FIRST HALF OF 2017

INTERIM REPORT AS OF 30 JUNE 2017

Your strong IT partner.
Today and tomorrow.

BECHTLE

KEY FIGURES OF THE BECHTLE GROUP AT A GLANCE

		01.01–30.06.2017	01.01–30.06.2016	Change in %
Revenue	€k	**1,625,327**	**1,428,298**	**13.8**
IT system house & managed services	€k	1,136,188	995,067	14.2
IT e-commerce	€k	489,139	433,231	12.9
EBITDA	€k	**82,411**	**73,164**	**12.6**
IT system house & managed services	€k	58,935	51,513	14.4
IT e-commerce	€k	23,476	21,651	8.4
EBIT	€k	**68,327**	**59,217**	**15.4**
IT system house & managed services	€k	47,370	40,014	18.4
IT e-commerce	€k	20,957	19,203	9.1
EBIT margin	%	**4.2**	**4.1**	
IT system house & managed services	%	4.2	4.0	
IT e-commerce	%	4.3	4.4	
EBT	€k	**67,705**	**59,010**	**14.7**
EBT margin	%	**4.2**	**4.1**	
Earnings after taxes	€k	**47,488**	**41,826**	**13.5**
Earnings per share	€	**2.26**	**1.99**	**13.5**
Return on equity[1]	%	**14.5**	**14.1**	
Cash flow from operating activities	€k	**–23,283**	**5,840**	**–498.7**
Cash flow per share		**–1.11**	**0.28**	**–498.7**
Number of employees (as of 30.06)		**7,909**	**7,328**	**7.9**
IT system house & managed services		6,446	5,889	9.5
IT e-commerce		1,463	1,439	1.7

		30.06.2017	31.12.2016	Change in %
Liquidity[2]	€k	**82,976**	**162,781**	**–49.0**
Working Capital	€k	**448,098**	**375,645**	**19.3**
Equity ratio	%	**58.5**	**54.7**	**6.9**

[1] Annualised
[2] Incl. time deposits and securities

REVIEW BY QUARTER 2017

		1st Quarter 01.01–31.03	2nd Quarter 01.04–30.06	3rd Quarter 01.07–30.09	4th Quarter 01.10–31.12	**2017 FY 01.01–30.06**
Revenue	€k	803,129	822,198			1,625,327
EBITDA	€k	38,725	43,686			82,411
EBIT	€k	31,823	36,504			68,327
EBT	€k	31,475	36,230			67,705
EBT margin	%	3.9	4.4			4.2
Earnings after taxes	€k	22,098	25,390			47,488

CONSOLIDATED INTERIM MANAGEMENT REPORT

BUSINESS ACTIVITY

As a one-stop IT provider, Bechtle is active with about 70 system houses in Germany, Austria and Switzerland, and is one of Europe's leading online IT dealers, with subsidiaries in 14 countries. This combination forms the basis of Bechtle's unique business model, which combines IT services with the conventional IT trading business. Established in 1983 and headquartered in Neckarsulm, Germany, the company offers a one-stop, vendor-independent, comprehensive IT portfolio to its more than 73,000 customers from the fields of industry and trade, the public sector and the financial industry.

See
Annual Report 2016,
page 27 ff

In the IT system house & managed services segment, the service spectrum ranges from the sale of hardware, software and application solutions to project planning and roll-out, system integration, maintenance and training, and to the provision of cloud services and the complete operation of the customer IT. We have bundled our trading business in IT e-commerce, the second business segment. Here, we offer our customers hardware and standard software via the Internet and telesales under the Bechtle direct and ARP brands.

bechtle.com/portfolio-en

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). The prior-year figures of the two segments have been adjusted accordingly.

See
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ENVIRONMENT

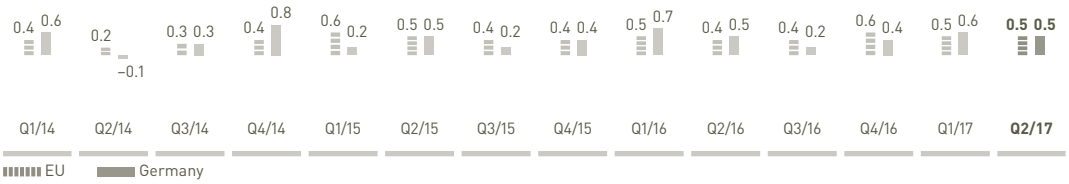
- **Economic framework conditions stable**
- **Indicators from the IT industry developing differently**

MACROECONOMY

The economic situation in the EU is at a constantly high level. The European Commission estimates the increase of the gross domestic product (GDP) in in both the first and the second quarter of 2017 at 0.5 per cent throughout the EU, a level similar to that of the prior quarters. All EU countries in which Bechtle is present recorded positive growth rates, though to different extents. The bandwidth in the first quarter amounted to one percentage point, ranging from a GDP growth of 0.2 per cent in Italy to 1.2 per cent in Hungary. The picture was similar in the second quarter of 2017: with a growth of 0.3 per cent, Belgium, Italy and the United Kingdom were at the lower end, while Hungary experienced growth of 1.2 per cent.

ec.europa.eu

GDP PERFORMANCE COMPARED TO THE PRIOR QUARTER %



In the first quarter, the German economy grew 0.6 per cent, a rate slightly higher than that of the EU in general. In the second quarter, the domestic GDP growth amounted to 0.5 per cent, on par with the EU.

ifo.de

Since the beginning of the year, the mood indicators of the German economy have gone up continually. Starting from 109.9 points in January, the ifo index climbed to 115.1 in June, a record level. Both the evaluation of the current situation and the expectations for the next months have contributed to this development.

INDUSTRY

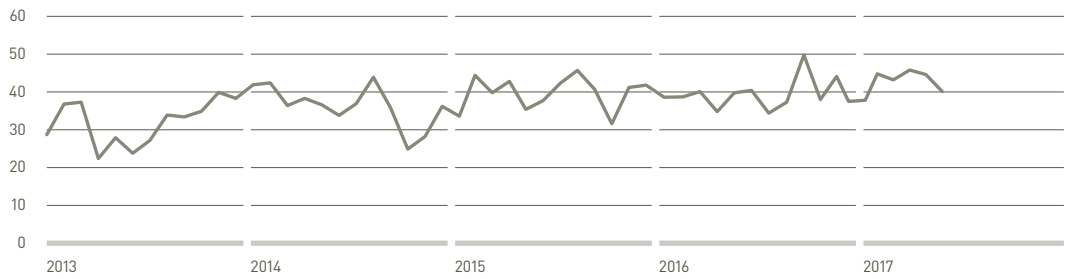
gulp.de

In the first half of 2017, the IT market exhibited conflicting signals. For example, the GULP IT project market index, which registers projects for freelance IT specialists in Germany, underwent a year-on-year increase of 4.2 per cent in the first quarter. In the second quarter, however, it receded 8.6 per cent. The PC market also followed a downward trend in the second quarter of 2017. According to the market research institute Gartner, sales in EMEA dropped 3.5 per cent. However, the development was heterogeneous in the individual markets. In the UK, for example, sales declined, presumably amongst other reasons, due to political uncertainties. In France, the level at least remained stable. In Germany, however, revenue figures went up, especially due to the strong demand of industrial customers.

Product prices developed differently in the first half of 2017. The prices of PCs, thin clients and especially servers dropped. On the other hand, the prices in the product groups workstations, laptops, tablets, monitors and printers remained stable or increased slightly.

The mood on the German IT market was unsteady. In the first months, the ifo business climate index for IT service providers climbed from 37.9 in January to 45.9 in April. In this month, the evaluation of the current situation even reached a new all-time high of 64 points. In the last two months of the second quarter, however, the index declined. In June, it reached 40.2, the evaluation of the current situation having lost more ground than the expectations for the next months.

IFO INDEX FOR IT SERVICE PROVIDERS



OVERALL ASSESSMENT

The economic environment in the first half of 2017 was positive. The growth dynamics in the EU and in Germany continue unabated. The willingness to invest in IT is at a high level, both amongst industrial customers and governments. The mood is good and does not, for the time being, suggest any weakening of the current sound performance.

The signals on the IT market were heterogeneous, though. At least the German market, however, still appears to be very robust.

Bechtle AG has performed superbly in this market environment. The growth dynamics are high, and the group has also achieved two-digit organic growth. Bechtle has thus significantly outperformed the market growth in general and is steadily gaining market shares.

As Bechtle AG does not publish any forecasts for individual quarters, it is not possible to compare the actual figures with target figures. Nevertheless, we are pleased to confirm that the growth figures of the first six months are above the target range of our expectations for 2017 as a whole.

EARNINGS POSITION

- Two-digit revenue growth
- Domestic e-commerce the growth driver
- Margin slightly improved at high level

ORDER POSITION

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.

In the first half of 2017, incoming orders amounted to approximately €1,630 million, 13.0 per cent more than in the prior year (€1,443 million). The IT system house & managed services segment recorded an increase of 12.7 per cent to €1,130 million (prior year: €1,003 million). At €500 million, the incoming orders in the IT e-commerce segment were 13.6 per cent higher than in the prior year (€440 million).

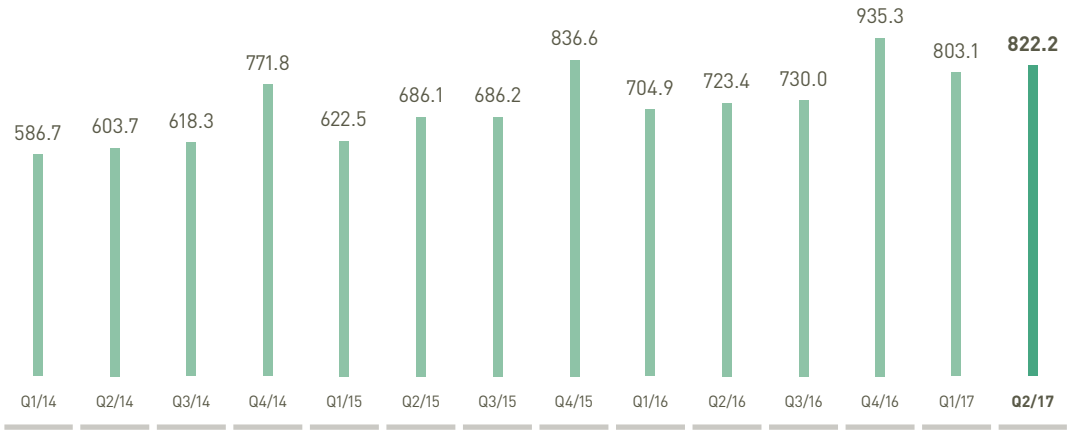
As of 30 June, the order backlog amounted to €517 million (prior year: €399 million). Of this amount, the IT system house & managed services segment accounted for €447 million (prior year: €350 million), and the IT e-commerce segment for €70 million (prior year: €49 million).

