relative market share. Therefore, the group intensively conducts strategic market and competition analyses, deriving concrete growth options for its future business. Naturally, the company also focuses on industry and technology trends that have a direct impact on the company's profitable growth.



See
Competitive Position,
page 33 f

The IT market is characterised by rapid innovation and short product cycles. Due to advancing mechanisation and the digitisation trend, information technology is becoming increasingly important. IT is an integral component in production processes, and thus a key success factor for nearly all enterprises. At the same time, due to the complexity of IT, many enterprises need competent partners for successful and secure operation of their IT infrastructures, and for high-quality services in particular such as managed or cloud services. Most companies prefer cooperating with a partner in the field of digitisation – an area which still holds many unknowns. Thus even markets that are considered to be saturated, such as Western and Central European countries, still have major and increasing growth potential. Bechtle's product and service portfolio covers all of the current and presently foreseeable needs of industrial customers. With this comprehensive offer, Bechtle distinguishes itself from most direct competitors. In terms of strategic and structural positioning, our company is well prepared to capture any newly emerging growth potential.

For a number of years, the IT systems market has been in a phase of intensive consolidation, which Bechtle is actively working to exploit. Thanks to our robust financial resources and good reputation, we have been able to complete some 75 acquisitions since our IPO, continuously strengthening our market position. Because of the progressive industry consolidation and the Bechtle Group's strong balance sheet, the company will have further opportunities to improve its competitive position, such as through acquisitions and expanding the Group's product and service array. During the reporting period, Bechtle again sought to benefit from these opportunities by purchasing four companies, including Inmac WStore in the largest acquisition in the company's history.



See
Vision and Strategy,
page 41

The Bechtle Group occupies a leading competitive position in Germany and Europe. Because of its size, the group enjoys advantages with customers, with a comprehensive product portfolio that affords a leading edge – especially over smaller competitors. However, we are also greatly appreciated by our manufacturing partners. Despite Bechtle's size, the company's decentralised structure enables it to act quickly and flexibly to exploit any weaknesses of competitors in order to seize more regional market share. The group has the size and financial strength of an international business combined with the agility and customer closeness of a local mid-sized enterprise.

CUSTOMERS



See chart
Industry Segmentation,
page 33

In the company's IT System House & Managed Services segment, Bechtle has a dense network of some 70 systems subsidiaries active in Germany, Austria and Switzerland. Due to a widely diversified customer structure, industry-specific economic trends and special investment-related framework conditions have a relatively minor effect on the company. And Bechtle's long-standing presence in the IT market poses a high market-entry barrier for potential competitors. A strong competitive position in the SME segment thus enables our company to expand its market leadership in this area while growing its business with large customers at the same time.



See Business Activity,
IT E-Commerce,
page 30 ff

In the IT E-Commerce segment, we are active with the ARP and Bechtle direct brands in 14 European countries. Over the next few years, Bechtle intends to continue growing, especially at existing locations, while simultaneously studying new market-entry possibilities in Europe. Other growth factors include marketing to a wider spectrum of customers and further internationalisation of the business. To this end, we will be approaching customers on the basis of our Global IT Alliance, formed in 2014. Our market-leading position in the French market, which we achieved through the acquisition of Inmac WStore, will help us expand our international customer base. Additionally, systematic customer retention efforts will play an important role, through the use of bios® shops.

Bechtle's new online platform went live in 2017. With the new website, bechtle.com, Bechtle is looking to merge its online shop trading business with the service offering of the system houses in its digital marketing. This enables Bechtle to offer its entire service portfolio to even more customers and even more effectively exploit potential.



Strong
customer bases

Bechtle also markets services to public-sector division customers, a business segment that accounts for roughly 30 per cent of the group's revenue. Apart from the basic opportunity realisable by expanding the customer portfolio so as to increase business volume, further opportunities exist in specialising to meet the needs of public-sector division clients and focusing on special aspects of contract awarding practice in this segment, as the investment behaviour of this customer group is less susceptible to influence by economic trends, and is in fact often anti-cyclical.

MANUFACTURERS AND DISTRIBUTORS

Bechtle AG maintains close partnerships with all major suppliers and manufacturers in the IT industry. Intensive cooperation with partner companies enables us to offer technology solutions that meet our customers' growing requirements. Bechtle is expanding its growth opportunities, especially by offering an extensive range of individual service solutions for corporate customers and public-sector division clients. In its partnerships with key suppliers and manufacturers, the overwhelming majority of the group's certifications have the highest partner status.

To promote collaboration with strategic vendors, Bechtle employs Vendor Integrated Product Managers (VIPM) who promote both the interests of vendors and those of Bechtle. This concept holds various opportunities, for example how information from vendors can be forwarded to the responsible procurement, sales and service staff without delay in a centralised and target-oriented manner. This enables Bechtle to ensure that its offer to customers reflects the state of the art at all times. This increases the quality of sales activities, and customers benefit immediately from innovative products from the respective vendors. In return, the vendors promptly receive largely unfiltered user feedback about existing products and insights into requirements for future products.

Additional synergies are achieved by standardising logistics processes and synchronising ERP systems between Bechtle and its partners. This expands the product offer, increases goods availability and enhances the attractiveness of Bechtle among other distributors and manufacturers. In addition, it gives our company the opportunity to further increase efficiency, thus optimising costs.

SERVICE SPECTRUM

Enterprise customers often expect their IT providers to deliver complete solutions as a single source. By offering trading combined with services consisting of a blend of project, managed services and financing business, Bechtle is well prepared to benefit from this trend. Bechtle has indeed positioned itself to do so through acquisitions, strategic alliances and competence centres especially tuned to market demand and trends and by hiring and retaining qualified staff. These ongoing activities will continue to be pursued going forward.

Many companies focus on a number of basic factors in procurement and IT operation, which include competitiveness, efficiency gains, modernisation and cost optimisation. To meet customers' diverse needs, Bechtle analyses the customer's existing corporate processes as the basis for offering solutions and IT management models like outsourcing and cloud computing. Bechtle's broad portfolio makes it possible to devise optimal solutions that are custom-tailored to each customer's specific needs. As a one-stop provider, Bechtle has great advantages over smaller and niche providers. Furthermore, due to the already high and further increasing relevance of IT to all corporate processes and to heightened security concerns, customers insist on service provider reliability when choosing an IT partner. In addition to 35 years of experience and advanced solution expertise, Bechtle also enjoys a strong, solid financial position. These factors directly influence the choice of service provider, prices and how and from whom external services are procured. As a financially solid and reliable



See Business Segments
and Processes,
page 26 ff

partner with an excellent reputation, Bechtle will continue to enjoy attractive growth opportunities. Customer relationships in the operation business in particular can benefit from this. These relationships are usually of a long-term nature, which facilitates business performing planning. Also, the operation business generally has higher margins than conventional trading or project business.

For many years, we have sold peripheral products under our own brand ARP. For this, ARP has a purchasing company in Taiwan. In the reporting period, we made this custom brand available to all companies of the Bechtle Group under the name ARTICONA. Initially, the portfolio comprises 1,400 products in the field of IT accessories and connectivity. Thus, all customers of the Bechtle Group can now benefit from the excellent price/performance ratio of the ARTICONA products.



bechtle-clouds.com

Cloud computing is an area with great growth potential. Cloud computing is widely in use by large corporations, and the demand for solutions in this area is on the rise among medium-sized customers as well. In cloud computing, processing services, storage, applications and IT services are provided in real time via data networks. The fees for the individual services are based on actual usage. Bechtle is active in the cloud computing market – both in cooperation with renowned partners and with a proprietary solution portfolio. In this context, the Bechtle system houses can offer an extensive portfolio of virtualisation and server technologies, infrastructure solutions and security-relevant applications. In this way the group is able to meet specific customer needs relating to the provision and operation of IT services from the “cloud”. The offer is supplemented with consulting and integration services for cloud computing, as the specific services often need to be integrated and networked with existing systems.

The cloud portfolio includes the Bechtle Clouds range. Under this name, Bechtle bundles public and business cloud services. As a multi-cloud service provider, Bechtle Clouds offers custom-produced cloud services and numerous public cloud solutions. This is how we realise opportunities to benefit from growing demand for cloud services in the SME market.

Industry 4.0 and the complex issues around digitisation create opportunities for the Bechtle Group as well. The complexity of the industrial IT landscape and the relevance of IT to corporate workflows and production processes will continue to grow. Regardless of how these two trends develop in detail, most companies will need a competent IT partner who can be broadly integrated to take over IT responsibilities.

COMPANY ORGANISATION

With around 70 system houses, Bechtle covers the German, Austrian and Swiss markets densely. The decentralised structure of the Bechtle Group is of great significance, as every location is a separate legal entity with a Managing Director responsible for business performance in his territory. The decentralisation principle creates opportunities by promoting a sense of responsibility and entrepreneurial drive at the individual locations.



See Management,
page 38

Moreover, the locally and regionally rooted system houses enable Bechtle to address medium-sized customers at eye level and – at the aggregate group level and via the e-commerce companies that operate on a country-wide basis – address companies and corporations that work on a wider scale and that need a large IT service provider as a trusted partner. Despite the great significance of decentralised responsibility and decision-making structures, the Bechtle Group benefits from economies of scale with respect to centralised administrative tasks and group purchasing and logistics processes as part of the larger Bechtle AG corporation. Additionally, competence centres, specialised product management teams and segment heads bundle expertise that is made available centrally to all locations.

In selected business areas the group has pooled its competencies and experience within the group's parent company to address that particular market segment. This organised interaction between central support and the decentralised market approach by the system houses yields better growth opportunities in the respective markets, such as in the public-sector division and the software & application solutions, managed services and cloud services segments.

PERSONNEL

Employees are the key part of the Bechtle business model. Retaining employees over the long term, maintaining high motivation and fostering a positive corporate culture are essential for our business success. Further increasing the attractiveness of Bechtle as an employer represents both a challenge and an opportunity. Bechtle conducts systematic employer branding to position itself as an attractive employer, to recruit new staff and retain existing staff for the long term.



See Employees,
page 49 ff

A shortage of skilled personnel poses a recruitment challenge for Bechtle. However, the limited availability of qualified staff can hold opportunities if the company is able to train a sufficient number of specialists internally, to meet its needs without having to look elsewhere for new hires. Apprenticeships are thus a key focus of Bechtle's HR work. Over the medium term, Bechtle's goal is to increase its number of apprentices in Germany to approximately 12 per cent of the company's total workforce. We also intensively invest in training our staff members. This active career development offering enhances the satisfaction of Bechtle employees, which translates into long-term loyalty. Our workforce is constantly growing and our turnover rate of around 10 per cent is below the industry average, indicating that Bechtle is effective at taking advantage of recruitment and employee retention opportunities.



See Forecast Report,
page 117

RISKS

The management believes that the risks described below could have a detrimental effect on the company's earnings, assets and financial position, its reputation and its valuation on the capital markets. Nevertheless, this list does not include all risks the Bechtle Group is exposed to. Risks that are not yet known or risks that are currently considered to be of little significance could also impair the company's performance. Risks are often associated with opportunities, and the management must examine the individual case and decide whether to make use of an opportunity and take a risk or avoid the risk but thus miss an opportunity.

RISK ASSESSMENT



See Risk Identification
and Assessment,
page 93f

To introduce suitable risk control measures, identified risks are assessed on the basis of their estimated probability of occurrence and the loss amount expected upon occurrence with respect to the earnings, assets and financial position of the Bechtle Group, and subsequently classified as "high", "medium" or "low" in a matrix. To ensure uniform understanding, the definitions used for the measurement are described below.

46. RISK POTENTIAL PROBABILITY OF OCCURRENCE

Probability of occurrence	Description
High	Highly probable
Medium	Probable
Low	Improbable

47. RISK POTENTIAL LOSS AMOUNT

Expected loss amount in the event of occurrence of the risk	Definition of the loss amount
High	Substantial detrimental effects on the earnings, assets and financial position
Medium	Some detrimental effects on the earnings, assets and financial position
Low	Low detrimental effects on the earnings, assets and financial position

48. RISK MATRIX

		Expected loss amount		
		Low	Medium	High
Probability of occurrence	High	Medium risk	High risk	High risk
	Medium	Low risk	Medium risk	High risk
	Low	Low risk	Low risk	Medium risk

MACROECONOMY AND INDUSTRY

Among other things, the willingness of customers to invest depends on the macroeconomic development in the individual national markets, in Europe and around the globe. Additionally, the trust that companies put in a positive economic development plays a major role. Bechtle AG generates about two thirds of its revenue in Germany and the remaining third on the international markets. Thus, the development of the European economy as a whole and of the German economy in particular has a key impact on our company's growth. Weaker or, even worse, declining economy activity involves risks to the earnings, assets and financial position of the Bechtle Group.

Bechtle operates in a highly competitive and technologically fast-paced market. Both the IT trading segment and the IT service segment are characterised by competition in terms of pricing, product quality and service quality. We are confronted with continually high price and margin pressure, partially weakening demand and growth cycles that are susceptible to economic trends. Furthermore, the IT market has been undergoing a period of consolidation for several years, which may culminate in stronger individual competitors and changed market shares. The earnings position largely depends on the extent to which Bechtle is able to exploit the industry consolidation and its own strength to achieve above-average growth as well as on the effectiveness and, most importantly, on the efficiency with which the group succeeds in fulfilling the growing customer need for smart IT solutions. Here, the risks and opportunities for the company lie side by side.

The economic situation seems to have cooled off slightly in the second half of 2018 and in early 2019. The mood indicators are declining, and the forecasts for the GDP growth in 2019 have been adjusted downwards. In view of the current situation, we consider the probability of occurrence of the macroeconomic and industry performance risks to be high. This could involve some detrimental effects on our earnings, assets and financial position. We consider this risk to be high.

Brexit and the uncertainties as to how it will be handled and what exactly the impact will be could become a risk to Bechtle, albeit only insofar as the macroeconomy is affected. The direct effects of a no-deal Brexit on Bechtle would be quite limited. In 2018, Bechtle merely generated about 1.6 per cent of its group revenue in the United Kingdom. Moreover, we do not have any major goods flow from or to the UK. Thus, Bechtle merely regards Brexit-related risks as part of the macroeconomic risk.

BUSINESS ACTIVITY



See
Personnel Expenses,
page 48

Cost structure. The cost structure of the Bechtle Group is characterised by a high proportion of personnel expenses which can only be adjusted with some delay in case of changes in capacity utilisation. In phases of a weaker economy or curbed investment affinity of customers, the company can only reduce functional costs to a certain extent in the medium term without significantly modifying the employment situation, e.g. by means of short-time work or by making use of the natural fluctuation. All measures affecting the personnel expenses must always take the existing or possible future personnel risk (lack of qualified staff) into consideration. Therefore, Bechtle wants to bond employees to the company on a long-term basis and be highly attractive to new applicants as a reliable employer. The often rather short-term risk of lower earnings is countered by the long-term opportunity of successful employer branding and bonding of qualified staff.



See
Opportunities, Personnel
page 99

For the Bechtle Group to retain its earning power, the salary level of all employees as a whole should not rise excessively. However, in view of the shortage of skilled personnel and the demographic change, it will become increasingly difficult to staff all vacancies with qualified applicants. To attract applicants, Bechtle could be forced to raise the salary level. Bechtle endeavours to counteract this risk by strengthening the employer branding and by focusing on training measures, an approach that Bechtle has already pursued for many years.

We consider the occurrence of the risk associated with the development of personnel expenses and salaries to be very probable. This could result in some detrimental effects on the earnings, assets and financial position of the Bechtle Group. We consider this risk to be high.



See
Opportunities, Vendors
and Distributors
page 97

Procurement. Bechtle buys its products from all renowned IT vendors and distributors. Across Europe, the company cooperates with about 300 vendors and 1,700 distributors. In every national market in which Bechtle is represented, the company has established a close network with vendors and distributors. Especially the vendor proximity is of great significance to the success of the business model. Deterioration or, worse, discontinuation of the collaboration with a vendor would pose a risk to the Bechtle Group.

We consider the occurrence of risks in connection with the collaboration with vendors and distributors to be probable. This could result in some detrimental effects on the earnings, assets and financial position. We classify this risk as a medium risk.

The development in the IT market is marked by growing competitive pressure as well as price and margin pressure. In recent years, some vendors have been able to enforce price increases for certain product groups. The prices of individual products continued to rise in the reporting period. Bechtle is not always able to pass on such price increases to customers to the full extent. Therefore, especially long-term contracts and projects pose a risk to the group's earnings position, though in the past, the vendors' pricing policy usually did not have any major impact on Bechtle's business activity.

We classify the risks from the pricing policy of the vendors as a high risk. We consider the occurrence of the risk to be probable. In the event of the occurrence of these risks, we expect substantial detrimental effects on the earnings, assets and financial position.

Bechtle AG endeavours to reduce the stock levels to the absolute minimum required. We only have larger warehouses in Neckarsulm (for Germany), in Roissy-en-France (for France) and in Rotkreuz (for Switzerland). About two thirds of the stocks are products tied to specific projects, i.e. stocks that Bechtle holds in connection with customer orders. Thus, Bechtle's price change risk is limited to the stocks that are not earmarked and that are therefore exposed to the risk of loss of value. At the same time, high stock levels are associated with risks especially in connection with the development of the cash flow and of the working capital. In recent years, some customers and vendors have increasingly outsourced their storage to Bechtle. We counteract these risks by means of various working capital management measures.

We regard the occurrence of this risk as highly probable and would expect some detrimental effects on the earnings, assets and financial position in the event of occurrence of the risk. We consider this risk to be high.

Service range. The IT world is characterised by a high pace of technological progress, which results in constant change. As a player on this market, Bechtle must always be ready and able to identify new trends and adapt the portfolio accordingly if necessary. At the same time, it must regularly be checked whether existing processes, workflows, products and services are still demand-oriented. In this area, there is a risk of Bechtle noticing important new trends too late and hence being unable to offer customers a state-of-the-art product portfolio. However, in our history of over 35 years, we have demonstrated that we are capable of keeping up with the high pace of the IT market and adapting to the market circumstances and customer needs at all times. The risk for the future is largely minimised by the close interaction of Bechtle with all major vendors. Thus, Bechtle learns of important technological innovations at an early stage. The close contact that the sales team maintains with industry and public-sector clients also allows Bechtle to adjust its portfolio as soon as customer demand arises. However, it is also important not to lose sight of the traditional business. Bechtle still generates a large portion of its revenue in the trading and project business. To minimise risks, Bechtle will continue to operate on the market as a one-stop provider.



See Business Segments
page 26 ff

We do not consider the occurrence of this risk to be improbable. We cannot exclude some negative effects on our earnings, assets and financial position. We classify this risk as a medium risk.

On the IT market, Bechtle competes with numerous providers. Besides other conventional system houses and e-commerce providers, some vendors also engage in direct sales, thus becoming competitors. Especially large customers are already cared for directly by some vendors. Some distributors also endeavour to do direct business with end customers, thereby becoming competitors of Bechtle. Especially in the cloud business, large multinationals offer their services and try to sell their offerings directly to customers. Because of the increasing complexity of IT solutions, many customers have a greater need for consulting services, and even non-IT companies are making efforts to gain a foothold in the IT services market. Therefore, competition might intensify in future. However, due to its wide geographic coverage in Germany, Austria and Switzerland, Bechtle has an advantage especially in the field of medium-sized enterprises – which is the core target customer group – in terms of customer approach and customer bonding, as well as with respect to the delivery and performance of services. No other competitor has such wide geographic coverage and direct customer access. Moreover, vendors cannot offer independent consulting services, distributors have a more limited portfolio bandwidth, and consulting firms lack original IT competence. Through its consistent focus on efficient sales teams, Bechtle intends to maintain its competitive edge, thereby reducing the risk of entry of new competitors in Bechtle's customer base.

We regard the occurrence of competition risks as highly probable and would expect some detrimental effects on our earnings, assets and financial position in the event of occurrence of the risk. These risks are classified as high risks.

Thanks to its networked decentralised structure, Bechtle is always close to its customers. This establishes the basis for trusting collaboration.

Klaus Spang, Sales Back Office,
Systemhaus Dortmund

Maximilian Eich, trainee in
IT systems management,
Systemhaus Dortmund

Andre Julkowski, Account Manager,
Systemhaus Dortmund

Jennifer Reble, Sales Back Office,
Systemhaus Dortmund



Customers. Bechtle has a total of more than 70,000 customers in the two segments. Customer satisfaction is an important, if not THE, criterion of our services. Only satisfied customers will be willing to place further orders with Bechtle or expand the business relationships. Satisfied customers will also be inclined to recommend Bechtle and thus help to gain new customers. Starting from the quotation phase, Bechtle endeavours to comprehensively address the needs and requirements of the customers. During the roll-out, project teams can benefit from the assistance of the central project management. And last but not least, we regularly survey customer satisfaction in order to identify and realise improvement potential.



See Markets,
page 32f

We do not consider the occurrence of this risk to be improbable. It could result in some detrimental effects on our earnings, assets and financial position. This risk is classified as a medium risk.

IT. Nowadays, all companies depend on information technology. Numerous business processes are closely linked to IT systems and applications. This is also the case at Bechtle. Accordingly, the use of IT involves risks in areas such as order processing, ERP, controlling and financial accounting. For example, an availability risk could arise for a smooth process ranging from the enquiry and order placement to the delivery and invoicing if the operability of the required IT systems and applications were to be endangered. Possible causes include the failure of hardware, network components or energy controls, as well as handling errors in the field of information technology and telecommunications.

The probability and extent of damage from external attacks is very difficult to estimate. The intrusion of unauthorised parties into the IT system could result in a confidentiality risk, or the systems could lose their smooth operability after an attack.

Despite advanced protective mechanisms and security standards, we consider the occurrence of IT security risks to be highly probable. This could result in substantial detrimental effects on our earnings, assets and financial position. These risks are classified as high risks.

Personnel. As a trading service provider, the employees as well as their training, motivation and commitment are key success factors for Bechtle AG. For the company's ongoing growth path, it is also important to be able to draw new personnel to Bechtle and retain them on a long-term basis. Therefore – also in view of the demographic change – the inability to recruit the required number of qualified employees is one of the greatest HR risks. Moreover, risks exist in connection with the retention of employees in the company. Loss of expertise could occur due to above-average fluctuation of qualified personnel, or the customer satisfaction could be impaired by a lack of qualification and performance orientation on the part of the employees. Apart from further developing Bechtle's employer branding, the HR work therefore focuses on creating a positive work environment, providing operational training and promoting junior executives by means of internal development programmes. Moreover, it is important for the executives to firmly establish and demonstrate the values, the corporate culture and the management principles.



See Training,
page 49 ff

Bechtle constantly endeavours to recruit qualified personnel, to successfully integrate new employees and, most importantly, to retain them in the company on a permanent basis. By means of our employer branding, we reinforce our reputation as a popular and reliable employer in order to remain attractive to applicants in future. The success of these measures is evident from the large number of qualified applications that Bechtle regularly receives and from the low fluctuation rate. Training measures for employees and young people represent another key aspect of the HR work. In the medium term, the training ratio in Germany is to rise to about 12 per cent.

The occurrence of fluctuation risks is considered to be probable. This could have some detrimental effects on the earnings, assets and financial position. We classify this risk as a medium risk. We classify the HR procurement risk as a high risk, as the occurrence of this risk is highly probable and some detrimental effects on the earnings, assets and financial position cannot be excluded. We classify the risk associated with the dependence on key positions at the medium management level as a medium risk, as the occurrence of this risk is highly probable and some detrimental effects on the earnings, assets and financial position cannot be excluded.

FINANCIAL INSTRUMENTS



For a quantification
of the risks see Notes,
page 177 ff

Risk management. Currency, interest rate and liquidity risks are subject to active management on the basis of guidelines that apply to the entire group. In this context, the specific requirements for the organisational separation of the operations and auditing of the functional divisions are observed.

Derivative financial instruments are used exclusively for the purpose of hedging operational underlying transactions and mission-critical financial transactions in the form of currency futures, currency options and currency and interest swaps.

The financial risk management is characterised by clear allocation of responsibilities, central rules for the fundamental limitation of financial risks, purposeful alignment of the employed instruments to the requirements of the business activity and separate monitoring by a centrally controlled treasury.



See Notes,
Currency Risk,
page 177 ff

Foreign currencies. Currency risks exist especially in areas in which receivables, liabilities, cash and planned transactions exist or will accrue in currencies other than the local currency of the parent company. The foreign currency risk is mainly limited to Swiss francs, as a considerable portion of the international business is generated in Switzerland. Except for Switzerland, the United Kingdom and the Eastern European countries of Poland, the Czech Republic and Hungary, procurement mainly takes place in euro countries and in euros. In some cases, goods are purchased in US dollars or other currencies in order to take advantage of better prices. The Bechtle Group hedges the currency risk with currency futures. Since the 2018 fiscal year, the hedging of assets held by international subsid-



See
Financial Position,
page 86 ff

aries in foreign currencies has comprised all non-euro countries. Currency futures are used in individual cases to hedge the currency risk associated with other currencies when purchasing goods or when customers pay in foreign currency. In the case of one-time amounts with usually short terms to maturity, these economic hedges are not accounted for as hedges. For projects that run over a longer period and generally have several associated hedges, the hedge accounting regulations of IFRS 9 are applied. Open currency transactions and the respective receivables and liabilities are analysed on a monthly basis and tested for effectiveness.

Liquidity. To ensure unlimited solvency, the company must have sufficient liquidity at all times. The liquidity situation is managed and monitored by the treasury as an integral part of group accounting. The current position of the Bechtle Group as of the end of the year is outstandingly robust and comfortable, with cash, cash equivalents, time deposits and securities worth €250.9 million (prior year: €174.8 million), unused cash credit lines, guarantee credit lines and money market credit lines worth €37.8 million and a positive cash flow from operating activities amounting to €140.5 million (prior year: €54.3 million). The probability of occurrence of a liquidity risk is limited.

The treasury department of Bechtle AG ensures the liquidity supply for the group divisions and subsidiaries by means of cash pooling. Furthermore, it controls the interest rate risk and is responsible for the assessment, analysis and monitoring of positions subject to market risks.

Receivables. The solvency of our business customers plays an important role in the examination of the future risk situation. Bechtle could be exposed to bad-debt losses if customers can no longer meet their payment obligations in due time or in full due to inadequate financial means. Detailed monitoring of customer relationships including ongoing solvency checks and proactive receivables management help avoid risks from bad-debt losses and eliminate the need for taking out trade credit insurance.

Potential risks in connection with the investment of cash equivalents are limited by exclusively executing investments with banks with an excellent rating and within the scope of defined limits. Payment transactions, too, are only handled via banks with a top rating.



See Assets Position,
page 82 ff, and Notes,
Interest Rate Risk,
page 179 f

Interest rates. Financial assets and liabilities with maturities of more than one year generally involve an interest rate risk. The interest rate risks of the Bechtle Group are centrally analysed, and the resulting measures are actively managed by the group's finance department. The procedure applied by the department is subject to regular audits as determined by the management.

The occurrence of exchange rate, interest rate and liquidity risks, and of risks from non-payment, is considered to be improbable. Moderate detrimental effects on the business activity as well as on our earnings, assets and financial position cannot be fully excluded. All financial risks are classified as low risks.

OTHERS



See Locations,
page 38 ff

Acquisitions. Since its IPO in 2000, Bechtle AG has acquired 74 companies. Takeovers are an essential part of the corporate strategy, which is designed with long-term profitable growth in mind. Bechtle intends to continue to strengthen and expand its market position by means of targeted acquisitions. At the same time, however, the decision to purchase a company and integrate it in the group always involves an entrepreneurial risk. It is always possible that the expectations placed on the acquired company may not fully materialise. Bechtle addresses this risk by conducting extensive due diligence audits in advance. The preparation, implementation and audit of acquisitions take place in line with defined competence arrangements and approval processes. Moreover, Bechtle has many years of experience in integrating companies. We have established the structures and processes that are necessary for this and pursue a post-merger concept that meets the group's needs in connection with the integration of newly acquired companies in the best way possible. For Bechtle, the opportunities that acquisitions offer clearly outweigh the risks.

We do not consider the occurrence of acquisition risks to be improbable, and we cannot fully exclude some detrimental effects on our earnings, assets and financial position. The risk is classified as a medium risk.



See
Corporate Governance,
page 53 ff

Compliance. The subject of compliance plays an important role in contracts with public-sector clients, but increasingly also in relationships with the private sector and in vendor partnerships. Many customers expect the IT partner to expressly undertake to observe applicable laws and regulations and to assure compliance with standards of respectable conduct. To fulfil these requirements and thus minimise the risk of potential misconduct towards business partners as far as possible, Bechtle AG introduced a code of conduct several years ago. The purpose of this code of conduct is to ensure compliance with applicable national and international laws and regulations in all activities of the company and to define minimum standards for responsible actions. Along with the code of conduct, Bechtle has also set up a compliance board consisting of the Executive Board of Bechtle AG and a permanent representative of the legal department. The employees can contact the compliance

board via a dedicated hotline and a special e-mail account. Reports or violations are reviewed and assessed by the compliance board, which takes suitable measures if necessary. As a consistent further development of its own code of conduct, Bechtle has developed and distributed a "Code of Conduct for Suppliers of Goods and Services". This code contains the principles and minimum requirements from Bechtle's code of conduct that Bechtle's suppliers are also required to comply with.

Despite the measures taken, the occurrence of compliance risks from structures and processes is not improbable. Some detrimental effects on the business activity as well as on our earnings, assets and financial position cannot be fully excluded. This risk is classified as a medium risk.

Legal environment. Being active at an international level, the Bechtle Group is subject to various national laws. This may involve legal transaction risks – e.g. in connection with the wording of contracts – which Bechtle counters by engaging the internal legal department or external legal advisors at an early stage whenever necessary.

At present, the company is not involved in any legal disputes that we would expect to result in a noticeable detrimental effect on the consolidated income. Bechtle AG will create provisions for any future legal disputes in connection with the group's business if liabilities are likely to result and the amount of the liabilities can be determined with reasonable certainty.



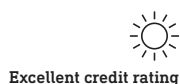
Flat hierarchies, lean structures, manageable units: this framework enables us to make fast decisions – before others do so.

Thorsten Beuchel, Head of Public Sector Division, Systemhaus Dortmund

Stefanie Scholand, Assistant to the Management, Systemhaus Dortmund

OVERALL EXAMINATION OF OPPORTUNITIES AND RISKS

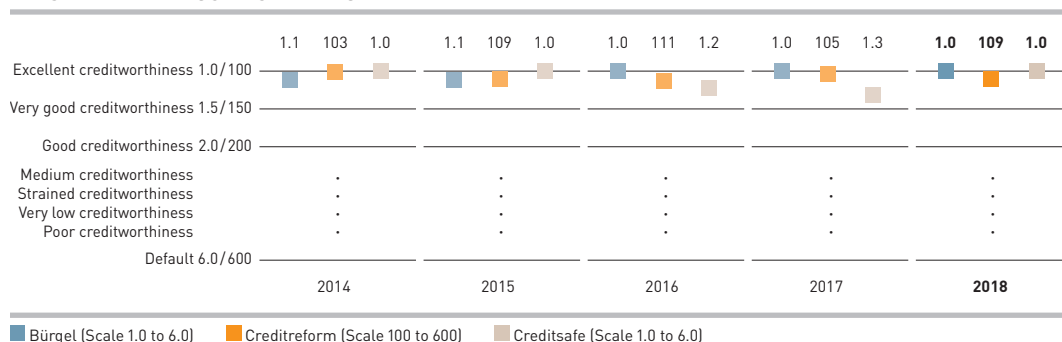
The evaluation of the group's overall opportunity and risk situation by the Executive Board is based on an examination of all major compound and individual risks under consideration of any opportunities that may arise. Compared to the prior year, there were no major changes to the overall risk position or to the risks described. The management is of the opinion that the presented risks are limited and manageable. The company boasts a very robust financial basis. Despite the balance sheet extension and the optimisation of the leverage potential, we still have a good equity ratio of 43.6 per cent and a comfortable liquidity situation.



