

CONNECTED TO SUCCESS.

Your strong IT partner.  
Today and tomorrow.





REVENUE:

**€3.570 billion**

(PLUS 15,4%)

EBT:


**€162.8 million**

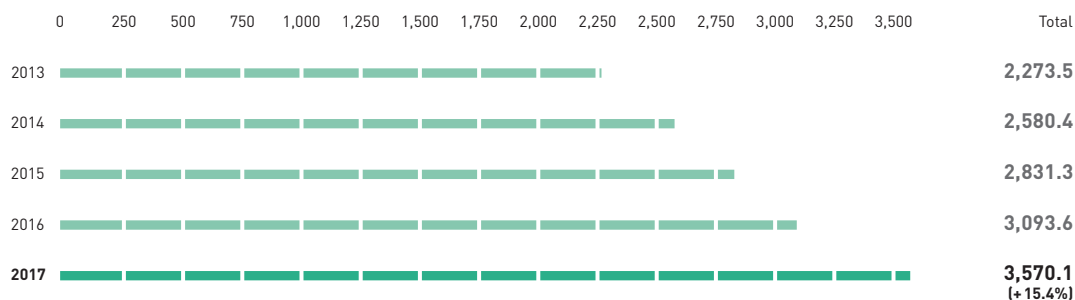
(4.6% MARGE)

## 5 YEARS IN BRIEF

### REVENUE


€m

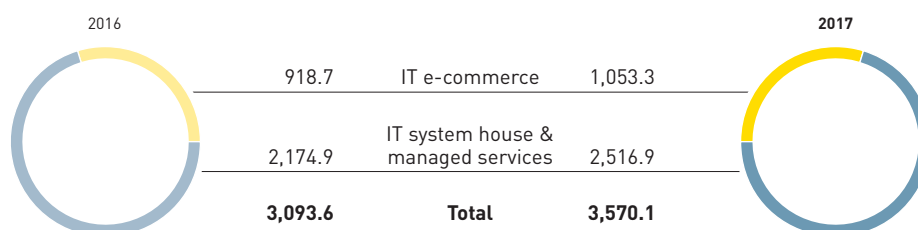
  
For revenue performance see page 72 f



### REVENUE BY SEGMENTS


€m

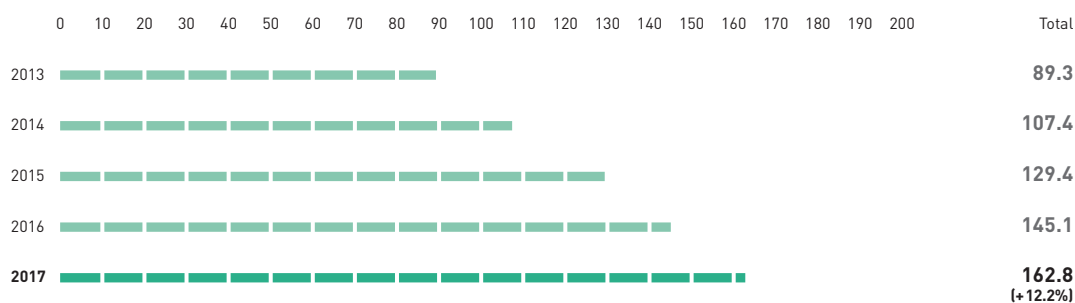
  
For segment reporting see page 77 ff



### EBT


€m

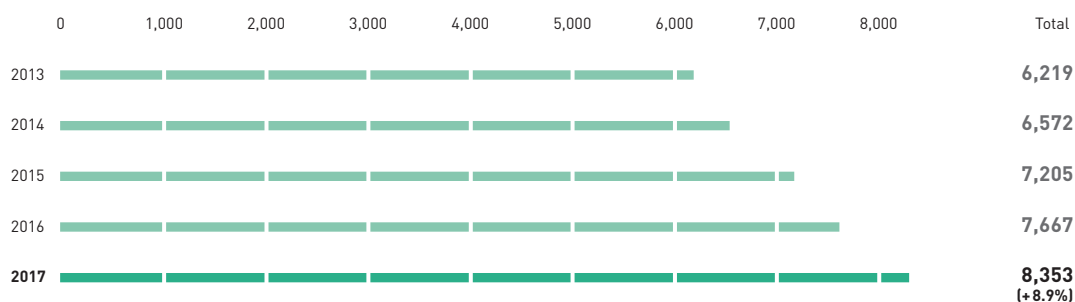
  
For earnings situation see page 74 ff



### EMPLOYEES

as of 31 December

  
For development of employee numbers see page 45 ff



EPS:

**€2.73**

(PLUS 10.8%)

DIVIDEND:

**€0.90<sup>1</sup>**

(PLUS 20.0%)

## 01. 5 YEARS IN FIGURES

		2013	2014	2015	2016	2017	Change in % 2017-2016
<b>Revenue</b>	€k	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	15.4
IT system house & managed services	€k	1,535,316	1,727,073	1,889,494	2,174,893 <sup>3</sup>	2,516,872	15.7
IT e-commerce	€k	738,169	853,375	941,809	918,686 <sup>3</sup>	1,053,252	14.6
<b>EBITDA</b>	€k	113,541	132,251	155,920	171,798	196,182	14.2
IT system house & managed services	€k	74,214	88,083	101,831	119,600 <sup>3</sup>	140,614	17.6
IT e-commerce	€k	39,327	44,168	54,089	52,198 <sup>3</sup>	55,568	6.5
<b>EBIT</b>	€k	91,048	108,498	129,484	144,083	164,252	14.0
IT system house & managed services	€k	56,185	68,907	80,293	96,589 <sup>3</sup>	114,501	18.5
IT e-commerce	€k	34,863	39,591	49,191	47,494 <sup>3</sup>	49,751	4.8
<b>EBIT margin</b>	%	4.0	4.2	4.6	4.7	4.6	
IT system house & managed services	%	3.7	4.0	4.2	4.4 <sup>3</sup>	4.5	
IT e-commerce	%	4.7	4.6	5.2	5.2 <sup>3</sup>	4.7	
<b>EBT</b>	€k	89,308	107,385	129,404	145,100	162,804	12.2
<b>EBT margin</b>	%	3.9	4.2	4.6	4.7	4.6	
<b>Earnings after taxes</b>	€k	63,397	76,194	92,877	103,371	114,562	10.8
<b>Earnings per share</b>	€	3.02	3.63	4.42	4.92	2.73	10.8 <sup>4</sup>
<b>Dividend per share</b>	€	1.10	1.20	1.40	1.50	0.90 <sup>1</sup>	20.0 <sup>4</sup>
<b>Equity ratio</b>	%	55.1	54.5	53.9	54.7	53.9	
<b>Cash and cash equivalents<sup>2</sup></b>	€k	156,105	156,000	206,660	162,781	174,827	7.4
<b>Working capital</b>	€k	234,624	291,326	294,872	375,645	492,865	31.2
<b>Cash flow from operating activities</b>	€k	73,098	55,965	115,945	53,363	54,261	1.7
<b>Number of employees (as of 31.12)</b>		6,219	6,572	7,205	7,667	8,353	8.9
IT system house & managed services		4,953	5,164	5,766	6,212 <sup>3</sup>	6,853	10.3
IT e-commerce		1,266	1,408	1,439	1,455 <sup>3</sup>	1,500	3.1