REVENUE PERFORMANCE

For Bechtle AG, the first half of 2017 was very successful. The revenue growth reached a two-digit figure, and the dynamics were balanced throughout the two reporting quarters. In the first half of the year, the revenue of the Bechtle Group increased 13.8 per cent from €1,428.3 million to €1,625.3 million. The growth was largely balanced across the segments and regions. Nevertheless, the domestic e-commerce business achieved the highest growth. Most of the growth (12.5 per cent) was organic. From the quarterly perspective, the growth dynamics remained steady, as already mentioned. In the second quarter, the revenue increased 13.7 per cent. The organic growth amounted to 12.2 per cent.

GROUP REVENUE

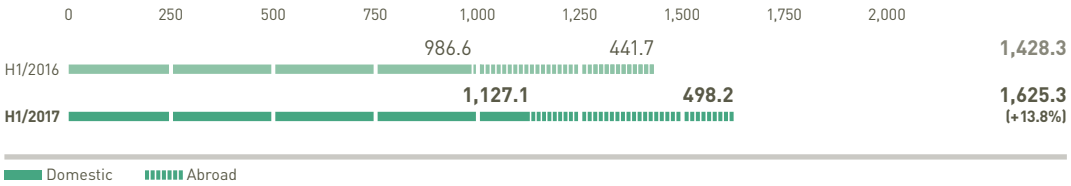
€m



Due to the strong performance in e-commerce, the domestic revenue increased at an above-average rate of 14.2 per cent from €986.6 million to €1,127.1 million. In the second quarter, the growth in Germany amounted to 14.5 per cent. At 12.8 per cent, the growth rate achieved abroad was also high. Here, the foreign system houses provided strong impulses.

REGIONAL REVENUE DISTRIBUTION

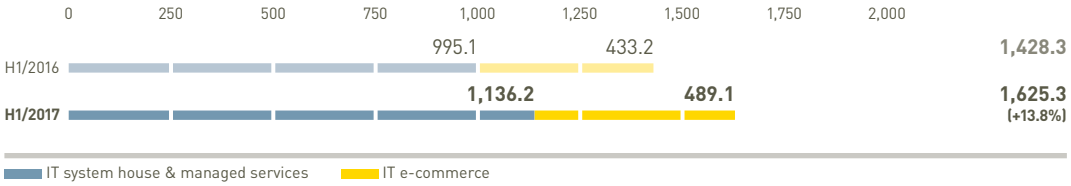
€m



The IT system house & managed services segment stepped up its revenue by 14.2 per cent to €1,136.2 million (prior year: €995.1 million). The revenue growth in the second quarter amounted to 13.6 per cent and was supported by all national markets.

REVENUE BY SEGMENTS

€m



In the six-month period, the revenue in the IT e-commerce segment improved 12.9 per cent, from €433.2 million to €489.1 million. At 20.1 per cent, Germany achieved the highest growth, as mentioned above. The foreign companies grew 10.3 per cent. From April to June, the revenue in this segment went up 13.9 per cent.

REVENUE – GROUP AND SEGMENTS €k

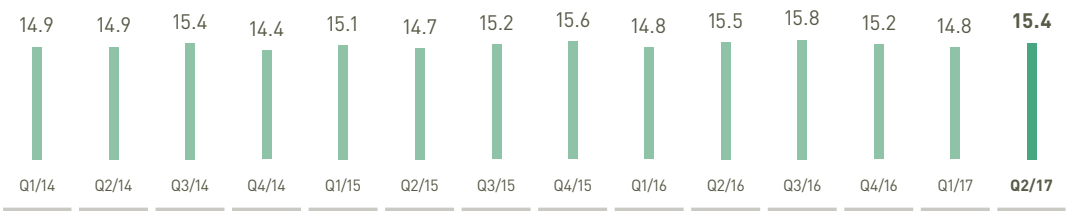
	H1/2017	H1/2016	Change	Q2/2017	Q2/2016	Change
Group	**1,625,327**	**1,428,298**	**+13.8%**	**822,198**	**723,393**	**+13.7%**
Domestic	1,127,116	986,621	+14.2%	576,953	503,779	+14.5%
Abroad	498,211	441,677	+12.8%	245,245	219,614	+11.7%
IT system house & managed services	**1,136,188**	**995,067**	**+14.2%**	**572,862**	**504,425**	**+13.6%**
Domestic	987,312	870,212	+13.5%	502,843	443,481	+13.4%
Abroad	148,876	124,855	+19.2%	70,019	60,944	+14.9%
IT e-commerce	**489,139**	**433,231**	**+12.9%**	**249,336**	**218,968**	**+13.9%**
Domestic	139,804	116,409	+20.1%	74,110	60,298	+22.9%
Abroad	349,335	316,822	+10.3%	175,226	158,670	+10.4%

Based on an average of 7,164 full-time and part-time employees, the group's revenue per employee in the first six months increased slightly to €227 thousand. In the corresponding prior-year period, this figure had amounted to €213 thousand. The revenue per employee in the IT system house & managed services segment was €195 thousand, compared to €184 thousand in the prior year. The revenue per employee in the IT e-commerce segment climbed from €335 thousand to €369 thousand.

EARNINGS PERFORMANCE

From January to June, the cost of sales increased 13.9 per cent, a rate slightly higher than the revenue growth. This was due mainly to the development of the material costs, which underwent above-average growth of 14.8 per cent. This was only partly compensated by the personnel expenses included in the cost of sales, which merely increased 10.0 per cent. At 15.1 per cent, the gross margin was only slightly below the prior year (15.2 per cent). Gross earnings amounted to €245.1 million, 13.2 per cent more than in the prior year (€216.6 million). In the second quarter, the gross margin receded from 15.5 per cent to 15.4 per cent. Here too, the below-average growth of personnel expenses of 8.1 per cent stood against an above-average increase in material costs by 14.7 per cent.

GROSS MARGIN %



In the first half of the year, the functional expenses exhibited heterogeneous dynamics. Distribution costs went up at a disproportionately low rate of 8.3 per cent from €94.0 million to €101.8 million. The distribution cost ratio dropped from 6.6 per cent to 6.3 per cent. On the other hand, administrative expenses increased at a disproportionately high rate of 16.2 per cent from €72.5 million to €84.3 million. The administrative expense ratio increased slightly from 5.1 per cent to 5.2 per cent. Other operating income totalled €9.2 million, slightly more than in the prior year (€9.1 million).

Year on year, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 12.6 per cent, from €73.2 million to €82.4 million. Our EBITDA margin remained unchanged at 5.1 per cent. In the second quarter, the margin dropped slightly from 5.4 per cent to 5.3 per cent, compared to the prior year quarter.

Depreciation and amortisation underwent merely a slight increase of 1.0 per cent to €14.1 million. As previously, depreciation of property, plant and equipment – which increased from €11.5 million to €12.1 million – accounted for the largest share.

Earnings before interest and taxes (EBIT) improved 15.4 per cent to €68.3 million (prior year: €59.2 million). The margin was 4.2 per cent, compared to 4.1 per cent in the prior year. In the period from April to June, the margin receded slightly from 4.5 per cent to 4.4 per cent.

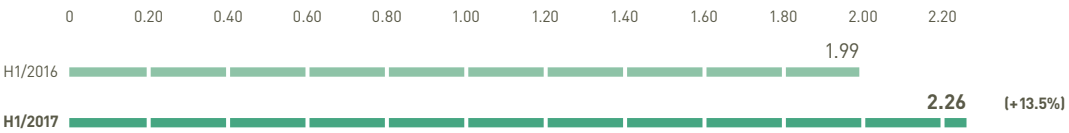
Financial earnings amounted to minus €0.6 million. Thus, the group generated earnings before taxes (EBT) of €67.7 million in the first half of 2017, some 14.7 per cent more than in the prior year (€59.0 million). The EBT margin was 4.2 per cent, compared to 4.1 per cent in the prior year. The EBT margin in the second quarter remained stable at 4.4 per cent.

EBT AND EBT MARGIN

Owing to the higher domestic earnings shares, tax expenses in the six-month period increased 17.7 per cent to €20.2 million. The tax rate rose from 29.1 per cent in the prior year to 29.9 per cent in the period under review.

Earnings after taxes went up 13.5 per cent from €41.8 million to €47.5 million. The net margin thus remained unchanged at 2.9 per cent. On the basis of 21.0 million shares, earnings per share (EPS) increased to €2.26 (prior year: €1.99). In the second quarter, EPS amounted to €1.21, an increase of 11.8 per cent over the prior year (€1.08).

EPS €



At the segment level, the earnings situation was as follows:

In the first half of 2017, EBIT in the IT system house & managed services segment increased 18.4 per cent to €47.4 million (prior year: €40.0 million). The EBIT margin was 4.2 per cent, compared to 4.0 per cent in the prior year. The main reason for the margin improvement was the further increased service share.

In the six-month period, the IT e-commerce segment generated EBIT of €21.0 million, 9.1 per cent more than in the prior year (€19.2 million). The margin dropped slightly from 4.4 per cent to 4.3 per cent. This item was affected especially by the higher material costs as a result of the much higher business volume.

EBIT – GROUP AND SEGMENTS €k

	H1/2017	H1/2016	Change	Q2/2017	Q2/2016	Change
Group	**68,327**	**59,217**	**+15.4%**	**36,504**	**32,261**	**+13.2%**
IT system house & managed services	47,370	40,014	+18.4%	24,578	21,514	+14.2%
IT e-commerce	20,957	19,203	+9.1%	11,926	10,747	+11.0%

ASSETS AND FINANCIAL POSITION

- **Balance sheet sound as usual**
- **Free cash flow marked by high investments**

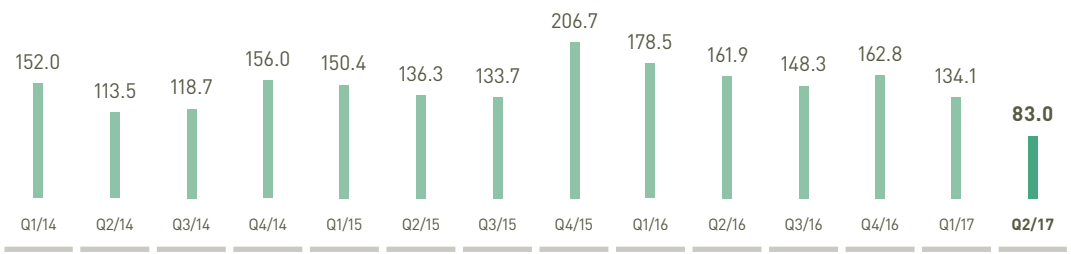
As of 30 June 2017, the balance sheet total of the Bechtle Group amounted to €1,213.0 million, slightly less than as of 31 December 2016 (€1,269.3 million).