Third-party ratings are important indicators for the overall risk assessment. Apart from the company's own internal risk assessment, Bechtle's credit rating and aggregate credit risk are regularly appraised and monitored by banks and rating agencies. Due to the sound capital structure and first-class funding of the company, Bechtle has received excellent ratings for many years. There is no reason why this should change in the future.



49. CREDIT RATINGS BECHTLE AG



To date, the creditworthiness of Bechtle AG has not been assessed by the rating agencies Standard & Poor's, Moody's Investors Service, Fitch Ratings or Dominion Bond Rating Service.

Bechtle AG is aware of its own risk and opportunity profile for its business activities. In connection with daily updated analyses of the business performance based on operational indicators, the presented measures play a significant role in enabling Bechtle to use the opportunities for further development of the company without losing sight of the risks involved.

Except for the risks described above, the Executive Board does not expect any other significant impairment of the company's revenue and profitability due to other risks. All in all, Bechtle AG is not aware of any risks that could endanger the going concern either alone or in combination with other risks. The Executive Board is convinced that it will be able to make use of future challenges and opportunities without taking undue risks.

FORECAST REPORT

Over the past years, Bechtle has delivered an exceptional performance against the backdrop of a highly robust and investment-oriented economic setting. In recent months, however, the macroeconomic situation has slackened. This raises uncertainties with regard to the forecast for the fiscal year 2019. Nevertheless, the Executive Board is optimistic, especially in view of the unique positioning of Bechtle AG among its competitors. Moreover, we have paved the way for future success by means of numerous investments and by outlining our Vision 2030, irrespective of short-term economic developments.

FRAMEWORK CONDITIONS

Weakening economic growth. In its forecast of February 2019, the European Commission predicted slower growth in the EU in 2019. Thus, the GDP growth is to reach only 1.5 per cent, compared to 1.9 per cent in the prior year. This curbed growth expectation also concerns Bechtle's markets in the EU. With a GDP increase of only 0.2 per cent, Italy is at the bottom of the scale. The highest growth is expected in the three Eastern European countries and – at the top of the list – Ireland, with a growth rate of 4.1 per cent. Among the countries in which Bechtle is present, these countries along with Spain are the only ones whose GDP is to grow by more than 2 per cent. Throughout the EU, the growth rates for investments in equipment are expected to grow 3.3 per cent, a rate that is higher than the GDP growth but nevertheless lower than in the prior year (4.9 per cent). Government investments in the EU are to grow 1.5 per cent, slightly more than in the prior year (1.2 per cent). In 2020, the GDP in the EU is to grow at a slightly higher rate of 1.7 per cent, and investments in equipment are to increase 3.1 per cent.

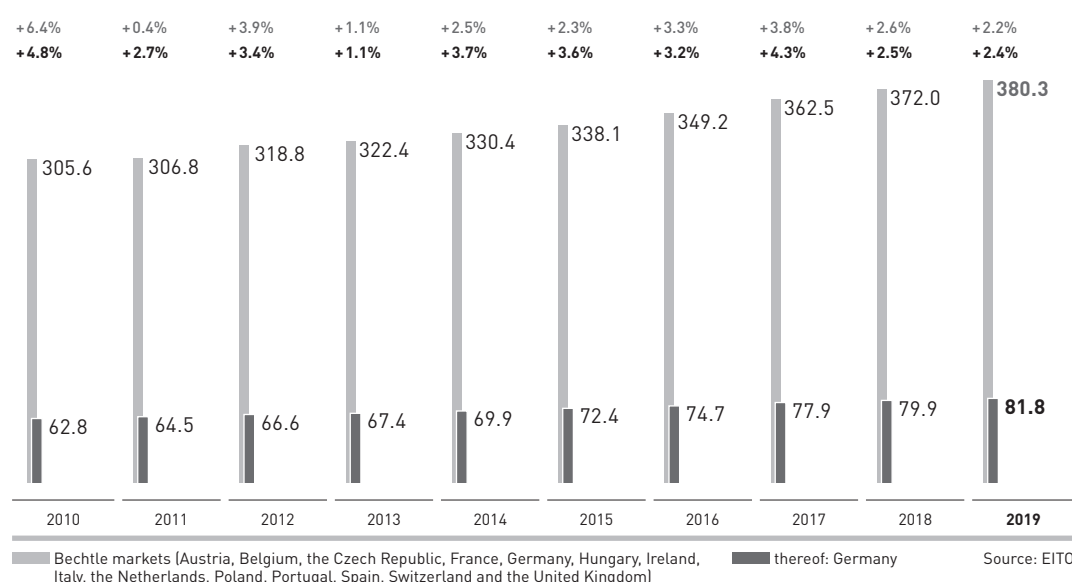
Compared to prior years, the economic development in Germany will most likely further recede in 2019. The European Commission predicts GDP growth of 1.1 per cent, compared to 1.5 per cent in the reporting period. According to the European Commission, investments in equipment are to grow 2.9 per cent, compared to 4.7 per cent in the reporting period. Government expenditure, however, is to return to a higher growth of 2.3 per cent (2018: 1.3 per cent). For 2020, the European Commission expects the GDP growth in Germany to rebound to 1.7 per cent. In 2020, investments in equipment are expected to grow 3.3 per cent, and government expenditure 1.7 per cent.

Slightly reduced growth dynamics predicted for the IT industry. The IT industry is expected to continue to deliver growth in 2019, though at a slightly reduced pace. According to the figures of EITO, the IT market in the EU is to grow 2.2 per cent in 2019, compared to 2.6 per cent in the reporting period. As is usually the case in the first forecasts at the beginning of the year, hardware sales are expected to drop. Following a decline of 2.0 per cent in the reporting period, a decline of 3.8 per cent is forecast for 2019. In contrast, services are expected to grow 2.4 per cent, and software 5.9 per cent. In the countries in which Bechtle is present, hardware sales are expected to diverge greatly. Growth is predicted for Ireland only, though at an outstanding rate of 37.7 per cent. Negative figures are projected for all other countries. The greatest declines are anticipated in the Netherlands (–8.9 per cent) and the UK (–8.4 per cent). For France, Bechtle's second-most important national market, IT market growth of 2.7 per cent is projected for 2019. However, hardware sales are expected to recede 1.8 per cent. In Switzerland, the predicted IT market growth for 2019 is 2.9 per cent. Hardware sales are to drop 3.5 per cent. However, services are expected to grow 2.6 per cent, and software 6.2 per cent.

In 2019, the German IT market is expected to grow 2.4 per cent, a rate similar to that of the reporting period (2.5 per cent). For the hardware segment, a decline of 3.8 per cent is predicted in this market as well. PC sales are expected to decline especially in the consumer business, and printer and server sales are also expected to drop considerably. However, a growth of 1.8 per cent is predicted for the storage sales. A growth of 2.3 per cent is expected for services and of 6.3 per cent for software, a level similar to that of the prior year.

50. IT EXPENDITURE IN THE BECHTLE MARKETS 2010–2019

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No material effects expected on Bechtle's demand. With respect to the forecast future economic situation in the relevant national markets, the Bechtle Group does not expect any major impact on demand due to changes in legal framework conditions or the implementation of policy measures. Any direct effects from Brexit are only conceivable for our UK subsidiary. All indirect effects are related to the macroeconomy. The exchange rate development does not play a major role in most countries in which Bechtle is present, as these belong to the euro area and purchases and billing therefore take place in euros. Significant transactions in foreign currency only take place in Switzerland.



See Risks,
page 101

GROUP PERFORMANCE

PRODUCTS AND MARKETS

The digital transformation is gaining momentum in the business world. To take technological trends in the field of IT into account and to meet the associated growing customer requirements, Bechtle continually upgrades its product and service portfolio. In the reporting period, for example, we further expanded the Bechtle Clouds offering, thereby reinforcing our position as multi-cloud service provider.

In the years to come, Bechtle will expand the range of special IT solutions in the IT System House & Managed Services segment. In this context, we regard subjects such as mobility, security, storage, modern workplace, networking solutions and IT as a service as market drivers. Bechtle boasts an excellent position in all said areas and is always able to offer customers solutions that satisfy the latest technological standards. The orientation of our portfolio is always aligned with our customers' demands.

Focus on digitisation. As early as 2017, Bechtle started developing bechtle.com into a digital marketplace. On this website, our customers can see Bechtle's entire service and solution portfolio at a glance. Regardless of the customer's original concern and irrespective of the segment to which the customer has been allocated, Bechtle is able to address every customer comprehensively for the purpose of systematically offering them further solutions. At the same time, this helps us to boost customer satisfaction and penetration. In the reporting period, we consolidated the activities for the development of our digital marketplace and further digitisation of our portfolio in a new area designated as Digital Business Services. For the future successful positioning of Bechtle, we regard the further digitisation of numerous processes to be indispensable.

Bechtle to continue to benefit from market consolidation. The consolidation of the German and European IT markets, which has been ongoing for several years, will continue in 2019 as well. Smaller providers in particular will find it increasingly difficult to offer their customers services in the needed breadth and depth. However, the consolidation is not expected to accelerate, neither in 2019 nor thereafter. Bechtle AG will benefit from this development thanks to its financial strength, its

competitive position, its decentralised positioning and its outstanding reputation with all relevant customer groups. Therefore, we are confident that we will be able to continue to expand our market share at a disproportionately high rate.

The Bechtle Group strives to drive its market position in the IT E-Commerce segment by expanding the existing companies. For the time being, no further subsidiaries are to be established in Europe. Nevertheless, Bechtle is keenly interested in further internationalising its operations. We will push ahead this process with the help of our Global IT Alliance (GITA; established in 2014), by means of which we are represented in almost all relevant economic regions around the globe.

KEY PERFORMANCE INDICATORS

Revenue. The track record of Bechtle AG demonstrates its high dynamics and its ability to grow faster than the market. Since 2010, we have outperformed the IT market by greatly increasing our revenue at a compound annual growth rate (CAGR) of about 12 per cent. On long-term average from 2008 to 2018 – i.e. including 2009, the year of the financial crisis – the CAGR was about 11 per cent. Since 2008, the growth has been largely organic. Despite the numerous macroeconomic risk factors and the weakening of the business climate, which has been evident since the beginning of the year, we are confident that year on year, we will be able to achieve very significant growth in 2019. The effects of the acquisitions realised in the reporting year in particular are included in this assessment.

In the reporting period, the regional balance shifted towards the international units, owing to the acquisition of Inmac WStore. Apart from this, however, we do not expect any major changes in the coming years. Due to the advancing internationalisation of the business and the strong growth of the foreign IT E-Commerce companies, the group is experiencing an increase in the revenue generated abroad. Furthermore, our strong competitive position and the market share gains will enable us to continue to operate and grow successfully in our home market as well.

Costs. In recent years, the cost of sales has increased at more or less the same rate as the revenue. Years with significant growth rates, such as 2017 and 2018, are usually characterised by a greater proportion of hardware, resulting in a disproportionately high increase in material costs. For this reason, the gross margin came under some pressure in these two years. Nevertheless, we managed to keep the gross margin at a level of about 15 per cent. For 2019, we plan to largely align the increase in cost of sales with the revenue increase, thereby maintaining a gross margin of about 15 per cent. For Bechtle AG as a service provider, personnel expenses are of central importance. These expenses represent the bulk of the costs, accounting for approximately 80 per cent of the distribution costs and about 60 per cent of the administrative expenses. Due to Bechtle's increasingly consulting-intensive business model, the decentralised broad positioning of the system houses and the shortage of qualified staff in some areas, flexible adjustment of the personnel expenses is not feasible. Moreover, especially in view of the shortage of experts, Bechtle considers employee bonding and the quality of being a reliable employer to be far more important than short-term cost optimisation measures.

In the field of sales, the expenses are also directly linked to the revenue performance, as larger sales teams can generate more growth. In view of the growth in the group, management expects the absolute expenses for the two functional areas of sales and administration to further increase throughout 2019. However, as we endeavour to prevent disproportionately high growth, the ratios of these two items are to remain at least at the levels of the reporting period, i.e. at around 6 per cent and below 5 per cent of the revenue, respectively.

Earnings. The earnings performance in recent years has been very satisfactory, too. Since the fiscal year 2010, the CAGR for the EBT has been around 15 per cent. EBT has thus developed better than revenue on a long-term average. For 2019, the Executive Board projects very significant growth. Accordingly, the EBT margin is expected to reach at least the prior-year level (4.5 per cent).

No major earnings effects are expected from the currency translation of Swiss francs or other currencies relevant to Bechtle, as we hedge exchange rate fluctuations. In the IT System House & Managed Services segment, we want to further increase the share of higher-margin services. In e-commerce, the main objective is to maintain the high margin level, which has been achieved especially through efficient processes and modern logistics.

Bechtle AG plans to continue to share its entrepreneurial success with its shareholders in the form of an attractive dividend. The dividend policy is mainly aligned with the group's earnings and liquidity position and provides for a dividend payout ratio of about one third of the earnings after taxes. The current dividend proposal of €1.00 per share for the 2018 fiscal year represents a ratio of 30.6 per cent, a figure that fully reflects the corporate policy. There are no plans for fundamental changes to the company's dividend policy.

To be continued. The coming years will be under the banner of the Bechtle Vision 2030. This is something we are looking forward to!

Stefan Bock, Mission Planning IT Services, Systemhaus Dortmund

Ralf Hakenes, Logistics, Systemhaus Dortmund

From left to right

ASSETS AND FINANCIAL POSITION

Liquidity. In the reporting period, the balance sheet structure changed due to acquisition financing measures. Nevertheless, Bechtle's liquidity situation remains outstanding. This financial strength is a vital precondition that enables Bechtle to continuously grow under its own steam and respond flexibly to the requirements of the markets. The high liquidity represents a competitive advantage. The financial position and the stability of the IT partner is a key decision-making criterion from the customer perspective, especially in connection with the award of long-term projects. Therefore, Bechtle will continue to attach special importance to cash management. In view of the good balance sheet ratios, Bechtle AG has substantial "rating-neutral" borrowing potential, in addition to free liquidity of €250.9 million. Combined with the continued positive development of the operating cash flow, Bechtle thus has the leeway needed for attaining its goals and financing the targeted above-average growth without any difficulties and even under its own steam.

Financing. In the reporting period, financial liabilities increased substantially due to the placement of a bond loan. Unless major acquisitions take place, these positions will not undergo any significant changes in 2019. In 2019, smaller acquisitions could be financed from the current cash flow and available liquidity, as in the past. However, it is also possible to raise debt capital whenever necessary. The takeover of larger companies could result in a more drastic cash outflow, though in such a case, financing with debt capital or other external financing options would be more likely, at least to a certain extent – as was the case in the reporting period. The company could also resort to the equity financing options according to the adopted Annual General Meeting resolutions. Until June 2023, the Executive Board is authorised to increase the issued capital by issuing up to 14 million shares against cash or in-kind contributions.

Provided that no major takeovers occur in 2019, the balance sheet structure will most likely not undergo any significant changes compared to the reporting date of 31 December 2018.

Investments. The business of Bechtle AG, which comprises IT product trading and IT services, does not require any major investments. The investment ratio in 2018 was about 25 per cent, in line with the long-term average. The total amount of investments in 2018 was €56.6 million. Apart from the purchase of existing property, this figure especially included investments in internal projects such as our digital marketplace or our Bechtle Clouds platform, as well as higher replacement and expansion investments. In the course of this year, Bechtle will continue to invest in the company's future. Thus, construction work on a new office building at the Neckarsulm headquarters started in February 2019 and is due to be completed in the second half of 2020. We expect the investments in 2019 to total €50 to €60 million.

Acquisitions will remain an integral element of the growth strategy in all business fields. In IT E-Commerce, however, the Executive Board relies mainly on organic growth. In the IT System House & Managed Services segment though, selective acquisitions will continue to supplement the regional positioning and skills profile of Bechtle AG in a meaningful way.

Staff development and training will continue to play an important role in our business. With an established range of training measures and consistent continuation of the internal management programmes, Bechtle intends to continue to invest in the development of junior and executive staff. The Executive Board plans to continue to increase the headcount in 2019 – irrespective of acquisitions, but at a lower rate than the revenue growth. Bechtle's HR policy will continue to focus on training young people. In this connection, Bechtle AG has adopted the medium-term goal of increasing the training ratio in Germany to approximately 12 per cent in order to safeguard its future.

OVERALL ASSESSMENT

Positive outlook for Bechtle despite economic slowdown. Though the macroeconomic situation remained positive in early 2019, the framework conditions as a whole have deteriorated. Moreover, uncertainty and economic worries have increased considerably. Both the European Commission and Germany's federal government have corrected the growth forecasts for 2019 downwards. Nevertheless, GDP growth of more than 1 per cent is anticipated for 2019 and 2020 in all countries relevant to Bechtle, except for Italy. The mood in the economy also turned gloomier at the beginning of the year. In the first quarter of 2019, the ifo indicator for the economic climate in the euro area receded from 6.6 to –11.1 points, dropping to a level below zero for the first time since 2014. Though the evaluation of the current situation is still positive, the expectations are clearly negative, at –36.6 points. In Germany, the ifo business climate index has fallen continuously since August 2018, reaching the lowest level since February 2016 at the start of the year. While the evaluation of the current situation remained at a high level, declining only slightly, the expectations for the next six months have fallen significantly.

51. IFO BUSINESS CLIMATE FOR GERMANY



The mood in the IT industry, too, is subdued. In January, the ifo index for IT service providers dropped to 37.4, the lowest level in two years. Though the evaluation of the current situation was even slightly better than in December, the expectations for the coming months have declined further.

Nevertheless, the Executive Board expects the business performance of Bechtle AG to remain positive and above the industry average, though the growth rates will drop noticeably compared to 2017 and 2018.

52. OVERVIEW OF FORECASTS ON THE EARNINGS POSITION FOR 2019

	Group	IT System House & Managed Services	IT E-Commerce
Revenue	Very significant increase over 2018	Significant increase	Very significant increase
Cost of sales	In line with the revenue		
Gross margin	About 15%		
Distribution cost ratio	About 6%		
Administrative expense ratio	< 5%		
EBT	Very significant increase over 2018	Significant increase	Very significant increase
EBT margin	At least at prior-year level	At least at prior-year level	At least at prior-year level
Dividend	Dividend payout ratio of about one third of the EAT		

The background is a solid green color with several large, curved, overlapping bands of varying shades of green, creating a sense of depth and movement. In the bottom left corner, there are two overlapping circles: a larger, darker green one and a smaller, lighter green one.

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS

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53. CONSOLIDATED INCOME STATEMENT

		€k	
	Notes	2018	2017
Revenue	1	4,323,318	3,570,124
Cost of sales	2	3,680,384	3,026,329
Gross profit		642,934	543,795
Distribution costs	2	257,218	215,989
Administrative expenses	2	205,688	173,396
Other operating income	3	15,053	9,842
Earnings before interest and taxes		195,081	164,252
Financial income	4	1,338	1,133
Financial expenses	4	3,177	2,581
Earnings before taxes		193,242	162,804
Income taxes	5	56,101	48,242
Earnings after taxes (attributable to shareholders of Bechtle AG)		137,141	114,562
Net earnings per share (basic and diluted)	€ 6	3.27	2.73
Weighted average shares outstanding (basic and diluted)	in thousands	42,000	42,000



See
further comments
in the Notes,
in particular III.,
page 146 ff

54. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		€k	
	Notes	2018	2017
Earnings after taxes		137,141	114,562
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses on pension provisions	17	1,692	5,990
Income tax effects		-339	-973
Items that will be reclassified to profit or loss in subsequent periods			
Unrealised gains and losses on securities		1	0
Income tax effects		0	0
Unrealised gains and losses on financial derivatives		1,684	-1,702
Income tax effects		3	504
Currency translation differences of net investments in foreign operations		0	0
Income tax effects		0	0
Hedging of net investments in foreign operations		-766	5,094
Income tax effects		228	-1,511
Currency translation differences		4,077	-7,284
Other comprehensive income	16	6,580	118
of which income tax effects		-108	-1,980
Total comprehensive income (attributable to shareholders of Bechtle AG)		143,721	114,680



See
further comments
in the Notes,
in particular IV. no. 16,
page 158 ff

55. CONSOLIDATED BALANCE SHEET

ASSETS

€k

	Notes	31.12.2018	31.12.2017
Non-current assets			
Goodwill	7	345,938	193,538
Other intangible assets	8	121,120	48,721
Property, plant and equipment	9	152,853	134,865
Trade receivables	12	27,863	30,235
Deferred taxes	10	4,713	4,004
Other assets	14	6,771	3,833
Total non-current assets		659,258	415,196
Current assets			
Inventories	11	280,331	211,319
Trade receivables	12	754,069	581,919
Income tax receivables		1,357	1,340
Other assets	14	81,227	58,783
Time deposits and securities	13	5,543	12,444
Cash and cash equivalents	15	245,379	162,383
Total current assets		1,367,906	1,028,188
Total assets		2,027,164	1,443,384



See
further comments
in the Notes,
in particular IV.,
page 149 ff

EQUITY AND LIABILITIES

€k

	Notes	31.12.2018	31.12.2017
Equity			
Issued capital		42,000	42,000
Capital reserves		124,228	124,228
Retained earnings		716,976	611,055
Total equity	16	883,204	777,283
Non-current liabilities			
Pension provisions	17	16,301	13,002
Other provisions	18	11,052	7,190
Financial liabilities	19	380,640	69,917
Trade payables	20	40	96
Deferred taxes	10	41,107	21,069
Other liabilities	21	4,858	2,292
Contract liabilities	22	10,895	–
Deferred income	23	0	13,701
Total non-current liabilities		464,893	127,267
Current liabilities			
Other provisions	18	9,162	7,129
Financial liabilities	19	12,872	58,930
Trade payables	20	372,338	237,160
Income tax payables		12,509	10,733
Other liabilities	21	159,957	131,118
Contract liabilities	22	96,120	–
Deferred income	23	16,109	93,764
Total current liabilities		679,067	538,834
Total equity and liabilities		2,027,164	1,443,384

56. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

	Issued capital	Capital reserves	Retained earnings		Total	Total equity (attributable to shareholders of Bechtle AG)
			Accrued profits	Changes in equity outside profit or loss		
Equity as of 1 January 2017	21,000	145,228	529,180	-1,305	527,875	694,103
Distribution of profits for 2016			-31,500		-31,500	-31,500
Earnings after taxes			114,562		114,562	114,562
Other comprehensive income				118	118	118
Total comprehensive income	0	0	114,562	118	114,680	114,680
Capital increase from company funds	21,000	-21,000				
Equity as of 31 December 2017	42,000	124,228	612,242	-1,187	611,055	777,283
Equity as of 1 January 2018	42,000	124,228	612,242	-1,187	611,055	777,283
Distribution of profits for 2017			-37,800		-37,800	-37,800
Earnings after taxes			137,141		137,141	137,141
Other comprehensive income				6,580	6,580	6,580
Total comprehensive income	0	0	137,141	6,580	143,721	143,721
Equity as of 31 December 2018	42,000	124,228	711,583	5,393	716,976	883,204



See further comments in the Notes, in particular IV. no. 16, page 158 ff

57. CONSOLIDATED CASH FLOW STATEMENT

		k€	
	Notes	2018	2017
Operating activities			
Earnings before taxes		193,242	162,804
Adjustment for non-cash expenses and income			
Financial earnings		1,839	1,448
Depreciation and amortisation of intangible assets and property, plant and equipment		41,977	31,930
Gains and losses on disposal of intangible assets and property, plant and equipment		348	138
Other non-cash expenses and income		4,585	3,708
Changes in net assets			
Changes in inventories		-31,846	-28,884
Changes in trade receivables		-86,724	-99,293
Changes in trade payables		69,029	-5,541
Changes in deferred income		5,123	19,011
Changes in other net assets		-940	14,684
Income taxes paid		-56,108	-45,744
Cash flow from operating activities	24	140,525	54,261
Investing activity			
Cash paid for acquisitions less cash acquired		-232,572	-11,711
Cash paid for investments in intangible assets and property, plant and equipment		-56,429	-67,173
Cash received from the sale of intangible assets and property, plant and equipment		1,291	494
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets		7,006	10,033
Settlement of net investment hedges		-766	5,093
Interest payments received		858	589
Cash flow from investing activities	25	-280,612	-62,675
Financing activities			
Cash paid for the repayment of financial liabilities		-129,600	-17,583
Cash received from the assumption of financial liabilities		391,010	84,941
Dividends paid		-37,800	-31,500
Interest paid		-2,243	-2,280
Cash flow from financing activities	26	221,367	33,578
Exchange-rate-related changes in cash and cash equivalents		1,716	-3,196
Changes in cash and cash equivalents		82,996	21,968
Cash and cash equivalents at the beginning of the period		162,383	140,415
Cash and cash equivalents at the end of the period		245,379	162,383



See further comments in the Notes, in particular V., page 171 f

NOTES

I. GENERAL DISCLOSURES

Bechtle AG (Stuttgart District Court, HRB 108581), Bechtle Platz 1, 74172 Neckarsulm, Germany, is a joint stock corporation under German law. Through its subsidiaries, Bechtle AG operates IT system houses in Germany, Belgium, Austria and Switzerland, and is active in the IT trading business as an IT e-commerce provider in 14 European countries. In this way, the group offers its customers a comprehensive portfolio of IT infrastructure and IT operation solutions from one source.

Bechtle has been quoted at the Frankfurt Stock Exchange (Prime Standard) since 2000. Moreover, it has been listed in the TecDAX technology index since 2004 and in the MDAX stock exchange index for medium-sized companies since 2018. The company's shares are traded at all German stock exchanges.

On 1 March 2019, the Executive Board released the Consolidated Financial Statements of Bechtle AG for the 2018 fiscal year for submission to the Supervisory Board (IAS 10.17).



[bechtle.com/investors/
corporate-governance](https://bechtle.com/investors/corporate-governance)

Bechtle AG has issued a declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). An up-to-date version of the declaration was published on the company's website.

II. SUMMARY OF KEY PRINCIPLES OF ACCOUNTING AND CONSOLIDATION

BASIS OF PREPARATION

The parent company Bechtle AG is a listed company and as such required under Section 315e of the German Commercial Code (HGB) to prepare its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union. All International Financial Reporting Standards whose adoption is mandatory for the 2018 fiscal year have been adopted.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments, which have been measured at fair value. The presentation in the balance sheet distinguishes between current and non-current assets and liabilities. Assets and liabilities with a maturity of up to one year are considered as current items. Deferred tax assets and liabilities and provisions for defined benefit plans are presented as non-current items. The income statement is prepared according to the function of expense method. The Consolidated Financial Statements are presented in euros and rounded to the nearest thousand (€ thousand). Any deviations are explicitly indicated.

NEW ACCOUNTING PRONOUNCEMENTS

New/amended standards and interpretations adopted for the first time. In the period under review, Bechtle adopted the new and revised standards and interpretations of the following new accounting pronouncements, which had been published by the IASB/IFRIC and endorsed by the EU. The effective dates specified for the mandatory adoption also originate from the respective EU directive:



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Pronouncement	Publication by IASB/IFRIC	Endorsement (EU)	Effective date (EU)
Amendment to IFRS 2 Share-based Payment	20 June 2016	26 February 2018	1 January 2018
IFRS 9 Financial Instruments	24 July 2014	22 November 2016	1 January 2018
IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Effective Date of IFRS 15	28 May 2014 and 11 September 2015	22 September 2016	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	8 December 2016	28 March 2018	1 January 2018
Amendments to IAS 40 Investment Property	8 December 2016	14 March 2018	1 January 2018
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2014–2016 Cycle, IFRS 1, IAS 28	8 December 2016	7 February 2018	1 January 2018

IFRS 9 Financial Instruments. Bechtle has applied IFRS 9 for the first time as of 1 January 2018. This standard replaces IAS 39. It introduces a new classification of financial assets and liabilities. The standard regulates the classification and measurement of financial assets on the basis of cash flow and business model characteristics. The loans, trade receivables and other assets continue to meet the requirements for accounting at amortised cost. The regulations concerning the classification and measurement of financial liabilities largely correspond to the previous regulations of IAS 39. The reference period has not been adjusted. Therefore, the application of this standard has not resulted in any changes.



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Moreover, IFRS 9 introduces a new impairment model that is applicable to all financial assets that are measured either at amortised cost or at fair value outside profit or loss as well as to lease receivables and contract assets according to IFRS 15. This model provides for entry of expected credit losses as of the date of initial recognition. As a matter of principle, this initially applies to the expected credit losses of the next 12 months. If the credit risk increases, full lifetime expected credit losses are recognised in profit or loss. For trade receivables, the simplified impairment model of IFRS 9 is applied, i.e. the lifetime expected losses are recognised from the outset. For cash at banks, loans and other financial receivables not recognised at fair value through profit or loss, the general impairment regulations of IFRS 9 are used. The estimation of the expected credit losses in the field of trade receivables takes place on the basis of current external ratings (Euler-Hermes). This has not resulted in any material impairment compared to the method previously applied (–€50 thousand). Therefore, no recognition in equity took place.

With respect to the recognition of hedges, IFRS 9 provides for elimination of the thresholds applicable within the scope of the retrospective effectiveness testing. Henceforth, proof of the economic relationship between the underlying and the hedge is to be furnished instead. All currently existing hedges are still accounted for according to IAS 39 under consideration of the option.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 introduces a new model for revenue recognition. It replaces the previous IFRS standards and interpretations in this area. IFRS 15 governs the revenue recognition for all contracts with customers. The core of the new IFRS 15 is the introduction of a five-step model in which the customer contract and the separate performance obligations it contains are first identified. In the next steps, the transaction price is determined and allocated to the individual performance obligations. The revenue is recognised after the fulfilment of the individual performance obligation in the amount of the allocated pro-rata transaction price. As a matter of principle, trade and service revenue is recognised upon delivery or performance. Within the Bechtle Group, the revenue is usually recognised at a point in time.

Bechtle has applied IFRS 15 for the first time as of 1 January 2018. The first-time adoption did not have any material impact on the IT E-Commerce and IT System House & Managed Services segment and thus on the consolidated income statement. In the course of the first-time adoption of IFRS 15, the modified retrospective method has been applied. Reference figures of the corresponding prior-year period have not been adjusted. Moreover, the simplified first-time adoption option has been exercised, i.e. IFRS 15 is only applied to contracts that had not been fulfilled as of 1 January 2018.

Bechtle recognises its trade and service revenue upon delivery or performance.

Due to the first-time adoption of IFRS 15, contract assets and contract liabilities need to be recognised. Contract liabilities are presented separately in the balance sheet. The contract liabilities resulting from customer down payments received and service agreements paid in advance amounted to €95,808 thousand as of 1 January 2018 and €107,015 thousand as of 31 December 2018. Only insignificant contract assets existed as of 1 January 2018 and 31 December 2018.

In the field of software license sales, no material effects arise from the change as of 1 January 2018.

Moreover, IFRS 15 introduces new disclosure obligations, which are focused on in the Notes, chapter III, no. 1.