<sup>1</sup> Proposal to the Annual General Meeting<sup>2</sup> Incl. time deposits and securities<sup>3</sup> Adjustment due to changed segment allocation<sup>4</sup> Adapted to share split

For more key figures see multi-year overview, page 218 ff

## 02. 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
Revenue	€k	803,129	822,198	873,925	1,070,872
EBITDA	€k	38,725	43,686	50,763	63,008
EBIT	€k	31,823	36,504	42,492	53,433
EBT	€k	31,475	36,230	42,204	52,895
EBT margin	%	3.9	4.4	4.8	4.9
Earnings after taxes	€k	22,098	25,390	29,604	37,470



From 9 May 2018, you can find the latest figures for the first quarter of 2018 at [bechtle.com/reports](http://bechtle.com/reports)

At Bechtle, collaboration takes place in many constellations. Get to know some of them in this Annual Report.

**Marcel Mayer**, Product Management Connectivity,  
Racks, Logistics & Service

**Melanie Steinbacher**, Team Leader Sales, Bechtle direct

**Timm Braun**, European Purchasing, Smartbuy, Logistics & Service



A large, bold, dark blue letter 'S' is centered at the top of the page. The background consists of a light blue gradient with a large, faint, semi-transparent 'S' shape behind it, creating a layered effect.

**TO OUR SHAREHOLDERS**

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The year 2018 was  
marked by investments  
in numerous  
future-oriented  
projects.



**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



**Dr. Thomas Olemotz, Chairman of the Executive Board, for another five years**

**JAN Back in black.** Bechtle is one of the first Titanium Black partners of IT manufacturer Dell EMC. The company thus holds the top status at the Titanium level of the partner programme. Additionally, Dell EMC designates Bechtle as the “Partner of the Year 2016”. **Cloud services expanded.** Through its collaboration with Microsoft, Bechtle expands its portfolio in the field of cloud services. As a Direct Partner in the manufacturer’s Cloud Solution Providers programme,



Bechtle coordinates and controls all services for the customer from consulting to provision and technical support. The cloud services are provided from high-security data centres. The partnership is an

important part of Bechtle’s continually growing cloud offering. **First partner for Hyperfish.** The Bechtle subsidiary Hanse-Vision is the first partner of the US software manufacturer Hyperfish in the DACH (Germany, Austria, Switzerland) region. The software solution facilitates IT projects involving Office 365, Skype for Business and SharePoint. **FEB Continuity.** The Supervisory Board approves an early extension of the contract of Dr. Thomas Olemotz, CEO, for another five years until the end of 2021. His reappointment provides the company management with the stability and continuity it needs for further successful growth and underscores Bechtle’s ambitions as a leading IT company in Germany and Europe. **Bravo, Austria.** For its outstanding performance in 2016, the Bechtle subsidiary planetsoftware receives the “Top Reseller Subscription Services Euro-Central” and “Elite Club 190” awards. The special achievements of the sales managers were also honoured with first and second place in the category “Overall Sales Representative ACH-Plus”.

**MAR Bagging awards.** Software manufacturer Citrix honours Bechtle with a total of eight awards in the DACH (Germany, Austria, Switzerland) region, including two awards for best performance in the area of networking and net new business in Germany. Additional awards go to Switzerland and Austria. Moreover, four employees of the Bechtle Group are personally honoured for their special expertise and strong implementation capability. The fledgling partnership with Californian software manufacturer Splunk is also going well. In recognition of its achievements, the company receives the “Splunk EMEA Rookie Partner of the Year” award at the Bechtle Competence Day 2017 in Neckarsulm.



# Q2



**Resolution on share split adopted with great majority**

**APR Reinforcement in Austria.** Bechtle acquires Smartpoint IT Consulting GmbH in Austria. Founded in 2007, the Linz and Vienna-based company is specialised in Microsoft SharePoint, Microsoft Dynamics CRM and workflow solutions. Smartpoint has 66 employees. **MAY Bravo, Switzerland.** Veeam again names Bechtle Steffen Schweiz AG Best SME Partner of the Year. The software manufacturer thus honours the excellent sales achievements of the IT system house in projects with small and medium-sized enterprises. **Bravo, England.** Bechtle UK wins twice at the Wiltshire Business Awards: Bechtle is honoured for its future-focused business plan and innovative marketing strategy. The second award is for outstanding staff development and customer orientation. **Top position at VMware.** At the “Leadership Summit 2017”, VMware honours outstanding growth and high technology competence in the fields of network virtualisation and cloud solutions. Bechtle receives the award in the “VMware NSX” category. **Targeted acquisitions.** By acquiring the system house Ulbel & Freidorfer in Graz, Bechtle further strengthens its competitive position as IT solution and service provider in the Austrian market. The company also acquires Comformatik AG in Villingen-Schwenningen, thereby gaining a school IT specialist. **NATO chooses Bechtle.** The NATO Communications and Information Agency awards Bechtle a framework contract for the supply of IT components. The total value of the framework contract is as high as €45 million. **JUN Resolution on share split adopted.** About 600 shareholders and guests attend this year’s Annual General Meeting. All agenda items are adopted by a large majority, including the share split resolution. The objective behind this measure is to improve the tradability of the shares on stock exchanges, making it easier for more investors to acquire Bechtle shares and increase their existing positions. **Multiple awards.** In the Small Business Security segment, Trend Micro names Bechtle “Best Partner 2016”. Additionally, Bechtle receives the “Tech Award 2016” as Best Certified Partner to the Trend Micro technology department. **New partner.** Bechtle enters into a partnership agreement with ServiceNow, further enhancing its positioning as multi-cloud service provider. **Regular customers I.** For the third time in a row, Dataport AöR awards Bechtle a contract for the “Supply of Hardware for the Equipment of IT Workplaces and Services”. The total volume amounts to about €68 million.