DEVELOPMENT OF THE ASSETS

Non-current assets went up from €368.2 million to €394.6 million. Property, plant and equipment went up €11.6 million to €123.3 million. This item was affected especially by the investments in buildings at the headquarters in Neckarsulm and in the system house Solingen. Due to investments in running internal projects, along with other reasons, other intangible assets went up €6.7 million. Due to some major projects with longer terms, trade receivables were €6.9 million higher than as of 31 December 2016. Our capitalisation ratio increased from 29.0 per cent to 32.5 per cent.

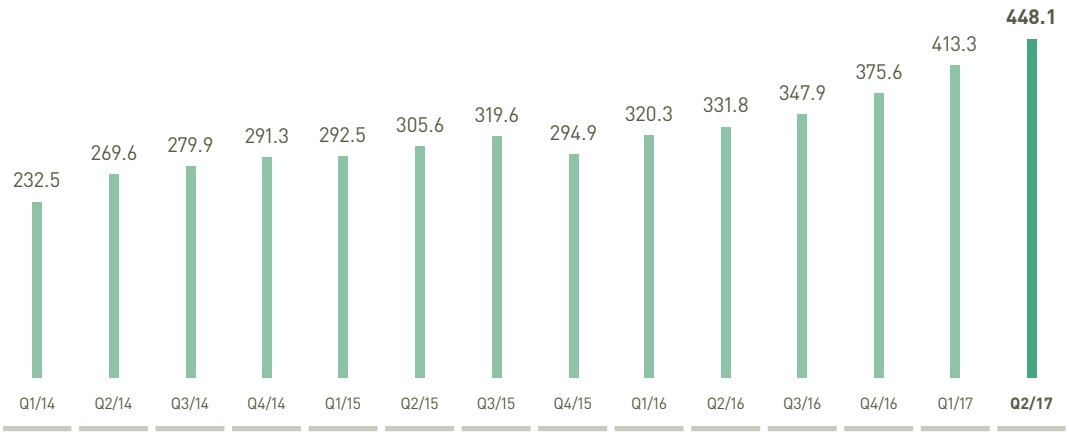
Current assets declined €82.6 million to €818.5 million. Though the inventories went up by €47.7 million due to projects, trade receivables dropped by almost the same amount of €48.1 million to €454.2 million due to seasonal reasons. Year on year, our average DSO (days sales outstanding) in the first six months of 2017 increased from 40.1 days to 41.3 days. Amongst other things, this was because of the higher volume of non-current receivables. Due to the dividend payment, the investments and other reasons, cash and cash equivalents dropped from €140.4 million to €70.6 million. Time deposits and securities also dropped €10.0 million. As of the balance sheet date, the total liquidity – the value of the cash and cash equivalents including short-term and long-term time deposits and securities – amounted to €83.0 million. In addition to the total liquidity, Bechtle had a liquidity reserve of €39.1 million in the form of unused cash and guarantee credit lines.

LIQUIDITY (INCLUDING TIME DEPOSITS AND SECURITIES) €m



By 30 June 2017, the working capital had increased from €375.6 million to €448.1 million, due especially to the higher inventories and the lower trade payables. In relation to the balance sheet total, the working capital amounted to 36.9 per cent as of the balance sheet date, compared to 29.6 per cent as of 31 December 2016. In relation to the revenue, the working capital underwent a year-on-year increase from 23.2 per cent to 27.6 per cent as of 30 June 2017.

WORKING CAPITAL



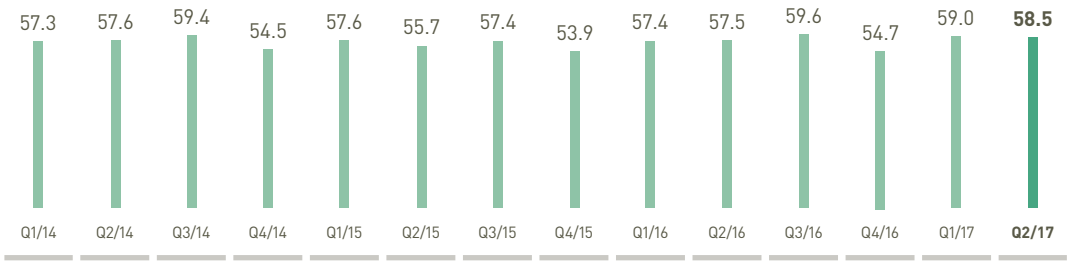
DEVELOPMENT OF THE LIABILITIES

As of 30 June 2017, non-current liabilities amounted to €117.8 million, a level close to that as of 31 December 2016 (€118.0 million). While financial liabilities went up €2.2 million, other liabilities and other items underwent a decline.

Current liabilities fell €71.2 million to €386.1 million. For seasonal reasons, trade payables dropped €59.6 million to €182.5 million. For reasons related to the reporting date, other liabilities fell €27.1 million. This was due mainly to the lower personnel liabilities and reduced VAT liabilities. By contrast, financial liabilities were €9.0 million higher.

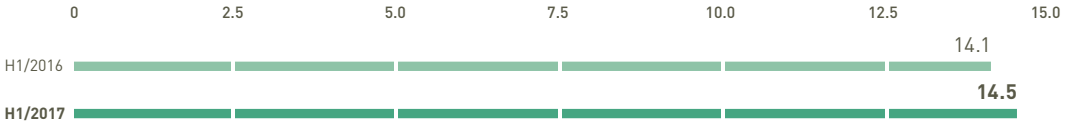
Owing to the higher earnings, the equity climbed from €694.1 million to €709.1 million as of 30 June 2017. Our equity ratio increased from 54.7 per cent as of 31 December 2016 to 58.5 per cent as of the reporting date.

EQUITY RATIO %



The extrapolated return on equity increased from 14.1 per cent as of 30 June 2016 to 14.5 per cent as of the reporting date.

RETURN ON EQUITY %



Due to the relatively high increase in non-current assets, the equity to non-current assets ratio receded on a high level from 188.5 per cent to 179.7 per cent. As Bechtle's liquidity continues to exceed its total financial liabilities, the group's net debt amounts to a negative value of €10.3 million. Due to the increase in equity, we were able to further reduce the dependence on external creditors. As of 30 June 2017, the debt ratio was 71.1 per cent, less than at the end of the fiscal year 2016 (82.9 per cent).

KEY BALANCE SHEET FIGURES OF THE BECHTLE GROUP

		30.06.2017	31.12.2016
Balance sheet total	€m	1,213.0	1,269.3
Cash and cash equivalents including time deposits and securities	€m	83.0	162.8
Equity	€m	709.1	694.1
Equity ratio	%	58.5	54.7
Equity to non-current assets ratio	%	179.7	188.5
Net debt	€m	–10.3	–101.3
Debt ratio	%	71.1	82.9
Working Capital	€m	448.1	375.6

DEVELOPMENT OF THE CASH FLOW

The net cash generated from operating activities in the period from January to June 2017 amounted to minus €23.3 million, compared to plus €5.8 million in the corresponding prior-year period. This decline was caused by changes in the net assets, which resulted in a cumulatively higher cash outflow than in the corresponding prior-year period. The cash outflow for the increase in inventories (minus €47.6 million) was significantly higher than in the prior year (minus €20.8 million). This is because Bechtle increasingly rolls out larger projects with longer terms as well, which however require a project-specific stock level. At minus €60.0 million, the cash outflow for the reduction of trade payables also contributed to the negative cash flow (prior year: minus €27.5 million).

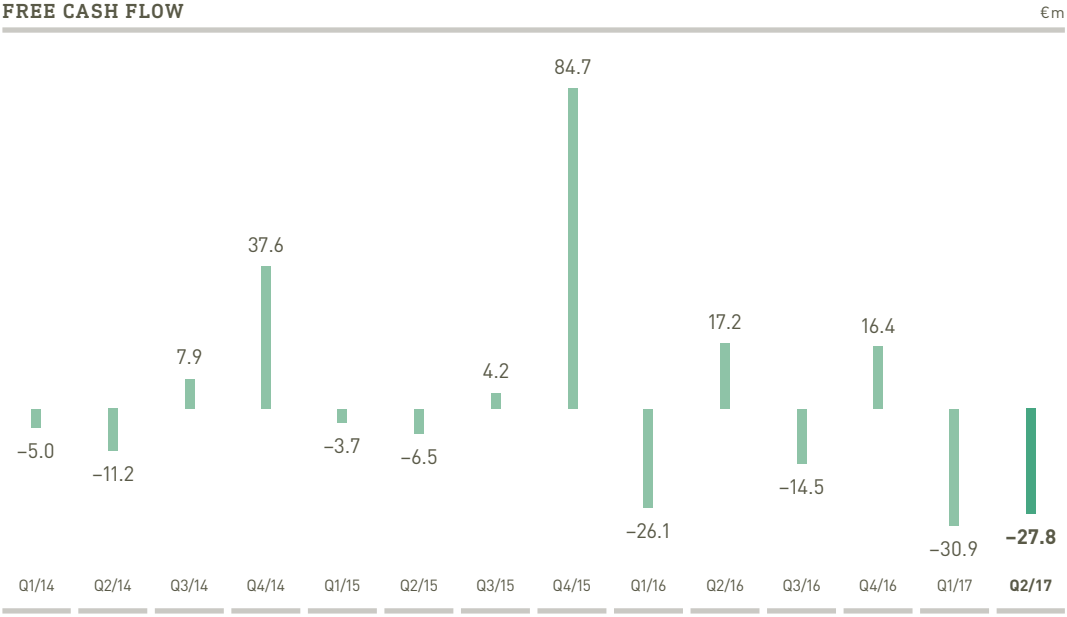
CASH FLOW FROM OPERATING ACTIVITIES €m

The cash flow from investing activities amounted to minus €25.2 million (prior year: plus €5.2 million). This item was affected especially by the much higher outflow for investments in intangible assets and property, plant and equipment as well as outflows for acquisitions.

The cash flow from financing activities amounted to minus €21.4 million, compared to minus €35.7 million in the prior year. This item was affected by the dividend payment, on the one hand, and the assumption of new financial liabilities, on the other hand.

Due to the negative operating cash flow and the significantly higher outflow for acquisitions and investments, the free cash flow from January to June underwent a year-on-year drop. It thus amounted to minus €58.7 million (prior year: minus €8.9 million).