See page 146

New/amended standards and interpretations not yet adopted. IASB and IFRIC have released further standards and interpretations whose adoption is not yet mandatory ("effective date") or that have not yet been endorsed by the EU. Where the endorsement has yet to take place, the date for the mandatory adoption is derived from the respective pronouncements of IASB/IFRIC. If endorsed later on, the EU directive may specify a different date for the mandatory adoption.

Pronouncement	Publication by IASB/IFRIC	Endorsement	Effective date ¹
Published pronouncements not yet adopted			
Amendments to IFRS 3 Definition of a Business	22 October 2018	Open	1 January 2020
Amendments to IFRS 9 Prepayment Features with Negative Compensation	12 October 2017	22 March 2018	1 January 2019
IFRS 16 Leases	13 January 2016	31 October 2017	1 January 2019
Amendments to IAS 1 and IAS 8 Definition of Material	31 October 2018	Open	1 January 2020
IAS 19 Plan Amendments, Curtailments or Settlements	7 February 2018	Open	1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	12 October 2017	8 February 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	7 June 2017	23 October 2018	1 January 2019
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2015–2017 Cycle	12 December 2017	Open	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	29 March 2018	Open	1 January 2020

¹ Must be adopted at the latest at the beginning of the first fiscal year commencing on or after the said date.

The standards relevant to the accounting of the Bechtle Group are listed below, and their effects are specified:

IFRS 16 Leases. On 13 January 2016, the IASB issued IFRS 16, the new accounting standard for lease accounting. With its fundamental changes, the standard especially concerns the recognition of leases by the lessee. For lessees, IFRS 16 results in major changes in the accounting. Apart for a few exceptions, assets and leasing liabilities need to be accounted for in connection with leases. For lessors, the classification as operating leases or finance leases according to IAS 17 is maintained in IFRS 16. Under IFRS 16, Bechtle is a lessee particularly with respect to rented business premises and company cars. In this context, the accounting will change according to IFRS 16. The new regulation will increase the consolidated balance sheet total. Non-current assets will increase due to the capitalisation of the right of use. Moreover, non-current financial liabilities will increase due to the recognition of the present value of the lease liability. According to initial determinations on the basis of the data currently available, the balance sheet total is expected to increase by about €95 million. In the income statement, the amounts recognised as operating lease expenses will be replaced by about €31.8 million for the amortisation of capitalised usage rights about €31.4 million and interest expenses of about €0.8 million, which are presented under financial earnings. This will increase the EBIT in 2019 by about €0.4 million. The first-time adoption will take place as of 1 January 2019 using the modified retrospective approach.

IFRIC 23 Uncertainty over Income Tax Treatments. On 7 June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation is to be applied to taxable profit and tax loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments according to IAS 12. IFRIC 23 is effective for fiscal years beginning on or after 1 January 2019. Bechtle does not expect the first-time adoption to have any significant influence on the earnings, assets and financial position.

CONSOLIDATION PRINCIPLES

The Consolidated Financial Statements are based on the financial statements of Bechtle AG and its subsidiaries prepared using uniform group accounting policies. The financial statements of Bechtle AG and its subsidiaries have been prepared as at the same balance sheet date throughout the group. Capital consolidation takes place by offsetting the carrying amount of the shareholding against the pro-rata re-measured equity of the subsidiaries at the time of acquisition. Any positive differences are recognised as goodwill pursuant to IFRS 3.32. Any negative differences are to be recognised in the income statement through profit or loss pursuant to IFRS 3.34 ff. The consolidated income statement takes into account the earnings of the acquired companies from the acquisition date, i.e. from the date the group attains control. Inclusion in the Consolidated Financial Statements ends as soon as the parent company relinquishes control.

All intra-group gains and losses, revenue, expenses, income, receivables and liabilities are eliminated. The required tax deferrals are applied to the consolidation processes.

SCOPE OF CONSOLIDATION

The scope of consolidation comprises Bechtle AG in Neckarsulm and all subsidiaries in which it holds a controlling interest. As in the prior year, Bechtle AG directly or indirectly holds all interests and voting rights in all consolidated companies.



See Appendix A,
Subsidiaries,
page 205 ff

The following companies were included in the scope of consolidation for the first time in this reporting period:

Company	Headquarters	Date of initial consolidation	Acquisition
Acommit AG	Horgen, Switzerland	4 January 2018	Acquisition
Acommit Group AG	Horgen, Switzerland	4 January 2018	Acquisition
EvoluSys SA	Coppet, Switzerland	16 May 2018	Acquisition
WStore Europe SAS	Roissy-en-France, France	1 September 2018	Acquisition
Inmac WStore SAS	Roissy-en-France, France	1 September 2018	Acquisition
Stemmer GmbH	München, Germany	1 December 2018	Acquisition

Acquisitions are recognised according to the purchase method.

Further disclosures concerning the companies acquired are presented in section VIII. "Acquisitions and Purchase Price Allocation".



See page 187 ff

CURRENCY TRANSLATION

Bechtle's subsidiaries keep their accounts in their respective local currency, except for Bechtle Holding Schweiz AG, a non-operating, pure holding company with a substantial amount of cash in euros, which uses the euro as the functional currency. Transactions in foreign currencies are converted at the closing rate on the date of the transaction. On the closing date, monetary assets and liabilities are measured at the closing rate, while non-monetary balance sheet items are translated at the rate on the day of the transaction. Gains and losses resulting from exchange rate fluctuations in foreign currency transactions are recognised through profit or loss. By contrast, currency translation differences based on net investments in foreign operations of a subsidiary are recognised in equity through other comprehensive income.

Within the framework of the consolidation, assets and liabilities are translated into euros, the group's presentation currency, at the closing rate. The revenue and expense accounts are translated at the average rate during the reporting period. Equity is determined on the basis of historical rates. Any resulting translation differences are recognised in a separate item in the equity.

Changes in exchange rates of currencies important to the Bechtle Group in relation to the euro:

	Currency	Closing rate		Average exchange rate	
		2018	2017	2018	2017
Switzerland	CHF	1.13	1.17	1.16	1.11
UK	GBP	0.90	0.89	0.88	0.88
USA	USD	1.15	1.20	1.18	1.13

ACCOUNTING POLICIES

Revenue recognition. Accounting method from 1 January 2018: The revenue comprises IT product and service sales and is accounted for according to IFRS 15, which replaces the IAS 18 (Revenue) and IAS 11 (Construction Contracts) standards as well as the associated interpretations. IFRS 15 prescribes a uniform, comprehensive revenue recognition model. It provides for a five-step framework model for identifying the amount and time of the revenue recognition. As a matter of principle, it is important to determine the individual performance obligations and how these will be fulfilled. In the next steps, the transaction price is determined and allocated to the individual performance obligations. Distinction needs to be made between fulfilment at a point in time or over time.

The revenue is recognised when the performance obligation is satisfied. The performance obligation is satisfied when the customer obtains control of the good or service. In Bechtle's business environment, the most significant indicators for the transfer of control are the purchase by the customer and the transfer of the ownership-related risks and rewards of the asset. A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, the revenue is recognised according to performance progress achieved. The input-based method is used to measure the progress of the performance.

The recognition takes place in the amount of the consideration that Bechtle expects to receive for these goods and services. Bechtle has come to the conclusion that generally, it acts as principal in its revenue transactions – except for the agency services in connection with software licence sales as explained below – as it usually has the control over the goods and services before they pass to the customer.

In its software license selling business, Bechtle acts as a value-added reseller. The sale of software licenses always involves extensive consulting services, which constitute an integral part of the performance commitment towards the customer. The combination of consulting services and software license is vital to achieve the desired result for the customer. Bechtle thus acts as a principal in this area. However, if Bechtle is only an agent, only the commission that Bechtle is entitled to for its agency activity would have to be posted as revenue.

Bechtle does not reduce its promised consideration by a financing component if the term of the receivable is no more than one year. Where the term of the receivable is more than one year, the revenue has been discounted to the fair value.

At Bechtle, warranty obligations usually do not meet the requirements for a separate performance obligation, as they do not exceed the statutory scope. They are presented as provisions.

According to IFRS 15, start-up costs that arise in connection with the fulfilment of managed service contracts need to be capitalised and amortised over the contract term, provided that they result in enhanced use of resources and are recoverable. In the 2018 fiscal year, these costs only played an insignificant role.

According to IFRS 15.91, sales commission in connection with contracts for managed services needs to be capitalised if the time of accrual does not coincide with recognition of the revenue. This would be the case if the sales commission were to be due upon conclusion of the contract. In the fiscal year 2018, Bechtle recognised sales commission on trading business and services as expenses at the time of delivery or performance, i.e. at the same time as the revenue recognition.

By applying the practical expedient pursuant to IFRS 15.94, the costs of obtaining a contract were not capitalised.

In accordance with IFRS 15, revenue is measured at fair value of the consideration received or receivable less rebates and discounts. However, no quantity discounts are granted in the form of a variable consideration, and no contracts are concluded with variable pricing of the performance obligation. At Bechtle, the transaction price is agreed at the conclusion of the contract.

Framework agreements are concluded with customers without any minimum purchase quantity commitment.

Accounting method until 31 December 2017: Until 31 December 2017, revenue from the sale of IT products was recognised when the significant rewards and risks of ownership of the goods sold were transferred to the buyer, the amount of revenue could be measured reliably, and it was sufficiently probable that the economic benefits will flow to the group.

Revenue from services were recognised after the provision of the service or after the acceptance by the customer. Revenue from work in progress were recognised according to the stage of completion on the balance sheet date, provided that the result could be reliably estimated (IAS 18.20 ff). Depending on the underlying agreement, the stage of completion was determined on the basis of the work done or the ratio of the cost incurred by the balance sheet date to the estimated total cost. If the result of the work in progress could not be measured reliably, this was only recognised in the amount of the incurred expenses that were probably recoverable.

Maintenance agreements and other services billed in advance are recognised over the term, taking into account the services already provided.



See Company,
page 34 f

Research and development costs. Apart from the development costs incurred in connection with the production of software designated for internal use or for sale, no significant research and development costs were incurred. Please refer to our statement on internally developed software.

Leases. Finance leases are handled as follows: Ownership of finance leases is ascribed to the lessee in such cases where the latter essentially bears all the risks and rewards incidental to ownership (IAS 17). In cases in which Bechtle is the lessee, the leased assets are capitalised at the lower of the cost of purchase or the present value of the minimum lease payments, and a liability is recognised in the same amount. The leased asset is depreciated on a straight-line basis over the shorter of the useful life or the term of the lease. Subsequently, the liability is repaid and adjusted according to the effective interest method. In cases in which Bechtle is the lessor, a lease receivable is recognised in the amount of the net investment value.

Operating leases are handled as follows: The lease payments due are recognised as expense by the lessee and as income by the lessor. Where Bechtle is the lessor, the asset is recognised accordingly in the balance sheet and depreciated on a straight-line basis over the useful life.

Goodwill from a business combination is initially recognised at acquisition costs in the form of the surplus of the acquisition costs of the business combination over the share of net fair value of the identifiable assets, liabilities and contingent liabilities recognised by the buyer pursuant to IFRS 3. The goodwill identified in the context of a business combination corresponds to the expectation of future economic benefit from assets that cannot be individually identified or presented separately.

According to IFRS 3, goodwill is not amortised. Instead, it is tested for impairment at least once a year according to IAS 36.

Other intangible assets in the Bechtle Group include brands, customer bases, purchased software, internally developed software and customer service agreements.

Brands acquired in the context of company acquisitions are measured at the fair value of the brand right. In the past, the useful life was assumed to be unlimited, as an analysis of all relevant factors does not reveal any foreseeable limitation of the period in which these brand rights can prospectively generate net cash flows for the Bechtle Group. Consequently, in accordance with IAS 38, brand rights may not be amortised, but shall be tested for impairment at least once a year according to IAS 36. The brand acquired in the reporting period will be amortised over a useful life of ten years.

Customer relationships acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the customer relationships. Customer relationships are amortised on a straight-line basis over a period that depends on the expected benefit for the company. As a matter of principle, it is assumed that customer relationships are of a long-term nature. The expected useful life is five to ten years.

Purchased software is measured at cost and amortised on a straight-line basis over a useful life of two to ten years.

Internally developed software is capitalised under the conditions of IAS 38 provided that both the technical feasibility and the marketability of the newly developed products are ensured, the group derives an economic benefit, and internal use or sale is planned. Capitalisation takes place at cost, including all attributable direct costs. Costs incurred in the period prior to the technical feasibility are immediately recognised as research costs. Straight-line depreciation of the capitalised costs takes place from the date of commercial use of the asset over a useful life of three to five years.

Non-compete agreements are measured at cost. Non-compete agreements acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the non-compete agreements. Non-compete agreements are amortised on a straight-line basis over the term of the non-compete agreement. At Bechtle, the useful life is two years. At present, there are no capitalised non-compete agreements.

For goodwill and other intangible assets with an unlimited useful life, an impairment test is performed at least once a year for the cash-generating unit that these assets are allocated to. In the case of intangible assets with limited useful lives and property, plant and equipment, an impairment test is performed if events or changes occur that suggest impairment. In the Bechtle Group, impairment tests are always conducted on the basis of the value in use determined by means of the discounted cash flow method. The basis for this is the current plan drawn up by the management for the next three fiscal years. The planning assumptions are duly adjusted to the current state of knowledge based on internal and external information available. In the process, appropriate assumptions on macroeconomic trends and historical developments are taken into account. As a matter of principle, the expected growth rates in the relevant markets are used as the basis for the calculation of cash flows.

The need for depreciation and amortisation corresponds to the amount by which the carrying amount of the cash-generating unit exceeds the value in use. For the goodwill impairment test, the goodwill is allocated to its corresponding cash-generating units. Assets that are no longer intended for use in business operations are classified as available for sale and are measured at the lower of the carrying amount and the fair value less costs to sell.

Property, plant and equipment. Property, plant and equipment are measured at cost less scheduled depreciation. Most of the property, plant and equipment consists of land and buildings. These assets are held by a limited number of companies. Within the scope of the preparation of the annual financial statements of these companies, it is checked whether there are any indications or changed circumstances due to which it could be impossible to recover the carrying amount of an asset. Scheduled depreciation takes place on a pro rata temporis basis, and mainly on a straight-line basis according to the expected useful life. Scheduled depreciation is based on the following useful lives:

Office equipment	2–11 years
Furniture, fixtures and fittings	2–20 years
Vehicle fleet	2–7 years
Buildings	10–50 years

Low-value assets of property, plant and equipment are measured at cost and depreciated on a straight-line basis over a useful life of three to eight years. Maintenance costs are recognised through profit or loss when incurred.

If the building phase of an asset extends over a longer period, directly attributable borrowing costs are, as a matter of principle, capitalised in accordance with IAS 23. Due to the financial structure of the Bechtle Group, no borrowing costs needed to be capitalised in the fiscal year under review.

According to IAS 20, government grants are only recognised at fair value if it is reasonably certain that the associated conditions will be fulfilled and the grants will be received. Grants received for the acquisition or manufacturing of assets are deducted from the investments on the assets side.

In accordance with IAS 12, **deferred taxes** are recognised for all temporary differences between the carrying amounts in the consolidated balance sheet and the tax base of assets and liabilities (liability method) as well as for unused tax losses.

Deferred tax assets for accounting and valuation differences and for unused tax losses are only recognised to the extent that it is probable that these differences will lead to taxable profit in future. As at the balance sheet date, the value of the deferred tax assets recognised in previous periods is reviewed as to whether it is still sufficiently probable that a future benefit can be realised. Deferred tax assets are offset against deferred tax liabilities provided that a legally enforceable right of offsetting exists and the deferred tax assets and liabilities are raised by the same tax authority for the same taxable entity. The assessment is based on the tax rates applicable in the year of reversal. Changes in tax rates are taken into consideration if these have been adopted.

Inventories. Commodities are measured at average cost pursuant to IAS 2 (weighted average cost method). If necessary, the commodities are written down to the net realisable value. Besides the loss-free measurement, these write-downs take all other inventory risks into consideration. If the reasons that led to a write-down of inventories no longer exist, the impairment loss is reversed.

Contract balances. Due to the first-time adoption of IFRS 15, contract assets and contract liabilities need to be recognised if a legal claim to consideration exists. According to IFRS 15, contract balances are to be presented as a separate balance sheet item. Due to the lack of materiality, contract assets were not presented separately. Contract liabilities are presented separately in the balance sheet.

Trade receivables and other assets are measured at amortised cost taking into consideration due write-down for all identifiable individual risks. Non-current receivables with a residual term of more than one year are discounted on the basis of the relevant interest rates on the balance sheet date. The general credit risk is, where documentable, also taken into consideration by means of appropriate impairments. By way of exception, the derivative financial instruments contained in the other assets are accounted for at fair value.

As a matter of principle, impairments of trade receivables are performed by means of allowance accounts. The decision as to whether a credit risk is to be taken into consideration through an allowance account or through a direct impairment of the receivable depends on the degree of reliability of the assessment of the risk situation. The portfolio managers are responsible for this assessment. Moreover, the general credit risk is accommodated under consideration of Euler-Hermes ratings and corresponding probabilities of default.

In the Bechtle Group, trade receivables exclusively comprise financial instruments. The other assets also include non-financial assets.

Time deposits and securities. Time deposits are measured as financial assets at amortised cost. They comprise time deposits and similar investments with banks and other financial service institutions, as well as investments in insurance policies with original maturities of more than three months from the date of purchase.

Investments in securities are measured at fair value through profit or loss.

Cash and cash equivalents. Cash and cash equivalents are measured as financial assets at amortised cost. They include current bank balances and cash on hand as well as short-term time deposits with initial maturities of less than three months from the acquisition date.

Pension provisions. Pension liabilities are accounted for and measured according to IAS 19. In this context, distinction is made between defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the employer has no obligations apart from the regular payment of defined contributions. As no actuarial assumptions are required to measure the liabilities or expenses, actuarial gains or losses cannot arise. Bechtle does not have any significant amount of defined contribution plans.

In contrast, the obligations arising from defined benefit plans are to be measured on the basis of actuarial assumptions and calculations taking into account biometric assumptions. In this connection, actuarial gains or losses may occur, which must be recognised directly in equity, taking into account deferred taxes.

Other provisions are formed where there is a current obligation to third parties arising from a past event. It must be possible to estimate the amount reliably, and it must be more likely than unlikely that an outflow of future resources will take place. Provisions are only formed for legal and constructive obligations to third parties. Provisions are recognised at the amount that, on the balance sheet date, represents the best possible estimate of the expense that will probably be necessary to fulfil the current obligation.

Other provisions for warranties are formed for prospective claims on the basis of company-specific experience and the revenue.

Non-current provisions with a term of more than one year are discounted on the basis of the relevant interest rates on the balance sheet date, provided that the interest effect is material.

Deferred income includes all deferred revenue and earnings in the prior year. In particular, this concerned prepayments and deferred income for maintenance agreements and warranty services. The deferral took place on the basis of the income achieved taking into account services already performed. The fulfilment took place evenly over the term of the contract according to the progress made.

Financial liabilities are recognised as expenses at amortised cost. In the Bechtle Group, financial liabilities exclusively comprise financial instruments.

Other liabilities contain both financial and non-financial liabilities and are recognised as expenses at amortised cost. Non-current liabilities with a term of more than one year are discounted on the basis of the relevant interest rates on the balance sheet date.

By way of exception, liabilities from acquisitions are measured at fair value (IFRS 3.39). Liabilities from acquisitions always represent debt capital, as these liabilities always entail, or could entail, a payment obligation.

Trade payables are recognised as expenses at amortised cost. This item exclusively contains financial instruments. Non-current liabilities with a term of more than one year are discounted on the basis of the relevant interest rates on the balance sheet date.

Financial instruments are contracts that result simultaneously in a financial asset for one company and in a financial liability or equity instrument for another. This includes both primary financial instruments (e.g. trade receivables or payables) and derivative financial instruments (transactions to hedge risks of change in value). According to IAS 32.11, an equity instrument is a contract that substantiates a residual interest in the assets of a company after deducting all of its liabilities. If the financial instrument results in payment obligations (even if only conditional), this represents debt capital, not equity.

The initial recognition of financial instruments takes place at fair value, if necessary adjusted by transaction costs that are directly attributable to the purchase or issue of the financial instrument. This does not apply to trade receivables without significant financing components; these are measured at the transaction price. The subsequent measurement takes place according to their measurement category according to IFRS 9:

Subsequent measurement of financial assets:

- According to IFRS 9, financial assets are allocated to the classification categories at amortised cost or fair value and measured accordingly. Where financial assets are measured at fair value, the expenses and income can either be recognised through profit or loss or through other comprehensive income.

Subsequent measurement of financial liabilities:

- According to IFRS 9, financial liabilities are divided into two measurement categories, as was already the cases according to IAS 39: either at amortised cost or at fair value with recognition of the value change in profit or loss.

Equity instruments:

- All equity instruments in the scope of IFRS 9 are to be measured at fair value in the balance sheet. Value changes are to be recognised in profit or loss. In the case of an equity instrument not held for trading on an equity instrument within the scope of a conditional remuneration agreement in connection with acquisitions, the company may at initial recognition irrevocably decide to measure it at fair value through other comprehensive income. In this case, reclassification of the amounts in other comprehensive income, e.g. upon sale of the instrument, is no longer possible.

In the fiscal year 2017, the initial recognition of financial instruments also took place at fair value. However, the subsequent measurement of financial assets and liabilities took place in accordance with their measurement category according to IAS 39:

- Loans and receivables at amortised cost on the basis of the effective interest method;
- available-for-sale financial assets at fair value outside profit or loss;
- financial assets and liabilities at fair value through profit or loss at fair value affecting earnings;
- held-to-maturity financial investments at amortised cost on the basis of the effective interest method;
- financial liabilities at amortised cost on the basis of the effective interest method.

The categorisation of the individual financial instruments within the balance sheet items is presented in chapter VI. "Further Disclosures on Financial Instruments in Accordance with IFRS 7".



See page 173 ff

Derivative financial instruments are accounted for as assets or liabilities. All derivative financial instruments are recognised at fair value according to the accounting policy on the settlement date. Fair values are determined with the aid of standardised mathematical models (mark-to-model method). The fair value is determined taking into account future cash flows over the residual term of the contract on the basis of current market data (interest rates, yield curve, forward prices). The creditworthiness of the debtor is determined with the help of an overhead percentage method taking into account the amount, the probability of default and the recovery rate in the event of inability to pay.

The Bechtle Group uses forward exchange contracts and currency options to mitigate the currency risk resulting from future exchange rate fluctuations for receivables and liabilities. For transactions to be classified as effective cash flow hedges, the changes of fair value are posted outside profit or loss, taking into account the applicable deferred taxes. Changes of the fair value that are attributable to the ineffective hedging instrument are recognised through profit or loss.

Hedges of net investments in group companies abroad hedge the foreign currency risk from subsidiaries using functional currencies other than the group currency euro. Gains or losses from the hedging transaction that are attributable to the effective part of the hedging transactions are recognised outside profit or loss. Gains or losses attributable to the ineffective part of the hedging instrument are recognised in the income statement.

Gains and losses from the change of the fair value of derivative financial instruments that are not accounted for within the scope of the hedge accounting according to IAS 39 are immediately recognised at their fair value in the income statement.

DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

The preparation of the Consolidated Financial Statements requires estimates and assumptions on the part of the Executive Board that affect the reported amount of assets, liabilities, income and expenses in the Consolidated Financial Statements, as well as the disclosure of other financial liabilities and contingent liabilities. The uncertainty associated with these assumptions and estimates may yield results that necessitate substantial adjustments of the carrying amount of the affected assets and liabilities in future periods. All estimates and assumptions are based on the current knowledge and are made in good faith in order to provide a true and fair picture of the group's earnings, assets and financial position. The most important issues that are affected are as follows:

The **impairment test for goodwill, other intangible assets and property, plant and equipment** requires estimates of future cash flows from assets or from the cash-generating unit to determine its value in use as well as the selection of an appropriate discount rate to determine the present value of these cash flows. For estimates of future cash flows, long-term revenue forecasts have to be made in the context of the economic setting and the development of the industry.

The measurement for the initial recognition of **customer relationships, brands and non-compete agreements** acquired within the scope of acquisitions also involves estimates for the determination of the fair value.

The scheduled depreciation of **property, plant and equipment** requires estimates and assumptions when determining the standardised useful life of assets for the group as a whole.

Major assessments are required to measure the **deferred tax** assets and liabilities of the group. In particular, the deferred tax assets on unused tax losses require estimates of the amount and dates of future taxable income as well as the future tax planning strategies. Uncertainties also exist with respect to future changes in tax law. If there is doubt that it will be possible to realise the unused tax losses, these are not recognised or impaired.

The **inventories** contain impairments to the lower net realisable value. The amount of the impairments requires estimates and assumptions concerning the prospective realisable sales revenue.

Provisions are formed for bad **debts** in order to account for expected losses resulting from customers' inability to pay. The structure of the maturity of receivables, experience in connection with the probability of default of external customer ratings, an estimate of the customer's creditworthiness and changes in payment performance form the basis for the assessment of the appropriateness of the provisions for bad debts.

The measurement of **pensions and similar personnel obligations** is based on assumptions about the future development of certain factors. These factors include, among other things, actuarial assumptions such as the discount rate, expected increases in the value of plan assets, expected salary and pension increases, mortality rates and the earliest retirement age. Due to the long-term nature of such plans, such estimates are subject to considerable uncertainties.

The recognition and measurement of **provisions** rely heavily on estimates. The assessment of the quantification of the possible amount of payment obligations is based on the respective situation and circumstances. Provisions are recognised for obligations where there is a risk of losses, these losses are probable and their amount can be reliably estimated.

The inclusion of hedges in the **hedge accounting** requires assumptions and estimates with respect to the underlying probability of occurrence of future transactions with hedged currencies and interest rates.

To determine whether an agreement constitutes a **lease**, it is necessary to assess whether the fulfilment of the contractual agreement depends on the use of a certain asset or certain assets and on whether the agreement grants the right to use the asset.

III. FURTHER EXPLANATORY NOTES ON THE INCOME STATEMENT

1 REVENUE

The revenue amounting to €4,323,318 thousand (prior year: €3,570,124 thousand) includes the considerations charged to customers for goods and services less rebates and discounts.

The company grants the periods of payment that are customary in the respective industry and country (5-50 days).

In this context, the IT E-Commerce segment exclusively generates IT trading revenue that is recognised at a point in time. The revenue in the IT System House & Managed Services segment consists primarily of IT trading revenue that is also recognised at a point in time and an IT service revenue portion of about 24 to 30 per cent that is recognised either at a point in time or over time. The service share in the IT System House & Managed Services segment was at the same level as in the prior year.

As a matter of principle and irrespective of the industry, all customers are commercial end customers and public-sector clients. In the fiscal year ended, the product groups that achieved the highest revenue were mobile computing, software, IT services and peripherals. With these product groups, Bechtle generated about 54 per cent of the total revenue.



See page 182 ff

A breakdown of the revenue by business segments and regions is presented in the segment information.

In the 2018 fiscal year, income amounting to €93,764 thousand was recognised for payments from previous periods.

In the 2018 fiscal year, no significant income was recorded from performance obligations that had been fulfilled in previous periods.

2 EXPENSE STRUCTURE

	€k					
	Cost of sales		Distribution costs		Administrative expenses	
	2018	2017	2018	2017	2018	2017
Material costs	3,359,051	2,748,121	0	0	0	0
Personnel and social expenses	255,924	222,474	206,032	175,127	128,704	110,111
Depreciation/amortisation	15,921	13,044	8,793	6,673	17,263	12,213
Other operating expenses	49,488	42,690	42,393	34,189	59,721	51,072
Total costs	3,680,384	3,026,329	257,218	215,989	205,688	173,396

The predominant portion of the material costs corresponds to the costs for commodities. The material costs include net income of €499 thousand from exchange rate fluctuations (prior year: expenses of €1,561 thousand).

Other operating expenses include the following:

- Vehicle costs amounting to €32,319 thousand (prior year: €30,135 thousand);
- expenses for office and building rent amounting to €28,320 thousand (prior year: €26,262 thousand);
- communication costs amounting to €8,489 thousand (prior year: €7,847 thousand);
- marketing costs amounting to €12,755 thousand (prior year: €8,764 thousand);
- legal and consulting costs amounting to €16,489 thousand (prior year: €17,257 thousand);
- impairment expenses amounting to €2,819 thousand;
- expenses from the immediate write-off of trade receivables amounting to €1,035 thousand;
- other costs incurred within the scope of the ordinary course of business.

3 OTHER OPERATING INCOME

	€k	
	2018	2017
Marketing allowances and other compensation from suppliers	12,138	6,276
Income from operating a photovoltaic system	243	256
Rental income	249	344
Others	2,423	2,966
Other operating income	15,053	9,842

Marketing allowances and other remuneration from suppliers increased due to acquisitions. As in the prior years, the other operating income consists primarily of damages, insurance reimbursements and income from hedges.

4 FINANCIAL INCOME AND FINANCIAL EXPENSES

The total financial income of €1,338 thousand (prior year: €1,133 thousand) consists of interest income from call money, time deposits and financial receivables amounting to €1,330 thousand (prior year: €1,038 thousand) and income from securities, e.g. in the form of realised capital gains and interest income from bonds in the amount of €8 thousand (prior year: €95 thousand).

The financial expenses of €3,177 thousand (prior year: €2,581 thousand) include interest cost for loans and other financial liabilities. As in the prior year, the cash flow hedges did not have any ineffective portions, and the time deposits and securities were not subject to any impairment in the reporting period.

5 INCOME TAXES

The taxes paid and due on earnings and income as well as the tax deferrals are presented as income taxes.

The tax expenses are composed as follows:

	€k	
	2018	2017
Paid or due taxes		
Germany	40,797	40,231
Other countries	16,373	7,749
Deferred taxes		
from valuation differences in terms of time	-944	111
from unused losses	-125	151
Income taxes	56,101	48,242

In Germany, the statutory corporation tax rate for the assessment period 2018 was 15.0 per cent. Including the trade tax and solidarity surcharge, the tax encumbrance amounted to 29.7 per cent (prior year: 29.6 per cent) on average. The current taxes of subsidiaries abroad are determined on the basis of the respective national tax law and at the tax rate applicable in the country of domicile. Deferred tax assets and liabilities are measured at the tax rates that are expected to be valid at the time of realisation of the asset or fulfilment of the liability.

For the reporting period, the reconciliation between the actual tax expenses and the amount that arises taking into account a weighted domestic and foreign tax rate of approximately 28.4 per cent (prior year: 28.4 per cent) on the profit before income taxes was as follows:

	€k	
	2018	2017
Earnings before taxes	193,242	162,804
Expected tax expense	54,964	46,279
Tax-free revenue	-61	-63
Tax rate change for deferred taxes	36	310
Tax expense of earlier years	136	1,706
Tax income of earlier years	-90	-36
Non-deductible expenses	1,249	1,198
Allocation/addition deferred tax assets to loss carryforwards	-725	-659
Use of previously unrecorded loss carryforwards	-89	-449
Unrecognised deferred taxes on loss carryforwards for the current year	489	0
Devaluation of previously recognised deferred taxes on loss carryforwards	55	18
Earn-out components	31	8
Others	106	-70
Actual tax expense	56,101	48,242

6 EARNINGS PER SHARE

The table below shows the calculation of the earnings after taxes that are due to the shareholders of Bechtle AG:

		2018	2017
Earnings after taxes	€k	137,141	114,562
Average number of outstanding shares		42,000,000	42,000,000
Earnings per share	€	3.27	2.73

According to IAS 33, the earnings per share are determined on the basis of the earnings after taxes (due to the shareholders of Bechtle AG) and the average number of shares in circulation in the year. Treasury shares reduce the number of outstanding shares accordingly. The basic earnings per share are identical to the diluted earnings per share.