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## Q3

1.7.2017:  
10 Partners30.9.2017:  
11 Partners

Global IT Alliance has grown  
and now comprises 11 partners

**JUL Merhaba, tovarishch!** Bechtle expands its global network with a new partner: the Softline Group. Within the IT alliance, the company serves the markets in Russia, Turkey and the Commonwealth of Independent States. **3D printing.** At its headquarters in Langenau, Solidpro inaugurates a modern demonstration centre for the latest 3D printing technology of the manufacturer HP. The Bechtle subsidiary presents an integrated production system there for the mass production of high-quality parts and for building prototypes. **Another award.** Robert Bosch GmbH honours Bechtle with the Bosch Global Supplier Award in recognition of its achievements in connection with the supply of hardware, software and services in the indirect purchasing category. **Hup Holland Hup.** The Dutch Ministry of the Interior awards contracts for stationary IT workplaces and mobile devices to the two Dutch Bechtle subsidiaries Bechtle direct B.V. and Buyitdirect.com B.V. The contract is for IT workplaces of the Dutch government. **New cloud portal.** Bechtle launches its new cloud portal. The portal facilitates the procurement of numerous public and business cloud services via a single platform. The portal represents another milestone of Bechtle's activities as a multi-cloud service provider. **AUG Regular customers II.** For the third time in a row, the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support awards Bechtle a framework contract for the supply of IT components and services. The framework contract runs until 2021. **Cloud services expanded.** Following the successful start of the new digital platform for multi-cloud services, Bechtle offers its first self-produced business cloud service. The "Backup as a Service" programme, which can be ordered via bechtle-clouds.com, enables customers to securely store their backup data at Bechtle's data centre in Frankfurt. **SEP Training record.** At the start of the new training year, more than 170 young trainees embark on their career with Bechtle – an unprecedented figure. **Two awards.** With the "Computing Partner of the Year 2017" award, HP honours Bechtle's impressive growth – from an already high level – in the field of computing. Commvault, a global leader in data centre and cloud backup, recovery and archiving names Bechtle's Austrian IT systems company "Partner of the Year" in recognition of its extraordinary achievements.



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## Q4

50 electric  
charging stationsTotal of 1,600  
parking places

New car park  
in Neckarsulm opened

**OCT Open house.** This year the Shareholder Days event again generates a lot of attention. Around 120 visitors – more than ever before – take the opportunity to become informed about the company and exchange experiences at the group's headquarters. **New car park.** The new car park at Bechtle Platz 1 provides some 1,600 parking places for employees and guests – additional space needed to accommodate further growth. With 50 charging stations for electric and hybrid vehicles, the facility is Germany's largest charging centre for electric vehicles. **One of four.** Lenovo distinguishes Bechtle as one of only four international partners with the partner status Platinum Plus for EMEA. This status is in recognition of the close partnership with the manufacturer and the special know-how of the entire Bechtle Group. **NOV Pre-Christmas gifts.** As in the previous year, Fujitsu names Bechtle EMEA Best Corporate Reseller 2017 for recording the most growth and revenue and the company's outstanding commitment to the partnership. We are also happy to receive the Cisco award "Service Partner of the Year". **DEC Supervisory Board change.** After 14 years, Karin Schick departs the Supervisory Board to have more time for her social projects. She remains closely involved with the company. Elke Reichart, an experienced IT specialist, takes over her Supervisory Board mandate. **Regular customers III.** The Baden-Württemberg state administration renews on an early basis its server framework contract with Bechtle for another 12 months. Under this contract, state authorities can easily and speedily procure servers of different classes and performance levels as well as additional IT and warranty services via Bechtle. Until the end of March 2024, Bechtle will also provide consulting services and on-site hardware services. **Success in figures.** In December, Bechtle's business with public-sector clients within one year surpassed the one-billion-euro mark for the first time. This is a major achievement by the more than 2,000 employees in 14 European countries who deal with the special requirements of public tender procedures and take care of public-sector clients. Their work is supported by 50 specialists from the central team at the group's headquarters in Neckarsulm.



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## LETTER FROM THE EXECUTIVE BOARD

*Dear Stockholders,*

On behalf of our team of around 8,400 people, I am pleased and proud to inform you that your company has completed another highly successful fiscal year. Ten years ago, Bechtle adopted some highly ambitious goals within the framework of its "Vision 2020". Throughout the past decade, this vision has had a great internal and external impact. Today, we are drawing closer to our goal of €5 billion in revenue, 10,000 employees and an EBT margin of 5 per cent – goals that were merely visionary back in 2008. Not least the latest annual report marks another remarkable milestone on our way into a great future.

If you have already been with Bechtle for some time, you will know that integrity is one of our corporate values and restraint is one of our maxims. Additionally, last year's impressive performance has brought another Bechtle value to the fore: inspiration. To my Executive Board colleagues and myself, the high level of our business performance in 2016 had been such a formidable challenge that we had good reason to enter every new quarter of 2017 with restrained expectations. However, quarter by quarter, the outstanding commitment of our employees generated two-digit revenue and earnings growth rates. The bottom line of this impressive development: €3.6 billion in revenue and an EBT margin of 4.6 per cent – another record year. I am greatly honoured to bear responsibility for this company, dear shareholders, and to be part of such a top-performing team!

However, Bechtle's business success also reflects our customers' willingness to invest in modern, growth-oriented IT architectures. We have witnessed the courage and target orientation of medium-sized businesses, large international corporations as well as public sector clients as users and designers of the digitisation process. We are pleased to accompany these enterprises around the globe as a future-proof IT partner. With our comprehensive portfolio, we set impulses, thereby actively promoting the digital transformation. In the future, we will continue to work for our customers' success. Our regional proximity and a sustainable eco-system of strong partners remain key elements of the foundation for a trusting, long-term cooperation in the increasingly mission-critical field of IT.

I am also proud that in the year ended, we launched some of our own future-oriented, strategically significant projects. Key achievements include the punctual launch of our "Clouds" platform, the complete relocation of the Bechtle data centre to Europe's largest data centre campus in Frankfurt and the go-live of the new bechtle.com as the digital marketplace for the broad Bechtle offering. In 2017, our organisation also saw changes that were closely linked to this. It is clearly evident that we are on the brink of a new, digitisation-centred era. In this context, both the technological innovation and the required adjustments of structures and processes are challenging. In this age, the willingness and ability to change are key success factors. As a community, we

need to examine tried-and-tested practices critically and constructively, and courageously move on to new horizons in order to ensure sustainable success. For a strong, deep-rooted, sturdy and sound company such as Bechtle, our dynamic market offers great opportunities.