FREE CASH FLOW

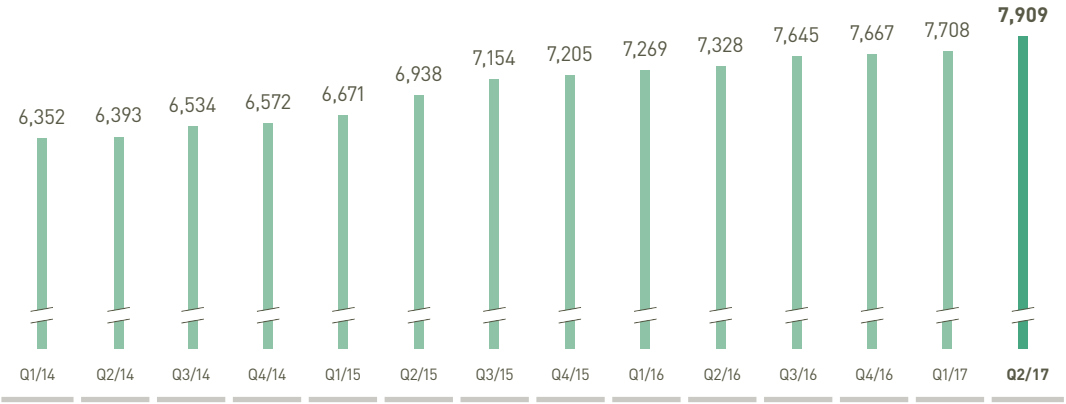


EMPLOYEES

- Headcount increase through new recruitment and acquisitions
- Training a strategic focus

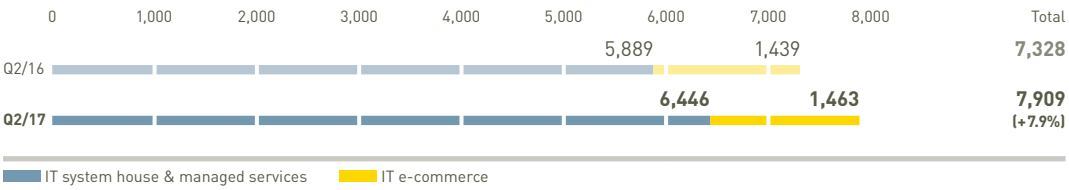
As of the reporting date 30 June 2017, the Bechtle Group had a total of 7,909 employees, including 453 trainees. Compared to 30 June 2016, the headcount thus went up by 581, an increase of 7.9 per cent.

EMPLOYEES IN THE GROUP



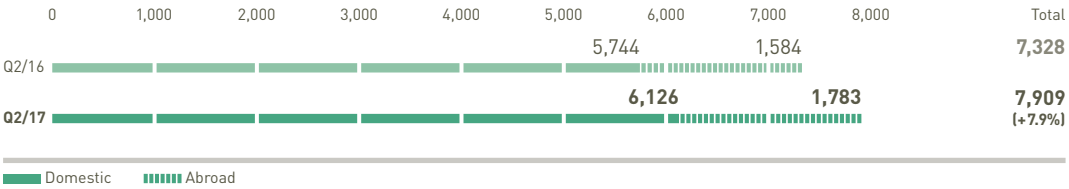
The system house & managed services segment recorded a headcount increase of 557 compared to the prior year, an increase of 9.5 per cent. The headcount increase outside Germany amounted to 28.6 per cent, a rate much higher than that in Germany. This was due to acquisitions. In the e-commerce segment, the headcount increased by merely 1.7 per cent.

EMPLOYEES BY SEGMENTS



As of 30 June 2017, a total of 6,126 persons – more than three quarters of the workforce – were employed in Germany.

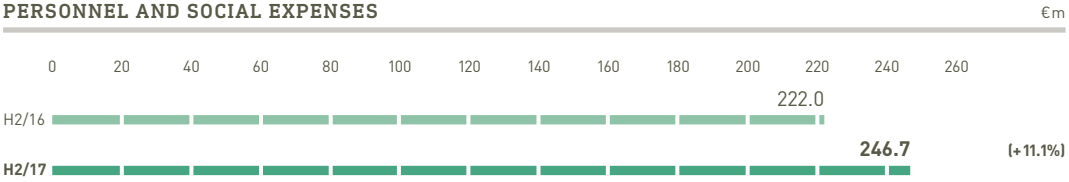
EMPLOYEES BY REGIONS



From January to June 2017, the average number of employees in the group amounted to 7,767, a total of 495 employees more than in the corresponding prior-year period, a growth of 6.8 per cent.

In the period from January to June 2017, personnel and social expenses totalled €246.7 million, 11.1 per cent more than in the corresponding prior-year period (€222.0 million). The expense ratio receded from 15.5 per cent to 15.2 per cent. Based on an average number of 7,164 (prior year: 6,717) full-time and part-time employees, personnel and social expenses increased from €33.1 thousand to €34.4 thousand.

PERSONNEL AND SOCIAL EXPENSES



At the beginning of the year, Bechtle AG received the Best Recruiters Gold award for the third time in a row in recognition of its outstanding marketing and recruiting achievements in the field of human resources. In the overall ranking of 507 companies in Germany, Bechtle ranked second.

Our human resources work continues to focus on training. In the first half of the year, Bechtle presented itself at numerous recruiting events in the regions of Heilbronn, Würzburg, Bonn, Cottbus and Erfurt. Such events give the enterprise the opportunity to distinguish itself as a training company. Moreover, in-house events such as visits from school classes, the Girl's Day in Neckarsulm and Cologne, as well as high-school internship weeks at various locations such as Neckarsulm, Würzburg and Karlsruhe, enable young people to get to know the company. In the first six months, the company received about 1,200 applications for a total of about 150 training and study posts. This reflects the great interest shown in such a post or an integrated degree programme at Bechtle.

Moreover, Bechtle offers qualified internal and external applicants a nine-month trainee programme. The trainees take on projects, support customers and gain a profound understanding of the company. From the outset, they are assigned demanding tasks to make them entrepreneurs in the enterprise. In recognition of this programme, Bechtle was awarded the trainee label "Career-promoting & fair trainee programme" by Absolventa for the fifth time in a row.

Bechtle continues to invest in the training of all employees and offers its employees a wide spectrum of seminars, webinars and e-learning courses. The subject areas range from presentation methods to project management to product training. In the first half of 2017, Bechtle Academy held 187 (prior year: 165) events with a total of 2,219 (prior year: 2,013) participants. Apart from the professional development of the employees, the personal development is also of great importance. From May 2016 to March 2017, 18 participants completed the yearly junior management programme. Among other things, this ongoing programme helps participants to acquire leadership skills. In spring, another 23 colleagues embarked on the junior management programme 2017/2018. In the first half of 2017, the general management programme, which takes place every two years, started with twelve participants. By means of this programme, Bechtle makes sure that it will continue to be able to fill strategically important executive positions with managers from its own ranks.

The training programme for Bechtle-certified IT business architects continued in 2017. Since the beginning of the year, 15 newly certified IT business architects have started providing advice to our customers.

RESEARCH AND DEVELOPMENT

As a pure service and trading company, Bechtle is not involved in any research activities. Software and application development activities are conducted primarily for internal purposes and only to a very limited extent. However, the software and application solutions division also offers customers the design, development and implementation of software, e.g. in SharePoint projects. In the reporting period, the scope of development services was insignificant in relation to the revenue of the whole group.

OPPORTUNITIES AND RISKS

See Annual Report 2016, page 83 ff

In line with the long-term focus of the strategy and business management of the Bechtle Group, the opportunities and risks for the coming months are basically the same as those presented in the Annual Report 2016. Compared to the situation presented in the last Annual Report, the first half of 2017 did not see any additional material opportunities or risks that would have resulted in a changed risk situation or a different evaluation of opportunities. Currently, no risks are known that could – individually or collectively – endanger the going concern.

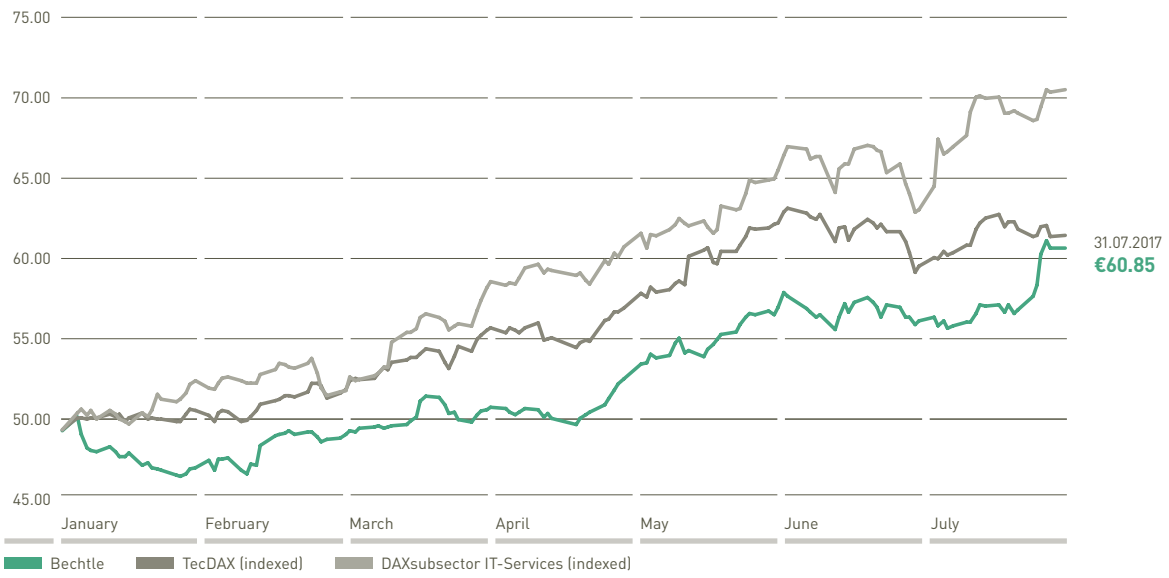
SHARE

Bechtle share reaches new highs

General Meeting approves capital increase from company funds

As in the previous months, the stock markets were again affected by numerous political events in the first six months of 2017. Especially the elections in the Netherlands and France gave rise to fears of a disintegration of the euro area and repeatedly caused commotion on the stock markets. As a result, the performance of the share prices was rather sluggish early in the year, though slight gains were achieved. Thanks to the strong election results of the proponents of European integration and positive economic data, the share prices shot up in the second quarter. The central banks, which propel the stock markets with low interest rates, continued to play an important role. In June, the DAX reached a new all-time high of 12,583.29 points and gained 7.4 per cent by the end of the first half of the year. The TecDAX also performed very well, achieving growth of 20.8 per cent.

THE BECHTLE SHARE – PERFORMANCE FROM JANUARY TO JULY 2017 (SPLIT-ADJUSTED) in €



Despite the generally positive market trend, the Bechtle share initially experienced slight losses at the beginning of the trading year. On 24 January, our share thus fell to a price of €93.00, the lowest level of the first half of the year. In the following weeks, the share price went up steadily, finally reaching levels around the 100-euro mark. This lateral movement continued until April. In May, the share jumped above the 110-euro mark for the first time. On 1 June, the Bechtle share closed at €116.10, the highest price in the first half of the year and a new all-time high. Thereafter, the share price remained above €110. With a closing price of €112.50 on 30 June, our share gained 13.8 per cent compared to the closing price on 30 December 2016.