IV. FURTHER EXPLANATORY NOTES ON THE BALANCE SHEET

7 GOODWILL

The following table shows the individual changes to goodwill in the reporting period and their allocation to the two cash-generating units.

	IT System House & Managed Services	IT-E-Commerce	Group
Cash-generating unit			€k
As of 01.01.2018	166,037	27,501	193,538
Acquisitions in the reporting period	25,173	124,127	149,300
Acommit Group AG	16,149	0	16,149
EvoluSys AG	2,020	0	2,020
Inmac WStore SAS	0	124,127	124,127
Stemmer GmbH	7,004	0	7,004
Currency translation differences	2,657	443	3,100
As of 31.12.2018	193,867	152,071	345,938



See page 187 ff for information on newly accrued goodwill



For information
on the assets and liabilities
of the cash-generating units,
see page 182 ff

Like the previous impairment tests, the annual impairment test of the goodwill as of 30 September 2018 in accordance with IAS 36 did not reveal any need for impairment, neither for the cash-generating unit IT System House & Managed Services nor for the cash-generating unit IT E-Commerce.



For information on
the planning process
and expectations,
see Corporate Management,
page 41 ff and
Forecast Report,
page 111 ff

Bechtle determines the recoverable amounts of its cash-generating units with the help of the discounted cash flow method. The risk-adjusted discount rates are determined on the basis of peer group information for beta factors, borrowing costs and the debt ratio. As of 30 September 2018, the cash-generating units had a weighted average cost of capital (WACC) of 6.6 per cent (prior year: 6.4 per cent) after taxes (WACC before taxes 6.9 per cent, prior year: 6.6 per cent). The cash flow forecasts used are based on individual revenue and cost plans for the coming year as approved by the management, which are thus also taken into consideration in the variable compensation systems for the executives and are in line with external information sources and experience gained. For the planning, both the expected growth and the profitability of the products and services are made use of. The cash flows for 2019 and 2020 have been derived on the basis of the as-is data and the target data in accordance with the above-mentioned factors, and the cash flow for 2021 has been extrapolated with assumptions based on long-term growth rates of 2.0 per cent. Sensitivity analyses have revealed that even in the case of substantially divergent key assumptions within a realistic framework, there would be no need for impairment of the goodwill. For example, there would be no need for impairment in the event of a reduction of the yearly free cash flow of the cash-generating units by more than 20.0 per cent each or an increase of the WACC to 10.0 per cent, if the other input parameters remained unchanged.



See Appendices B
and C, Notes,
page 210 f

The development of the goodwill is presented in Appendices B and C to the Notes.

8 OTHER INTANGIBLE ASSETS

	€k	
	31.12.2018	31.12.2017
Brands/licences	16,861	6,765
Customer bases	63,341	5,322
Purchased software	18,882	16,777
Internally developed software	13,617	11,248
Customer service agreements	8,419	8,609
Other intangible assets	121,120	48,721

ARP (carrying amount €3,804 thousand) and Modus (carrying amount €1,900 thousand) – the brands presented in the balance sheet – have an unlimited useful life. This is due to the fact that both the companies of ARP and Modus Consult AG will continue to constitute a key element of the Bechtle Group along with their respective brands and particularly serve competition purposes as legal protection. The Inmac brand (carrying amount €9,957 thousand) has a useful life of ten years. The ARP and Inmac brands are allocated to the cash-generating unit IT E-Commerce and the Modus brand to the cash-generating unit IT System House & Managed Services. In the reporting period, €4,535 thousand were capitalised in the field of internally developed software for the new sales platform NEXT, including the online shop.

The discount rate used to determine the value in use for the brands within the scope of the yearly impairment tests is based on input parameters derived from the market and was set at 6.6 per cent (prior year: 6.4 per cent), as for the goodwill impairment test. The cash flow forecasts used are based on the revenue and cost plans approved by the management. Further growth rates are only assumed in the amount necessary to compensate the inflation. In the reporting period, as in prior years, the value in use that was determined for the brand surpassed the value in the balance sheet. Sensitivity analyses revealed that even in the case of divergent key assumptions within a realistic framework, there would be no need for impairment of the brands. The change in the carrying amount compared to the prior year is attributable to currency translation differences.

	€k	
	2018	2017
Customer bases		
Carrying amount (31.12)	63,341	5,322
Remaining useful life (weighted average) (years)	8.6	3.2
Accumulated scheduled amortisation	5,755	3,479
Accumulated impairment as per IAS 36	0	0
Scheduled amortisation	3,711	1,705
Impairment according to IAS 36	0	0
Currency translation differences of accumulated amortisation	65	-76

The significant increase in customer bases in the amount of €58,100 thousand resulted from the acquisition of WStore Europe SAS.

The development of the other intangible assets is presented in Appendices B and C to the Notes.



See Appendices B
and C, Notes,
page 210 f

9 PROPERTY, PLANT AND EQUIPMENT

	€k	
	31.12.2018	31.12.2017
Property and buildings	100,243	88,426
Other equipment, furniture, fixtures and fittings	49,445	43,080
Advance payments and construction in progress	3,165	3,359
Property, plant and equipment	152,853	134,865

As of 31 December 2018, there were no contractual obligations for the purchase of property, plant and equipment.

In the fiscal year, an unscheduled depreciation of €1,175 thousand was applied to a building. Apart from this, there were no further indications of unscheduled depreciation of the property, plant and equipment.

As in the prior year, the property, plant and equipment as of 31 December 2018 contained an insignificant amount of leased assets (finance leases). The property and buildings include an investment subsidy of €1,531 thousand.



See Appendices B
and C, Notes,
page 210 f

The development of the property, plant and equipment is presented in Appendices B and C to the Notes.

10 DEFERRED TAXES

The amounts of deferred tax assets and liabilities are shown below. Apart from changes in the current year, these also include deferred taxes to be recognised in the context of the initial consolidation of acquired companies and tax effects from equity changes outside profit or loss.

	€k	
	31.12.2018	31.12.2017
Property, plant and equipment	18,812	12,481
Liabilities	7,594	4,336
Other provisions	4,649	1,602
Pension provisions	3,535	2,858
Loss carryforwards	928	804
Receivables	675	270
Other intangible assets	306	416
Others	483	480
	36,982	23,247
Netting	-32,269	-19,243
Deferred tax assets (net)	4,713	4,004

	€k	
	31.12.2018	31.12.2017
Other intangible assets	30,511	8,157
Receivables	15,494	14,344
Goodwill	14,567	14,258
Deferred income	10,339	1,897
Property, plant and equipment	1,266	728
Inventories	254	248
Other provisions	736	340
Others	209	340
	73,376	40,312
Netting	-32,269	-19,243
Deferred tax liabilities (net)	41,107	21,069

The assessment of the impairment of deferred tax assets depends on the management's view of how likely it is that the deferred tax assets will be realised. This depends on the generation of future taxable profits in connection with which the tax valuation differences are reversed and unused tax losses can be asserted.

Under current tax provisions, unused domestic tax losses are regarded as unlimited. The restricted use of loss offsetting possibilities (minimum taxation) under German tax law and time limits of foreign tax losses were taken into consideration in the assessment of the impairment of deferred tax assets on unused losses.

If a tax entity has a loss history in the recent past, deferred tax assets from loss carryforwards of this entity will be recognised only if there are sufficient taxable temporary differences or substantial indications of the realisation of such.

For the determination of the amount of deferred tax assets that can be capitalised, material assumptions and estimations of the management are required concerning the expected time of occurrence and amount of income subject to future taxation, as well as the future tax planning strategies. The capitalised deferred taxes on loss carryforwards at various companies that recorded losses in 2017 and/or 2018 amounted to €0 thousand (prior year: €277 thousand), and netted deferred tax liabilities at these companies amounted to €0 thousand (prior year: €55 thousand). Based on the planning of the companies and their current earnings performance, we believe that the deferred tax assets will be realised by means of adequate taxable profits.

Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to €2,135 thousand (prior year: €2,408 thousand) for corporation tax, €7,363 thousand (prior year: €7,409 thousand) for trade tax and €1,190 thousand (prior year: €1,880 thousand) for losses of companies abroad.

As in the prior year, as of 31 December 2018, no deferred tax liabilities had been recognised for taxes on profits of subsidiaries of Bechtle that had not been transferred, as these profits were either not subject to such taxation or are to be reinvested for an indefinite period.

The temporary differences in connection with interests in subsidiaries for which no tax liabilities were recognised amounted to a total of €24,034 thousand (prior year: €14,501 thousand).

Of the deferred taxes recognised in the balance sheet, a total of €20,398 thousand were deducted from the equity (prior year: equity reduce by €1,031 thousand) outside profit and loss. For details concerning the deferred taxes accounted for outside profit or loss, refer to chapter 16 Equity.

11 INVENTORIES

	€k	
	31.12.2018	31.12.2017
Commodities	287,839	217,818
Advance payments on inventories	369	229
Impairment	-7,877	-6,728
Inventories	280,331	211,319

The significant increase in inventories was due to acquisitions as well as the stock levels required for large projects.

As of 31 December 2018, the carrying amount of the impaired inventories amounted to €19,078 thousand (prior year: €18,015 thousand). Year on year, the impairment increased €1,149 thousand (prior year: decline of €419 thousand).

The expenses recorded in connection with the use of inventories are included in the material costs.

12 TRADE RECEIVABLES

	€k			
	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Trade receivables, gross	763,875	27,863	588,975	30,235
Impairments	-9,806	0	-7,056	0
Trade receivables	754,069	27,863	581,919	30,235

As of the balance sheet date, the maturity structure of the current trade receivables was as follows:

										€ k
	Carrying amount	Individually impaired in full or in part	Individual impairment	Impairment IFRS 9	Neither overdue nor impaired	Overdue and not impaired				
						less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
31.12.2018										
Trade receivables	754,069	2,657	-2,389	-7,417	478,830	247,327	18,302	11,939	3,174	1,646
31.12.2017										
Trade receivables	581,919	3,504	-1,945	-5,111	463,109	103,889	11,524	3,514	1,904	1,531

Except for the common lien on receivables from the delivery of goods, the company's receivables are not collateralised. In accordance with the revenue structure, most of the presented receivables are receivables from the delivery of goods. The company is thus exposed to the risk of default up to the carrying amount. In the past, Bechtle suffered minor defaults of individual customers and customer groups. To hedge the general credit risk, reasonable provisions for bad debts are made on the basis of probabilities of default of a rating agency. The probabilities of default and the gross carrying amounts per rating class are listed in the following chart:

€k		
Euler-Hermes rating classes	Probability of default	Gross carrying amount
01–05: Very high to medium creditworthiness	0.8 %	564,628
06: Increased risk	4.0 %	35,583
07: High risk	6.5 %	10,428
08: Very high risk	10.0 %	3,055
09: Not creditworthy	18.0 %	831

The impairment of trade receivables developed as follows:

€k		
	2018	2017
Impairment situation as of 1 January	7,056	6,376
Exchange rate differences/consolidation	1,699	-46
Use	-327	291
Reversal	2,095	713
Allocations (impairment expenses)	2,819	1,730
Impairment situation as of 31 December	9,806	7,056

Expenses from the immediate write-off of trade receivables amounted to €1,035 thousand (prior year: €397 thousand). Income from payments received on written-off receivables only existed to an insignificant extent.

For the disclosures in accordance with IFRS 7, the trade receivables are, depending on their maturity, allocated to the classes "current trade receivables" (€738,622 thousand) and "non-current trade receivables" (€2,638 thousand), and to the classes "current leasing receivables" (€15,447 thousand) and "non-current leasing receivables" (€25,225 thousand).

13 TIME DEPOSITS AND SECURITIES

	€k			
	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Time deposits	5,543	0	10,442	0
Securities	0	0	2,002	0
Time deposits and securities	5,543	0	12,444	0

As of the balance sheet date, time deposits included pension funds in the amount of €5,543 thousand (prior year: €5,434 thousand) as capital investments.

The following table shows further information on the securities to be carried at fair value:

	€k	
	31.12.2018	31.12.2017
Acquisition costs	0	2,011
Carrying amount	0	2,002
Accrued interest including interest-like capital losses ¹	0	-9

¹ In the event of bonds purchased above par

For the disclosures in accordance with IFRS 7, the financial instruments included in time deposits and securities in the amount of €5,543 thousand (prior year: €5,434 thousand) were classified as "Time deposits: Insurances".

14 OTHER ASSETS

	€k			
	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Refunds and other receivables from suppliers	39,862	0	30,436	0
Unrealised gains from financial derivatives	312	0	541	0
Due from staff	304	39	352	24
Rental deposits	256	2,166	213	1,538
Loan extended to a leasing company	51	311	49	362
Insurance refunds	45	69	31	66
Others	858	2	2,379	0
Total financial assets	41,668	2,587	34,001	1,990
Accrued income	22,284	3,602	9,205	964
Accrued income for customer maintenance agreements	13,451	582	13,234	879
VAT receivable	2,914	0	717	0
Social security claims	809	0	1,446	0
Receivables from other taxes	68	0	41	0
Advance payments	13	0	139	0
Total non-financial assets	39,539	4,184	24,782	1,843
Other assets	81,227	6,771	58,783	3,833

The company's other assets are not collateralised. The company is thus exposed to the risk of default up to the carrying amount. Rental deposits have been furnished for rented business premises as collateral for the landlord.

The financial instruments included in the other current assets have the following maturities as of the respective balance sheet date:

							€k
	Carrying amount	Neither overdue nor impaired	Overdue and not impaired				
			less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days
31.12.2018							
Financial assets	41,688	41,609	0	79	0	0	0
31.12.2017							
Financial assets	34,001	33,955	0	25	6	5	10

As of the reporting date, there were no indications that the debtors of assets overdue would not meet their payment obligations.

For the disclosures according to IFRS 7, financial instruments included in other assets are allocated to:


- "other financial assets" in the amount of €43,601 thousand (prior year: €35,039 thousand);
- "long-term lending" in the amount of €362 thousand (prior year: €411 thousand);
- "financial derivatives" in the amount of €312 thousand (prior year: €541 thousand).

15 CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €245,379 thousand (prior year: €162,383 thousand) include cash at banks and on hand and short-term realisable time deposits with initial maturities of less than three months from the date of acquisition.

For the disclosures in accordance with IFRS 7, all cash and cash equivalents are allocated to “cash and cash equivalents” as in the prior year. Due to the very short terms and the creditworthiness of our contracting partners, no impairment was performed on the basis of expected credit losses.

16 EQUITY

 See Consolidated Statement of Changes in Equity, page 126

The development of the group equity is presented in the consolidated statement of changes in equity as an explicit component of the financial statements before the Notes to the Consolidated Financial Statements.

ISSUED CAPITAL

As was the case on 31 December 2017, the company's share capital as of 31 December 2018 was divided into 42,000,000 fully paid-up ordinary shares of a calculated nominal value of €1.00 each. Each share has one vote.

According to the resolution of the Annual General Meeting on 1 June 2007, the company's equity was increased from company funds pursuant to Sections 207 ff of the German Stock Corporation Act (AktG) by €21,000 thousand to €42,000 thousand by converting a partial amount of €21,000 thousand of the capital reserve presented in the balance sheet as of 31 December 2016 to equity. The capital increase was implemented by issuing 21,000,000 new no-par bearer shares with a calculated share of €1.00 each in the share capital. The new shares are entitled to profit from 1 January 2017.

Authorised and contingent capital. Pursuant to Article 4 (3) of the Articles of Incorporation of Bechtle AG, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital by up to €14,000 thousand by issuing new bearer shares (authorised capital according to the resolution of the Annual General Meeting of 12 June 2018) until 11 June 2023.

Capital increases may occur against cash contributions and/or in-kind contributions. Subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude fractional amounts from the shareholders' subscription rights. Moreover, the Executive Board is authorised, subject to the approval of the Supervisory Board, to exclude the subscription right if:

- (1) the capital increase is performed against cash contributions, does not exceed €4,200 thousand at the time of the issue and the issue price is not significantly below the listed price or,
- (2) the capital increase is performed for the acquisition of companies or interests in companies.

Subject to the approval of the Supervisory Board, the Executive Board is authorised to determine further details of the capital increases from the authorised capital.

CAPITAL RESERVES

The capital reserves primarily include the offering premium (agio) from capital increases and amounted to €124,228 thousand as of 31 December 2018 (prior year: €124,228 thousand).

RETAINED EARNINGS

Accrued profits. At the Annual General Meeting on 12 June 2018, a resolution was adopted to pay out a dividend of €0.90 per no-par share with dividend entitlement for the fiscal year 2017 (dividend total: €37,800 thousand). The dividend was paid out on 15 June 2018. In the prior year, a dividend total of €31,500 thousand had been paid out on 7 June 2017.

Dividends may only be paid from the net profit and the retained earnings of the company, as recognised in the Annual Financial Statements of Bechtle AG prepared in accordance with German commercial law. These amounts deviate from the total equity as presented in the Consolidated Financial Statements in accordance with IFRS. The resolution for the payment of future dividends is jointly proposed by the Executive Board and Supervisory Board of the company and adopted by the Annual General Meeting. The decisive factors are in particular profitability, the financial position, capital requirements, business prospects and the general economic framework conditions of the company. Since Bechtle's strategy is geared towards internal and external growth, investments will be necessary for this purpose, which should – where possible – be equity-financed. The Executive Board has decided to propose to the Supervisory Board and to the Annual General Meeting to appropriate the net profit of €42,000 thousand for the 2018 fiscal year for the payment of a normal dividend of €1.00 per no-par share with dividend entitlement.

Apart from the dividend paid out for the fiscal year 2017, the retained earnings in the reporting period also changed by the comprehensive income of €143,721 thousand, consisting of earnings after taxes (€137,141 thousand) and other comprehensive income (€6,580 thousand). Accordingly, the retained earnings amounted to €716,976 thousand as of 31 December 2018 (prior year: €611,055 thousand). Apart from the dividend payment, a change from the comprehensive income amounting to €114,680 thousand had taken place in the prior year.

Accumulated other comprehensive income. In terms of its accumulated balance as of the balance sheet date and its change during the reporting period, the other comprehensive income that is to be recognised in equity outside profit or loss is composed as follows:

€k

	31.12.2018			31.12.2017		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Actuarial gains and losses on pension provisions	-11,661	2,353	-9,308	-13,353	2,692	-10,661
Unrealised gains and losses on securities	0	0	0	-1	0	-1
Unrealised gains and losses on financial derivatives	1,697	-1	1,696	13	-4	9
Currency translation differences on net investments in foreign operations	0	0	0	0	0	0
Hedging of net investments in foreign operations	-12,307	3,596	-8,711	-11,541	3,368	-8,173
Currency translation differences	21,716	0	21,716	17,639	0	17,639
Other comprehensive income	-555	5,948	5,393	-7,243	6,056	-1,187

€k

	01.01–31.12.2018			01.01–31.12.2017		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Items that will not be reclassified to profit or loss in subsequent periods						
Actuarial gains and losses on pension provisions	1,692	-339	1,353	5,990	-973	5,017
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on securities	1	0	1	0	0	0
Gains and losses that arose in the current period	1	0	1	0	0	0
Reclassifications to profit and loss	0	0	0	0	0	0
Unrealised gains and losses on financial derivatives	1,684	3	1,687	-1,702	504	-1,198
Gains and losses that arose in the current period	1,721	3	1,724	-1,227	363	-864
Reclassifications to profit and loss	-37	0	-37	-475	141	-334
Currency translation differences of net investments in foreign operations	0	0	0	0	0	0
Gains and losses that arose in the current period	0	0	0	0	0	0
Reclassifications to profit and loss	0	0	0	0	0	0
Hedging of net investments in foreign operations	-766	228	-538	5,094	-1,511	3,583
Gains and losses that arose in the current period	-766	228	-538	5,094	-1,511	3,583
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	4,077	0	4,077	-7,284	0	-7,284
Other comprehensive income	6,688	-108	6,580	2,098	-1,980	118

Thus, the other comprehensive income amounted to €6,580 thousand (prior year: €118 thousand) of the comprehensive income in the reporting period. The other comprehensive income as well as the comprehensive income is due in full to the shareholders of Bechtle AG.

TREASURY SHARES

By resolution of the Annual General Meeting on 16 June 2015, the Executive Board had been authorised, subject to the approval of the Supervisory Board, to purchase treasury shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). The purchase of treasury shares must comply with the content of the resolution of the Annual General Meeting. This authorisation is valid until 15 June 2020.

In the reporting period, there were no transactions in treasury shares. Thus, as was the case on 31 December 2017, the company did not hold any treasury shares as of 31 December 2018.

CAPITAL MANAGEMENT

Within the scope of the capital management (IAS 1.134 f), Bechtle focuses on a sound capital structure with a high equity ratio, a high return on assets and a comfortable liquidity situation, and, in this connection, on cash-flow-based indicators such as working capital.

At €883,204 thousand, Bechtle's equity as of 31 December 2018 reached a high value that represented a year-on-year improvement (€777,283 thousand). In the reporting period, the equity (+13.6 per cent) grew at a slower rate than the debt capital (+71.7 per cent), which is reflected in a lower equity ratio of 43.6 per cent (prior year: 53.9 per cent). The increase in debt capital was especially caused by the increase in financial liabilities and trade payables. Additional loans were raised in the reporting period, and the existing ones were repaid according to schedule. The higher earnings after taxes resulted in a higher return on equity of 18.1 per cent (prior year: 16.9 per cent). The return on assets dropped slightly to 9.1 per cent (prior year: 9.6 per cent).

The unchanged goal of Bechtle's capital management is to retain a strong equity base in order to maintain the trust of investors, lenders and the market, and to facilitate future internal and external growth.

To maintain or adjust the capital structure, the group may also adjust the dividend payments to shareholders, issue new shares or buy back treasury shares, and even retire shares if necessary.

The group's sound capital structure also forms the basis for financial flexibility and extensive independence from outside creditors, which is very important for Bechtle. The objective is to have a comfortable liquidity situation to ensure full solvency at all times. As of 31 December 2018, Bechtle had cash and cash equivalents as well as time deposits and securities amounting to €250,922 thousand (prior year: €174,827 thousand). With respect to the structure of these assets, quick availability is more important than maximum yield, e.g. in order to have access to cash and cash equivalents whenever necessary for acquisitions or large project pre-financing measures, thereby being able to benefit from such opportunities. The liquidity situation is managed and monitored by the treasury.

Against this background, cash-flow-based indicators such as the working capital, DSO and other capital tie-up periods are highly significant. Bechtle controls these indicators in order to tie up as little capital and liquidity as possible in its operational service creation process. The revenue growth and the stocks that needed to be kept for large projects, and the pre-financing in some instances, resulted in slightly higher working capital amounting to €580,794 thousand as of 31 December 2018 (prior year: €492,865 thousand). Bechtle defines working capital as the balance of certain balance sheet items (inventories, trade receivables and accrued income for customer maintenance agreements) on the assets side and certain balance sheet items (trade payables and accruals and deferrals) on the equity and liabilities side.

As of 31 December 2018 and 31 December 2017, respectively, no fundamental changes had been made to the capital management goals, guidelines and procedures.

17 PENSION PROVISIONS

Except for the pension plans of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland, and its subsidiaries as well as of Bechtle Onsite Services GmbH, Neckarsulm, the Bechtle Group has no defined benefit plans.

Defined contribution obligations primarily derive exclusively from the statutory pension obligation. In the reporting period, employer contributions to the statutory pension fund in Germany totalled €25,916 thousand (prior year: €23,747 thousand). Due to acquisitions, the contributions to the statutory pension fund in France increased to €1,498 thousand (prior year: €702 thousand).

Bechtle Holding Schweiz AG and subsidiaries. Although the pension plans of Bechtle Holding Schweiz AG and its subsidiaries are contractually agreed as defined contribution plans, they must, however, be accounted for as defined benefit plans pursuant to IAS 19, as a financial participation by the companies in the event of a shortfall in cover cannot be excluded.

Since 1 January 2006, the Bechtle Holding Schweiz AG companies headquartered in Switzerland have made use of the semi-autonomous "Bechtle Pension Fund" ("Bechtle Pensionskasse") in Rotkreuz, a foundation as defined in Art. 80 ff of the Swiss Civil Code that is independent from the group. The pension fund fulfils the regulations of the Swiss Code of Obligations and of Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pensions (BVG). The transparency required for accounting for the pension plans as defined benefit plans, pursuant to IAS 19, has therefore existed since then. For this reason, actuarial opinions have been regularly prepared since 1 January 2006. Subsidiaries of Bechtle Holding Schweiz AG that are not headquartered in Switzerland are covered by defined contribution plans of external state pension funds of the respective countries. According to the financing agreement of the pension fund, 40 per cent of the contributions are paid by the employees and 60 per cent by the employer.

Upon acquisition of Acommit Group AG and EvoluSys SA in the 2018 fiscal year, the pension claims were also transferred to Bechtle. According to the financing agreement of the joint foundation, 50 per cent of the contributions are paid by the employees and 50 per cent by the employer.

In the event of a recapitalisation, Bechtle must pay at least 50 per cent of the deficit for both plans. Upon retirement, the insured can choose between a monthly pension whose amount largely depends on the capital paid in plus interest, or a one-time payment of the capital. The minimum interest is prescribed by the government.

Actuarial gains amounting to €1,696 thousand accrued in the course of the reporting period. Taking exchange rate differences amounting to plus €100 thousand into consideration, the actuarial losses recognised in retained earnings as of 31 December 2018 amounted to €10,570 thousand (prior year: actuarial loss of €12,366 thousand), less deferred tax assets amounting to €2,029 thousand (prior year: €2,399 thousand).

In the reporting period, employer contributions exceeded the net pension expenses to be recognised by €704 thousand. This amount was posted to personnel expenses through profit or loss.

After factoring in the other exchange rate differences amounting to minus €119 thousand, the total net obligation and thus the pension provisions to be accounted for as of 31 December 2018 amounted to €15,965 thousand. As of 31 December 2018, this net obligation accounted for included the acquisitions in Switzerland with an amount of €4,698 thousand.

With respect to the pension obligation, poor capital market performance and a change in legislation by the government represent potential risks for Bechtle. Moreover, longevity of the insured persons and an imbalance of beneficiaries versus actively insured persons could have a negative financial effect for Bechtle. To minimise these risks, attention is paid to broad diversification of the asset classes. The risk management of the Bechtle pension fund also comprises the equal distribution of employee and employer representatives on the foundation board and a separate management.

Bechtle Onsite Services GmbH. The pension obligations of Bechtle Onsite Services GmbH, Neckarsulm, are a result of the takeover of a partial business unit as of 1 October 2005 and, based on an actuarial opinion, were accounted for in the Bechtle Group for the first time as of 31 December 2005. In prior years, further obligations were taken over within the scope of takeovers of partial business operations of IBM. The employer contributions depend on the gross salary of the insured. The employee contributions are voluntary. Commitments have been made with respect to the guaranteed return on the retirement account. The performance depends on the gross annual salary and the service time. In most cases, the retirement plans provide for capital payment in one amount or in eight yearly instalments. In the event of a shortfall, Bechtle would have to pay 100 per cent of the shortfall. The first-time application of the Heubeck guide 2018 in the reporting period did not have any material effect on the amount of the obligation.

In 2013, Bechtle decided to take out reinsurance for the obligations. Prior to 2013, the obligations of this defined benefit plan had been processed as direct commitments without the transfer of reserves.

As of 31 December 2018, the pension provision decreased €161 thousand to €336 thousand. In the course of the reporting period, actuarial losses amounting to €104 thousand accrued; thus, the actuarial losses recognised in retained earnings as of 31 December 2018 amounted to €1,091 thousand (prior year: €987 thousand), less deferred tax assets amounting to €324 thousand (prior year: €293 thousand).

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by €206 thousand. This amount was recognised as a reduction of personnel expenses through profit or loss.

Poor performance on the capital markets could have a negative effect on Bechtle with respect to these pension commitments. If the reinsurance failed to generate the surplus in the amount of the assured yield on the market, Bechtle would incur additional financial expenses. Bechtle endeavours to fulfil its commitments or settle them ahead of time, provided that the employee agrees. New commitments will not be made.

In total, the pension obligations of **Bechtle Holding Schweiz AG with its subsidiaries and Bechtle Onsite Services GmbH** that were recognised as pension provision in the consolidated balance sheet as of 31 December 2018 amounted to €16,301 thousand (prior year: €13,002 thousand).

The reconciliation for the present value of the defined benefit obligation is presented as follows:

	€k	
	2018	2017
Present value of the defined benefit obligation 01.01	126,760	131,813
Current service cost (for pension entitlements in the reporting period)	4,260	3,827
Interest cost (for pension entitlements already acquired)	877	778
Employee contributions	2,890	2,652
Actuarial gains and losses		
based on demographic development	4,061	0
based on changes in financial assumptions	-3,779	-54
based on experience	-3,266	1,736
Curtailment	-89	-89
Addition by acquisition	15,433	0
Disposal by divestments	0	0
Retirement benefits paid	-8,426	-3,303
Past service cost	-1,271	0
Exchange rate differences	4,927	-10,600
Present value of the defined benefit obligation 31.12	142,377	126,760

The fair value of the plan assets is reconciled as follows:

	€k	
	2018	2017
Fair value of the plan assets 01.01	113,758	111,889
Interest income	782	675
Employee contributions	2,890	2,652
Employer contributions	4,286	4,028
Expenses/income from plan assets included in other comprehensive income	-1,391	7,473
Curtailment	-89	-89
Addition by acquisition	10,120	0
Disposal by divestments	0	0
Retirement benefits paid	-8,366	-3,289
Administrative expenses	-293	-265
Exchange rate differences	4,379	-9,316
Fair value of the plan assets 31.12	126,076	113,758

The table below shows the reconciliation for the pension provisions recognised in the balance sheet:

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Present value of defined benefit obligation	142,377	126,760	131,813	108,166	99,535
Fair value of the plan assets	126,076	113,758	111,889	92,267	87,545
Net obligation	16,301	13,002	19,924	15,899	11,990
Pension provision accounted for	16,301	13,002	19,924	15,899	11,990

The net pension expenses for the defined benefit plans recognised in the **income statement** are comprised as follows:

	2018	2017
Current service cost (for pension entitlements in the reporting period)	4,260	3,827
Interest cost (for pension entitlements already acquired)	877	778
Interest income	-782	-675
Past service cost	-1,271	0
Administrative expenses	293	265
Net pension expenses for benefit commitments	3,377	4,195

As of 31 December 2018 and as of 31 December 2017, respectively, the defined benefit plans and their actuarial measurement were based on the following parameters:

	Bechtle Holding Schweiz AG		Bechtle Onsite Services GmbH	
	2018 ¹	2017 ²	2018	2017
Discount rate and expected interest	0.6%	0.6%	1.7%	1.6%
Inflation rate	0.5%	0.5%	n/a	n/a
Salary increase (including inflation rate)	1.0%	1.0%	1.6%	1.5%
Pension increase	0.0%	0.0%	2.0%	2.0%
Retirement likelihood, mortality, invalidity	BVG 2015 Gen.	BVG 2010 (P2023); company-specific likelihood of retirement	Heubeck guide 2018 G; likelihood of retirement depending on age and service time	Heubeck guide 2005 G; likelihood of retirement depending on age and service time
Likelihood of marriage	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	Heubeck guide 2018 G	Heubeck guide 2005 G
Earliest retirement age	Men aged 65 and women aged 64 100% (Switzerland)	Men aged 65 and women aged 64 100% (Switzerland)	100% aged 62 or 63 (depending on commitment)	100% aged 62 or 63 (depending on commitment)
Longevity bonus	None	None	None	None

¹ Including Acomit AG and EvoluSys AG

² Including Steffen Group

The following sensitivity analysis was conducted with respect to the parameters that have a material impact on the obligation. The sensitivity analysis is based on the assumption that only the said parameter changes and all other parameters remain unchanged. Prior to the preparation of the Annual Report, it was examined which of the parameters have a material impact on the obligation. Apart from the parameters mentioned in the following table, the obligation would not change significantly in the event of a change of the other parameters within realistic limits.