I am convinced that in the positive sense, the future (change) also requires on origin (orientation). Especially in times of great change, we need a reliable “compass” for orientation. For this, we draw on our well-established brand as well as on our values, which shape Bechtle and have made us what we are now. Above all, our “business virtues” come to mind in this respect, which are very much in vogue due to the quantity, complexity and especially the size of our strategic projects – perhaps now more than ever. To support our orientation, we are currently also working on a new vision that is to guide us on our way into a successful future.

For many years, we have been committed to great transparency, which is also clearly evident from our annual report. This year, I would also like to draw your attention to our sustainability report 2017. Under the heading “No future without sustainability”, the report presents information on goals, measures and results achieved by our responsible corporate governance in the fiscal year ended. 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 in addition to the annual report.

Dear shareholders, I would like to thank you for the trust you put in Bechtle, and I am firmly convinced that other great achievements lie ahead of us – ahead of your company! I hope that you will remain with us and share in Bechtle’s business success. I am looking 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, 14 March 2018





Michael Guschbauer



Dr. Thomas Olemotz



Jürgen Schäfer



Dr. Matthias Metz





## MICHAEL GUSCHLBAUER

**Member of Executive Board, responsible for the IT system house & managed services segment.** Born 1964, married, 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 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.

**"More than ever, IT is vital to the success of companies and public institutions of all sizes and industries. I am convinced that with the performance and innovative drive of our system houses, managed service units and specialists, we will continue to make a major contribution to the digital transformation of our customers. We draw strength from our proximity to customers and partners and from our willingness to learn every day, to reinvent ourselves and our drive to always be one major step ahead."**

## DR. THOMAS OLEMOTZ

**Chairman of the Executive Board, responsible for finance, controlling and risk management, human resources and staff development, IT, corporate communications and investor relations, mergers & acquisitions, legal and compliance.** Born 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.

**"Most importantly, Bechtle's strategy is tuned to long-term success. In 2017, we invested the largest amount ever in numerous future-oriented projects that will secure this success. After all: what we do now will determine our future!"**

## JÜRGEN SCHÄFER

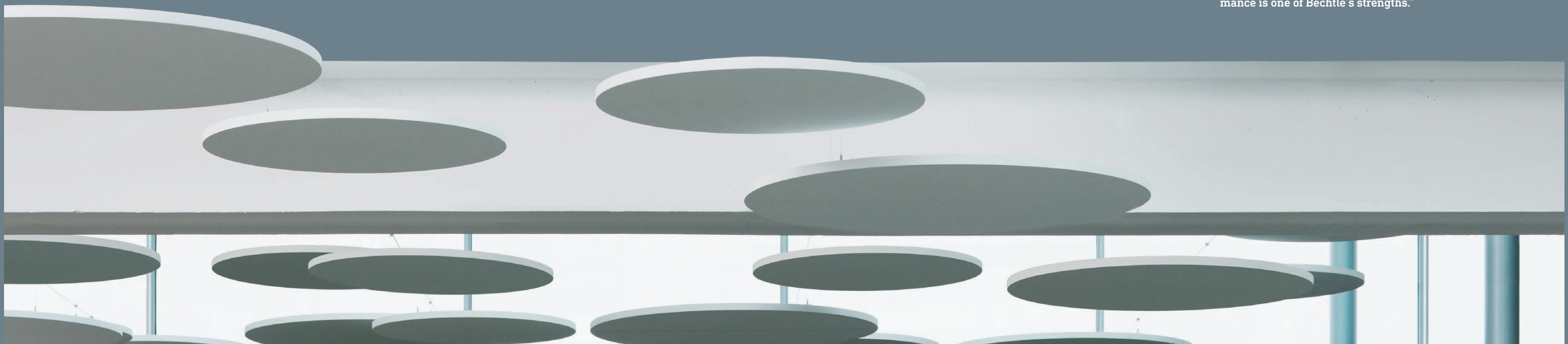
**Member of Executive Board, responsible for the IT e-commerce segment.** Born 1958, married, two adult children. After his studies of business economics and a job at a medium-sized wholesale company, Jürgen Schäfer joined Bechtle in 1988. He was first responsible for purchasing and organisation and 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.

**"What a year: €3.5 billion in the group, more than €1 billion in e-commerce. What makes us so strong is not our size, but our will to grow and our will to do things better from day to day. In this process, we benefit from a common feature that is evident from all stages of Bechtle's history from the beginning all the way into the future: our passion."**

## DR. MATTHIAS METZ

**Chairman Of The Supervisory Board.** DOB: 1952, four adult children. Dr. Matthias Metz began his post-secondary education with vocational training as a banker at Deutsche Bank AG before earning a degree in business administration from the University of Erlangen-Nuremberg. After graduating in 1979, he stayed at the university as a research assistant in bank management. Following his doctorate in economics in 1985, Dr. Metz returned to Deutsche Bank AG, in Frankfurt am Main, as an executive assistant. He switched to Wüstenrot Bank AG in Ludwigsburg in 1988, climbing the ranks to become a full member of the executive board. He left Wüstenrot in 1993 to take over as manager of the Deutsche Bank branch in Augsburg. Two years later, he joined the B. Metzler seel. Sohn & Co. bank in Frankfurt am Main, where he served as the director of controlling, finances and taxes for three years. In 1998, he switched to Bausparkasse Schwäbisch Hall AG as a fully authorised representative and, one year later, became the executive board member in charge of finances. He was promoted to chairman of the Executive Board from 2006 to 2014. He has been Chairman of the Supervisory Board since 2014.

**"Bechtle operates in a market in which constant change is the only thing that never changes. What I especially appreciate about Bechtle is its ability to adapt to changing market needs while not losing its awareness of its own roots. This healthy blend of pragmatism and technological top performance is one of Bechtle's strengths."**





## REPORT OF THE SUPERVISORY BOARD

**DEAR SIR OR MADAM,**

**For Bechtle, 2017 was another record year. In addition to the continuity of the success, the high growth dynamics of the Bechtle Group were impressive: The revenue growth amounted to 15.4 per cent, and the earnings growth to 12.2 per cent. These figures cannot be taken for granted. Such outstanding results are only possible thanks to the tireless efforts and high motivation of our team. They truly deserve our gratitude and respect. Another impressive aspect of the figures was that in 2017, Bechtle invested time, money and energy in various projects to secure the future. As a result, many of the company's resources were tied up. The fact that Bechtle achieved such great success nevertheless shows what an outstanding, healthy and sturdy position the company has.**

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 2017, the discussions mainly addressed the group's long-term development and, in this connection, the further expansion of the Bechtle Group and its business segments, e.g. the development of the cloud portfolio and the establishment of a new online platform on the bechtle.com pages within the framework of the rollout of our digitisation strategy. Another focus was the commissioning of the new data centre at the Frankfurt site. Furthermore, we supported the Executive Board in the review of acquisition options. The collaboration between the boards was characterised by open and constructive dialogue.