On average, 28,971 shares were traded every trading day in the first six months of 2017, compared to 35,631 shares in the corresponding prior-year period. Thus, the average daily turnover of €2,989,478 was below the prior-year figure. In the TecDAX ranking of Deutsche Börse, Bechtle ranked 22nd in June 2017 in terms of stock exchange turnover (prior year, 18th place). In terms of market cap, the company ranked 15th, four places lower than in the prior year.

TRADING DATA OF THE BECHTLE SHARE

		H1/2017	H1/2016	H1/2015	H1/2014	H1/2013
Closing price on 30 June	€	112.50	94.42	67.99	62.57	35.19
Performance	%	+13.8	+7.2	+3.0	+26.5	+14.8
High (closing price)	€	116.10	102.0	75.97	65.80	38.94
Low (closing price)	€	93.00	73.70	64.49	49.33	30.07
Market cap – total[1]	€m	2,362.5	1,982.8	1,427.8	1,314.0	739.0
Avg. turnover/trading day[2]	shares	28,971	35,631	55,132	47,190	32,726
Avg. turnover/trading day[2]	€	2,989,478	3,111,967	3,838,151	2,778,164	1,162,288

Xetra price data
[1] As of 30 June
[2] All German stock exchanges

The Annual General Meeting of Bechtle AG took place on 1 June 2017 in Heilbronn, Germany. The General Meeting adopted all agenda items with an overwhelming majority. The agenda items submitted for voting included a capital increase from company funds and the issue of free shares, a so-called share split. According to the resolution, the share capital was to be doubled, and the shareholders were to be given one new no-par share for every existing no-par share. One of the reasons behind the share split was to reduce the perceived share price, thereby making it easier for shareholders to invest in the share or expand their position. The doubling of the number of shares also improves their tradability at the stock exchanges.

On 7 July, the capital increase was entered in the trade register. The last trading day prior to the implementation was 21 July. On 24 July, listing of the new shares started at the stock exchange. Due to the doubling of the share capital, the share price has halved. In the first days following the split, Bechtle shares experienced a significantly higher trading volume than in the preceding months. Moreover, the share picked up considerably, reaching new highs of over €60.

In accordance with the proposal of the Executive Board and Supervisory Board of Bechtle AG, the General Meeting also approved the payment of a dividend of €1.50 per share. In the prior year, Bechtle AG had paid out a dividend of €1.40. Compared to the prior year, the payment per share certificate thus increased €0.10. Based on the dividend payment of €31.5 million, 30.5 per cent of the consolidated earnings after taxes were paid out to the shareholders. This was the 11th increase of the normal dividend overall and the seventh in a row. This year too, Bechtle AG has thus held fast to its shareholder-friendly dividend policy, which it has pursued since its IPO in 2000. In relation to the closing price as of the end of the six-month period, the dividend yield amounted to 1.3 per cent.

DIVIDEND

		2016	2015
Dividend	€	1.50	1.40
Dividend payout ratio	%	30.5	31.7
Dividend yield[1]	%	1.3	1.5

[1] As of 30 June

FORECAST

Events after the reporting period, see Notes, page 45

- Macroeconomic performance stable
- Bechtle confirms forecast for 2017

MACROECONOMY

ec.europa.eu

According to the forecasts of the European Commission, the economic performance in the EU will remain stable in the coming months. The growth will amount to 0.5 per cent in both the third and fourth quarters. Amongst the EU countries in which Bechtle is present, the growth expectations for the third quarter range from 0.3 per cent in Austria, Italy, Portugal and the UK to 1.2 per cent in Hungary. Throughout the EU, GDP growth is forecast at 1.9 per cent for 2017 as a whole. Investments in equipment are expected to grow 3.1 per cent. The dynamics are to be maintained in the coming year as well. Quarterly growth rates from 0.4 to 0.5 per cent are predicted for the EU, bringing 2018 as a whole to a steady rate of 1.9 per cent. Investments in equipment are to grow at a higher rate of 3.6 per cent.

www.seco.admin.ch

Over the past quarters, the Swiss economy has recovered at a slower rate than expected. However, according to the Swiss State Secretariat for Economic Affairs (SECO), the fact that the order backlog increased further in the first half of the year both in the industry and service sector suggests an improvement of the economic performance. The GDP growth in 2017 is expected to amount to 1.4 per cent, and investments in equipment are to grow 2.3 per cent. An even higher GDP growth of 1.9 per cent is predicted for the coming year.

The economic dynamics in Germany are to remain steady throughout the year. The European Commission expects growth of 0.5 per cent in the third and fourth quarters. For 2017 as a whole, current forecasts expect Germany to see GDP growth from 1.5 to 1.9 per cent. However, the European Commission expects a lower growth rate of 1.4 per cent for investments in equipment. Growth from 1.5 to 2.0 per cent is anticipated for 2018 as a whole. Investments in equipment are expected to grow by a higher rate of 2.8 per cent.

INDUSTRY

eito.com

According to the latest forecast of the EITO market research institute of May 2017, the IT market in the EU is to grow 3.0 per cent in 2017. Hardware sales are to grow 0.8 per cent. Service revenues are to go up 2.7 per cent, and software 5.4 per cent. There are great disparities in hardware revenue in the countries where Bechtle operates. While some countries are expected to grow – headed by Hungary with 11.8 per cent – most are likely to experience a decline, most severely Ireland with minus 3.8 per cent.

According to the EITO forecast, the performance of the Swiss IT market in general will be just as positive as in the EU. Here too, the IT market is expected to grow 3.0 per cent in 2017. While a decline of 3.2 per cent is expected in the field of hardware sales, services are to grow 3.0 per cent and software even 5.8 per cent.

In 2017, the German IT market is set to grow 3.1 per cent. Here, hardware sales are to grow 0.8 per cent. Though desktop PC sales are to decline (minus 0.5 per cent), a growth of 1.2 per cent is predicted for laptops and as much as 2.4 per cent for tablets. Service revenues are to increase 2.3 per cent and software – the growth driver – 6.3 per cent.

PERFORMANCE OF THE BECHTLE GROUP

In the first six months of 2017, Bechtle AG experienced substantial growth and successfully increased market shares. The growth dynamics remained at a similarly high level in both quarters. All in all, our revenue and earnings are above the target range of our expectations for 2017 as a whole. Despite this excellent performance in the first half of the year and the outstanding positioning of Bechtle as a one-stop IT provider, there are still many significant macroeconomic risk factors, which is why we prefer not to increase our forecast for the time being. Therefore, we will probably only be able to provide a more reliable estimation regarding the realisation of our goals for the fiscal year 2017 upon completion of the third quarter.

Bechtle AG is currently positioning itself for continued market success as the IT partner of choice for medium-sized businesses. This is associated with numerous investments. If all projects are rolled out as planned, the investments will be about 50 per cent higher than in the prior year. In 2018, the investment volume is to return to a level similar to 2016.

Apart from this, there are no additional details or changes to the forecast for the fiscal year 2017 as published in the Annual Report 2016.

See Annual Report 2016, page 108 ff

Neckarsulm, 9 August 2017

Bechtle AG
The Executive Board

CONSOLIDATED INCOME STATEMENT

€k

		01.04–30.06.2017	01.04–30.06.2016	01.01–30.06.2017	01.01–30.06.2016
Revenue		822,198	723,393	1,625,327	1,428,298
Cost of sales		695,692	611,146	1,380,216	1,211,727
Gross profit		**126,506**	**112,247**	**245,111**	**216,571**
Distribution costs		53,169	48,777	101,753	93,977
Administrative expenses		41,629	36,135	84,256	72,498
Other operating income		4,796	4,926	9,225	9,121
Earnings before interest and taxes		**36,504**	**32,261**	**68,327**	**59,217**
Financial income		291	467	526	1,032
Financial expenses		565	633	1,148	1,239
Earnings before taxes		**36,230**	**32,095**	**67,705**	**59,010**
Income taxes		10,840	9,384	20,217	17,184
Earnings after taxes (attributable to shareholders of Bechtle AG)		**25,390**	**22,711**	**47,488**	**41,826**
Net earnings per share (basic and diluted)	in €	**1.21**	**1.08**	**2.26**	**1.99**
Weighted average shares outstanding (basic and diluted)	in thousands	**21,000**	**21,000**	**21,000**	**21,000**

See further comments in the Notes, in particular V., page 32 f

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€k

	01.04–30.06.2017	01.04–31.06.2016	01.01–30.06.2017	01.01–30.06.2016
Earnings after taxes	**25,390**	**22,711**	**47,488**	**41,826**
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses on pension provisions	415	–135	310	96
Income tax effects	–76	24	–57	–16
Items that will be reclassified to profit or loss in subsequent periods				
Unrealised gains and losses on securities	0	2	-1	6
Income tax effects	0	0	0	–1
Unrealised gains and losses on financial derivatives	–93	605	–793	–804
Income tax effects	27	–174	234	238
Currency translation differences of net investments in foreign operations	0	0	0	0
Income tax effects	0	0	0	0
Hedging of net investments in foreign operations	1,639	–221	1,460	–809
Income tax effects	–486	65	–433	240
Currency translation differences	–2,470	224	–1,701	–1,373
Other comprehensive income	**–1,044**	**390**	**–981**	–2,423
of which income tax effects	–535	–85	–256	461
Total comprehensive income (attributable to shareholders of Bechtle AG)	**24,346**	**23,101**	**46,507**	**39,403**

See further comments in the Notes, in particular V. and VI., page 32 f and page 33 ff

CONSOLIDATED BALANCE SHEET

ASSETS			€k
	30.06.2017	31.12.2016	30.06.2016
Non-current assets			
Goodwill	194,802	193,521	166,756
Other intangible assets	42,058	35,338	27,602
Property, plant and equipment	123,267	111,666	103,088
Trade receivables	19,362	12,436	9,245
Income tax receivables	0	0	33
Deferred taxes	4,682	4,798	4,197
Other assets	3,378	3,467	3,511
Time deposits and securities	7,005	7,005	7,003
Total non-current assets	**394,554**	**368,231**	**321,435**
Current assets			
Inventories	228,401	180,652	170,996
Trade receivables	454,151	502,270	395,946
Income tax receivables	984	847	1,407
Other assets	58,965	61,562	52,964
Time deposits and securities	5,391	15,361	15,286
Cash and cash equivalents	70,580	140,415	139,628
Total current assets	**818,472**	**901,107**	**776,227**
Total assets	**1,213,026**	**1,269,338**	**1,097,662**