	Bechtle Holding Schweiz AG (including acquisitions Switzerland)		Bechtle Onsite Services GmbH	
Discount rate	+0.5%	-0.5%	+1.0%	-1.0%
	Obligation decreases 8.1% (8.0%)	Obligation increases 9.0% (9.1%)	Obligation decreases 12.2% (11.6%)	Obligation increases 15.1% (17.6%)
Expected interest	+0.5%	-0.5%		
	Obligation increases 3.0% (3.1%)	Obligation decreases 2.9% (2.9%)		

In terms of the investment categories, the plan assets of Bechtle Holding Schweiz AG and of the Steffen Group are comprised as follows.

	31.12.2018	
	Bechtle Holding Schweiz AG	Valuation class (IFRS 13)
Obligations	17.2%	Level 1
Equity instruments	26.0%	Level 1
Real estate fund	23.0%	Level 1
Other assets	29.1%	Level 2
Liquidity	4.7%	Level 1

The asset value of the reinsurance of Bechtle Onsite Services GmbH corresponds to the value determined by the insurer.

The average weighted duration is 16.1 years for those insured at the Swiss pension fund and 13.7 years for those at Bechtle Onsite Services GmbH.

In the reporting period, expenses from plan assets amounted to €609 thousand (prior year: income of €8,148 thousand).

The following amounts are expected to be paid into the defined benefit pension plan in the coming years:

	€k
	2018
Due within one year	7,048
Due in two to five years	28,513
Due in six to ten years	35,792
Net pension expenses for benefit commitments	71,353

For 2019, the actuarial opinions for Bechtle Holding Schweiz AG and Bechtle Onsite Services GmbH forecast employee contributions of €4,405 thousand to the defined benefit plans. The expected employer contributions to the plan assets amount to €4,264 thousand. As the plan assets are expected to increase to €126,507 thousand in the fiscal year 2019, the expected net obligation is €17,507 thousand. The net pension expenses for benefit commitments are projected to amount to €4,783 thousand.

18 OTHER PROVISIONS

	01.01.2018	Currency translation and consolidation	Reclassi- fication	Use	Reversal	Addition	Allocation from acquisition	31.12.2018
Guarantees and similar obligations	4,664	9	0	3,420	222	4,531	455	6,017
Personnel expenses	7,902	15	0	2,584	103	2,589	3,415	11,234
Legal and consulting expenses	235	1	0	168	25	181	18	242
Investor relations	370	0	0	370	0	370	0	370
Others	1,148	3	0	1,164	69	2,340	93	2,351
Total other provisions	14,319	28	0	7,706	419	10,011	3,981	20,214
Other non-current provisions	7,190	14	0	200	69	833	3,284	11,052
Other current provisions	7,129	14	0	7,506	350	9,178	697	9,162

Provisions for **guarantees and similar obligations** are formed in the expected utilisation amount based on company-specific historical values. If no other insights exist in the individual case, 0.1 to 0.25 per cent of the net selling price is recognised as guarantee reserves, depending on the product. The provisions for **personnel expenses** mainly comprise anniversary obligations, retroactive personnel payments that depend on future events, and additional tax and social insurance payments. Most of the **legal and consulting costs** relate to costs for consulting services. **Other provisions** primarily relate to provisions for anticipated losses, archiving and disposal costs, as well as contingent liabilities.

19 FINANCIAL LIABILITIES

In the fiscal year, four bond loans totalling €300,000 thousand were raised for acquisition financing purposes. The four tranches have maturities of five, seven and ten years. Except for a share of €37,500 thousand, the loan is subject to a fixed interest rate. To eliminate the interest-rate change risk until a fixed interest rate is conclusively determined, interest swaps were concluded. In mid-October 2018, Bechtle AG received a cash settlement of €1,730 thousand from the liquidation of the transaction, which was posted to equity outside profit or loss and will be resolved over the respective maturity bands through profit or loss. The fees incurred amounted to €375 thousand and are included in the administrative expenses.

Other financial liabilities included other current account debts amounting to €593 thousand (prior year: €1,948 thousand).

The company has **credit lines** of €39,655 thousand (prior year: €39,486 thousand), which can be used both for cash loans and for guarantee credits. As of the balance sheet date, €6,722 thousand (prior year: €7,049 thousand) of this amount were utilised for guarantee credits. These credit lines are not earmarked, and their issue is not subject to any conditions. Additionally, the company has pure guarantee credit lines amounting to €5,109 thousand (prior year: €5,109 thousand), €204 thousand (prior year: €213 thousand) of which had been utilised as of the balance sheet date. Apart from this, Bechtle has money market credit lines amounting to €70,000 thousand (prior year: €65,000 thousand), €0 thousand (prior year: €45,000 thousand) of which had been utilised as of the balance sheet date. In total, the unused credit lines amounted to €107,838 thousand (prior year: €57,333 thousand).

In the reporting period, the conditions of two loan agreements were renegotiated. The two agreements had a fixed interest rate of 5.89 per cent that ended on 30 September 2018. The newly agreed interest rates are 0.75 per cent and 0.8 per cent, resulting in a drop in interest expenses by €61 thousand in the subsequent quarters. Moreover, in the fiscal year 2011, two other loan agreements with an interest rate of 6.2 per cent had already been agreed to be reduced to 5.08 per cent as of 1 March 2014. All four contracts will run until 2022. Due to the lack of materiality, the gross carrying amount was not changed due to the changed effective interest rate.

For the disclosures in accordance with IFRS 7, the financial liabilities are allocated in full to the “loans” class, as in the prior year.

20 TRADE PAYABLES

Trade liabilities in the amount of €40 thousand (prior year: €96 thousand) have a residual term of more than one year.

21 OTHER LIABILITIES

	€k			
	31.12.2018		31.12.2017	
	Current	Non-current	Current	Non-current
Liabilities to employees	79,574	0	66,599	0
Liabilities to customers	11,366	20	8,292	7
Liabilities resulting from acquisitions	2,983	4,797	990	2,217
Customer bonus	2,516	0	1,958	0
Vehicle expenses	1,502	0	2,048	0
Rent and ancillary rental costs	741	36	925	64
Annual financial statement costs	715	0	696	0
Advertising	569	0	122	0
Telephone/Internet	397	0	360	0
Unrealised losses from financial derivatives	339	0	470	0
Insurances	275	0	281	0
Travel expenses and expenditures	270	0	232	0
Transportation charges	161	0	126	0
Others	4,881	0	2,785	0
Total financial liabilities	106,289	4,853	85,884	2,288
VAT liability	35,177	0	32,797	0
Social security contributions	9,287	0	4,953	0
Wage and church tax	7,643	0	6,159	0
Liabilities from other taxes	1,561	5	1,325	4
Total non-financial liabilities	53,668	5	45,234	4
Other liabilities	159,957	4,858	131,118	2,292

Other liabilities primarily relate to various administrative expenses and distribution costs incurred in the ordinary course of business.

For the disclosures according to IFRS 7, financial instruments included in other liabilities are allocated to:

- "other financial liabilities" in the amount of €103,023 thousand (prior year: €84,495 thousand);
- "liabilities resulting from acquisitions" in the amount of €7,780 thousand (prior year: €3,207 thousand);
- "financial derivatives" in the amount of €339 thousand (prior year: €470 thousand).

22 CONTRACT LIABILITIES

The contract liabilities comprised down payments received from customers and service agreements paid in advance and amounted to €95,808 thousand as of 1 January 2018, of which current liabilities accounted for €82,107 thousand and non-current liabilities accounted for €13,701 thousand. As of 31 December 2018, contract liabilities amounted to €107,015 thousand, of which current liabilities accounted for €96,120 thousand and non-current liabilities for €10,895 thousand.

23 DEFERRED INCOME

As of 31 December 2018, deferred income amounted to €16,109 thousand (prior year: €107,465 thousand comprising down payments received as well as current and non-current deferred income).

V. FURTHER EXPLANATORY NOTES ON THE CASH FLOW STATEMENT

The cash flow statement for the 2018 reporting period and the prior year was prepared in accordance with IAS 7 and reports the development of cash flows broken down by cash inflows and outflows from operating, investing and financing activities. The cash flow is determined using the indirect method.

As in the prior year, cash and cash equivalents included cash on hand, cheques and bank balances with an original term to maturity of no more than three months, and correspond to the balance sheet item "Cash and cash equivalents". Currency translation effects on cash and cash equivalents are shown separately in the calculation.

24 CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the amount of €140,525 thousand (prior year: €54,261 thousand) was indirectly derived from the earnings before taxes. In the context of the indirect method, the financial earnings, depreciation and amortisation, and other non-cash expenses and income, as well as changes in selected material balance sheet items and the remaining net assets, are taken into account.

As in the prior year, other non-cash expenses and income consisted of changes to provisions and impairments. The operating cash flow improved considerably compared to the prior year.

Changes to balance sheet items are adjusted for assets and liabilities taken over in acquisitions and for currency translation effects.

25 CASH FLOW FROM INVESTING ACTIVITIES

In 2018, net cash used for investments in the amount of €280,612 thousand (prior year: €62,675 thousand) primarily consisted of payments for the acquisition of companies as well as for investments in intangible assets and property, plant and equipment. These payments were reduced by payments received from the sale of time deposits and securities, property, plant and equipment and other assets, as well as interest payments received.



See page 187 ff

The payments made for acquisitions comprise the purchase price payments of €260,950 thousand (prior year: €8,880 thousand) for companies acquired in the reporting period as well as additional payments for contingent purchase price increases amounting to €500 thousand (prior year: €3,957 thousand) for companies acquired in prior years. Within the scope of these acquisitions, cash and cash equivalents worth €28,737 thousand were taken over (prior year: €1,035 thousand).

The gross cash flows for the acquisition and sale of long-term time deposits and securities are presented separately, while cash flows from short-term time deposits and securities are netted. In the prior year, only part of the time deposits and securities that had reached maturity were reinvested, and time deposits and securities were shifted to free cash and cash equivalents.



See page 173 ff

Settlements of net investment hedges comprise payments from forward exchange contracts in connection with the hedging of the net investments in group companies whose local currency is not the euro. In the reporting period, this amount totalled –€766 thousand (prior year: €5,094 thousand).

26 CASH FLOW FROM FINANCING ACTIVITIES

Factoring in the assumption and repayment of financial liabilities, dividend distributions and interest payments made, net cash used for financing activities amounted to €221,367 thousand (prior year: €33,578 thousand). In the reporting period, Bechtle made higher repayments and raised less new financial funds than in the prior year.

For non-current financial liabilities, payments received and payments made are presented separately. Cash flows for current financial liabilities are shown on a net basis.

	31.12.2017	Non-cash changes				31.12.2018
		Cash flows	Acquisitions	Exchange rate effects	Changes in fair value	
Non-current financial liabilities	69,917	310,723	0	0	0	380,640
Current financial liabilities	58,930	–46,149	87	4	0	12,872
Total financial liabilities	128,847	264,574	87	4	0	393,512

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VI. FURTHER DISCLOSURES ON FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

INFORMATION ON FINANCIAL INSTRUMENTS BY CATEGORY

The following table compares the carrying amounts and fair value of the financial instruments for the classes of financial instruments in accordance with IFRS 7:

								€k
Class pursuant to IFRS 7	Measurement category according to IAS 39	Measurement category according to IFRS 9	Carrying amount 31.12.2018	Fair value 31.12.2018	Carrying amount 31.12.2017 01.01.2018	Fair value 31.12.2017 01.01.2018	Level	
Assets								
Non-current trade receivables	LAR	AC	2,638	2,616	4,979	5,056	3	
Long-term leasing receivables	IAS 17	IAS 17	25,225	25,037	25,256	25,006	3	
Current trade receivables	LAR	AC	738,622	738,622	570,922	570,922	3	
Current leasing receivables	IAS 17	IAS 17	15,447	15,447	10,997	10,997	3	
Securities	AFS	FVPL	0	0	2,002	2,002	1	
Time deposits								
Bond loans	LAR	AC	0	0	5,008	5,008	2	
Fixed-term deposits	LAR	AC	0	0	0	0	2	
Insurances	LAR	AC	5,543	5,543	5,434	5,434	3	
Other financial assets	LAR	AC	43,601	43,601	35,039	35,039	3	
Long-term lending	LAR	AC	362	361	411	418	3	
Financial derivatives								
Derivatives accounted for as hedges	n/a	n/a	9	9	20	20	2	
Derivatives not accounted for as hedges	FAFVPL	FVPL	303	303	521	521	2	
Cash and cash equivalents	LAR	AC	245,379	245,379	162,383	162,383	1	
Equity and liabilities								
Loans	FLAC	AC	393,512	418,714	128,847	134,048	2	
Non-current trade payables	FLAC	AC	40	39	96	93	3	
Current trade payables	FLAC	AC	372,338	372,338	237,160	237,160	3	
Other financial liabilities	FLAC	AC	103,023	103,023	84,495	84,495	3	
Liabilities resulting from acquisitions	FLFVPL	FVPL	7,780	7,780	3,207	3,207	3	
Financial derivatives								
Derivatives accounted for as hedges	n/a	n/a	8	8	0	0	2	
Derivatives not accounted for as hedges	FLFVPL	FVPL	331	331	470	470	2	
Thereof aggregated according to valuation category pursuant to IAS 39	LAR		1,036,145	1,036,122	784,176	784,260		
	AFS		0	0	2,002	2,002		
	FLAC		868,913	894,114	450,598	455,796		
	FAFVPL		303	303	521	521		
	FLFVPL		8,111	8,111	3,677	3,677		
Thereof aggregated according to valuation category pursuant to IFRS 9		AC	1,905,058	1,930,236	1,234,774	1,240,056		
		FVPL	8,414	8,414	6,200	6,200		

Abbreviations used for the measurement categories of IAS 39:

LAR = Loans and receivables

AFS = Available-for-sale financial assets

FLAC = Financial liabilities at amortised cost

FAFVPL = Financial assets measured at fair value through profit or loss

FLFVPL = Financial liabilities measured at fair value through profit or loss

Abbreviations used for the measurement categories of IFRS 9:

AC = Acquisition costs

FVPL = Fair value through profit or loss

According to IFRS 13, the material parameters on which the measurement is based must be disclosed for all financial instruments whose fair value is presented or that are accounted for at fair value. The measurement methods are divided into the following three levels:

Level 1: Measurement at prices (not adjusted) quoted on active markets for identical assets and liabilities.

Level 2: Measurement of the asset or liability takes place either directly or indirectly on the basis of observable input data, which do not represent quoted prices as stated in Level 1.

Level 3: Measurement is based on models using input parameters not observable on the market.

The **securities** from prior year were listed at the stock exchange and have been recognised at the market price as of the balance sheet date.

The cash flows of the **financial derivatives** accounted for as hedges will occur within a period of two months of the balance sheet date. **Financial derivatives** not accounted for as hedges are classified as held for trading (IAS 39).

Liabilities resulting from acquisitions are conditional, additional purchase price payments (earn-outs) for acquisitions (IFRS 3.58). The fair value was determined with the help of the DCF method. Apart from the planned business development of the unit taken over, a discount rate that is appropriate for the period was used. The creditworthiness of the debtor Bechtle (IFRS 13.42ff) was taken into account via an overhead percentage method taking into account the amount, the probability of default and the recovery rate in the event of inability to pay. The difference between the fair value and the amount to be paid at maturity according to the contract is €316 thousand, which only contains an insignificant change of the credit risk. The factor that has the greatest impact on the fair value is the planned business development, which is based on earnings-oriented performance indicators. In the event of a reduction of the target achievement to 90 per cent of the target achievement assumed at the acquisition, the liabilities from acquisitions would drop 10 per cent; in the event of an increase to 110 per cent of the target achievement assumed at the acquisition, the liabilities would increase 0 per cent. These liabilities will reach maturity in 2018 to 2022.

The **insurances** class contains pension funds as capital investments. These time deposits were made in the first quarter of 2014 and were extended again in the reporting period. The fair value of the pension funds corresponds to the discounted amount of the payment guaranteed plus creditworthiness impairment.

The fair value of **bond loans, fixed-term deposits, long-term lending, loans and non-current receivables, leasing receivables and trade payables** corresponds to the present value of the cash flows under consideration of the risk-weighted interest rates appropriate for the periods plus creditworthiness impairment.

For all current financial assets and liabilities, the carrying amount corresponds to the fair value (IFRS 7.29). This applies to **current trade receivables, leasing receivables, securities, trade payables, other financial assets, cash and cash equivalents and other financial liabilities**.

During the reporting period, there were no reclassifications between assessments at fair value of Level 1 and Level 2 and no reclassifications to or from assessments at fair value of Level 3.

The financial instruments measured in Level 3 at fair value developed as follows:

Financial assets and liabilities in Level 3	01.01.2018	Total gains and losses			Additions	Compensation/ settlement	Reclassification	31.12.2018
		Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income				
Liabilities resulting from acquisitions	3,207	105	0	0	4,968	-500		7,780

The €105 thousand posted as expenses under financial earnings were attributable to future payments accounted for as of 31 December 2018.

The expenses, income, gains and losses from financial instruments can be categorised as follows (net result):

	Assets AC	Assets FVPL	Derivatives not accounted for as hedges	Liabilities AC	Liabilities FVPL	Total
Interest income	1,563	8	0	0	0	1,571
Interest expenses	0	0	0	-3,143	0	-3,143
Income/expenses from shareholdings	0	0	0	0	0	0
Fair-value changes	0	1	-28	0	-105	-132
Impairment expenses	-724	0	0	0	0	-724
Income from appreciation	0	0	0	0	0	0
Gains/losses from currency translation	266	0	0	233	0	499
Gains/losses from disposals	-1,035	0	-351	0	0	-1,386
Other financial expenses and income	0	0	0	0	0	0
Net earnings 2018	70	9	-379	-2,910	-105	-3,315
Net earnings 2017	-1,741	95	551	-2,742	277	-3,560

Total interest income for financial assets corresponds to the values stated above. The total interest cost for financial liabilities without taking the interest rate swap into account amounted to €3,180 thousand (prior year: €2,159 thousand). The amount of €1 thousand for the assets classified at fair value through profit or loss, which resulted from the fair value measurement, accrued in the fiscal year ended. Income of €37 thousand was reclassified from the accumulated other comprehensive income to the income statement.

DISCLOSURES ON ASSETS AND LIABILITIES NETTED AND NOT NETTED

The following financial instruments have been netted in the balance sheet on the basis of a current legal netting entitlement or the existing intention to settle on a net basis (IAS 32):

	2018			2017		
	Gross liabilities	Gross assets	Net amount accounted for	Gross liabilities	Gross assets	Net amount accounted for
Financial assets						
Current trade receivables	315	754,384	754,069	317	582,236	581,919
Refunds and other receivables from suppliers	1,239	41,101	39,862	845	31,281	30,436
Financial liabilities						
Current trade payables	375,788	3,450	372,338	239,437	2,277	237,160
Current liabilities to customers	11,391	25	11,366	8,311	19	8,292

The trade receivables include liabilities to customers amounting to €315 thousand, and the liabilities to customers include receivables from customers amounting to €25 thousand. Based on contractual agreements, these customers of Bechtle are entitled to net these items against each other. The trade payables contain receivables from suppliers in the amount of €3,450 thousand, and the receivables from suppliers contain liabilities in the amount of €1,239 thousand. Based on contractual agreements, Bechtle is entitled to net these items against each other. These items mainly comprise bonus proceeds that suppliers pay out to Bechtle or that Bechtle pays out to its customers. The year-on-year increase is related to the reporting date.

DISCLOSURES ON RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

Currency Risk. Receivables, liabilities and cash and cash equivalents which are not transacted in the functional (local) currency used by the companies are exposed to currency risks from financial instruments. In the Bechtle Group, currency risks from financial instruments denominated in foreign currency arise from the inter-company trade and, to a small extent, trade with external suppliers and customers.

Hedges serve to protect against exchange rate risks affecting receivables and liabilities denominated in foreign currency. The Bechtle Group uses forward exchange contracts and currency swaps and currency options as hedges.

In the Consolidated Financial Statements (EUR), exchange differences arose from the conversion of foreign currency financial statements of subsidiaries abroad. These differences are carried and recognised separately directly in equity. To compensate most of these currency translation differences outside profit or loss, and to hedge a net investment in a foreign operation (IAS 39, IFRIC 16), Bechtle took out a EUR/CHF forward exchange contract in the reporting period that covered the majority of these currency risks. Fluctuations in the EUR/CHF exchange rate can significantly affect the consolidated earnings as a considerable portion of the business is generated in Switzerland. At the end of the reporting period, the forward exchange contract concluded at the beginning of the reporting period for the sale of CHF 62 million resulted in a loss of €793 thousand that was recognised as other comprehensive income outside profit or loss (income tax effect: €235 thousand). In the prior year, the forward exchange contract that had been concluded for the sale of CHF 57 million at the end of 2017 had resulted in a gain of €4,997 thousand that had been recognised as other comprehensive income outside profit or loss (income tax effect: €1,482 thousand). Similarly, net assets in the UK were hedged against EUR/GBP exchange rate risks. The corresponding forward exchange contract (sale of GBP 5 million) generated other comprehensive income of €15 thousand that was recognised outside profit or loss (income tax effect: €4 thousand). In the prior year, GBP 5 million had been sold forward. In the prior year, the income from the hedge of the net assets that had been recognised as other comprehensive income had totalled €97 thousand (income tax effect: €29 thousand). Since the reporting period, the net assets of the subsidiaries in the Czech Republic, Hungary and Poland have also been hedged. This resulted in a gain of €12 thousand that was recognised as other comprehensive income and a corresponding income tax effect of €3 thousand.

On the other hand, the consolidated equity underwent a positive effect in the amount of €4,077 thousand (prior year: negative effect of €7,284 thousand) from currency translation differences. These were largely caused by EUR/CHF conversion.

The gain that corresponds to the effective part of the currency hedges (€1,697 thousand) was recognised in other comprehensive income outside profit or loss, taking into account deferred taxes (€1 thousand). The share of the hedges whose associated liability has already been accounted for was posted through profit or loss.

Apart from the said individual cases, hedges with terms of up to two years and individual volumes of up to €2 million are regularly concluded for operational purposes within the ordinary course of business. The following table shows the volume of the hedges concluded in the respective fiscal years:

Currency pair		2018		2017	
		Purchase	Sale	Purchase	Sale
EUR/USD	USDk	127,794	64,041	49,331	34,056
EUR/CHF ¹	CHFk	78,239	72,000	62,347 ¹	63,000 ¹
EUR/SEK	SEKk	116,173	15,500	56,430	0
EUR/GBP	GBPk	11,095	9,688	6,833	7,596
EUR/PLN	PLNk	6,297	6,817	0	0
EUR/CZK	CZKk	11,800	14,372	0	0
EUR/HUF	HUFk	230,000	258,017	0	0
CHF/EUR ¹	EURk	9,767	0	3,447 ¹	275 ¹
CHF/SEK	SEKk	16,187	9,469	9,408	0
CHF/USD	USDk	3,820	0	750	0
CHF/GBP	GBPk	1,807	0	700	0
CHF/NOK	NOKk	8,897	2,024	43,309	0

¹ Reclassification prior year due to adjustment of quotation

As of the balance sheet date, an obligation to buy USD 1,576 thousand and SEK 43,945 thousand (all net) against euros as well as an obligation to buy GBP 1,615 thousand, NOK 1,953 thousand, SEK 101 thousand and €3,337 thousand (all net) against Swiss francs existed under these currency contracts that were measured through profit or loss. Moreover, a claim existed to the sale of GBP 144 thousand (net) against euros. In the prior year, obligations had existed to buy GBP 481 thousand, USD 5,646 thousand, NOK 15,479 thousand and SEK 56,430 thousand (all net) against euros and to buy GBP 607 thousand, NOK 25,514 thousand and SEK 202 thousand (all net) against Swiss francs. Moreover, a claim existed to the sale of €931 thousand (net) against Swiss francs. The measurement resulted in gains of €116 thousand (prior year: loss of €69 thousand).

The following sensitivity analysis illustrates the impact a decrease (or increase) in the euro exchange rate could have on consolidated earnings before taxes. The changes in the fair values of the financial assets and liabilities in foreign currency recognised as of the respective balance sheet date due to the changed exchange rate are taken into account. The hedges existing as of the balance sheet date are taken into consideration in the sensitivity analysis. Exchange-rate-related differences from the translation of financial statements into the reporting currency are not taken into account.

	€k			
	2018		2017	
Effects of a 10% value loss (or increase) of the euro against				
USD	+2,372	[-2,372]	+4,507	[-4,507]
SEK	+710	[-710]	+622	[-622]
NOK	+36	[-36]	+443	[-443]
CHF	-4,763	[+4,763]	+347	[-347]
GBP	+141	[-141]	+266	[-266]
PLN	+17	[-17]	+12	[-12]
CZK	-37	[+37]	-9	[+9]
HUF	-32	[+32]	-25	[+25]

The following sensitivity analysis illustrates the impact a decrease (or increase) in the euro exchange rate could have on other comprehensive income (outside profit or loss). The change in fair value of the derivatives accounted for as hedges (IAS 39), as well as the change in value of assets and liabilities of the subsidiaries with the respective currency as functional currency, are taken into consideration.

	€k			
	2018		2017	
Effects of a 10% value loss (or increase) of the euro against				
CHF	+6,750	[-6,750]	+5,674	[-5,674]
GBP	+738	[-738]	+645	[-645]
PLN	+145	[-145]	+110	[-110]
HUF	+69	[-69]	+65	[-65]
CZK	+61	[-61]	+44	[-44]
USD	-153	[+153]	-127	[+127]


Interest rate risk. The interest rate risk to which the Bechtle Group is exposed mainly concerns the interest earned by its cash and cash equivalents and from time deposits and securities. The interest rate risks of the Bechtle Group are centrally analysed, and the resulting measures are actively managed by the group's finance department. The procedure applied by the department is subject to regular audits as determined by the management.

Apart from this, the group has only a minimal position – and thus an insignificant interest rate risk – in variable-rate financial instruments, which are exposed to cash flow risks from a possible deterioration in interest rates. Moreover, there is an insignificant interest-rate risk for fixed-income financial instruments with fair value risk due to the fluctuation depending on the interest rates. The variable tranche of the bond loan raised in the reporting period is subject to a minor interest-rate change risk, which is constantly monitored.


The sensitivity analysis was conducted for the Bechtle Group's cash and cash equivalents, time deposits and securities as of the balance sheet date, taking into account the relevant interest rates in the relevant currencies. A hypothetical decrease or increase in these interest rates from the beginning of the reporting period by 100 basis points or 1.0 per cent a year (assuming constant exchange rates) would have led to a decrease/increase in interest income by €2,134 thousand (prior year: €1,748 thousand).

Liquidity risk. The liquidity risk from financial instruments results from future interest payments and redemption payments for financial liabilities and from derivative financial instruments. The tables below show the non-discounted payment obligations for the relevant balance sheet items as of the balance sheet date and the prior year's balance sheet date in accordance with IFRS 7.

The liquidity risk is controlled and monitored on a weekly basis with the aid of a 14-day liquidity forecast.


For further disclosures on the liquidity, see page 107

	Financial liabilities			
	Loans	Other current non-derivative liabilities	Trade payables	Other financial liabilities
Carrying amount 31.12.2018	392,919	593	372,378	110,803
Cash flow 2019				
Interest	5,762	0	0	0
Repayment	12,279	593	372,338	105,950
Cash flow 2020				
Interest	5,554		0	0
Repayment	12,045		32	56
Cash flow 2021–2022				
Interest	9,886		0	94
Repayment	38,617		8	4,797
Cash flow 2023–2024				
Interest	7,981			
Repayment	93,264			
Cash flow 2025–2026				
Interest	5,535			
Repayment	133,762			
Cash flow 2027–2028				
Interest	3,712			
Repayment	102,952			


For information on the cash flows of the financial liabilities, see page 169

	Financial liabilities			
	Loans	Other current non-derivative liabilities	Trade payables	Other financial liabilities
Carrying amount 31.12.2017	126,899	1,948	237,256	87,702
Cash flow 2018				
Interest	1,898	0	0	0
Repayment	55,029	1,948	237,160	85,414
Cash flow 2019				
Interest	1,721		0	0
Repayment	9,408		44	28
Cash flow 2020–2021				
Interest	2,795		0	0
Repayment	21,231		8	21
Cash flow 2022–2023				
Interest	527		0	294
Repayment	31,999		44	2,239
Cash flow 2024–2025				
Interest	103			
Repayment	6,162			
Cash flow 2026–2027				
Interest	28			
Repayment	3,070			

The cash and cash equivalents are spread over 22 banks and finance groups. In the case of bank deposits in the European Union, we make sure that the balance at a bank or group of banks with the same deposit guarantee does not exceed the respective deposit guarantee cap. Approximately 28 per cent of the cash and cash equivalents are held with banks that belong to the liability association of the Savings Banks Finance Group. Thus, a risk could arise from the default of several banks belonging to this guarantee arrangement. The Swiss group companies hold about 25 per cent of the group's cash and cash equivalents at large Swiss banks, which only offer a low statutory deposit guarantee.

For investments in securities, we put emphasis on an excellent rating and diversification in terms of industries, countries and terms to maturity. The maximum investment amount per security is €2 million.

Time deposits are made in instruments with a deposit guarantee. As of 31 December 2018, Bechtle held time deposits of no more than €6 million per liability unit.



For further disclosures on the risk management, see page 106 f

Credit risk. The carrying amounts of the financial assets correspond to the maximum credit risk. There are no hedges except for common liens for all trade receivables as well as country-specific deposit guarantee funds for all cash and cash equivalents and time deposits. Any credit risks identified in the financial assets are recognised in the form of impairments. Except for lenders in connection with buildings, Bechtle provides virtually none of its creditors with collateral.

For the investment of excess liquidity, quick availability is more important than maximum yield, e.g. in order to be able to access available cash and cash equivalents in the event of acquisitions or major project pre-financing measures. Thus, purely financial goals – such as the optimisation of the financial income – are subordinate to the acquisition strategy and the company growth. This financial flexibility forms the basis for success in a highly consolidating market. The liquidity situation is centrally managed and monitored by the treasury.

Investment business is only conducted with investment-grade debtors. For time deposits within the European Union, investments with a corresponding deposit guarantee are preferred. As such a guarantee only exists to a limited extent in Switzerland, investments in this country are only made at banks with an excellent credit rating.

To avoid risk concentrations, customer-specific credit lines are determined by means of ongoing creditworthiness checks.

VII. SEGMENT INFORMATION

Segment information is reported in accordance with IFRS 8 Operating Segments, as in the prior year.

The Bechtle Group is currently active in two business segments, the IT System House & Managed Services segment and the IT E-Commerce segment. The two segments differ in terms of the areas of activity involved as well as with regard to the processes applied for IT product trading purposes. The strategic alignment and expansion strategy pursued are also different.