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 particularly the group's business performance, major investment projects, the risk situation and the opportunity and risk management, as well as basic issues related to corporate planning and strategy.

The Chairman of the Executive Board in particular maintained close contact with individual Supervisory Board members and 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. At quarterly meetings, we also intensively elaborated on the respective past quarter and the short and medium-term perspectives.



At its meetings, the Supervisory Board regularly took up 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 fully comply 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 four ordinary plenary sessions: on 27 January, 14 March (balance sheet meeting for the annual and consolidated financial statements for 2016), 28 July and 27 October 2017.

Apart from the resolutions adopted at the meetings, the Supervisory Board 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 2017, 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 2017.

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

- Group strategy and target achievement in connection with the implementation of the strategy
- Economic development of the group
- Vision 2020 and its target achievement
- Due diligence for acquisition projects
- Sales digitisation
- Establishment of the company's own cloud portfolio
- A replacement for the vacated seat on the Supervisory Board
- Proposal to the General Meeting to increase the capital from company funds
- Basic resolution to launch a share buyback programme
- Business planning for 2017
- Implementing the many investment projects of the Bechtle Group
- Executive Board compensation
- Implementation of the CSR Directive Implementation Act
- Internal control and risk management system

## **FILLING OF SUPERVISORY BOARD AND EXECUTIVE BOARD POSITIONS**

In the reporting period, the personnel of the Executive Board of Bechtle AG did not undergo any changes. For personal reasons, Supervisory Board member Karin Schick stepped down from her office as of the end of 30 November 2017. By decision of the Stuttgart District Court of 4 December 2017, Elke Reichart was appointed as a member of the Supervisory Board.

## **COMMITTEE WORK**

To fulfil its duties, the Supervisory Board has formed three committees. The audit committee came together on 26 January, 13 March, 27 July and 26 October 2017. Additionally, it held telephone conferences on 9 May, 9 August and 9 November 2017. In 2017, the committee dealt intensively with transactions that require approval, such as acquisitions and long-term agreements. Other subjects discussed included the interim financial reports, the preliminary audits of the annual and consolidated financial statements, 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 2017, the personnel committee came together at three meetings on 16 February, 27 July and 20 November. The meetings focused mainly on the Executive Board compensation system and on the extension of the mandate and employment contract of Dr. Thomas Olemotz.

The conciliation committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG) was not convened in 2017.

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. Action recommendations were developed on the basis of the ideas received from the board members. These action recommendations were presented at the plenary session and, after intensive review, included in the work of the Supervisory Board. We consistently track the implementation of these recommendations in the Supervisory Board. The basic results of last year's efficiency audit 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 the 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 2018. 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 at [bechtle.com/corporate-governance](http://bechtle.com/corporate-governance). In the fiscal year ended, no conflicts of interests 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 51 ff



Declaration of Conformity,  
see [bechtle.com/investors/corporate-governance](http://bechtle.com/investors/corporate-governance)

## AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2017

The General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, as auditor of the annual and consolidated financial statements for the fiscal year 2017. 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 fiscal year 2017, 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 14 March 2018. 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. There were no objections made to the final results of its audit. At the balance sheet meeting on 14 March 2018, 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 €0.90 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 reviewed the non-financial group statement of Bechtle AG prepared by the Executive Board, which, pursuant to Section 315b of the German Commercial Code (HGB), was to be prepared for the first time for the fiscal year 2017 and which is contained as a separate non-financial group report in the sustainability report 2017 of Bechtle AG, and comprehensively discussed it at the balance sheet meeting on 14 March 2018. 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 encourages the Supervisory Board to continue to contribute to this positive development. Most importantly, however the superb performance underlines the need to thank all who have made it possible in the first place. On behalf of the entire Supervisory Board, we would therefore like to express our sincere gratitude to all employees of the Bechtle Group, the Executive Vice Presidents, the Managing Directors of the group companies and the members of the Executive Board for their tireless efforts and their persistent willingness to give their best for the company. In recent years, Bechtle has invested in numerous projects that mainly serve one central purpose: to ensure the ongoing success of the company. We are all aware of the challenges and opportunities of a digitised world. We are more than confident that Bechtle is effectively positioned for many years to come. The pillars of a successful future have been set up. We are looking forward to continuing to monitor and advise Bechtle AG.

On behalf of the Supervisory Board



Dr. Matthias Metz  
Chairman

Neckarsulm, 14 March 2018



The logo consists of two large, bold, teal-colored letters 'M' and 'M' positioned side-by-side. The letters are rendered in a thick, blocky font with a slight shadow effect, giving them a three-dimensional appearance. They are centered horizontally and vertically in the upper half of the page.

**MM**

**GROUP MANAGEMENT REPORT**

The logo consists of two large, bold, teal-colored letters 'M' and 'I' positioned side-by-side. The letters are rendered in a thick, blocky font with a slight shadow effect, giving them a three-dimensional appearance. They are centered horizontally and vertically in the lower half of the page.

**MI**

**The collaboration at  
Bechtle is getting a vital  
factor across all  
segments, companies  
and offerings. Now, this  
is also the case on an  
integrated online  
platform.**

# GROUP MANAGEMENT REPORT

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## COMPANY

### ORGANISATION

Bechtle is the largest independent IT system house in Germany and is present in 14 European countries. 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 business responsibility lies primarily with the subsidiaries. However, the administrative areas and central services are aggregated under the holding umbrella. The advantage of this structure is that the company units that serve our customers can concentrate fully on their core competencies, both at their locations and at the customer's site.

### BUSINESS MODEL

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. 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 roll-out, 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. Here, we offer our customers hardware and standard software via the Internet and telesales under the Bechtle direct and ARP brands. Our portfolio includes more than 70,000 products in total.

### LEGAL STRUCTURE

The principle of networked decentralisation and the regional subsidiaries' focus on the core business can also be seen in the corporate 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 rela-



tions, IT, human resources and staff development, legal and compliance, and mergers and acquisitions. The corporate purchasing, European purchasing & services, warehouse/logistics, marketing, product management, address management competencies as well as the return and spare part management are organised under Bechtle Logistik & Service GmbH, which also belongs to the holding.

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:

- Bechtle Systemhaus Holding AG, Neckarsulm, unites all activities of the IT system houses in Germany and Austria.
- Bechtle Managed Services AG, Neckarsulm, comprises all companies that focus on longer-term outsourcing services.
- Bechtle Holding Schweiz AG, Rotkreuz, Switzerland, comprises all system house and e-commerce companies in Switzerland, the trading activities of all ARP companies and the business of the Comsoft direct companies.
- Bechtle E-Commerce Holding AG, Neckarsulm, bundles the trading activities of the Bechtle direct companies.