See further comments in the Notes, in particular VI., page 33 ff

EQUITY AND LIABILITIES

€k

	30.06.2017	31.12.2016	30.06.2016
Equity			
Issued capital	21,000	21,000	21,000
Capital reserves	145,228	145,228	145,228
Retained earnings	542,882	527,875	464,426
Total equity	**709,110**	**694,103**	**630,654**
Non-current liabilities			
Pension provisions	19,752	19,924	15,863
Other provisions	6,828	6,719	5,906
Financial liabilities	53,989	51,744	52,436
Trade payables	47	147	192
Deferred taxes	20,201	20,570	19,889
Other liabilities	4,331	5,874	6,052
Deferred income	12,643	12,981	11,562
Total non-current liabilities	**117,791**	**117,959**	**111,900**
Current liabilities			
Other provisions	6,961	6,657	5,856
Financial liabilities	18,714	9,745	8,395
Trade payables	182,519	242,120	176,084
Income tax payables	8,633	7,676	8,236
Other liabilities	88,257	115,314	82,426
Deferred income	81,041	75,764	74,111
Total current liabilities	**386,125**	**457,276**	**355,108**
Total equity and liabilities	**1,213,026**	**1,269,338**	**1,097,662**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

			Retained earnings			
	Issued capital	Capital reserves	Accrued profits	Changes in equity outside profit or loss	Total	Total equity (attributable to shareholders of Bechtle AG)
Equity as of 1 January 2016	**21,000**	**145,228**	**455,209**	**–786**	**454,423**	**620,651**
Distribution of profits for 2015			–29,400		–29,400	–29,400
Earnings after taxes			41,826		41,826	41,826
Other comprehensive income				–2,423	–2,423	–2,423
Total comprehensive income	**0**	**0**	**41,826**	**–2,423**	**39,403**	**39,403**
Equity as of 30 June 2016	**21,000**	**145,228**	**467,635**	**–3,209**	**464,426**	**630,654**
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			47,488		47,488	47,488
Other comprehensive income				–981	–981	–981
Total comprehensive income	**0**	**0**	**47,488**	**–981**	**46,507**	**46,507**
Equity as of 30 June 2017	**21,000**	**145,228**	**545,168**	**–2,286**	**542,882**	**709,110**

See further comments in the Notes, in particular VI., page 33 ff

CONSOLIDATED CASH FLOW STATEMENT

€k

	01.04–30.06.2017	01.04–30.06.2016	01.01–30.6.2017	01.01–30.6.2016
Operating activities				
Earnings before taxes	**36,230**	**32,095**	**67,705**	**59,010**
Adjustment for non-cash expenses and income				
Financial earnings	274	165	622	206
Depreciation and amortisation of intangible assets and property, plant and equipment	7,182	7,057	14,084	13,947
Gains and losses on disposal of intangible assets and property, plant and equipment	13	46	43	69
Other non-cash expenses and income	801	–1,368	248	–553
Changes in net assets				
Changes in inventories	–18,124	–6,908	–47,632	–20,808
Changes in trade receivables	–14,898	–3,410	42,903	22,608
Changes in trade payables	5,063	5,648	–59,997	–27,530
Changes in deferred income	–8,411	–8,993	4,474	–4,813
Changes in other net assets	–3,495	8,154	–25,430	–18,380
Income taxes paid	–10,964	–8,749	–20,303	–17,916
Cash flow from operating activities	**–6,329**	**23,737**	**–23,283**	**–5,840**
Investing activity				
Cash paid for acquisitions less cash acquired	–4,297	–57	–4,292	–1,493
Cash paid for investments in intangible assets and property, plant and equipment	–18,556	–4,881	–32,999	–13,588
Cash received from the sale of intangible assets and property, plant and equipment	1,430	–1,567	1,915	347
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets	0	9,525	10,000	19,525
Interest payments received	116	87	198	359
Cash flow from investing activities	**–21,307**	**3,107**	**–25,178**	**5,150**
Financing activities				
Cash paid for the repayment of financial liabilities	–1,981	–1,962	–4,012	–5,582
Cash received from the assumption of financial liabilities	10,546	–2,125	15,225	394
Dividends paid	–31,500	–29,400	–31,500	–29,400
Interest paid	–528	–593	–1,080	–1,156
Cash flow from financing activities	**–23,463**	**–34,080**	**–21,367**	**–35,744**
Exchange-rate-related changes in cash and cash equivalents	–9	164	–7	–385
Changes in cash and cash equivalents	**–51,108**	**–7,072**	**–69,835**	**–25,139**
Cash and cash equivalents at beginning of the period	**121,688**	**146,700**	**140,415**	**164,767**
Cash and cash equivalents at the end of the period	**70,580**	**139,628**	**70,580**	**139,628**

See further comments in the Notes, in particular VII., page 36

NOTES

I. GENERAL DISCLOSURES

Bechtle AG, Bechtle Platz 1, 74172 Neckarsulm, Germany, is a listed company and as such required under Section 315a 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 EU. Accordingly, this interim financial report as of 30 June 2017 has been prepared in accordance with the IFRS.

In accordance with IAS 34, the scope of the presentation used in this interim financial report as of 30 June 2017 is significantly reduced compared to the consolidated financial statements as of the end of the fiscal year. Additionally, the requirements of German Accounting Standard No. 16 (DRS 16) and the Stock Exchange Rules and Regulations of the Frankfurt stock exchange that exceed IAS 34 have been taken into consideration and fully met.

Our business activity is subject to certain seasonal fluctuations during the year. In the past, the revenue and earnings contributions tended to be at their lowest in the first quarter and at their highest in the fourth quarter due to the traditionally strong year-end business. Therefore, the interim results only qualify as indicators for the results of the fiscal year as a whole to a limited extent.

II. KEY PRINCIPLES OF ACCOUNTING AND CONSOLIDATION

efrag.org

In the first half of 2017, the EU did not endorse any further standards or amendments to standards. Bechtle had already adopted the new and amended standards and interpretations whose adoption is mandatory for the fiscal year 2017 ahead of time for the consolidated financial statements for the fiscal year 2016.

In this interim financial report, the same key principles of accounting, assessment and consolidation were applied as in the consolidated financial statements for the fiscal year 2016. For further information, please refer to the consolidated financial statements as of 31 December 2016, which form the basis for these interim financial statements.

In accordance with IAS 34, the determination of the tax expense in the interim period takes place on the basis of the effective tax rate expected for the entire fiscal year. Taxes related to extraordinary events are taken into consideration in the quarter in which the underlying event occurs.

III. EFFECTS OF STANDARDS TO BE ADOPTED IN THE FUTURE

A review of the effects of the first-time adoption of IFRS 15 showed that the accounting practice will remain almost unchanged for contracts in the IT e-commerce segment, whose revenue consists almost exclusively of trading business. As most of the revenue in the IT system house & managed services segment is also generated from trading business or project-related services, hardly any changes are expected here either. However, services performed under contracts for managed services might be subject to changes with respect to the ramp-up and ramp-down costs. According to IFRS 15, such costs must be capitalised and amortised over the contract term if they arise in connection with the fulfilment of a customer contract, result in an enhanced use of resources and are expected to be recovered over the contract term. At Bechtle, contractual commission on trading business and services accrues at the time of delivery or performance and is thus recognised as an expense as of the time of recognition of the revenue. Generally, therefore, the adoption of IFRS 15 will not result in any changes. As a whole, the capitalisation of contractual assets and customer acquisition costs did not result in any major change of the group balance sheet total. Based on the current contract status, we expect the balance sheet total to increase by no more than €10 million. Additionally, the disclosures in the notes will increase significantly. Apart from qualitative descriptions concerning significant discretionary judgements and uncertainties, the standard requires a breakdown of the total revenue, the opening and closing balances of the contractual net assets and liabilities, and specific information on the service obligations. Furthermore, accounting processes, IT systems and, under certain circumstances, business processes need to be adapted to the new situation. The date of first-time adoption is 1 January 2018. The Bechtle Group intends to adopt the new standards as of the required effective date and to use the fully retrospective approach.

With respect to the effects of the introduction of IFRS 16 with first-time adoption on 1 January 2019, no changes will arise compared to the Annual Report 2016.

IV. 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.

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/ foundation
ARP Europe GmbH	Heilbronn, Germany	8 May 2017	Foundation
Comformatik AG	Rottweil, Germany	9 May 2017	Acquisition
smartpoint IT consulting GmbH	Linz, Austria	17 May 2017	Acquisition

V. NOTES TO THE INCOME STATEMENT AND TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EXPENSE STRUCTURE

€k

	Cost of sales		Distribution costs		Administrative expenses	
	01.01–30.06.2017	01.01–30.06.2016	**01.01–30.06.2017**	01.01–30.06.2016	**01.01–30.06.2017**	01.01–30.06.2016
Material costs	1,244,093	1,084,163	0	0	0	0
Personnel and social expenses	109,018	99,085	83,113	74,583	54,546	48,360
Depreciation and amortisation	6,421	6,859	2,977	3,229	4,686	3,859
Other operating expenses	20,684	21,620	15,663	16,165	25,024	20,279
Total expenses	**1,380,216**	**1,211,727**	**101,753**	**93,977**	**84,256**	**72,498**

See Segment Reporting, Income Statement, page 40

The year-on-year increase of all cost types was mainly caused by the much higher business volume in the reporting period.

The material costs include net expenses of €1,656 thousand from exchange rate fluctuations (prior year: net €207 thousand income).

OTHER OPERATING INCOME

Other operating income mainly consisted of marketing grants and other payments from suppliers amounting to €7,823 thousand (prior year: €7,921 thousand).

FINANCIAL INCOME AND FINANCIAL EXPENSES

The financial income comprises income from call money, time deposits and financial receivables. The year-on-year decline is the result of a positive one-time effect from a forfeiting measure in the prior year.

The financial expenses mainly include interest paid for the financial liabilities. The year-on-year decline in financial expenses occurred due to the further repayment of previous loan liabilities. As the interest rates are very low, the assumption of new financial liabilities in the reporting period did not result in any major increase in interest expenses.

EARNINGS PER SHARE

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

		01.01–30.06.2017	01.01–30.06.2016
Earnings after taxes	€k	47,488	41,826
Average number of outstanding shares		21,000,000	21,000,000
Earnings per share	€	**2.26**	**1.99**

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 would reduce the number of outstanding shares accordingly. The basic earnings per share are identical to the diluted earnings per share.

OTHER COMPREHENSIVE INCOME

Other comprehensive income was mainly affected by the development of the euro/Swiss franc exchange rate. Year on year, the Swiss franc lost more value in the first six months of 2017.

See page 25

Apart from this, the other comprehensive income was mainly influenced by the hedging of the currency risk for future goods purchases in USD and purchase prices that depend on exchange rates. These hedges can be considered as effective even in the case or realistic deviations from the plan.

See Annual Report 2016, page 167 ff

Details on the composition of the other comprehensive income, which is recognised outside profit or loss, with respect to the change that this item underwent and its accumulated balance are presented in section VI. "Notes to the Balance Sheet and to the Statement of Changes in Equity".