Turnkey IT solution
provider with
customer-specific
combinations of
services, hardware
and software

In the **IT System House & Managed Services** segment, Bechtle's services cover the entire IT value change ranging from IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services and training to complete IT operation. Bechtle prepares individual offers involving a range of different services in combination with hardware and software, directly reflecting the needs and preferences of each and every customer. In this segment, Bechtle operates in Germany, Belgium, Austria and Switzerland, ensuring special customer proximity by means of its decentralised organisation with about 70 locations for wide geographic coverage.

The **IT E-Commerce** segment comprises the group's online shop and telesales trading activities. As an IT specialist with more than 70,000 products in the web shop – ranging from hardware and standard software products to peripherals and accessories – Bechtle covers all common IT areas by means of a multi-brand strategy. The Bechtle direct brand is currently established in 14 European countries and focuses on classic hardware and software from market-leading vendors. The ARP brand, on the other hand, also offers innovative niche products and its own brand-name products. It is represented in six European countries and operates a purchasing company in Taiwan. The Comsoft direct software licensing brand is present in four European countries. Since 1 January 2017, the activities of the Comsoft companies in Germany, Austria and Switzerland have been allocated to the IT System House & Managed services segment (previously IT E-Commerce).



Specialist dealer
with over 70,000 items,
multi-brand strategy

Bechtle Group companies are based primarily in Germany. Group companies exist abroad in Austria, Belgium, the Czech Republic, France, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan and the United Kingdom.

The administration and the strategic management of the individual companies are centralised primarily at Gaildorf and Neckarsulm, where the parent company Bechtle AG and the group's Executive Board are based.

As a general rule, the same reporting and valuation methods are applied for the segment information as for the Consolidated Financial Statements. A joint résumé of the business segments has not been drawn up.

The chief operating decision-maker (CODM) as defined in IFRS 8.7 is the Executive Board of Bechtle AG, which comprises the Chairman of the Executive Board, the Member of the Executive Board responsible for IT System House & Managed Services and the Member of the Executive Board responsible for IT E-Commerce. This CODM is responsible for the cross-departmental, group-wide monitoring and management of the group success and resource allocation. Strategic decisions concerning the allocation of resources to the two segments and the assessment of their earning power are made exclusively at Executive Board meetings of Bechtle AG in close coordination with the Supervisory Board. The Executive Board member responsible for IT System House & Managed Services and the Executive Board member responsible for IT E-Commerce serve individually as the segment managers (IFRS 8.9) for the respective business segment. In this capacity, they are in charge of the resource management and the assessment of the efficiency of the segments under their supervision. The segment manager also coaches the Executive Vice Presidents and Managing Directors in his segment. Vis-à-vis the CODM, the segment managers are responsible for their segments and maintain regular contact with the CODM, e.g. at Executive Board meetings, in order to report on and discuss the activities, results and plans of their segment.

The segment information presented below is based on the same indicators as those employed for the internal reporting and controlling system that are used above all by the group management/CODM for success evaluation and resource allocation purposes. It contains all income and expenses as well as the assets and liabilities of the central units/functions of the Bechtle Group in accordance with the relevant services provided or used in the two IT System House & Managed Services and IT E-Commerce segments. The earnings before interest and taxes and before acquisition-related amortisation represent the earnings-related key performance indicator for the segments. The amortisation from acquisitions relates to goodwill, customer bases, customer service agreements and brands resulting within the scope of acquisitions. Financial earnings are not consolidated as the segments are primarily funded via the central units where external interest expense and income are mainly incurred. For this reason, financial earnings and expenses are reported together as financial income merely at group level as shown below. This results in the earnings before taxes in the Bechtle Group and subsequently, taking into account the taxes at group level, the earnings after taxes in the Bechtle Group.

This results in asymmetric allocation (IFRS 8.27) insofar as the assets and liabilities reported for the segments include interest-bearing assets and liabilities as well as tax receivables and payables. In the case of symmetric allocation, segment assets and segment liabilities would be correspondingly lower and the earnings-related key performance indicator of the segments would include financial income, financial expenses and tax.

Transactions are only conducted between the two segments to an insignificant extent. They are accounted for at market prices and, for the purposes of completeness and transparency, are shown below explicitly in respect of revenue as well as receivables and payables. The consolidated revenue comprises the total revenue of both segments with parties outside the group. The same applies to the receivables and payables as well as the assets and liabilities of the two segments and of the Bechtle Group as a whole.

The investments, depreciation and amortisation reported relate to intangible assets as well as to property, plant and equipment.



For disclosures
on the composition
of the revenue,
see page 146

In the segment reporting by region (domestic or abroad), revenue is allocated to the country in which the subsidiary concerned has its registered office. From the perspective of the given subsidiary, revenue is generated exclusively in its own country. Only revenue via parties external to the group is reported. Accordingly, assets, liabilities and investments are allocated to the domestic market (Germany) or abroad on the basis of the location of the given company's registered office.

€k

By segments	2018			2017		
	IT System House & Managed Services	IT E-Commerce	Total group	IT System House & Managed Services	IT E-Commerce	Total group
Total segment revenue	2,938,055	1,424,033		2,548,280	1,059,781	
less intersegment revenue	-31,765	-7,005		-31,408	-6,529	
Revenue	2,906,290	1,417,028	4,323,318	2,516,872	1,053,252	3,570,124
Depreciation/amortisation	-27,390 ¹	-7,717	-35,107	-22,214	-5,817	-28,031
Segment earnings	130,374	71,577	201,951	118,400	49,751	168,151
Depreciation/amortisation from acquisitions	-4,290	-2,580	-6,870	-3,899	0	-3,899
Earnings before interest and taxes	126,084	68,997	195,081	114,501	49,751	164,252
Financial earnings			-1,839			-1,448
Earnings before taxes			193,242			162,804
Income taxes			-56,101			-48,242
Earnings after taxes			137,141			114,562
Investments	46,460	10,166	56,626	53,245	13,621	66,866
Investments through acquisitions	31,331	194,857	226,188	8,550	0	8,550

¹ of which €1,175 thousand unscheduled depreciation of a building

Apart from the scheduled depreciation and amortisation, an unscheduled depreciation of a building including the land was applied in the IT System House & Managed Services segment in the amount of €1,175 thousand. Apart from this, the non-cash items in the two segments in the reporting period and in the prior year were mainly limited to the usual movements within the course of the business operations (e.g. changes in trade receivables and trade payables).

€k

By segments	2018			2017		
	IT System House & Managed Services	IT E-Commerce	Total group	IT System House & Managed Services	IT E-Commerce	Total group
Total segment assets	1,221,625	813,094		1,073,669	373,289	
less intersegment receivables	-5,726	-1,829		-3,474	-100	
Assets	1,215,899	811,265	2,027,164	1,070,195	373,189	1,443,384
Total segment liabilities	744,968	406,547		514,320	155,355	
less intersegment liabilities	-1,829	-5,726		-100	-3,474	
Liabilities	743,139	400,821	1,143,960	514,220	151,881	666,101

€k

By regions	2018			2017		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
Revenue	2,854,859	1,468,459	4,323,318	2,512,262	1,057,862	3,570,124
Investments	49,845	6,781	56,626	61,674	5,192	66,866
Investments through acquisitions	10,341	215,847	226,188	586	7,964	8,550

Of the consolidated revenue generated abroad, France accounted for €355,441 thousand (prior year: €146,534 thousand), Switzerland for €333,519 thousand (prior year: €320,783 thousand) and the Netherlands for €305,006 thousand (prior year: €231,111 thousand). The revenue increase in France was mainly the result of the acquisition in the reporting period. The rest is split between the other countries, namely Austria, Belgium, the Czech Republic, Hungary, Ireland, Italy, Poland, Portugal, Spain, Taiwan and the United Kingdom, each of which contributed less than 10 per cent to the consolidated revenue of the Bechtle Group.

€k

By regions	2018			2017		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
Assets	1,142,011	885,153	2,027,164	987,339	456,045	1,443,384
Thereof non-current assets	323,492	335,766	659,258	298,962	116,234	415,196
Liabilities	827,418	316,542	1,143,960	492,672	173,429	666,101

The non-current assets reported here encompass property, plant and equipment as well as intangibles (including goodwill). Of the non-current assets held abroad, Switzerland accounted for €99,983 thousand (prior year 77,149 thousand) and France, due to acquisitions, for €198,165 thousand. The rest is split between the remaining countries Austria, Belgium, the Czech Republic, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, each of which held less than 5 per cent of the non-current assets of the Bechtle Group.

Both in the reporting period and in the prior year, no single customer generated more than 10 per cent of the revenue of the Bechtle Group (IFRS 8.34).



See page 198 f

Information on the number of employees by segments and regions is provided in section X. "Other Disclosures", "Employees".

VIII. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

In the 2018 fiscal year, Bechtle AG acquired 100 per cent of the shares in the following companies:

Company	Headquarters	Date of initial consolidation	Acquisition
Acommit AG	Horgen, Switzerland	4 January 2018	Acquisition
Acommit Group AG	Horgen, Switzerland	4 January 2018	Acquisition
EvoluSys SA	Coppet, Switzerland	16 May 2018	Acquisition
WStore Europe SAS	Roissy-en-France, France	1 September 2018	Acquisition
Inmac WStore SAS	Roissy-en-France, France	1 September 2018	Acquisition
Stemmer GmbH	München, Germany	1 December 2018	Acquisition

Except for the acquisition of WStore Europe SAS, the information required for the transactions will be presented together (IFRS 3 B65).

Except for the purchase price allocation of Stemmer GmbH, which took place shortly before the reporting date, the acquisitions were accounted for by the balance sheet date.

As of the acquisition date 1 September 2018, the company acquired all interests in WStore Europe SAS. The company thus holds 100 per cent of the interests in the operational Inmac WStore SAS. This company is one of the first largest e-commerce dealers in France.

Apart from the assets and liabilities already recognised by the acquired company, whose carrying amounts except for one brand corresponded to their fair value, a customer base (€58,100 thousand) and an order backlog (€300 thousand) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff). The Inmac brand, which had already been accounted for by the company, was re-measured at €10,300 thousand within the scope of the purchase price allocation.

Deferred tax liabilities (€21,998 thousand) were recognised in connection with the capitalisation of the customer relationships, order backlog and brand.

Under consideration of the acquired total net assets (€107,773 thousand), in total the capital consolidation resulted in a total difference of €124,127 thousand that is presented as goodwill. This goodwill is not recognised for tax purposes. The goodwill is based mainly on synergies in the field of revenue which result from the expansion of the portfolio and new potential in the field of E-commerce contracts.

By purchasing WStore Europe SAS, Bechtle has strengthened its positioning as a one-stop IT provider in the French market.

The company purchase agreement for the acquisition of WStore Europe SAS does not contain any contingent purchase price payment that depends on the acquired company's future business performance. The acquisition costs (€231,900 thousand) resulted in an outflow of cash and cash equivalents. The incidental acquisition costs (€750 thousand) were recognised as expenses in the respective period and also resulted in an outflow of cash and cash equivalents.

The receivables taken over were not subject to any major impairments.

By purchasing Acommit Group AG, Bechtle has gained an additional service provider for software and IT infrastructure solutions in the field of IT System House & Managed Services. The company mainly creates sector-specific ERP solutions, especially for customers from the commerce/retail industries, and concentrates particularly on the digitisation of business processes. Acommit Group AG holds 100 per cent of the shares in Acommit AG.

By purchasing EvoluSys SA, Bechtle has gained a recognised specialist in the field of analytics and cloud solutions on the basis of Microsoft technologies for the IT System House & Managed Services segment. The company offers its customers a comprehensive service spectrum from strategic consulting to support and training to the drafting and implementation of turnkey solutions.

By purchasing Stemmer GmbH, Bechtle has gained a specialist for network solutions, unified communications, IT security and managed services. Within the Bechtle Group, the highest certified Cisco and NetApp partner is allocated to the IT System House & Managed Services segment. The fiscal year of Stemmer GmbH is different from that of Bechtle and runs from 1 April to 31 March.

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€5,566 thousand) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

In connection with the capitalisation of the customer relationships, deferred tax liabilities (€1,383 thousand) were recognised.

Under consideration of the acquired total net assets (€8,035 thousand), in total the capital consolidation resulted in a total difference of €25,173 thousand that is presented as goodwill. This goodwill is not recognised for tax purposes. The goodwill is based mainly on synergies in the field of revenue which result from the expansion of the portfolio and new potential in the field of contracts for managed services.

The acquisition costs of the three companies (€33,208 thousand) resulted in an outflow of cash and cash equivalents in the amount of €29,050 thousand. The purchase contracts of all three acquisitions contain conditional purchase price liabilities amounting to a total of €4,327 thousand. The fair value at the time of the acquisition was €4,158 thousand.

The receivables taken over were not subject to any major impairments.

The following table presents the fair value of the assets and liabilities as of the date of initial consolidation as they appear in the **balance sheet**:

	€k		
	Total Acommit Group AG EvoluSys AG Stemmer GmbH	Inmac WStore SAS	Fair value
Non-current assets			
Goodwill	25,173	124,127	149,300
Other intangible assets	5,670	69,883	75,553
Property, plant and equipment	488	847	1,335
Deferred taxes	1,054	2,485	3,539
Other assets	51	314	365
Total non-current assets	32,436	197,656	230,092
Current assets			
Inventories	6,432	31,555	37,987
Trade receivables	14,580	69,228	83,808
Other assets	12,610	7,589	20,199
Cash and cash equivalents	3,213	25,524	28,737
Total current assets	36,835	133,896	170,731
Total assets	69,271	331,552	400,823
Non-current liabilities			
Other provisions	5,268	3,284	8,552
Deferred taxes	1,383	21,998	23,381
Total non-current liabilities	6,651	25,282	31,933
Current liabilities			
Trade payables	8,936	56,021	64,957
Income tax payables	447	4,580	5,027
Other provisions and liabilities	10,415	13,210	23,625
Deferred income	9,614	559	10,173
Total current liabilities	29,412	74,370	103,782
Total liabilities	36,063	99,652	135,715
Acquisition costs	33,208	231,900	265,108

In the course of the acquisitions, an insignificant amount of transaction costs was incurred and recognised in administration expenses through profit or loss.

Since the acquisition, Acommit Group AG, EvoluSys SA and Stemmer GmbH have contributed a total of €20.9 million to the revenue and €1.8 million to the earnings after taxes. Since the acquisition, WStore Europe SAS has contributed €166.1 million to the revenue and €5.6 million to the earnings

after taxes. Had the companies been acquired at the beginning of the reporting period, the revenue of the Bechtle Group for the reporting period would have amounted to €4,659 million, and earnings after taxes would have amounted to €147.0 million (IFRS 3.B64qii).

Acquisitions after the reporting date. All interests in R. Bucker EDV-Beratung Datentechnik GmbH, Hille, Germany, were purchased as of the acquisition date 28 January 2019. The company, which was founded in 1992, is an IT security specialist.

Due to the short time passed, the identification/measurement of the assets acquired, of the liabilities assumed and of the consideration paid is not yet available (IFRS 3.B66). Provisional values are expected to become available by the interim report as of 30 June 2019 (IFRS 3.45). The identification of a possible customer base could not be completed by the reporting date.

By purchasing R. Bucker EDV-Beratung Datentechnik GmbH (43 employees), Bechtle has gained accredited experts in the growth market for security with excellent vendor relationships and cross-sectoral customer relationships.

The acquisition costs (€4,000 thousand) resulted in an outflow of cash and cash equivalents. The company purchase agreement for the acquisition of shares does not provide for any conditional purchase price payments.

The receivables taken over were not subject to any major impairments.

Furthermore, all interests in Coffee GmbH Computerlösungen für Fertigung und Entwicklung, Angelburg, Germany, were purchased as of the acquisition date 1 February 2019. The company, which was founded in 1997, is a CAD software specialist.

Due to the short time passed, the identification/measurement of the assets acquired, of the liabilities assumed and of the consideration paid is not yet available (IFRS 3.B66). Provisional values are expected to become available by the interim report as of 30 June 2019 (IFRS 3.45). The identification of a possible customer base could not be completed by the reporting date.

By purchasing Coffee GmbH Computerlösungen für Fertigung und Entwicklung (70 employees), Bechtle has acquired a certified partner for SOLIDWORKS and SolidCAM that also covers the vendors' entire product spectrum.

The acquisition costs (€11,000 thousand) resulted in an outflow of cash and cash equivalents. The company purchase agreement for the acquisition of shares does not provide for any conditional purchase price payments.

The receivables taken over were not subject to any major impairments.

IX. DISCLOSURES ON THE EXECUTIVE BOARD AND SUPERVISORY BOARD

MEMBERS OF THE EXECUTIVE BOARD

Dr. Thomas Olemotz, Chairman of the Executive Board

Place of residence: Heilbronn, Germany

Member of the Executive Board responsible for Logistics & Service, Finance, Controlling and Risk Management, Human Resources and Staff Development, IT, Corporate Communication and Investor Relations, Mergers & Acquisitions, Legal and Compliance as well as Digital Business Services

■ Chairman of the Supervisory Board

of AMARAS AG, Monheim an der Ruhr, Germany

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

of Bechtle Financial Services AG, Berlin, Germany

of Modus Consult AG, Gütersloh, Germany

of PP2000 Business Integration AG, Stuttgart, Germany

of SolidLine AG, Walluf, Germany

■ Chairman of the Board of Directors

of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland

Michael Guschlbauer

Place of residence: Ludwigsburg, Germany

Member of the Executive Board responsible for IT System House & Managed Services, Quality Management

■ Member of the Executive Board

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

■ Member of the Supervisory Board

of PP 2000 Business Integration AG, Stuttgart, Germany

■ Vice-Chairman of the Supervisory Board

of Bechtle Financial Services AG, Berlin, Germany

Jürgen Schäfer

Place of residence: Heilbronn, Germany

Executive Board member responsible for IT E-Commerce

■ Member of the Executive Board

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Förderkreis der Hochschule Heilbronn e.V., Germany

■ Chairman of the Board of Directors

of Gustav-Berger-Stiftung, Heilbronn, Germany

■ Member of the Supervisory Board

of RIXIUS AG, Mannheim, Germany

NUMBER OF SHARES IN BECHTLE AG

	31.12.2018	31.12.2017
Dr. Thomas Olemotz	750	0
Michael Guschlbauer	0	0
Jürgen Schäfer	8,000	8,000

COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

In the 2018 fiscal year, the fixed compensation of the Executive Board that was paid out amounted to €2,820 thousand (prior year: €2,497 thousand).

The one-year and multi-year variable compensation is specified in the table of accruals according to the German Corporate Governance Code (DCGK) and in the total compensation table according to Section 314 (1) no. 6 of the German Commercial Code (HGB) as well as IAS 24.17 in the year for which they are granted and are thus recognised as expense. Naturally, the payment only takes place in the subsequent year. According to the German Corporate Governance Code (DCGK), the table of benefits granted must indicate the target figure that would be due upon full target achievement, regardless of the actual target achievement. The actually achieved amount, which is due for payment in the following year, is specified in the table of benefits according to the German Corporate Governance Code (DCGK) and of the total compensation according to Section 314 (1) no. 6 of the German Commercial Code (HGB).

In the fiscal year 2012, the compensation of the Executive Board of Bechtle AG was supplemented with a long-term incentive component (long-term bonus plan), and in the fiscal year 2014, the long-term bonus plan was additionally divided into two components. The one component is calculated according to the organic growth (80 per cent of the entitlement) and is granted for a three-year period, starting from the fiscal year in which the commitment is made. The other component is calculated according to the growth that also includes acquisitions (20 per cent of the entitlement) and is granted for the period from 2014 to 2017. According to the German Corporate Governance Code (DCGK), the bonus plan granted in the reporting period, i.e. the bonus plan whose term starts in the reporting period (tranche for 2017 to 2019 in the fiscal year 2017; tranche for 2018 to 2020 in the 2018 fiscal year) must be specified in the "Benefits granted" table. In this context, the target value as of the date of commitment shall be specified, regardless of the fact that the commitment depends on the achievement of the defined targets and the payment will only be due in the fiscal year after the end of the three-year term. The multi-year components whose plan term ended in the reporting period must be specified in the allocation table according to the German Corporate Governance Code (DCGK) and the total compensation table according to Section 314 (1) no. 6 of the German Commercial Code (HGB), namely in the form of the actually achieved value that is due for payment in the subsequent year (tranche for 2015 to 2017 in the fiscal year 2017 and tranche for 2016 to 2018 in the 2018 fiscal year (in each case organic growth) and acquisition-related tranche for 2014 to 2017, which also includes growth through acquisitions, in the fiscal year 2017).

The compensation of the members of the Executive Board for the 2018 fiscal year was distributed as follows:

€k								
	Dr. Thomas Olemotz Chairman of the Executive Board		Michael Guschlbauer Board member responsible for IT System House & Managed Services, quality management		Jürgen Schäfer Board member responsible for IT E-Commerce		Total compensation	
	2018	2017	2018	2017	2018	2017	2018	2017
Executive Board compensation								
Non-performance-based compensation								
Fixed annual salary	1,500	1,500	750	540	500	390	2,750	2,430
Fringe benefits	18	21	39	34	13	12	70	67
Total	1,518	1,521	789	574	513	402	2,820	2,497
Performance-based compensation								
Bonus	740	740	370	220	245	175	1,355	1,135
Special bonus ¹	250	0	100	0	100	0	450	0
Total	990	740	470	220	345	175	1,805	1,135
Compensation in the form of a long-term incentive								
Commitments 2015 (tranche 2015 to 2017)	0	496	0	184	0	148	0	828
Commitments 2016 (tranche 2016 to 2018)	496	0	184	0	148	0	828	0
Acquisition tranche (2014 to 2017)	0	256	0	170	0	143	0	569
Total	496	752	184	354	148	291	828	1,397
Final total	3,004	3,013	1,443	1,148	1,006	868	5,453	5,029

¹ At its own discretion, the Supervisory Board may grant a special bonus.

The long-term bonus plan is recognised in the provisions on a pro-rata basis. For this, €946 thousand (prior year: €826 thousand) was recognised as expense in the financial statements. The value of the obligation for the compensation in the form of a long-term incentive amounted to €1,841 thousand as of 31 December 2018 (prior year: €1,861 thousand).

The benefits granted to the members of the Executive Board for the 2018 fiscal year were distributed as follows:

€k

Benefits granted	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007				Michael Guschlbauer Board member responsible for IT System House & Managed Services, quality management from 01.01.2009				Jürgen Schäfer Board member responsible for IT E-Commerce from 01.01.2009			
	Minimum 2018	Maximum 2018	2018	2017	Minimum 2018	Maximum 2018	2018	2017	Minimum 2018	Maximum 2018	2018	2017
Non-performance-based compensation												
Fixed annual salary	1,500	1,500	1,500	1,500	540	540	750	540	390	390	500	390
Fringe benefits	18	18	18	21	39	39	39	34	13	13	13	12
Total			1,518	1,521			789	574			513	402
Performance-based compensation												
Bonus	0	740	740	740	0	370	370	220	0	245	245	175
Special bonus			250	0			100	0			100	0
Total one-year variable compensation			990	740			470	220			345	175
Long-term bonus plan												
Commitments 2017 (tranche 2017 to 2019)	0	0	0	760	0	0	0	230	0	0	0	185
Commitments 2018 (tranche 2018 to 2020)	0	760	760	0	0	380	380	0	0	255	255	0
Total multi-year variable compensation			760	760			380	230			255	185
Total compensation			3,268	3,021			1,639	1,024			1,113	762

The allocation granted to the members of the Executive Board for the 2018 fiscal year was distributed as follows:

€k

Inflows	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007		Michael Guschlbauer Board member responsible for IT System House & Managed Services, quality management from 01.01.2009		Jürgen Schäfer Board member responsible for IT E-Commerce from 01.01.2009	
	2018	2017	2018	2017	2018	2017
Non-performance-based compensation						
Fixed annual salary	1,500	1,500	750	540	500	390
Fringe benefits	18	21	39	34	13	12
Total	1,518	1,521	789	574	513	402
Performance-based compensation						
Bonus	740	740	370	220	245	175
Special bonus	250	0	100	0	100	0
Total one-year variable compensation	990	740	470	220	345	175
Long-term bonus plan						
Commitments 2015 (tranche 2015 to 2017)	0	496	0	184	0	148
Commitments 2016 (tranche 2016 to 2018)	496	0	184	0	148	0
Acquisition tranche (2014 to 2017)	0	256	0	170	0	143
Total multi-year variable compensation	496	752	184	354	148	291
Total compensation	3,004	3,013	1,443	1,148	1,006	868

MEMBERS OF THE SUPERVISORY BOARD AND THEIR COMPENSATION

The Members of the Supervisory Board and their compensation were as follows:

						€k
Name	Basic compensation	Chairman/vice-chairman	Committee activity	Attendance fee	Total 2018	Total 2017
Shareholder representatives						
Kurt Dobitsch	30		8	8	46	45
Dr. Lars Grünert (from 12.06.2018)	17			1	18	0
Prof. Dr. Thomas Hess	30		4	7	41	34
Dr. Matthias Metz (until 12.06.2018)	13	29	7	5	54	117
Elke Reichart	30			5	35	2
Sandra Stegmann	30		4	6	40	34
Klaus Winkler (from 12.06.2018)	17	38	9	6	70	0
Dr. Jochen Wolf (until 12.06.2018)	13	8	7	5	33	72
Employee representatives						
Uli Drautz	30	15	16	11	72	68
Daniela Eberle	30		8	8	46	45
Barbara Greyer	30			3	33	34
Martin Meyer (until 12.06.2018)	13			2	15	34
Anton Samija (until 12.06.2018)	17			3	20	0
Volker Strohfeld	30			4	34	34
Michael Unser	30			3	33	33
Total	360	90	63	77	590	552



For further disclosures on the Supervisory Board, see page 57 ff

All other details relevant to the Supervisory Board that have to be provided by law are set out in summarised form in Appendix D to these Notes.



For further disclosures on the members of the Supervisory Board, see Appendix D, page 212 f

X. OTHER DISCLOSURES

OPERATING LEASES

In the context of rental, leasehold and leasing agreements classed as operating leases as per IAS 17, the group leases property, plant and equipment. The leasing instalments and/or rental payments resulting from this are recognised directly as expense items in the income statement.

Bechtle has leased buildings, vehicles and IT products by way of operating leases that cannot be terminated during the basic rental term. Payments amounting to €38,425 thousand (prior year: €36,508 thousand) were recognised as expenses in connection with leases.

The nominal value of the future minimum lease payments under the aforesaid contracts amounted to €101,724 thousand as of 31 December 2018 (prior year: €86,907 thousand).

The calculation of the minimum lease payments takes into account contractually agreed and known price adjustments. Furthermore, customary local price adjustment clauses and lease renewal options exist, which are not taken into account in the calculation since their amount and application are uncertain.

	€k	
	2018	2017
Due within one year	34,114	29,571 ¹
Due in one to five years	49,101	42,921 ¹
Due after five years	18,509	14,415 ¹
Minimum lease payments	101,724	86,907¹

¹ Adjustment prior year due to updated data analysis

In connection with operating leases, Bechtle also acts as lessor. Most of the agreements concerned relate to the leasing of IT products. Generally, the leasing agreements are concluded for terms of three to five years. The minimum lease payments from these leases amount to €4,211 thousand for 2019 (prior year for 2018: €5,891 thousand) and €4,664 thousand for 2020 to 2024 (prior year for 2019 to 2023: €5,633 thousand), thus totalling €8,875 thousand (prior year: €11,524 thousand).

FINANCE LEASES

In connection with finance leases, Bechtle also acts as lessor. Bechtle Financial Services AG operates as a group-internal sales financing provider for the end-customer business of the system houses. It offers rent and leasing models for direct leasing and refinancing of the system houses as well as hire purchases. In this context, Bechtle Financial Services sometimes assumes open residual values that are protected via Bechtle Remarketing GmbH, a subsidiary of Bechtle AG. Bechtle Remarketing upgrades the items and sells them. The refinancing of the financing transactions takes place in the form of forfeiting (non-recourse factoring) via various refinancing partners. Moreover, Bechtle Financial Services refinances itself with group funds for the purpose of making use of interest margins. Due to agreements newly concluded in the 2018 fiscal year, non-guaranteed residual values exist in the amount of €4,988 thousand (prior year: €1,934 thousand).

As of the closing date, the trade receivables contained leasing receivables amounting to €29,095 thousand (prior year: €36,253 thousand). The reconciliation of the net investment accounted for with the gross investment taking into account the residual values is presented in the following table.

	2018			2017		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
Due within one year	11,637	374	12,011	10,997	420	11,417
Due in one to five years	17,458	358	17,816	25,256	485	25,741
Due after five years	0	0	0	0	0	0
Minimum lease payments	29,095	732	29,827	36,253	905	37,158

The interest share of the lease payments corresponds to the not yet realised financial income. The leasing receivables do not contain any impairment.

EMPLOYEES

The personnel and social expenses were as follows:

	€k	
	2018	2017
Wages and salaries	498,037	429,487
Social security contributions and expenses for pension schemes and support	92,623	78,225
Personnel and social expenses	590,660	507,712

Personnel and social expenses (wages and salaries) include severance pay amounting to €866 thousand (prior year: €1,601 thousand) (IAS 19.171).

All in all, the employee numbers in the Bechtle Group were as follows as of the balance sheet date and on annual average:

	31.12.2018	31.12.2017	2018	2017
Full-time and part-time employees	9,130	7,587 ¹	8,316	7,276 ¹
Trainees	641	553	544	487
Absent employees	234	213 ¹	223	205 ¹
Temporary staff	374	320	361	274
Total	10,379	8,673	9,444	8,242

¹ Adjustment prior year: Reclassification from an absence of more than six weeks

The average number of full-time and part-time employees listed above includes 111 (prior year: 108) Managing Directors and/or Members of the Executive Board of subsidiaries.

The employee numbers (without temporary staff) break down by segments and regions as follows:

	31.12.2018	31.12.2017	2018	2017
IT System House & Managed Services	7,772	6,853	7,285	6,518
Domestic	6,744	5,962	6,290	5,682
Abroad	1,028	891	995	836
IT E-Commerce	2,233	1,500	1,798	1,450
Domestic	629	521	586	514
Abroad	1,604	979	1,212	936

The employee numbers (without absentees and without temporary staff) break down by functional areas as follows:

	31.12.2018	31.12.2017	2018	2017
Services	4,452	3,863 ¹	4,169	3,672 ¹
Sales	2,951	2,432 ¹	2,658	2,349 ¹
Administration	2,368	1,845 ¹	2,033	1,742 ¹
Total	9,771	8,140¹	8,860	7,763¹

¹ Adjustment prior year: Reclassification from an absence of more than six weeks

The service staff comprises all employees that perform services for customer orders. The sales staff comprises employees who maintain direct contact with customers for sales purposes. The administrative staff comprises all employees who do not belong to the service and sales staff, especially employees in the purchasing department, the warehouse and the administration.

AUDITOR'S FEE

The following fees were recognised as expense in the fiscal years 2018 and 2017 for services rendered by the auditor of the Consolidated Financial Statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for Bechtle AG and its subsidiaries:

	€k	
	2018	2017
Audit of financial statements	521	532
Other attestation services	0	1
Other services	42	36
Auditor's fee	563	569

The fees for audits include the fees for the audit of the annual and Consolidated Financial Statements. The fees for other services comprise permissible non-audit services in connection with the first-time adoption of new accounting standards.

RELATED-PARTY RELATIONSHIPS



See Appendix A,
page 205 ff

Bechtle AG and all its (direct or indirect) subsidiaries are considered to be related parties. All these companies are consolidated in the Consolidated Financial Statements of Bechtle AG.