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.



For a list of subsidiaries see Notes, page 201 ff

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;
- To outline clearly aligned lean leadership responsibility and competence, which is vital in view of the size of the Bechtle Group.

In the reporting period, the Executive Board did not implement any major changes to the existing legal structure of the Bechtle Group.

## MANAGEMENT STRUCTURE

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, and takes the extensive and continually growing management tasks and the highly dynamic business environment into consideration.



[bechtle.com/  
executive-vice-presidents](https://www.bechtle.com/executive-vice-presidents)

The Executive Vice Presidents serve as a link between the group's Executive Board and the operational units. Apart from the Executive Vice Presidents who are in charge of the cross-segmental public-sector division and the central finance department, the Executive Vice Presidents in the IT system house & managed services segment are responsible for the activities of the Bechtle IT system houses in Germany's northern/eastern, western, central and southern regions, as well as for managed services. 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.

## LOCATIONS

The Bechtle Group is headquartered in Neckarsulm, Germany. Besides Bechtle AG, Logistik & Service GmbH and the German intermediate holding companies are also domiciled here. With almost 1,600 employees, Neckarsulm is the largest location.



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

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. In this context, a consistently performance-oriented compensation system supports and promotes the entrepreneurial activities of the Managing Directors.



See Notes,  
Scope of Consolidation,  
page 134

In the reporting period, the group adjusted its positioning in Switzerland in the IT system house & managed services segment. Since 1 January 2017, the previous Swiss Bechtle IT system houses and the locations of Steffen Informatik, which had been acquired in 2016, have joined forces under the name Bechtle Steffen Schweiz AG. The activities of the two system houses have been combined at the existing Bechtle locations in the German-speaking regions of Switzerland. The locations in Mägenwil, Pratteln (Basel-Land) and Zug have been added. The business is managed by the previous executive team of Steffen Informatik AG. The new positioning establishes a uniform framework for the targeted growth of the system house array as a one-stop provider of modern IT solutions.

As of 1 January 2017, the activities of our software licence management specialist Comsoft direct in Germany, Austria and Switzerland have been transferred from the IT e-commerce segment to the IT system house & managed services segment. The business model of the Comsoft companies has changed, also due to strategic changes on the vendor side. Besides the pure trading business, customers are also increasingly asking for consulting and other services. The demarcation from the service-driven system house business is fluid. In the three countries in which Bechtle is represented with system houses, we have therefore allocated Comsoft to the IT system house & managed services

segment. In Spain and Belgium, the Comsoft companies have been merged with the existing operations of Bechtle direct. In France and the Netherlands, the Comsoft companies are well established in the market and will therefore continue operating as previously. Their activities will remain with the IT e-commerce segment.

03. SYSTEM HOUSE LOCATIONS OF BECHTLE AG





See  
Business Activity,  
page 31,  
and Forecast Report,  
page 109

Under its Bechtle direct brand, Bechtle AG has IT e-commerce locations in 14 European countries. The group is present in six European countries with its brand ARP. Moreover, ARP operates a purchasing company in Taiwan. In the reporting period, the Comsoft direct brand was active in this segment in two countries.

#### 04. E-COMMERCE LOCATIONS OF BECHTLE AG



For a list of  
subsidiaries  
see Notes,  
page 201 ff

Bechtle AG thus owns a total of about 100 operating companies, which are listed in Appendix A to the Notes. The majority of the IT system houses and service and trading companies are located primarily in Germany and secondarily in Switzerland.

## BUSINESS ACTIVITY

With about 70 IT system houses in Germany, Austria and Switzerland, Bechtle has a strong regional rooting. The company's international positioning is ensured by its IT trading companies in 14 European countries. Thanks to its IT alliance partners, Bechtle is globally represented on all continents. As a vendor-independent one-stop provider, Bechtle's wide portfolio covers the entire spectrum of products and services for the IT infrastructure of companies and public institutions. Bechtle is thus capable of offering every customer an optimum, perfectly suited solution for his IT needs: That's our business approach.

## BUSINESS SEGMENTS

Bechtle AG runs its operations under the two reporting segments IT system house & managed services and IT e-commerce. In eleven European countries, Bechtle is only represented with e-commerce companies. In Germany, Austria and Switzerland, however, Bechtle is active in both segments. In these three countries, the separation into two segments is based on accounting arrangements rather than on the business model. In fact, both segments jointly work on the market in order to increase the market share and customer penetration.

In recent years, Bechtle has taken numerous steps in order to improve the collaboration between the segments, thereby making better use of the 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.

In the reporting period, Bechtle's new online platform went online under the internal project name "Next". The URL [bechtle.com](https://www.bechtle.com) now features a digital marketplace that presents the entire bandwidth of Bechtle's service and solution portfolio at a glance. Thus, the separation between the Bechtle shop and the company site has been eliminated on the Internet, too. Regardless of the customer's original concern and regardless 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. This also boosts the customer satisfaction and penetration.

Despite this holistic approach, the solution offerings of the two business segments are drawn up separately in this report.



## SERVICE SPECTRUM AND PROCESSES: IT-SYSTEM HOUSE & MANAGED SERVICES

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. The service portfolio is characterised by the fact that Bechtle is a "one-stop shop". By individually compiling an offer from various interlinked services and freely configurable service levels, Bechtle is capable of elaborating the most suitable solution for every customer. The service and solution portfolio is subject to ongoing review and adaptation to market and customer requirements.



Premium qualification  
thanks to vendor  
certifications

Almost 4,000 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 47 competence centres that are active throughout the country. Numerous certifications of all renowned vendors guarantee premium qualification of our services.



More information about  
individual Bechtle IT  
solutions is available at  
[bechtle.com/de-en/it-solutions](https://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 widening out and 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 and business 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 failsafe, 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.

**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. Additionally, employee requirements such as mobility or collaboration, as well as the use of cloud computing, represent new challenges. Most importantly, security aspects need to be considered. In this area, Bechtle offers enterprise networking as well as data centre networking solutions.

**Security.** Threats from malware, data espionage and theft necessitate a comprehensive security strategy. IT security from Bechtle combines technical security with information security, thereby providing comprehensive protection. 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.

**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.



**Fast and effective: The Bechtle basic installation provides software for up to 2,000 computers.**

**Otto Külheimer**, Head of Client & Repair Service, Neckarsulm system house

**Kai Köster**, Service and Project Manager, Neckarsulm system house

From left to right



More information on the Bechtle cloud services is available at [bechtle.com/de-en/clouds](https://bechtle.com/de-en/clouds)

**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. 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. To start off with, Bechtle therefore offers cloud consulting services. 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. In the reporting period, Bechtle bundled its public and business cloud services under the name Bechtle Clouds. The page [bechtle.com/de-en/clouds](https://bechtle.com/de-en/clouds) went live in July.