See page 34 f

VI. NOTES TO THE BALANCE SHEET AND TO THE STATEMENT OF CHANGES IN EQUITY

ASSETS

The reduction in trade receivables in the reporting period resulted from seasonal fluctuations during the year, with a high-revenue final quarter. Time deposits and securities underwent a decline, as some of them reached maturity in the first half of 2017 and were not reinvested. The rise in inventories was necessitated by the further increased business volume.

EQUITY

Issued Capital

At the Annual General Meeting on 1 June 2017, a resolution was adopted to increase the capital from the company's own funds. By means of the issue of free shares to the existing shareholders, the share capital will be increased from €21,000,000 to €42,000,000. The pro-rata amount of the individual shares in the share capital is €1.00, as previously. The shareholders are entitled to the new shares at a ratio of 1:1, i.e. one new share is granted for every existing share. The new shares are entitled to profit from 1 January 2017.

On 7 July 2017, the capital increase was entered in the trade register and became effective.

Retained Earnings

Dividend Payment

At the Annual General Meeting on 1 June 2017, a resolution was adopted to pay a dividend of €1.50 per no-par share with dividend entitlement for the fiscal year 2016. The dividend was paid out on 7 June 2017.

In terms of its accumulated balance as of the balance sheet date and its change during the period under review, the other comprehensive income that is to be recognised outside profit or loss was composed as follows:

k€

	30.06.2017			31.12.2016		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Actuarial gains and losses on pension provisions	–19,033	3,608	**–15,425**	–19,343	3,665	**–15,678**
Unrealised gains and losses on securities	–2	0	**–2**	–1	0	**–1**
Unrealised gains and losses on financial derivatives	922	–274	**648**	1,715	–508	**1,207**
Currency translation differences of net investments in foreign operations	0	0	**0**	0	0	**0**
Hedging of net investments in foreign operations	–15,175	4,446	**–10,729**	–16,635	4,879	**–11,756**
Currency translation differences	23,222	0	**23,222**	24,923	0	**24,923**
Other comprehensive income	**–10,066**	**7,780**	**–2,286**	**–9,341**	**8,036**	**–1,305**

€k

	01.01–30.06.2017			01.01–30.06.2016		
	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	**310**	**–57**	**253**	**96**	**–16**	**80**
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on securities	**–1**	**0**	**–1**	**6**	**–1**	**5**
Gains and losses that arose in the current period	–1	0	–1	6	–1	5
Reclassifications to profit and loss	0	0	0	0	0	0
Unrealised gains and losses on financial derivatives	**–793**	**234**	**–559**	**–804**	**238**	**–566**
Gains and losses that arose in the current period	–554	163	–391	–786	233	–553
Reclassifications to profit and loss	–239	71	–168	–18	5	–13
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	**1,460**	**–433**	**1,027**	**–809**	**240**	**–569**
Gains and losses that arose in the current period	1,460	–433	1,027	–809	240	–569
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	**–1,701**	**0**	**–1,701**	**–1,373**	**0**	**–1,373**
Other comprehensive income	**–725**	**–256**	**–981**	**–2,884**	**461**	**–2,423**

LIABILITIES

The decline in trade payables and in current other liabilities was mainly caused by the usual seasonal fluctuations during the year, with a high-revenue final quarter. The decline in current other liabilities is the result of the lower liabilities to employees. Due to the positive business performance and the associated performance-related compensation components of the employees, these had increased as of 31 December 2016.

Financial liabilities increased due to the assumption of new loan liabilities.

For further details of the loans, see Annual Report 2016, page 159

VII. NOTES TO THE CASH FLOW STATEMENT

Year on year, the decline in the cash flow from operating activities was mainly caused by the higher capital tie-up due to the longer flow times of larger projects. The same effect had the cash outflow caused by the reduction of trade payables. The substantial reduction in trade receivables was only able to compensate for the decline to a limited extent.

In the area of investing activities, the time deposits and securities that reached maturity were not reinvested in the reporting period. The outflow for investments in intangible assets and property, plant and equipment in the context of projects was higher than in the corresponding prior-year period. Key projects included the new digital Bechtle marketplace in the area of intangible assets and the relocation of our internal data centre to e-shelter in Frankfurt in the area of property, plant and equipment. The construction of the car park on Bechtle Platz also played a major role in the increase in investments in property, plant and equipment. The inflows from interest income attributable to long-term trade receivables are presented in the operating cash flow.

The cash flow from financing activities was mainly marked by the dividend that was paid out in the reporting period. The dividend for the fiscal year 2016 amounted to €31,500 thousand. The dividend for the fiscal year 2015, which had been paid out in the prior year, had amounted to €29,400 thousand. In the reporting period, inflows from the assumption of new financial liabilities were effective in the opposite direction.

VIII. OPERATING LEASES

Future minimum lease payments from rental and leasing contracts classified as "operating leases" according to IAS 17 amounted to €64,223 thousand as of 30 June 2017 (31 December 2016: €67,143 thousand).

€k

	30.06.2017	31.12.2016
Due within one year	25,565	27,472
Due between one and five years	32,852	31,937
Due after five years	5,806	7,734
Minimum lease payments	**64,223**	**67,143**

IX. FINANCE LEASES

As of the closing date, the trade receivables contained finance leasing receivables amounting to €20,404 thousand (31 December 2016: €13,651 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.

€k

	30.06.2017			31.12.2016		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
Due within one year	6,532	196	6,728	4,156	569	4,725
Due between one and five years	13,872	252	14,124	9,495	617	10,112
Due after five years	0	0	0	0	0	0
Minimum lease payments	**20,404**	**448**	**20,852**	**13,651**	**1,186**	**14,837**

The interest share of the lease payments corresponds to the not yet realised financial income. The leasing receivables do not contain any impairment.

X. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities (financial instruments) are classified according to IFRS 7. The allocation of the financial instruments contained in the individual balance sheet items in this interim financial report corresponds to the allocation in the Annual Report 2016.

See Annual Report 2016, page 140 ff and page 163 ff

According to IFRS 13, the measurement methods are divided into the following three levels, depending on the key parameters on which the measurement is based:
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 following table compares the carrying amounts and fair value of the financial instruments for the classes of financial instruments according to IFRS 7 and their measurement level according to IFRS 13.

€k

Class pursuant to IFRS 7	Measurement category	Carrying amount 30.06.2017	Fair value 30.06.2017	Carrying amount 31.12.2016	Fair value 31.12.2016	Level
Assets						
Non-current trade receivables	LAR	5,490	5,656	2,941	3,096	3
Long-term leasing receivables	IAS 17	13,872	13,700	9,495	9,220	3
Current trade receivables	LAR	447,619	447,619	498,114	498,114	3
Current leasing receivables	IAS 17	6,532	6,532	4,156	4,156	3
Securities	AFS	2,005	2,005	2,005	2,005	1
Time deposits						
Bond loans	LAR	5,013	5,008	15,038	15,012	2
Fixed-term deposits	LAR	0	0	0	0	2
Insurances	LAR	5,378	5,378	5,323	5,323	3
Other financial assets	LAR	28,228	28,228	36,376	36,376	3
Long-term lending	LAR	436	482	459	498	3
Financial derivatives						
Derivatives with hedge relationship	n/a	2,270	2,270	2,441	2,441	2
Derivatives without hedge relationship	FAFVPL	540	540	725	725	2
Cash and cash equivalents	LAR	70,580	70,580	140,415	140,415	1
Equity and liabilities						
Loans	FLAC	72,703	79,128	61,489	69,045	2
Non-current trade payables	FLAC	47	46	147	142	3
Current trade payables	FLAC	182,519	182,519	242,120	242,120	3
Other financial liabilities	FLAC	59,129	59,129	77,630	77,630	3
Liabilities resulting from acquisitions	FLFVPL	6,497	6,497	6,957	6,957	3
Financial derivatives						
Derivatives with hedge relationship	n/a	189	189	195	195	2
Derivatives without hedge relationship	FLFVPL	234	234	229	229	2
Thereof aggregated according to valuation category pursuant to IAS 39	LAR	562,744	562,951	698,666	698,834	
	AFS	2,005	2,005	2,005	2,005	
	FLAC	314,398	320,822	381,386	388,937	
	FAFVPL	540	540	725	725	
	FLFVPL	6,731	6,731	7,186	7,186	

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

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 **liabilities from acquisitions** are conditional, additional purchase price payments (earn-outs) for acquisitions (IFRS 3.58). During the reporting period, the calculation methodology and sensitivities did not undergo any material changes.

See Annual Report 2016, page 164

Liabilities from acquisitions developed as follows:

€k

		Total gains and losses						
Financial assets and liabilities in Level 3	01.01.2017	Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income	Additions	Compen-sation/ settlement	Reclassi-fication	**30.06.2017**
Liabilities resulting from acquisitions	6,957	58	0	–72	487	–933	0	**6,497**

The €58 thousand posted as expense under financial earnings were fully attributable to future payments accounted for as of 30 June 2017.

XI. SEGMENT INFORMATION

The segment information is presented on the basis of the same principles as in the consolidated financial statements for fiscal year 2016.

€k

By segments	01.01–30.06.2017 IT system house & managed services	01.01–30.06.2017 IT e-commerce	01.01–30.06.2017 Group	01.01–30.06.2016 IT system house & managed services	01.01–30.06.2016 IT e-commerce	01.01–30.06.2016 Group
Total segment revenue	1,150,775	492,346		1,009,304[1]	437,515[1]	
less intersegment revenue	–14,587	–3,207		–14,237[1]	–4,284[1]	
Revenue	1,136,188	489,139	**1,625,327**	995,067[1]	433,231[1]	**1,428,298**
Depreciation and amortisation	–9,596	–2,519	**–12,115**	–9,100[1]	–2,448[1]	**–11,548**
Segment result	49,339	20,957	**70,296**	42,413[1]	19,203[1]	**61,616**
Amortisation from acquisitions	–1,969	0	**–1,969**	–2,399	0	**–2,399**
Earnings before interest and taxes	47,370	20,957	**68,327**	40,014[1]	19,203[1]	**59,217**
Financial earnings			**–622**			**–207**
Earnings before taxes			**67,705**			**59,010**
Income taxes			**–20,217**			**–17,184**
Earnings after taxes			**47,488**			**41,826**
Investments	25,766	7,216	**32,982**	9,629[1]	3,830[1]	**13,459**
Investments through acquisitions	3,897	0	**3,897**	1,210	0	**1,210**

[1] Prior-year figures have been adjusted due to the changed segment allocation of the Comsoft activities in Germany, Austria and Switzerland

Segment information on employees, see, page 44

€k

By regions	01.01–30.06.2017 Domestic	01.01–30.06.2017 Abroad	01.01–30.06.2017 Group	01.01–30.06.2016 Domestic	01.01–30.06.2016 Abroad	01.01–30.06.2016 Group
Revenue	1,127,116	498,211	**1,625,327**	986,621	441,677	**1,428,298**
Investments	30,433	2,549	**32,982**	10,735	2,724	**13,459**
Investments through acquisitions	468	3,429	**3,897**	0	1,210	**1,210**

As the total segment assets are not part of the internal reporting, this information is not disclosed in the notes in the quarterly reports in accordance with IAS 34.16Agiv.