Parties related to Bechtle are Karin Schick as the largest shareholder of Bechtle AG, the members of the Executive Board and of the Supervisory Board of Bechtle AG as well as their close family members.

In the reporting period, Ms Karin Schick sold the land and building purchased in the third quarter of 2014 to Bechtle. The existing lease has thus been dissolved. The purchase price was determined on the basis of an independent appraisal and amounts to €4,300 thousand.

Since his departure from the Supervisory Board, Gerhard Schick, father of Karin Schick, has continued to make his experience available to the Bechtle Group within the scope of a consulting agreement without compensation.

During their membership in the Supervisory Board, the employee representatives on the Supervisory Board received taxable compensation amounting to €498 thousand in the reporting period (prior year: €529 thousand) for their normal employment with Bechtle.

Apart from this, there were no other noteworthy transactions between Bechtle and related parties, neither in the reporting period nor in the prior year.

EXERCISE OF RIGHTS PURSUANT TO SECTION 264 (3)/SECTION 264B OF THE GERMAN COMMERCIAL CODE (HGB)

The following companies, which are affiliated consolidated companies of Bechtle AG and for which the Consolidated Financial Statements of Bechtle AG represent the exempting Consolidated Financial Statements, make use of their right of exemption pursuant to Section 264 (3)/Section 264b of the German Commercial Code (HGB):

Company	Location
Bechtle Financial Services AG	Berlin, Germany
Bechtle GmbH	Berlin, Germany
Bechtle GmbH & Co. KG	Bielefeld, Germany
Bechtle Verwaltungs-GmbH	Bielefeld, Germany
Bechtle GmbH & Co. KG	Bonn, Germany
Bechtle Verwaltungs-GmbH	Bonn, Germany
Bechtle GmbH	Bremen, Germany
Bechtle GmbH & Co. KG	Chemnitz, Germany
Bechtle Verwaltungs-GmbH	Chemnitz, Germany
C-CAM GmbH	Chemnitz, Germany
Bechtle GmbH & Co. KG	Darmstadt, Germany
DA Bechtle Verwaltungs-GmbH	Darmstadt, Germany
ARP GmbH	Dietzenbach, Germany
Bechtle GmbH	Dortmund, Germany
PSB GmbH	Dreieich, Germany
Bechtle GmbH & Co. KG	Duisburg, Germany
BO Bechtle Verwaltungs-GmbH	Duisburg, Germany
ITZ Informationstechnologie GmbH	Essen, Germany
Bechtle GmbH	Frankfurt (Main), Germany
Bechtle GmbH	Freiburg (Breisgau), Germany
Bechtle GmbH & Co. KG	Friedrichshafen, Germany
FH Bechtle Verwaltungs-GmbH	Friedrichshafen, Germany
Bechtle Data Verwaltungs-GmbH	Gaildorf, Germany
Bechtle Finanz- & Marketingservices GmbH	Gaildorf, Germany
Bechtle Kapitalbeteiligungs-Verwaltungs-GmbH	Gaildorf, Germany
intelligent IT solutions Beteiligungs-GmbH	Gaildorf, Germany
MH Bechtle Verwaltungs-GmbH	Gaildorf, Germany
MS Mikro Software Gesellschaft für Systemanalyse und Engineering mbH	Gaildorf, Germany
OCR Datensysteme GmbH	Gaildorf, Germany
MODUS Consult AG	Gütersloh, Germany

Company	Location
Bechtle GmbH	Hamburg, Germany
Bechtle Mobility GmbH	Hamburg, Germany
HanseVision GmbH	Hamburg, Germany
Bechtle GmbH	Hannover, Germany
ARP Europe GmbH	Heilbronn, Germany
Bechtle GmbH & Co. KG	Karlsruhe, Germany
KA Bechtle Verwaltungs-GmbH	Karlsruhe, Germany
Bechtle GmbH	Köln, Germany
Bechtle IT-Systemhaus GmbH	Krefeld, Germany
SolidPro Informationssysteme GmbH	Langenau, Germany
Bechtle GmbH	Leipzig, Germany
Bechtle GmbH & Co. KG	Mannheim, Germany
MA Bechtle Verwaltungs-GmbH	Mannheim, Germany
AMARAS AG	Monheim (Rhein), Germany
Bechtle GmbH & Co. KG	Münster, Germany
Bechtle Verwaltungs-GmbH	Münster, Germany
Bechtle Clouds GmbH	Neckarsulm, Germany
Bechtle direct GmbH	Neckarsulm, Germany
Bechtle E-Commerce Holding AG	Neckarsulm, Germany
Bechtle Field Services GmbH & Co. KG	Neckarsulm, Germany
Bechtle Field Services Verwaltungs-GmbH	Neckarsulm, Germany
Bechtle Finance GmbH	Neckarsulm, Germany
Bechtle GmbH & Co. KG	Neckarsulm, Germany
Bechtle Grundstücksverwaltungsgesellschaft mbH	Neckarsulm, Germany
Bechtle Hosting & Operations GmbH & Co. KG	Neckarsulm, Germany
Bechtle Hosting & Operations Verwaltungs-GmbH	Neckarsulm, Germany
Bechtle Immobilien GmbH	Neckarsulm, Germany
Bechtle Logistik & Service GmbH	Neckarsulm, Germany
Bechtle Managed Services AG	Neckarsulm, Germany
Bechtle ÖA direct GmbH	Neckarsulm, Germany
Bechtle Onsite Services GmbH	Neckarsulm, Germany
Bechtle Softwarelösungen GmbH	Neckarsulm, Germany
Bechtle Systemhaus Holding AG	Neckarsulm, Germany
Bechtle-Comsoft GmbH	Neckarsulm, Germany
HN Bechtle Verwaltungs-GmbH	Neckarsulm, Germany
Bechtle GmbH	Nürnberg, Germany
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen, Germany
Bechtle Verwaltungs-GmbH	Ober-Mörlen, Germany

Company	Location
PSB IT-Service GmbH	Ober-Mörlen, Germany
Bechtle GmbH	Offenburg, Germany
Bechtle GmbH	Radolfzell (Lake Constance), Germany
Bechtle GmbH & Co. KG	Regensburg, Germany
REG Bechtle Verwaltungs-GmbH	Regensburg, Germany
Bechtle GmbH & Co. KG	Rottenburg (Neckar), Germany
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar), Germany
Bechtle GmbH	Solingen, Germany
Bechtle GmbH	Stuttgart, Germany
PP 2000 Business Integration AG	Stuttgart, Germany
Bechtle GmbH	Ulm, Germany
HCV Data Management GmbH	Walluf, Germany
Solid Line Aktiengesellschaft	Walluf, Germany
Bechtle GmbH	Weimar, Germany
Bechtle Remarketing GmbH	Wesel, Germany
Bechtle GmbH	Würselen, Germany
Bechtle GmbH	Würzburg, Germany

XI. EVENTS AFTER THE END OF THE REPORTING PERIOD



See page
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All interests in R. Bucker EDV-Beratung Datentechnik GmbH, Hille, Germany, were purchased as of the acquisition date 28 January 2019. Furthermore, all interests in Coffee GmbH Computerlösungen für Fertigung und Entwicklung, Angelburg, Germany, were purchased as of the acquisition date 1 February 2019.

For further information, please refer to chapter VIII. Acquisitions and Purchase Price Allocations.

No other noteworthy events occurred at Bechtle after the end of the reporting period.

Neckarsulm, 1 March 2019

Bechtle AG
Executive Board

Dr. Thomas Olemotz

Michael Guschlbauer

Jürgen Schäfer

SUBSIDIARIES OF BECHTLE AG

as of 31 December 2018 (Appendix A to the Notes)

58. SUBSIDIARIES – GERMANY

Company	Location
Bechtle Financial Services AG	Berlin
Bechtle GmbH	Berlin
Bechtle GmbH & Co. KG	Bielefeld
Bechtle GmbH & Co. KG	Bonn
Bechtle GmbH	Bremen
Bechtle GmbH & Co. KG	Chemnitz
C-CAM GmbH	Chemnitz
Bechtle GmbH & Co. KG	Darmstadt
ARP GmbH	Dietzenbach
Bechtle GmbH	Dortmund
PSB GmbH	Dreieich
Bechtle GmbH & Co. KG	Duisburg
ITZ Informationstechnologie GmbH	Essen
Bechtle GmbH	Frankfurt (Main)
Bechtle GmbH	Freiburg (Breisgau)
Bechtle GmbH & Co. KG	Friedrichshafen
Bechtle Finanz- & Marketingservices GmbH	Gaildorf
Modus Consult AG	Gütersloh
Bechtle GmbH	Hamburg
Bechtle Mobility GmbH	Hamburg
HanseVision GmbH	Hamburg
Bechtle GmbH	Hannover
ARP Europe GmbH	Heilbronn
Bechtle GmbH & Co. KG	Karlsruhe
Bechtle GmbH	Köln
Bechtle IT-Systemhaus GmbH	Krefeld
SolidPro Informationssysteme GmbH	Langenau
Bechtle GmbH	Leipzig
Bechtle GmbH & Co. KG	Mannheim
AMARAS AG	Monheim (Rhein)
Bechtle GmbH & Co. KG	Münster

Company	Location
Bechtle Clouds GmbH	Neckarsulm
Bechtle direct GmbH	Neckarsulm
Bechtle E-Commerce Holding AG	Neckarsulm
Bechtle Finance GmbH	Neckarsulm
Bechtle GmbH & Co. KG	Neckarsulm
Bechtle Grundstücksverwaltungsgesellschaft mbH	Neckarsulm
Bechtle Hosting & Operations GmbH & Co. KG	Neckarsulm
Bechtle Immobilien GmbH	Neckarsulm
Bechtle Logistik & Service GmbH	Neckarsulm
Bechtle Managed Services AG	Neckarsulm
Bechtle ÖA direct GmbH	Neckarsulm
Bechtle Onsite Services GmbH	Neckarsulm
Bechtle Systemhaus Holding AG	Neckarsulm
Bechtle-Comsoft GmbH	Neckarsulm
Bechtle GmbH	Nürnberg
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen
PSB IT-Service GmbH	Ober-Mörlen
Bechtle GmbH	Offenburg
Stemmer GmbH	Olching
Bechtle GmbH	Radolfzell (Lake Constance)
Bechtle GmbH & Co. KG	Regensburg
Bechtle GmbH & Co. KG	Rottenburg (Neckar)
Bechtle GmbH	Solingen
Bechtle GmbH	Stuttgart
PP 2000 Business Integration AG	Stuttgart
Bechtle GmbH	Ulm
HCV Data Management GmbH	Walluf
Solid Line Aktiengesellschaft	Walluf
Bechtle GmbH	Weimar
Bechtle Remarketing GmbH	Wesel
Bechtle GmbH	Würselen
Bechtle GmbH	Würzburg

Non-operating companies

Company	Location
Bechtle Verwaltungs-GmbH	Bielefeld
Bechtle Verwaltungs-GmbH	Bonn
Bechtle Verwaltungs-GmbH	Chemnitz
DA Bechtle Verwaltungs-GmbH	Darmstadt
BO Bechtle Verwaltungs-GmbH	Duisburg
FH Bechtle Verwaltungs-GmbH	Friedrichshafen
Bechtle Data Verwaltungs-GmbH	Gaildorf
Bechtle GmbH	Gaildorf
Bechtle Kapitalbeteiligungs-Verwaltungs-GmbH	Gaildorf
intelligent IT solutions Beteiligungs-GmbH	Gaildorf
MH Bechtle Verwaltungs-GmbH	Gaildorf
MS Mikro Software Gesellschaft für Systemanalyse und Engineering mbH	Gaildorf
OCR Datensysteme GmbH	Gaildorf
KA Bechtle Verwaltungs-GmbH	Karlsruhe
MA Bechtle Verwaltungs-GmbH	Mannheim
Bechtle Verwaltungs-GmbH	Münster
Bechtle Field Services GmbH & Co. KG	Neckarsulm
Bechtle Field Services Verwaltungs-GmbH	Neckarsulm
Bechtle Hosting & Operations Verwaltungs-GmbH	Neckarsulm
HN Bechtle Verwaltungs-GmbH	Neckarsulm
Bechtle Verwaltungs-GmbH	Ober-Mörlen
REG Bechtle Verwaltungs-GmbH	Regensburg
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar)

59. SUBSIDIARIES – WORLDWIDE

Company	Country	Location
smartpoint IT consulting GmbH	Austria	Linz
Bechtle direct GmbH	Austria	Traun
Bechtle GmbH	Austria	Wien
Bechtle Management GmbH	Austria	Wien
planetsoftware GmbH	Austria	Wien
ARP GmbH	Austria	Wiener Neudorf
ARP NV	Belgium	Neerpelt
Bechtle Brussels NV	Belgium	Neerpelt
Bechtle Central Support NV	Belgium	Neerpelt
Bechtle direct NV	Belgium	Neerpelt
Bechtle Management BVBA	Belgium	Neerpelt
Bechtle direct s.r.o.	Czech Republic	Prag
ARP SASU	France	Molsheim
Bechtle direct SAS	France	Molsheim
Bechtle Management E.u.r.l.	France	Molsheim
Bechtle Comsoft SAS	France	Molsheim
Inmac WStore SAS	France	Roissy-en-France
WStore Europe SAS	France	Roissy-en-France
Bechtle direct Kft.	Hungary	Budapest
Bechtle direct Limited	Ireland	Dublin
Bechtle direct S.r.l.	Italy	Bozen
Bechtle direct B.V.	Netherlands	Eindhoven
Bechtle Holding B.V.	Netherlands	Eindhoven
Buyitdirect.com N.V.	Netherlands	Hoofddorp
ARP Nederland B.V.	Netherlands	Maastricht
Articon International B.V.	Netherlands	Maastricht
Bechtle Management B.V.	Netherlands	Maastricht
Comsoft direct B.V.	Netherlands	Maastricht

Company	Country	Location
Bechtle direct Polska Sp. z o.o.	Poland	Breslau
Bechtle direct Portugal Unipessoal Lda	Portugal	Aveiro
Bechtle direct S.L.U.	Spain	Madrid
Comsoft direct S.L.U.	Spain	Madrid
EvoluSys SA	Switzerland	Coppet
Acommit AG	Switzerland	Horgen
Bechtle direct AG	Switzerland	Morges
Acommit Group AG	Switzerland	Rotkreuz
ARP Europe AG	Switzerland	Rotkreuz
ARP Schweiz AG	Switzerland	Rotkreuz
Bechtle Holding Schweiz AG	Switzerland	Rotkreuz
Bechtle Logistics & Service AG	Switzerland	Rotkreuz
Bechtle Management AG	Switzerland	Rotkreuz
Bechtle Steffen Schweiz AG	Switzerland	Rotkreuz
Comsoft direct AG	Switzerland	Rotkreuz
Solid Solutions AG	Switzerland	Zürich
ARP Datacon Ltd.	Taiwan R.O.C.	Taipei Hsien
Bechtle direct Ltd.	United Kingdom	Chippenham
Steffen Informatik Inc.	U.S.A.	Hackensack/New Jersey

60. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

From 1 January to 31 December 2018 (Appendix B to the Notes)

	Costs of purchase						As of 31.12.2018
	As of 01.01.2018	Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfers/ restructure	
Goodwill	193,538	149,300	0	3,100	0	0	345,938
Other intangible assets							
Brands/licences	6,765	10,300	0	139	0	0	17,204
Customer bases	8,801	61,626	0	169	1,500	0	69,096
Acquired software	37,002	1,269	8,225	32	1,178	0	45,350
Internally developed software	17,498	18	5,374	0	0	0	22,890
Customer service agreements	16,111	2,340	147	168	443	0	18,323
Non-compete agreements	0	0	0	0	0	0	0
	86,177	75,553	13,746	508	3,121	0	172,863
Property, plant and equipment							
Property and buildings	102,632	0	14,464	0	0	1,843	118,939
Other equipment, furniture, fixtures and fittings	115,352	1,335	25,573	672	6,764	332	136,500
Advance payments and construction in progress	3,359	0	2,843	28	890	-2,175	3,165
	221,343	1,335	42,880	700	7,654	0	258,604
	501,058	226,188	56,626	4,308	10,775	0	777,405

From 1 January to 31 December 2017 (Appendix C to the Notes)

	Costs of purchase						As of 31.12.2017
	As of 01.01.2017	Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfers/ restructure	
Goodwill	193,521	5,227	0	-5,210	0	0	193,538
Other intangible assets							
Brands/licences	7,086	0	0	-321	0	0	6,765
Customer bases	8,567	1,804	0	-325	1,245	0	8,801
Acquired software	27,045	36	14,545	-99	3,511	-1,014	37,002
Internally developed software	9,366	24	7,095	0	1	1,014	17,498
Customer service agreements	14,993	1,260	172	-181	133	0	16,111
Non-compete agreements	1,100	0	0	0	1,100	0	0
	68,157	3,124	21,812	-926	5,990	0	86,177
Property, plant and equipment							
Property and buildings	84,049	0	17,284	0	0	1,299	102,632
Other equipment, furniture, fixtures and fittings	102,668	199	24,489	-1,732	16,106	5,834	115,352
Advance payments and construction in progress	7,217	0	3,281	0	6	-7,133	3,359
	193,934	199	45,054	-1,732	16,112	0	221,343
	455,612	8,550	66,866	-7,868	22,102	0	501,058

€k

Cumulative depreciations and amortisations							Carrying amount		
As of 01.01.2018	Change in scope of consolidation	Additions	Depreciation/ amortisation according to IAS 36	Currency translation differences	Disposals	Transfers/ restructure	As of 31.12.2018	As of 31.12.2018	As of 31.12.2017
0	0	0	0	0	0	0	0	345,938	193,538
0	0	343	0	0	0	0	343	16,861	6,765
3,479	0	3,711	0	65	1,500	0	5,755	63,341	5,322
20,225	0	7,378	0	32	1,167	0	26,468	18,882	16,777
6,250	0	3,023	0	0	0	0	9,273	13,617	11,248
7,502	0	2,816	0	29	443	0	9,904	8,419	8,609
0	0	0	0	0	0	0	0	0	0
37,456	0	17,271		126	3,110	0	51,743	121,120	48,721
14,206	0	3,315	1,175	0	0	0	18,696	100,243	88,426
72,272	0	20,216	0	594	6,027	0	87,055	49,445	43,080
0	0	0	0	0	0	0	0	3,165	3,359
86,478	0	23,531	0	594	6,027	0	105,751	152,853	134,865
123,934	0	40,802	1,175	720	9,137	0	157,494	619,911	377,124

€k

	Cumulative depreciations and amortisations						Carrying amount		
	As of 01.01.2017	Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfers/ restructure	As of 31.12.2017	As of 31.12.2017	As of 31.12.2016
	0	0	0	0	0	0	0	193,538	193,521
	0	0	0	0	0	0	0	6,765	7,086
	3,095	0	1,705	-76	1,245	0	3,479	5,322	5,472
	18,619	-12	5,232	-96	3,468	-50	20,225	16,777	8,426
	4,542	12	1,646	0	0	50	6,250	11,248	4,824
	5,646	0	2,011	-22	133	0	7,502	8,609	9,347
	917	0	183	0	1,100	0	0	0	183
	32,819	0	10,777	-194	5,946	0	37,456	48,721	35,338
	11,604	0	2,602	0	0	0	14,206	88,426	72,445
	70,664	0	18,551	-1,419	15,524	0	72,272	43,080	32,004
	0	0	0	0	0	0	0	3,359	7,217
	82,268	0	21,153	-1,419	15,524	0	86,478	134,865	111,666
	115,087	0	31,930	-1,613	21,470	0	123,934	377,124	340,525

SUPERVISORY BOARD MEMBERS

(Appendix D to the Notes)

61. SUPERVISORY BOARD MEMBERS – SHAREHOLDER REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Kurt Dobitsch	Since 20 May 1999	Businessman	Chairman of the Supervisory Board ■ United Internet AG, Montabaur, Germany Thereof mandates affiliated with the group: ■ 1&1 Telecommunication SE, Montabaur, Germany (Member, Vice-Chairman) ■ 1&1 Mail & Media Application SE, Montabaur, Germany (Member) ■ Drillisch AG, Maintal, Germany (Member) ■ Drillisch online AG, Maintal, Germany (Member) Chairman of the Supervisory Board ■ Nemetschek AG, Munich, Germany Thereof mandates affiliated with the group: ■ Graphisoft S.E., Budapest, Hungary (Member of the Board of Directors) ■ Vectorworks Inc., Columbia, USA (Member of the Board of Directors) Member of the Supervisory Board ■ Singhammer IT Consulting AG, Munich, Germany
Dr. Lars Grünert	Since 12 June 2018	Chief Financial Officer	
Prof. Dr. Thomas Hess	Since 20 June 2012	Institute director	
Dr. Matthias Metz Chairman of the Supervisory Board	5 June 2014 until 12 June 2018	Degree in business administration	Member of the Supervisory Board ■ FFS Bank GmbH, Stuttgart, Germany
Elke Reichart	Since 4 December 2017	Chief Digital Officer	
Sandra Stegmann	Since 9 June 2016	Consultant	
Dr. Jochen Wolf Second Vice-Chairman of the Supervisory Board	2 October 2003 until 12 June 2018	Spokesman of the Executive Board	Chairman of the Supervisory Board ■ Joma-Polytec GmbH, Bodelshausen, Germany Member of the Supervisory Board ■ Bardusch Beteiligungen GmbH und Co. KG, Ettlingen, Germany ■ Bizerba Management SE / Bizerba SE & Co. KG, Balingen, Germany ■ IMS Gear Management SE / IMS Gear SE & Co. KGaA, Donaueschingen, Germany ■ LTS Lohmann Therapie-Systeme AG, Andernach, Germany ■ R-Biopharm AG, Darmstadt, Germany ■ E.G.O. Elektrogerätebau GmbH, Oberderdingen, Germany ■ Rafi GmbH & Co. KG, Berg/Ravensburg, Germany
Klaus Winkler Chairman of the Supervisory Board	20 May 1999 until 30 November 2013 Since 12 June 2018	Managing Director	Chairman of the Advisory Board ■ DIEFFENBACHER GmbH, Maschinen- und Anlagenbau, Eppingen, Germany Member of the Advisory Board ■ Kapp GmbH & Co. KG, Coburg, Germany Member of the Supervisory Board ■ VOLLMER WERKE Maschinenfabrik GmbH, Biberach, Germany

62. SUPERVISORY BOARD MEMBERS – EMPLOYEE REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Uli Drautz Vice-Chairman of the Supervisory Board	Since 15 October 2003	Executive employee	Member of the Supervisory Board ■ AMARAS AG, Monheim am Rhein, Germany ■ Bechtle E-Commerce Holding AG, Neckarsulm, Germany ■ Bechtle Systemhaus Holding AG, Neckarsulm, Germany ■ Bechtle Managed Services AG, Neckarsulm, Germany ■ SolidLine Aktiengesellschaft, Walluf, Germany ■ PP 2000 Business Integration AG, Stuttgart, Germany ■ Bechtle Financial Services AG, Berlin, Germany ■ MODUS Consult AG, Gütersloh, Germany
Daniela Eberle	Since 15 October 2003	Employee	
Barbara Greyer	Since 15 October 2003	Union Secretary ver.di, State District Baden-Württemberg	
Martin Meyer	18 June 2013 until 12 June 2018	Employee	
Anton Samija	Since 12 June 2018	Software VIPM	
Volker Strohfeld	Since 18 June 2013	IT service engineer	
Michael Unser	Since 18 June 2013	First Authorised Representative of IG Metall Heilbronn- Neckarsulm	Member of the Supervisory Board ■ ThyssenKrupp IS, Essen, Germany ■ ThyssenKrupp SY, Essen, Germany

63. COMMITTEES OF THE SUPERVISORY BOARD

Audit committee	Personnel committee
Klaus Winkler (Chairman) Kurt Dobitsch Uli Drautz Daniela Eberle Sandra Stegmann	Klaus Winkler (Chairman) Uli Drautz Prof. Dr. Thomas Hess

INDEPENDENT AUDITOR'S REPORT

To Bechtle AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions. We audited the consolidated financial statements of Bechtle AG, Neckarsulm, and its subsidiaries (the group) consisting of the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January 2018 to 31 December 2018, the consolidated balance sheet as of 31 December 2018, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 January 2018 to 31 December 2018 and the notes to the consolidated financial statements including a summary of significant accounting methods. Moreover, we audited the group management report of Bechtle AG for the fiscal year from 1 January 2018 to 31 December 2018.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply with the IFRS as endorsed in the EU and the additional regulations of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, under consideration of these regulations, give a true and fair view of the net assets and financial position of the group as of 31 December 2018 and its earnings position for the fiscal year from 1 January 2018 to 31 December 2018 and
- as a whole, the enclosed group management report gives a true and fair view of the group's position. In all material respects, this group management report is in accordance with the consolidated financial statements, complies with the provisions of German law and gives a true and fair view of future opportunities and risks.

Pursuant to Section 322 (3) sentence 1 HGB, we hereby declare that our audit did not give rise to any objections to the truth and fairness of the consolidated financial statements and the group management report.

Basis for the audit opinions. We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014) under consideration of the accepted German accounting principles as set forth by the Institute of Public Auditors in Germany (IDW). Our responsibility pursuant to these regulations and principles is described in more detail in the section "Responsibility of the Auditor for the Audit of the consolidated financial statements and the Group Management Report" of our auditor's report. In accordance with the regulations of European law and German commercial and occupational law, we are independent from the group companies, and we have fulfilled our other German professional duties in accordance with these requirements. Moreover, we hereby declare pursuant to Article 10 (2) letter f) of the EU Audit Regulation that we have not performed any prohibited non-audit services pursuant to Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we gained is adequate and suitable as a basis for our audit opinions on the consolidated financial statements and the group management report.

Key audit matters of the consolidated financial statements. “Key audit matters” are matters that we, at our best judgement, considered to be most significant in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were taken into consideration in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion on these; we do not issue any separate audit opinion on these matters.

Below, we describe what we consider to be key audit matters:

1. REVENUE RECOGNITION

Reasons for the determination as key audit matter. The revenue of Bechtle AG is generated from the supply of IT products and the performance of services on various delivery routes. Due to the diversity of complex contractual arrangements for the supply and, in some cases, brokering of software licenses as well as other integrated performance components, there is an elevated risk of errors in connection with the due and correct recognition of revenue, especially with regard to the classification of Bechtle AG as principal or as agent. Moreover, the first-time adoption of IFRS 15 in the 2018 fiscal year was relevant to our audit due to the required consideration of contracts throughout the group with a view to the new accounting-relevant criteria.

Audit procedure. In our audit procedure, we differentiated the revenue of Bechtle AG by type (delivery of IT products, performance of services) and their associated internal processes and tested the main internal controls for the correct revenue recognition. Furthermore, we checked whether the accounting policy of Bechtle AG represents a suitable basis for the preparation of consolidated financial statements according to IFRS. For the delivery of IT products and the performance of services, we obtained evidence in the form of customer contracts, proof of delivery and acceptance reports, especially for revenue transactions that took place a short time before or after the balance sheet date. Additionally, we conducted analytical audit activities, e.g. on the basis of ratio and correlation analyses. With respect to the first-time adoption of IFRS 15, we examined the processes instituted by Bechtle AG for the implementation of the new standards. In connection with the supply of software licenses, we conducted sample checks of the contract analysis performed by the statutory representatives in order to determine whether the consulting services performed by Bechtle AG, in addition to the supply of software licenses, are to be considered as an integral component of the performance obligation and whether Bechtle AG acts as principal in the software licence trading business.

Furthermore, we checked the disclosures of Bechtle AG concerning the revenue recognition and the effects of the first-time adoption of IFRS 15 in chapters II. and III. (1) of the notes to the consolidated financial statements. Our audit activities did not give rise to any objections with regard to the revenue recognition.

Reference to associated disclosures. Bechtle AG presented the relevant accounting and measurement principles in connection with the revenue recognition in chapter II of the notes to the consolidated financial statements.

2. RECOGNITION AND MEASUREMENT OF THE GOODWILL

Reasons for the determination as key audit matter. The goodwill presented in the consolidated financial statements of Bechtle AG mainly results from the acquisition of subsidiaries and represents a significant balance sheet item. The management of Bechtle AG conducts impairment tests according to IAS 36 for the capitalised goodwill for the two cash-generating units IT System House & Managed Services as well as IT E-Commerce on a yearly basis. The occurrence of the assumptions made by the management, especially the occurrence of the projected cash flows, greatly depends on the future development of the demand and on the development of the IT market as a whole. In view of the high discretionary leeway of the underlying measurement basis, the complexity of the calculation procedure and the associated risk of material incorrect disclosures in the consolidated financial statements, we identified the annual impairment test as a key audit matter within the scope of our audit.

Audit procedure. We reviewed the mathematical correctness of the applied measurement model (discounted cash flow method). We audited the assumptions underlying the management's cash flow planning on the basis of aspects such as the general development of the IT market and under consideration of the planned corporate growth and the previous profitability of Bechtle AG. Moreover, we examined the planning accuracy of the management by comparing past forecasts against the group's actual business performance. The assumptions made by the management match our expectations with regard to the development of the future cash flow.

To evaluate the applied measurement model, we involved our measurement specialists. We checked the measurement assumptions made in the calculation on the basis of independent market indicators and reference companies. Additionally, we audited the sensitivity analysis conducted by the management. In this connection, we analysed the extent to which possible changes in the main measurement assumptions would lead to impairment of the goodwill. Within the scope of our audit activities, we found the applied parameters to be within an acceptable bandwidth. We also checked the disclosures of Bechtle AG in chapter II. and chapter III. (7) of the notes to the consolidated financial statements concerning the measurement of the goodwill from the perspective of the requirements of the IAS 36 regulations. Our audit activities did not give rise to any objections.

Reference to associated disclosures. The measurement basis and methods used for the calculations and the associated scope of discretion and sensitivity analyses are presented in chapter II. and chapter III. (7) of the notes to the consolidated financial statements.

3. PURCHASE PRICE ALLOCATION FOR THE WSTORE ACQUISITION

Reasons for the determination as key audit matter. In the second half of 2018, the Bechtle Group acquired 100 per cent of the interests in WStore Europe SAS, Roissy-en-France, France and its subsidiaries Inmac WStore SAS, Roissy-en-France, France ("WStore") and recognised the acquisition as a business combination according to IFRS 3. In view of the magnitude and complexity of the legal representatives' assumptions and estimations required for the purchase price allocation and the associated risk of material misrepresentations, the accounting for the transaction was a key audit matter.

Audit procedure. Our audit activities with respect to the purchase price allocation comprised the assessment of the methodology for the identification of the acquired assets and liabilities (including contingent liabilities) as well as the assessment of the measurement models under consideration of the requirements of IFRS 3. For the measurement, the company engaged an external measurement expert. In this context, we assessed the competencies, skills and objectivity of the measurement experts engaged, examined the activities of the measurement experts and audited the suitability of the measurement report, which was commissioned by the legal representatives for the determination of the fair value, as audit evidence.

With the assistance of our internal measurement specialists, we checked the applied measurement methods with respect to the applicable requirements of IFRS 13. Moreover, we analysed the assumptions and discretionary estimations (e.g. growth rates, capital charge rates or churn rates) for the determination of the fair value of the purchased identifiable assets and assumed liabilities (including contingent liabilities) as of the date of acquisition as to whether they are in accordance with general and industry-specific market expectations. Additionally, we verified the calculations of the measurement models.