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



More information on Bechtle IT services is available at [bechtle.com/de-en/it-services](https://bechtle.com/de-en/it-services)

**IT services.** Today, many companies want to outsource their IT or parts of it. The advantage: Instead of worrying 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.

**Managed services.** With currently about 1,000,000 managed IT workplaces, Bechtle specialises in the provision of cost-efficient managed services. Bechtle assumes responsibility for defined operating tasks related to the customers’ IT. In this context, coordinated service level agreements ensure the availability of the IT infrastructure. Through remote operation or on-site supervision of servers, clients, printers and networks on the basis of standardised operating concepts and 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.

**Professional services.** Bechtle’s 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 the three areas project and service management, IT consulting and system engineering. The consulting is handled by certified IT business architects who develop effective and sustainable IT architectures on the basis of the customer’s business model.

■ **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 (BFS) offers financing services throughout the Bechtle Group, combining the requirements of IT and finance.

■ **Training.** The custom-tailored seminar concept of the 23 Bechtle training centres throughout Germany is precisely aligned with market needs. The offer covers a wide spectrum, with more than 15,000 seminar dates for 500 hot IT topics. For customers with several branches, this presence enables uniform training on site.

■ **Remarketing.** By way of Bechtle Remarketing, Bechtle 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.

## SERVICE SPECTRUM AND PROCESSES: IT E-COMMERCE

■ **Hardware and Software.** In the IT e-commerce segment, the Bechtle Group competently covers all common IT areas with a wide portfolio of IT products ranging from hardware to standard software to peripherals. The Bechtle direct brand is represented in 14 European countries and has gained an excellent 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. Every week, the product range is supplemented with about 260 new products. The Bechtle shops thus offer customers everything they need for the operation of their IT. The ARP brand is represented in six European countries. The offer of the ARP companies focuses on medium-sized businesses and the public sector. The portfolio comprises all common IT products and is supplemented by the ARP own brand "ARTICONA".

The business in the IT e-commerce segment is characterised by two basic principles. One aspect is the direct personal contact that the sales staff maintain with the customer. This is ensured through active phone calls to existing or potential customers. The sales team plays a key role in generating revenue through the acquisition of new customers and additional business with existing customers. Customers with complex requirements in particular benefit from the personal contact. The account manager can offer individual solutions that are tailored to the customer's needs.



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

On the other hand, the segment has established highly process-controlled lean order processing workflows that are crucial to success in e-commerce. To some 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 warehouse stock of vendors and distributors ensures high, up-to-date availability. The delivery time is also aligned with the customer's needs: Purchase orders received by 4 p.m. are shipped on the same day and are usually delivered on the following day. By means of lean processes, Bechtle ensures that process costs are minimised. This enables the customer to benefit from competitive prices and allows Bechtle to earn an attractive margin. Furthermore, by applying the fulfilment principle, Bechtle keeps its stock level low, thereby reducing the risk of devaluation of IT products, which are characterised by very short innovation cycles.

The European positioning of Bechtle with locations in 14 countries is a major advantage especially for international customers. Many customers need a uniform IT infrastructure – even across national borders. Customers benefit from Bechtle's international positioning in several ways:

- Uniform/central processes.
- Uniform service levels.
- Contacts in all countries.

In this context, the product database, which is standardised across all national companies, is extremely important. This functionality is a distinguishing mark of Bechtle, as no other company – not even the 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 European subsidiaries. Every night, the European pricing system (EPS) developed by Bechtle loads more than 48 million pieces of pricing and availability information from IT vendors 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. Up-to-date, market-specific product information is automatically available online for the country-specific web shops.



bios® stands for  
Bechtle Information &  
Ordering System,  
for further information  
see Glossary,  
page 222

**E-procurement.** The bios® shops are a special feature of Bechtle. This online procurement system is tailored to the needs of the customers and serves to reduce order and flow times, to ensure optimal use of framework agreements throughout the entire company, to manage IT stocks automatically and thus save time and money. About 50 per cent of the Bechtle customers throughout Europe have substantially reduced their process costs in connection with the procurement and management of

IT products with the help of bios®. Today, more than 50 per cent of all trading orders of the Bechtle Group are already processed via bios® platforms. The services offered are not limited to the supply of hardware and software, but begin with comprehensive advice on products and solutions and the establishment of customised procurement concepts in the form of defined shopping carts 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 subdivision in administration, health care, research & education, and church & welfare, the group makes greater allowance for the heterogeneous structure of the public sector. Individual federal and state authorities, municipalities, chambers, associations and educational institutions thus have access to special terms of vendors even without tenders and further negotiation.

Under the name bios® Asset, Bechtle offers the procurement as well as the inventory management and ongoing management of the deployed hardware and software. In addition to the newly ordered products, the data of all legacy IT equipment in the company can be imported, managed and analysed. In this way, the introduction of new technologies and their life cycle can be planned in a time-saving manner, the efficiency of IT resources can be maximised and the resulting IT costs can be allocated to the responsible parties.



**Do we have any solutions that provide a return for our customers' business?**

**Francesco Burrai**, Account Manager,  
Neckarsulm system house

**Katharina Zimmermann**,  
Business Development, Comsoft



## RESEARCH AND DEVELOPMENT

As a pure service and trading company, Bechtle does not engage in any research. However, software and application development activities are conducted both for internal purposes and for individual customer projects. Additionally, software to cover special industry needs is developed and offered in modular form.

The software & application solutions division also offers customers the design, development and implementation of software, e.g. in SharePoint or ERP projects. In January 2018, Bechtle acquired Acommit AG in Horgen, a leading Swiss service provider for software and IT infrastructure solutions. The company, which was founded in 1983, is a renowned specialist in ERP software solutions on the basis of Microsoft Dynamics NAV and its own development DIAS.

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

In the ERP environment, solutions based on Microsoft Dynamics NAV and Microsoft Dynamics AX are available for the following industries:

- Modus Foodvision® for the food and beverages industry
- Modus Engineering for machine and plant engineering
- Modus Plastics for the plastics and processing industry
- Modus Furniture for furniture manufacturing and trade
- Modus Bauvision for the main construction industry and the secondary construction trades
- Modus Industry for the component supply industry

Besides individual development work in customer projects, development work was also done to update the solutions and integrate them in the latest version of the base ERP solution. To meet the demand for mobile and cloud applications, 2017 also saw increased development work for extensions for the purpose of commissioning the Modus Consult industry solutions within the “Microsoft Dynamics 365” product series and under Azure.