XII. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

In the first half of 2017 Bechtle AG acquired 100 per cent of the shares of each of two companies. The information required for the transactions will be presented together (IFRS 3 B65).

The acquisition of both was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff) and must still be considered as provisional (IFRS 3.45).

As of the acquisition date 9 May 2017, the company had acquired all interests in Comformatik AG, Rottweil. Furthermore, as of the acquisition date 17 May 2017, the company had acquired all interests in smartpoint IT consulting GmbH in Linz, Austria.

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€1,479 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 (€377 thousand) were recognised.

Under consideration of the acquired total net assets (€1,678 thousand), in total the capital consolidation resulted in a preliminary difference of €2,302 thousand that is presented as goodwill. This goodwill is not recognised for tax purposes.

With the acquisition of Comformatik, Bechtle is also strengthening its position as a comprehensive IT solution provider in the area of digital formation. In addition to the classic fields of activity of an IT system house, the service spectrum also comprises the consulting and conception for the school IT organisation and media planning including installation and start-up of the required data networks.

With the acquisition of smartpoint, Bechtle is consistently continuing the strategic alignment as an IT solution provider with a strong regional presence and is further expanding its software and application solutions segment through smartpoint, which is acknowledged by the market. The service spectrum comprises consulting and conception and implementation, as well as operations and training.

The company purchase agreement for the acquisition of shares in Comformatik does not contain any contingent purchase price payment that depends on the acquired company's future business performance.

The company purchase agreement for the acquisition of smartpoint contains a contingent purchase price payment of up to €500 thousand, which depends on the acquired company's future business performance. Based on the validated business plan of smartpoint, the fair value of this contingent purchase price payment on the acquisition date was €485 thousand.

The acquisition costs for both companies (€3,980 thousand) resulted in an outflow of cash and cash equivalents.

The receivables taken over were not subject to any significant valuation adjustments.

€k

	Comformatik AG/ smartpoint IT consulting GmbH
Non-current assets	
Goodwill	2,302
Other intangible assets	1,539
Property, plant and equipment	56
Deferred taxes	0
Other assets	0
Total non-current assets	**3,897**
Current assets	
Inventories	182
Trade receivables	1,367
Other assets	109
Cash and cash equivalents	368
Total current assets	**2,026**
Total assets	**5,923**
Non-current liabilities	
Other provisions	0
Deferred taxes	377
Other liabilities	0
Total non-current liabilities	377
Current liabilities	
Trade payables	394
Income tax liabilities	106
Other provisions and liabilities	601
Deferred income	465
Total current liabilities	**1,566**
Total liabilities	**1,943**
Total assets – Total liabilities = Acquisition costs	**3,980**

XIII. EMPLOYEES

The employee numbers were as follows:

	30.06.2017	31.12.2016	01.01–30.06.2017	01.01–30.06.2016
Full-time and part-time employees	7,320	7,033	7,164	6,717
Trainees	453	500	474	431
Employees on parental leave	136	134	129	124
Temporary staff	274	237	248	236
Total	**8,183**	**7,904**	**8,015**	**7,508**

The employee numbers (without temporary staff) break down by segments and regions as follows:

	30.06.2017	31.12.2016	01.01–30.06.2017	01.01–30.06.2016
IT system house & managed services	**6,446**	**6,212**[1]	**6,334**	**5,872**[1]
Domestic	5,605	5,440[1]	5,537	5,208[1]
Abroad	841	772[1]	797	664[1]
IT e-commerce	**1,463**	**1,455**[1]	**1,433**	**1,400**[1]
Domestic	521	516[1]	506	490[1]
Abroad	942	939[1]	927	910[1]

[1] Adjustment due to changed segment allocation

The employee numbers (without employees on parental leave and without temporary staff) break down by functional areas as follows:

See Annual Report 2016, page 187 f

	30.06.2017	31.12.2016	01.01–30.06.2017	01.01–30.06.2016
Services	3,727	3,527	3,600	3,368
Sales	2,343	2,299	2,323	2,202
Administration	1,703	1,707	1,715	1,578

XIV. NOTEWORTHY EVENTS AFTER THE REPORTING PERIOD

As of the acquisition date 5 July 2017, the company purchased all interests in Ulbel & Freidorfer GmbH, headquartered in Graz, Austria. Founded in 1989, the company offers IT infrastructure and collaboration solutions as well as IT services such as outsourcing and client services.

In the balance sheet, the acquisition will be recognised according to the purchase method (IFRS 3.4 ff). Due to the short time that has passed, the identification/measurement of the assets acquired, of the liabilities assumed and of the consideration paid is not yet available (IFRS 3.B66). The figures are expected to be provided in the Annual Report as of 31 December 2017 (IFRS 3.45).

By acquiring Ulbel & Freidorfer GmbH (41 employees), Bechtle expands its conventional system house business and significantly steps up the regional activities in Steiermark and Kärnten.

The acquisition costs (€4,900 thousand) resulted in an outflow of cash and cash equivalents. The company purchase agreement for the acquisition of Ulbel & Freidorfer GmbH does not provide for any conditional purchase price payments.

The receivables taken over were not subject to any major impairment.

No other noteworthy events occurred at Bechtle after the end of the reporting period.

Neckarsulm, 9 August 2017

Bechtle AG
The Executive Board

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

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

Neckarsulm, 9 August 2017

Bechtle AG
The Executive Board

Dr. Thomas Olemotz | Michael Guschlbauer | Jürgen Schäfer

AUDITING INFORMATION

The present interim financial report was neither audited, according to Article 317 of the HGB, nor revised by the auditor.

Forward-looking Statements

This interim financial report contains statements that relate to the future performance of Bechtle AG. Such statements are based on assumptions and estimates. Though the Executive Board believes that these forward-looking statements are realistic, this cannot be guaranteed. The assumptions are subject to risks and uncertainties that may result in consequences that differ substantially from those anticipated.

Bechtle's financial accounting and reporting policies comply with the International Financial Reporting Standards (IFRS) as endorsed by the EU. Due to rounding differences, percentages stated in the report may differ slightly from the corresponding amounts in € million. Similarly, totals may differ from the individual values.

FINANCIAL CALENDAR

HALF-YEAR FINANCIAL REPORT (30 JUNE)

Thursday, 10 August 2017

QUARTERLY STATEMENT 3RD QUARTER 2017 (30 SEPTEMBER)

Friday, 10 November 2017

See bechtle.com/events-en or bechtle.com/financial-calendar for further dates and changes.

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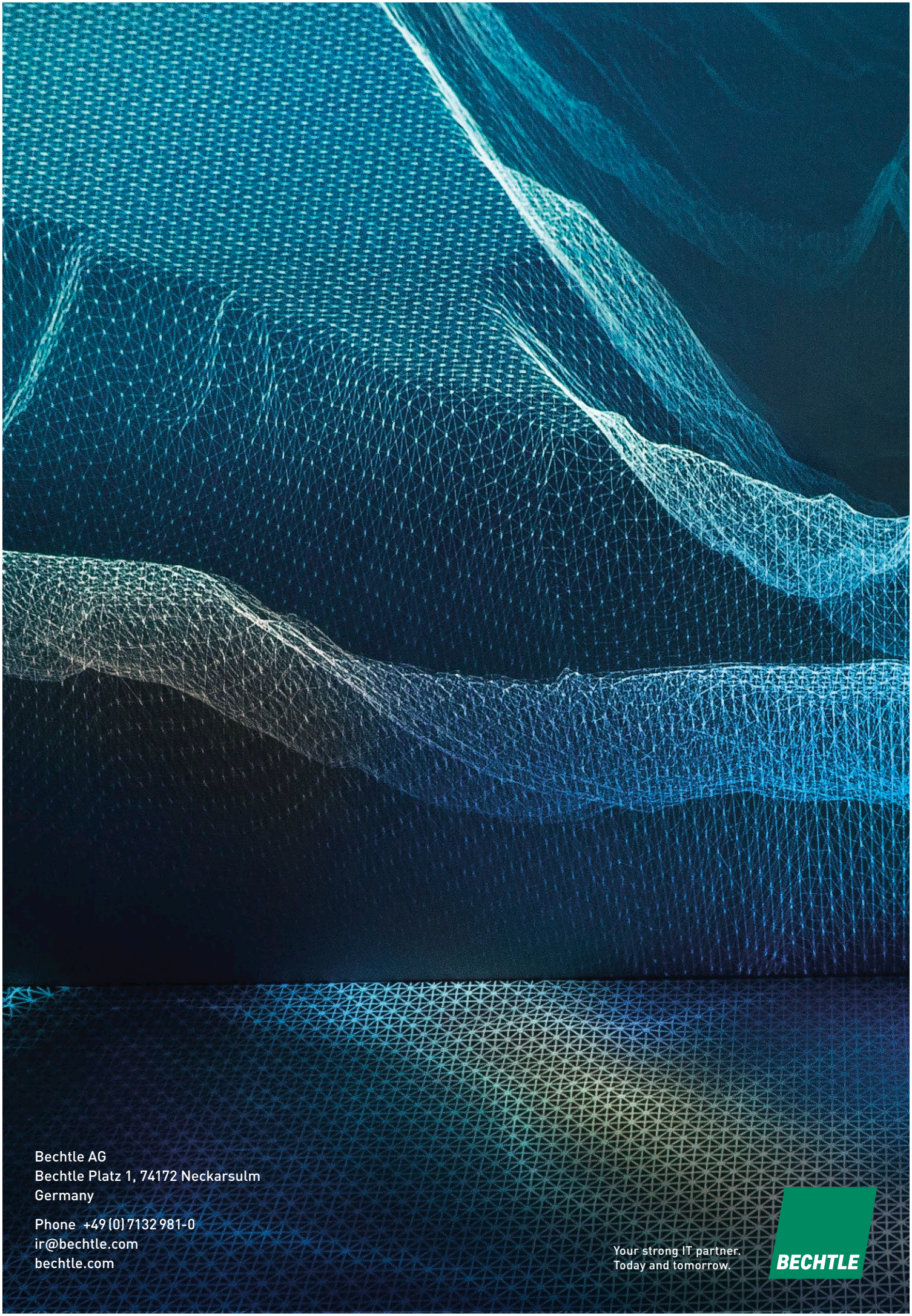
The Interim Report Q2/2017 was published on 10 August 2017.



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