We also examined the application of uniform accounting methods and the presentation of the initial consolidation of WStore in the consolidation system. Furthermore, we checked the disclosures concerning the acquisition of the interests in WStore in the notes to the consolidated financial statements with respect to the applicable requirements according to the provisions of IFRS 3.

Our audit activities did not give rise to any objections to the way the acquisition was accounted for.

Reference to associated disclosures. Further disclosures of the company concerning the purchase of the interests in WStore are provided in chapter VIII. "Acquisitions and Purchase Price Allocations" in the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the report of the Supervisory Board pursuant to Section 171 (2) of the German Stock Corporation Act (AktG). Apart from this, the legal representatives are responsible for the other information. The other information comprises the declaration concerning the corporate governance code pursuant to Section 161 (1) sentence 1 AktG as well as the "balance sheet oath" pursuant to Section 297 (2) sentence 4 HGB, of which we received copies prior to the release of this auditor's report. Moreover, the other information comprises the following components of the annual report, which are expected to be made available to us after the release of the auditor's report: The group declaration concerning the corporate governance pursuant to Section 315d HGB, the non-financial group declaration pursuant to Section 315b HGB and the report of the Supervisory Board pursuant to Section 171 (2) AktG.

As our audit opinions on the consolidated financial statements and the group management report do not cover the other information, we do not express any audit opinion or any other form of audit conclusion in this regard.

In connection with our audit, we must read the other information and check whether the other information

- contains any major discrepancies from the consolidated financial statements, group management report or our audit findings or
- otherwise appears to be significantly misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements according to the IFRS as endorsed in the EU and the additional regulations of German law pursuant to Section 315e (1) HGB in all material aspects and for ensuring that under consideration of these regulations, the consolidated financial statements give a true and fair view of the group's assets, financial and earnings position. Moreover, the legal representatives are responsible for the internal controls that they have determined to be necessary in order to enable the preparation of consolidated financial statements that are free of material intentional or unintentional misrepresentations.

When preparing the consolidated financial statements, the legal representatives are responsible for evaluating the group as a going concern. Moreover, they must specify any relevant responsibility and matters in connection with the going concern. Furthermore, they are responsible for preparing the accounts on the basis of the going concern principle unless there are intentions to liquidate the group or discontinue business operations or there is no realistic alternative.

Additionally, the legal representatives are responsible for preparing the group management report that, as a whole, gives a true and fair view of the group's position and is in accordance with the consolidated financial statements in all material respects, complies with the provisions of German law and accurately presents future opportunities and risks. The legal representatives are also responsible for the provisions and measures (systems) that they considered necessary in order to enable the preparation of a group management report in accordance with the provisions of German law and in order to furnish due evidence to substantiate the statements made in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process for preparing the consolidated financial statements and the group management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether as a whole, the consolidated financial statements are free of intentional or unintentional misrepresentations and whether as a whole, the group management report gives a true and fair view of the group's position and is in accordance with the consolidated financial statements and the audit findings in all significant aspects, complies with the regulations of German law and gives a true and fair view of future opportunities and risks and to present an auditor's report that contains our audit opinions on the consolidated financial statements and the group management report.

"Reasonable assurance" means a high degree of certainty, but no guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation under consideration of the accepted German accounting principles as endorsed by the Institute of Public Auditors in Germany (IDW) will always discover a material misrepresentation. Misrepresentations can result from violations or incorrectness and are considered to be material if they, individually or as a whole, could reasonably be expected to influence economic decisions of recipients made on the basis of these consolidated financial statements and group management report.

For the audit, we use our best judgement and maintain a critical attitude. Moreover,

- we identify and assess the risks of material international or unintentional misrepresentations in the consolidated financial statements and in the group management report, plan and conduct audit activities in response to these risks and obtain audit evidence that is adequate and suitable as a basis for our audit opinions. The risk that material misrepresentations are not discovered is higher in the case of violations than in the case of incorrectness, as violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading presentations or the suspension of internal controls;
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to plan audit activities that are appropriate under the given circumstances, but not with the goal of releasing an audit opinion concerning the effectiveness of these systems;
- we evaluate the appropriateness of the accounting methods applied by the legal representatives and the reasonability of the estimates and associated disclosures presented by the legal representatives;
- we draw conclusions concerning the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence, on whether there is any material uncertainty in connection with events or circumstances that could raise significant doubts concerning the group as a going concern. Should we come to the conclusion that a material uncertainty is on hand, we are required to draw attention to the respective disclosures in the consolidated financial statements and in the group management report in our auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit findings gained by the date of our auditor's report. However, future events or circumstances could endanger the group as a going concern;
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements including the disclosures as well as the question whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements give a true and fair view of the group's assets, financial and earnings position under consideration of the IFRS as endorsed in the EU and the additional regulations of German law pursuant to Section 315e (1) HGB;

- we obtain adequate suitable audit evidence for the accounting information of the companies or business activities within the group in order to release audit opinions on the consolidated financial statements and the group management report. We are responsible for directing, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions;
- we evaluate the correspondence of the group management report with the consolidated financial statements, its compliance with law and the view it presents of the group's position;
- we conduct audits of the future-oriented disclosures presented by the legal representatives in the group management report. Based on adequate suitable audit evidence, we especially check the assumptions underlying the future-oriented disclosures of the legal representatives and evaluate whether the future-oriented disclosures have been duly derived from these assumptions. We do not release any independent audit opinion on the future-oriented disclosures or on the underlying assumptions. There is a material inevitable risk of future events diverging greatly from the future-oriented disclosures.

Among other things, we discuss the planned scope and timing of the audit as well as significant audit findings including any deficiencies of the internal control system that we identify during our audit with the persons responsible for the monitoring.

We issue a declaration to the persons responsible for the monitoring, confirming that we have complied with relevant independence requirements, and discuss all relationships and other matters that could reasonably be assumed to have an impact on our independence as well as the protective measures taken with them.

Of the matters that we discussed with the persons responsible for the monitoring, we determine matters that were most significant to the audit of the consolidated financial statements for the current reporting period and that therefore represent key audit matters. We describe these matters in the auditor's report, unless laws or other legal regulations prohibit the public disclosure of the respective matter.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other disclosures pursuant to article 10 of the EU Audit Regulation. The General Meeting of 12 June 2018 appointed us as auditors of the consolidated financial statements. On 27 June 2018, we were commissioned by the Supervisory Board. We have continually served as auditors of the consolidated financial statements of Bechtle AG since the 2000 fiscal year.

We hereby declare that the audit opinions contained in this auditor's report are in accordance with the additional report to the audit committee pursuant to article 11 of the EU Audit Regulation.

Responsible auditor. The auditor responsible for the audit is Michael Heller.

Heilbronn, 4 March 2019

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft



Heller

German Public Auditor



Moschall

German Public Auditor



RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the earnings, asset and financial position of the group, and the Management Report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group,

Neckarsulm, 1 March 2019

Bechtle AG

The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

64. MULTI-YEAR OVERVIEW BECHTLE GROUP

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in % 2018–2017
Regions											
Revenue	€k	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	21.1
Domestic	€k	1,158,213	1,315,185	1,433,869	1,570,816	1,775,409	1,957,610	2,171,691	2,512,262	2,854,859	13.6
of total revenue	%	67.2	65.9	68.4	69.1	68.8	69.1	70.2	70.4	66.0	
Abroad	€k	564,706	679,696	662,966	702,669	805,039	873,693	921,888	1,057,862	1,468,459	38.8
Segments											
Revenue	€k	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	21.1
IT System House & Managed Services	€k	1,151,119	1,315,669	1,394,455	1,535,316	1,727,073	1,889,494	2,174,893	2,516,872	2,906,290	15.5
of total revenue	%	66.8	66.0	66.5	67.5	66.9	66.7	70.3	70.5	67.2	
IT E-Commerce	€k	571,800	679,212	702,380	738,169	853,375	941,809	918,686	1,053,252	1,417,028	34.5
EBIT	€k	60,728	86,403	80,265	91,048	108,498	129,484	144,083	164,252	195,081	18.8
IT System House & Managed Services	€k	35,852	49,891	44,320	56,185	68,907	80,293	96,589	114,501	126,084	10.1
EBIT margin	%	3.1	3.8	3.2	3.7	4.0	4.2	4.4	4.5	4.3	
IT E-Commerce	€k	24,876	36,512	35,945	34,863	39,591	49,191	47,494	49,751	68,997	38.7
EBIT margin	%	4.4	5.4	5.1	4.7	4.6	5.2	5.2	4.7	4.9	
Income Statement											
Revenue	€k	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	21.1
Cost of sales	€k	1,486,440	1,697,185	1,778,139	1,926,639	2,189,493	2,393,989	2,610,514	3,026,329	3,680,384	21.6
Gross earnings	€k	236,479	297,696	318,696	346,846	390,955	437,314	483,065	543,795	642,934	18.2
Distribution costs	€k	99,015	127,145	145,405	151,546	166,556	182,806	196,285	215,989	257,218	19.1
Administrative expenses	€k	86,001	93,671	104,300	110,483	124,001	138,415	153,037	173,396	205,688	18.6
Other operating income	€k	9,265	9,523	11,274	12,663	15,819	21,319	10,430	9,842	15,053	52.9
Operating earnings (EBIT)	€k	60,728	86,403	80,265	91,048	108,498	129,484	144,083	164,252	195,081	18.8
Financial income	€k	1,727	1,776	2,026	1,560	1,944	2,607	3,512	1,133	1,338	18.1
Financial expenditure	€k	671	1,890	3,290	3,300	3,057	2,687	2,495	2,581	3,177	23.1
Earnings before taxes (EBT)	€k	61,784	86,289	79,001	89,308	107,385	129,404	145,100	162,804	193,242	18.7
Income taxes	€k	15,362	23,566	22,643	25,911	31,191	36,527	41,729	48,242	56,101	16.3
Earnings after taxes (EAT)	€k	46,422	62,723	56,358	63,397	76,194	92,877	103,371	114,562	137,141	19.7
Material costs	€k	1,338,651	1,520,407	1,584,912	1,726,409	1,971,664	2,160,011	2,350,799	2,748,121	3,359,051	22.2
Revenue less material costs	€k	393,533	483,997	523,197	559,739	624,603	692,611	753,120	831,845	979,320	17.7
Personnel expenses	€k	241,420	294,649	326,590	348,848	388,764	423,040	459,377	507,712	590,660	16.3
Depreciation and amortisation (on property, plant and equipment and other intangible assets without goodwill)	€k	15,399	18,361	21,748	22,493	23,753	26,436	27,715	31,930	41,977	31.5
EBITDA	€k	76,127	104,764	102,013	113,541	132,251	155,920	171,798	196,182	237,058	20.8
Financial result	€k	1,056	-114	-1,264	-1,740	-1,113	-80	1,017	-1,448	-1,839	27.0

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in % 2018–2017
Balance Sheet (selected items)											
Assets											
Non-current assets	€k	206,258	279,525	296,139	299,212	321,940	344,401	368,231	415,196	659,258	58.8
Goodwill	€k	115,835	135,648	137,483	139,885	144,499	166,398	193,521	193,538	345,938	78.7
Other intangible assets	€k	17,698	22,348	20,991	19,293	19,980	29,161	35,338	48,721	121,120	148.6
Property, plant and equipment	€k	29,162	79,645	94,537	99,747	104,224	101,870	111,666	134,865	152,853	13.3
Trade receivables	€k	231	975	2,243	1,547	19,774	22,020	12,436	30,235	27,863	–7.8
Deferred taxes	€k	10,652	7,720	6,489	4,131	3,722	4,425	4,798	4,004	4,713	17.7
Other assets	€k	1,870	2,356	2,224	2,513	2,676	3,495	3,467	3,833	6,771	76.7
Capital investment and securities	€k	30,654	30,700	32,059	32,012	27,008	16,999	7,005	0	0	0.0
Current assets	€k	447,458	521,778	547,859	611,136	694,650	806,036	901,107	1,028,188	1,367,906	33.0
Inventories	€k	75,056	91,190	90,065	107,638	131,165	150,415	180,652	211,319	280,331	32.7
Trade receivables	€k	249,046	286,773	307,348	345,195	387,828	406,167	502,270	581,919	754,069	29.6
Other assets	€k	21,880	31,955	35,423	33,181	45,469	58,738	61,562	58,783	81,227	38.2
Capital investment and securities	€k	13,619	16,219	35,888	18,255	22,272	24,894	15,361	12,444	5,543	–55.5
Cash and cash equivalents	€k	85,477	94,569	78,208	105,838	106,720	164,767	140,415	162,383	245,379	51.1
Equity and liabilities											
Equity	€k	371,483	421,597	459,584	501,565	553,996	620,651	694,103	777,283	883,204	13.6
Issued capital	€k	21,000	21,000	21,000	21,000	21,000	21,000	21,000	42,000	42,000	0.0
Capital reserve	€k	145,228	145,228	145,228	145,228	145,228	145,228	145,228	124,228	124,228	0.0
Retained earnings	€k	205,255	255,369	293,356	335,337	387,768	454,423	527,875	611,055	716,976	17.3
Non-current liabilities	€k	46,727	94,004	96,644	90,787	95,878	119,196	117,959	127,267	464,893	265.3
Pension provisions	€k	13,227	11,873	9,260	6,382	11,990	15,899	19,924	13,002	16,301	25.4
Other provisions	€k	810	1,182	2,139	2,307	4,836	5,978	6,719	7,190	11,052	53.7
Financial liabilities	€k	12,266	57,280	61,142	53,625	47,522	56,393	51,744	69,917	380,640	444.4
Deferred taxes	€k	13,209	14,094	14,905	15,128	17,266	20,927	20,570	21,069	41,107	95.1
Other liabilities	€k	650	1,216	296	538	2,652	7,293	5,874	2,292	4,858	112.0
Deferred income	€k	6,565	8,359	8,902	12,369	11,343	12,346	12,981	13,701	10,895	–20.5
Current liabilities	€k	235,506	285,702	287,770	317,996	366,716	410,590	457,276	538,834	679,067	26.0
Other provisions	€k	5,338	5,643	5,241	5,774	6,239	6,416	6,657	7,129	9,162	28.5
Financial liabilities	€k	4,812	9,002	12,567	10,546	12,711	9,627	9,745	58,930	12,872	–78.2
Trade payables	€k	129,060	148,799	145,964	170,518	178,644	204,067	242,120	237,160	372,338	57.0
Tax payables	€k	6,337	8,735	6,906	6,519	6,418	8,176	7,676	10,733	12,509	16.5
Other liabilities	€k	64,624	72,237	74,963	79,941	95,695	104,052	115,314	131,118	159,957	22.0
Contract liabilities	€k	–	–	–	–	–	–	–	–	96,120	
Deferred income	€k	25,335	41,286	42,129	44,698	67,009	78,252	75,764	93,764	16,109	–82.8
Balance sheet total	€k	653,716	801,303	843,998	910,348	1,016,590	1,150,437	1,269,338	1,443,384	2,027,164	40.4
Cash flow and investments											
Cash flow from operating activities	€k	59,114	55,782	56,669	73,098	55,965	115,945	53,363	54,261	140,525	159.0
Cash flow from investing activities	€k	–47,625	–45,282	–56,031	–10,201	–25,853	–34,480	–41,404	–62,675	–280,612	347.7
Cash flow from financing activities	€k	–7,173	–2,246	–17,282	–35,002	–29,973	–25,668	–36,318	33,578	221,367	559.3
Cash and cash equivalents incl. time deposits and securities	€k	129,750	141,488	146,155	156,105	156,000	206,660	162,781	174,827	250,922	43.5
Free cash flow	€k	41,751	12,159	19,485	43,123	29,252	78,590	–7,049	–24,129	–147,185	510.0
Investments (in property, plant and equipment and other intangible assets without goodwill)	€k	11,822	61,120	32,015	23,091	24,102	21,779	39,604	66,866	56,626	–15.3
Investment ratio (= Investments/Average property, plant and equipment + other intangible assets without goodwill)	%	26.41	82.12	29.44	19.69	20.11	17.07	28.49	40.45	24.75	

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in % 2018–2017
Key figures of the share¹											
Closing price	€	28.99	26.20	30.65	49.47	65.98	88.06	98.82	69.52	67.85	–2.4
Annual high	€	30.65	34.35	35.10	50.95	65.98	92.64	104.55	72.71	89.90	23.6
Annual low	€	17.01	23.48	25.50	30.07	49.33	64.49	73.70	46.50	63.85	37.3
Weighted average shares	th. shares	21,000	21,000	21,000	21,000	21,000	21,000	21,000	30,263	42,000	38.8
Market capitalisation (31.12)	€k	608,790	550,200	643,650	1,038,870	1,385,580	1,849,260	2,075,220	2,919,840	2,849,700	–2.4
Average turnover/trading day ²	shares	30,543	51,873	42,143	34,201	41,281	46,580	30,515	45,637	101,037	121.4
Average turnover/trading day ²	€	705,260	1,460,183	1,281,620	1,364,142	2,452,888	3,452,399	2,789,577	3,604,891	7,668,425	112.7
Cash dividend per share	€	0.75	1.00	1.00	1.10	1.20	1.40	1.50	0.90	1.00 ³	11.1
Dividend amount distributed	€k	15,750	21,000	21,000	23,100	25,200	29,400	31,500	37,800	42,000 ³	11.1
Pay out ratio	%	33.9	33.5	37.3	36.4	33.1	31.7	30.5	33.0	30.6 ³	
Dividend yield (31.12)	%	2.6	3.8	3.3	2.2	1.8	1.6	1.5	1.3	1.5 ³	
Enterprise value (EV)	€k	618,242	607,239	723,670	1,084,064	1,449,430	1,877,747	2,137,406	3,032,716	3,178,949	4.8
Earnings per share	€	2.21	2.99	2.68	3.02	3.63	4.42	4.92	2.73	3.27	19.7
Cash flow per share	€	2.81	2.66	2.70	3.48	2.67	5.52	2.54	1.29	3.35	159.0
Net asset value per share (= Equity/Weighted average shares)	€	17.69	20.08	21.88	23.88	26.38	29.55	33.05	25.68	21.03	63.7
Market capitalisation to revenue		0.4	0.3	0.3	0.5	0.5	0.7	0.7	0.8	0.7	–19.4
Price earning ratio (P/E)		13.1	8.8	11.4	16.4	18.2	19.9	20.1	25.5	20.8	–18.5
EV/EBITDA		8.1	5.8	7.1	9.5	11.0	12.0	12.4	15.5	13.4	–13.3
EV/EBIT		10.2	7.0	9.0	11.9	13.4	14.5	14.8	18.5	16.3	–11.7
EV/EBT		10.0	7.0	9.2	12.1	13.5	14.5	14.7	18.6	16.5	–11.7
EV/EAT		13.3	9.7	12.8	17.1	19.0	20.2	20.7	26.5	23.2	–12.4
EV/Revenue		0.4	0.3	0.3	0.5	0.6	0.7	0.7	0.8	0.7	–13.4
Personnel											
Employees ⁵ (31.12)		4,766	5,479	5,970	6,219	6,572	7,205	7,667	8,353	10,005	19.8
Domestic		3,471	4,065	4,550	4,743	4,996	5,633	5,956	6,483	7,373	13.7
Abroad		1,295	1,414	1,420	1,476	1,576	1,572	1,711	1,870	2,632	40.7
IT System House & Managed Services		3,763	4,305	4,754	4,953	5,164	5,766	6,212	6,853	7,772	13.4
IT E-Commerce		1,003	1,174	1,216	1,266	1,408	1,439	1,455	1,500	2,233	48.9
Trainees (incl. absentees)		306	356	428	473	455	473	500	553	648	17.2
Employees (annual average) ⁵		4,496	5,146	5,780	6,072	6,421	6,924	7,428	7,968	9,083	14.0
Full-time employees (Annual average)		4,137	4,753	5,315	5,542	5,872	6,376	6,855	7,276 ⁴	8,316	14.3
IT System House & Managed Services		3,243	3,727	4,191	4,415	4,647	5,055	5,550	5,921 ⁴	6,640	12.1
IT E-Commerce		894	1,026	1,124	1,127	1,225	1,321	1,305	1,355	1,676	23.7
Personnel expenditure ratio	%	14.0	14.8	15.6	15.3	15.1	14.9	14.8	14.2	13.7	
Personnel expenses to gross profit	%	61.3	60.9	62.4	62.3	62.2	61.1	61.0	61.0	60.3	

¹ XETRA share prices² All German stock exchanges³ Proposal to the Annual General Meeting⁴ Adjusted figure due to new definition of the term "absent"

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in % 2018-2017
Efficiency ratios											
Contribution margin	%	22.8	24.3	25.0	24.6	24.2	24.5	24.3	23.3	22.7	
Gross margin	%	13.7	14.9	15.2	15.3	15.2	15.4	15.6	15.2	14.9	
EBITDA margin	%	4.4	5.3	4.9	5.0	5.1	5.5	5.6	5.5	5.5	
EBIT margin	%	3.5	4.3	3.8	4.0	4.2	4.6	4.7	4.6	4.5	
EBT margin	%	3.6	4.3	3.8	3.9	4.2	4.6	4.7	4.6	4.5	
EAT margin	%	2.7	3.1	2.7	2.8	3.0	3.3	3.3	3.2	3.2	
Revenue per employee	€k	416.5	419.7	394.5	410.2	439.4	444.1	451.3	490.7 ⁴	519.9	6.0
IT System House & Managed Services	€k	355.0	353.0	332.7	347.7	371.7	373.8	391.9	425.1 ⁴	437.7	3.0
IT E-Commerce	€k	639.6	662.0	624.9	655.0	696.6	713.0	704.0	777.3	845.5	8.8
EBIT per employees	€k	14.7	18.2	15.1	16.4	18.5	20.3	21.0	22.6 ⁴	23.5	3.9
Return on equity (EAT/Average annual equity)	%	14.2	17.3	13.7	14.2	15.6	17.2	17.1	16.9	18.1	
Return on total assets (EAT/Average annual total assets)	%	8.7	9.8	7.9	8.2	8.9	9.5	9.6	9.6	9.1	
ROA (= EBIT/Average annual total assets)	%	11.3	13.1	10.6	11.3	12.2	12.9	13.1	13.4	12.6	
ROE (= EBIT/Average annual equity)	%	18.4	23.8	19.6	20.4	22.2	23.9	24.0	24.4	25.8	
ROCE (= EBIT/Capital Employed)	%	21.0	25.2	19.6	20.6	22.3	23.7	24.0	22.3	20.6	
Balance sheet ratios											
Capitalisation ratio of non-current assets (= non-current assets/total assets)	%	31.6	34.9	35.1	32.9	31.7	29.9	29.0	28.8	32.5	
Working intensity of current assets (= current assets/total assets)	%	68.4	65.1	64.9	67.1	68.3	70.1	71.0	71.2	67.5	
Equity ratio	%	56.8	52.6	54.5	55.1	54.5	53.9	54.7	53.9	43.6	
Total liabilities to total assets	%	43.2	47.4	45.5	44.9	45.5	46.1	45.3	46.1	56.4	
Asset structure (= non-current/current assets)	%	46.1	53.6	54.1	49.0	46.3	42.7	40.9	40.4	48.2	
Capital structure (= equity/liabilities)	%	131.6	111.0	119.6	122.7	119.8	117.2	120.7	116.7	77.2	
Financial ratios											
Net debt	€k	-112,672	-75,206	-72,446	-91,934	-95,767	-140,640	-101,292	-45,980	142,590	-410.1
Debt ratio		0.76	0.90	0.84	0.82	0.84	0.85	0.83	0.86	1.30	51.1
Working Capital	€k	166,780	189,881	211,595	234,624	291,326	294,872	375,645	492,865	580,794	17.8
Working Capital to revenue	%	9.7	9.5	10.1	10.3	11.3	10.4	12.1	13.8	13.4	
Working Capital to annual total asset	%	25.5	23.7	25.1	25.8	28.7	25.6	29.6	34.1	28.7	
Capital employed	€k	288,600	342,244	410,023	442,050	486,403	546,404	600,997	738,029	948,346	28.5
Capital employed to annual total asset	%	44.1	42.7	48.6	48.6	47.8	47.5	47.3	51.1	46.8	
Capital employed to revenue	%	16.8	17.2	19.6	19.4	18.8	19.3	19.4	20.7	21.9	
Structural analysis ratios											
Revenue to inventory		23.0	21.9	23.3	21.1	19.7	18.8	17.1	16.9	15.4	-8.7
Revenue to average net trade receivables		10.3	10.2	9.8	9.7	9.5	9.1	9.2	9.1	8.8	-2.7
Revenue to average total assets		3.2	3.0	2.8	2.8	2.9	2.8	2.8	2.9	2.8	4.2
DSO		35.3	35.8	37.3	37.6	38.3	39.9	39.7	40.2	41.3	2.7

GLOSSARY

AZUBIT. Training initiative consisting of various blocks that complement each other.

bios®. The Bechtle information ordering system is an online hardware and software procurement system that is tailored to the needs of customers.

Bond loan. Long-term large-scale loan similar to a bond

Business intelligence. Generic term for the IT-based access to information as well as IT-based analysis and processing of this information. The objective is to gain insight that can form the basis for better operational or strategic decisions with a view to the corporate goals.

CAD. Computer-aided design – CAD refers to computer-aided design with the help of suitable programs or software solutions.

Capitalisation ratio. Indicates the ratio of non-current assets to the balance sheet total.

Capital employed (CE). Annual average interest-bearing capital tied up on a long-term basis.

Cash pooling. Corporate liquidity management in the scope of which surplus liquidity is withdrawn from group companies or liquidity is provided in the form of loans in the event of liquidity shortfalls.

Contribution margin. Difference between revenue and material costs in relation to revenue.

Currency forwards. Obligation to buy or sell foreign currencies at a date and price determined in advance.

Data warehouse. A data warehouse is a central collection of data (usually a database) from various sources. The data stored in the data warehouse are kept over long periods, especially for analyses, as well as a basis for administrative decisions and for corporate management purposes.

Debt ratio. Ratio of borrowed capital to equity.

Deferred taxes. Temporary differences between calculated taxes on earnings presented in the commercial balance sheet and tax balance sheet for the purpose of presenting the tax expense according to the earnings under commercial law.

Derivative (derivative financial instrument, financial derivative). Financial instrument whose measurement depends on the price development of the underlying. For example financial derivatives include → currency forwards and → interest rate swaps.

Discounted cash flow method. Model calculation, in particular for the valuation of an enterprise, in which all future → free cash flows are discounted and added up taking into account variable parameters such as the term and capital cost rate at the time of the calculation.

Dividend payout ratio. Indicates how much of the annual profit is paid out to the shareholders in the form of a dividend. It is calculated as follows: dividend paid out divided by the consolidated earnings after taxes and minority interests, in per cent.

Dividend yield. Indicates the annual yield that the shareholder receives in the form of a dividend for their share investment measured at the annual closing rate. It is calculated as follows: dividend per share divided by the annual closing rate, multiplied by 100.

Days payable outstanding. Indicates after how many days a company pays its liabilities to suppliers.

DSO. Days sales outstanding. DSO indicates the average number of days until due receivables are paid.

EITO. European Information Technology Observatory

Equity ratio. Ratio of equity to total capital. The higher the equity ratio, the lower the → debt ratio of the company.

ERP. The enterprise resource planning system is complex management software for efficient, smart resource planning.

Free cash flow. Cash flow from operating activities less the balances from outgoing and incoming payments related to the acquisition or sale of companies, as well as outgoing and incoming payments related to investments in intangible assets and property, plant and equipment.

Fulfilment. All activities related to the performance of a contract concluded with a customer. The services range from the acceptance of the order to picking and the shipping of the goods.

Gross profit. Difference between revenue and cost of sales.

iLearn. A web-based training portal designed for all employees. Offered in various languages, the individual courses on all relevant industry subjects can be expanded flexibly. The use of iLearn promotes modern, media-aided training at Bechtle.

Interest rate swap. Agreement between two contracting parties to swap different interest payment streams. Interest rate swaps are financial derivatives and are generally used to hedge interest rate risks (→ derivative).

Investment grade. Credit rating by a rating agency. Credit ratings can be roughly split into two categories: “investment grade” (= sufficiently safe) and “non investment grade” (= speculative).

Investment ratio. Ratio of investments in other intangible assets and property, plant and equipment to the average annual carrying amount of other intangible assets and of property, plant and equipment.

Leverage. Describes the leveraging effect that occurs when improving the → return on equity through increased use of borrowed capital.

Market cap. Market value of a company. The market cap is calculated by multiplying the share price with the number of a company’s issued shares.

MIKADO. Introductory event for new employees.

Net indebtedness (Net debt). Indicates the indebtedness or debt potential of an enterprise if all interest-bearing liabilities were to be paid with current assets. It is calculated from the financial liabilities less cash and cash equivalents as well as time deposits and securities.

Outsourcing. In the field of IT, outsourcing or outtasking refers to the delegation of specific tasks or part of them to external IT service providers.

Personnel intensity. The ratio of personnel expenses to the revenue less material costs.

Return on assets (ROA). Ratio of earnings after taxes and before financial expenses to the average annual total capital employed.

Return on capital employed (ROCE). Ratio of earnings before financial earnings and taxes to the → capital employed. The ROCE shows the operating interest on the company's capital employed or tied up on a long-term basis.

Return on equity (ROE). Ratio of earnings after taxes to the average annual equity as reported in the balance sheet. The return on equity shows how much interest the shareholders' equity as reported in the balance sheet bears.

Treasury. An area that is concerned with the use and investment of financial resources. This area is also responsible for hedging financial risks, which can go far beyond the hedging of interest rate risks or exchange rate risks.

Virtualisation. Abstraction of physical resources. The individual systems are provided with a complete virtual computer with all hardware components. Software virtualisation can be used to simulate an operating system or an application. This makes it possible to execute applications locally without installing them.

Working capital. Inventories plus trade receivables less trade payables and deferrals.

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LIST OF ABBREVIATIONS

AktG	German Stock Corporation Act (Aktiengesetz)
B for B	Bechtle for Bechtle
BI	Business Intelligence
CAD/CAM	Computer-aided design/Computer-aided manufacturing
CAGR	Compound annual growth rate
CRM	Customer Relationship Management
DCGK	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
ECM	Enterprise Content Management
EBT	Earnings before taxes
EPS	Earnings per share
ERP	Enterprise-Resource-Planning
EU	European Union
EV	Enterprise value
GDP	Gross domestic product
GITA	Global IT Alliance
HGB	German Commercial Code (Handelsgesetzbuch)
ifo	Institute for Economic Research (Institut für Wirtschaftsforschung)
IFRS	International Financial Reporting Standards
MitbestG	German co-determination Act (Mitbestimmungsgesetz)
ROA	Return on Assets
ROE	Return on Equity
VIPM	Vender Integrated Product Manager



For further comments
see Glossary,
page 228 ff

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FINANCIAL CALENDAR

ACCOUNTS PRESS CONFERENCE

Friday, 15 March 2019, Stuttgart

DVFA ANALYSTS' CONFERENCE

Friday, 15 March 2019, Frankfurt (Main)

QUARTERLY STATEMENT 1ST QUARTER 2019 (31 MARCH)

Friday, 10 May 2019

ANNUAL GENERAL MEETING

Tuesday, 28 May 2019, 10.00 a.m.

Konzert- und Kongresszentrum Harmonie, Heilbronn

HALF-YEAR FINANCIAL REPORT 2019 (30 JUNE)

Friday, 9 August 2019

QUARTERLY STATEMENT 3RD QUARTER 2019 (30 SEPTEMBER)

Wednesday, 13 November 2019

See [bechtle.com/financial-calendar](https://www.bechtle.com/financial-calendar) for further dates and changes.



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