Products of ELO (electronic Leitz organiser) and Microsoft (SharePoint) 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 covers the field of business intelligence with the QlikView product 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.

Moreover, programming work was done by Bechtle Softwarelösungen GmbH for the internally developed software solutions Bechtle NAV Connect and Bechtle BI Datawarehouse. Bechtle NAV Connect – an application that is based on Microsoft Dynamics NAV – was designed especially for use in the field of warehouse and logistics. This solution enables the implementation of processes such as incoming/outgoing goods, picking, stock transfer and inventory by means of mobile bar code scanners. The application is fully integrated in the ERP system Microsoft Dynamics NAV, and thus also supports complex process flows of the stock administration system via MDE bar code scanners. The Bechtle BI Datawarehouse was developed on the basis of Microsoft SQL Server database technologies and is connected to the ERP solution Microsoft Dynamics NAV by way of Microsoft SQL services. The objective is to provide enterprise KPIs from Microsoft Dynamics NAV by means of an ETL (extract, transform, load) process in a form that is ready for controlling/analysis. Using Microsoft Excel or business intelligence solutions such as Microsoft Power BI, QlikView, etc. users can systematically conduct analyses and generate KPI dashboards. The software solutions are subject to regular maintenance and further development.

In the reporting period, development work was also done within the scope of the “Next” project. Internal developer teams have custom-tailored the new online platform and, in particular, also the new online shop to the needs of Bechtle. For this work, a total amount of about €6.2 million was capitalised in the year under review.



For business segments see page 31

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

**MARKETS**

Bechtle has a great deal of experience with medium-sized customers. This segment thus remains Bechtle’s core target group. Bechtle defines the size of a customer on the basis of the number of PC workstations. At Bechtle, the minimum size of a customer is 20 workstations, and the top limit for the classification as medium-sized business is 2,000 PCs. However, apart from such conventional medium-sized businesses, Bechtle also increasingly addresses larger companies and groups of companies as well as public-sector clients with more than 2,000 PC workstations.

**05. INDUSTRY SEGMENTATION OF BECHTLE AG BY REVENUE**

%



Bechtle is open to customers of all industries and is not specialised in any particular area. However, the special requirements of the tendering procedures of public-sector clients have resulted in the establishment of a more clearly focused and specialised 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.



See Locations,  
page 28 ff

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. In the IT e-commerce segment, the Bechtle Group is active throughout Europe and is represented in a total of 14 countries. Due to GITA, which was further expanded during the reporting period, Bechtle also has a network of partner enterprises outside Europe.

## COMPETITIVE POSITION



destatis.de

According to information of the German Federal Statistical Office, more than 80,000 IT companies in Germany, which differ greatly in terms of size, service spectrum and specialisation, offer products and services in the fields of IT hardware, software and IT services. Most of these companies merely operate on a local scale and seldom exceed annual revenues of €5 million. According to the Federal Statistical Office, the group of medium-sized IT companies with annual revenues of approximately €50 to 250 million comprises about 150 companies. Only 20 companies, including Bechtle, are on the list of larger system houses that are active in Germany.

Bechtle enjoys an excellent market position in Germany. According to the industry medium "ChannelPartner", Bechtle continued to be the top independent system house in 2017 in terms of the domestic revenue. Bechtle further expanded its lead over the lower-ranking businesses. Competitive strength is even more important than revenue. According to a survey also conducted by "ChannelPartner" 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 2017 at €77.9 billion. With its annual revenue of about €2.5 billion in Germany, Bechtle's market share currently amounts to about 3 per cent. Germany's ten largest system houses, which the industry medium "ChannelPartner" assesses every year, account for a market share of about 20 per cent. These figures clearly show how fragmented the German IT market still is. Small and medium-sized companies still account for the largest market share by far. Despite the ongoing consolidation pressure, this situation is unlikely to change in the medium run.

According to its own estimates, Bechtle is one of the market leaders in the system house business in Switzerland – especially after the merger into Bechtle Steffen. In Austria, Bechtle AG is currently present with six system house locations. The company intends to further expand its market position in Austria.

In the IT e-commerce segment, the group considers its market position in Germany, Switzerland and the Netherlands to be outstanding. In the other European countries, Bechtle occupies a stable position.



See Locations,  
page 30

## SUSTAINABILITY

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 onset, sustainability has been part of the strategic orientation, regardless of zeitgeist and trends. 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. As early as 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, Bechtle has also published a sustainability report and, for the first time in the sustainability report 2017, a non-financial group report. You can read and download the sustainability report online at [bechtle.com/sustainability](https://www.bechtle.com/sustainability).



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

Every week, more than 300 new IT products and services join our product and consulting spectrum.



**Kathrin Wexeler**, Back Office/BIOS  
Coordinator, Bonn system house  
**Benedikt Schleier**, Account Manager,  
Bonn system house

## CORPORATE MANAGEMENT

**Bechtle's focus is to ensure the company's long-term success through sustainable, profitable growth. Sustainable entrepreneurship also involves the review of key indicators at short intervals in order to check if any urgent steps need to be taken. Long-term orientation and prompt management of the day-to-day business are not mutually exclusive, but represent the two basic conditions for sustainable success.**

### OBJECTIVES AND STRATEGY

Shortly after its foundation, Bechtle formulated its long-term business goals in a vision. New visions have been implemented in increments of about ten years. In 2008, the Bechtle AG set itself ambitious growth targets in its most recent Vision 2020. By 2020, the group intends to generate total revenue of €5 billion, with an EBT margin of 5 per cent and an increase of the workforce to 10,000. This goal requires average revenue growth of about 12 per cent a year along with an above-average increase in profitability of about 15 per cent. By comparison, in the years from 2012 to 2017, Bechtle achieved average annual revenue growth of 11.4 per cent and EBT growth of 15.6 per cent.

Acquisitions have always been part of Bechtle's growth strategy. Thus, the goals of the Vision 2020 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 34 years, and the high market penetration. From 2007 to 2017, Bechtle achieved an average annual organic growth rate of 10 per cent.

So far, growth through acquisitions has mainly taken place through the acquisition of smaller to medium-sized businesses in the IT system house & managed services segment. However, in the search of suitable acquisition candidates, the company often also examines larger businesses. What matters is that an acquisition strengthens the market position of the Bechtle Group in terms of the regional coverage, customers and/or services. Thus, the objectives are the supplementation of our IT-specific expertise and the intensive processing of strategically important markets and customer groups for the purpose of gaining market shares.

By 2020, we want our IT system house & managed services segment to be present throughout Germany, Austria and Switzerland as the leading IT partner of industry and of the public sector.

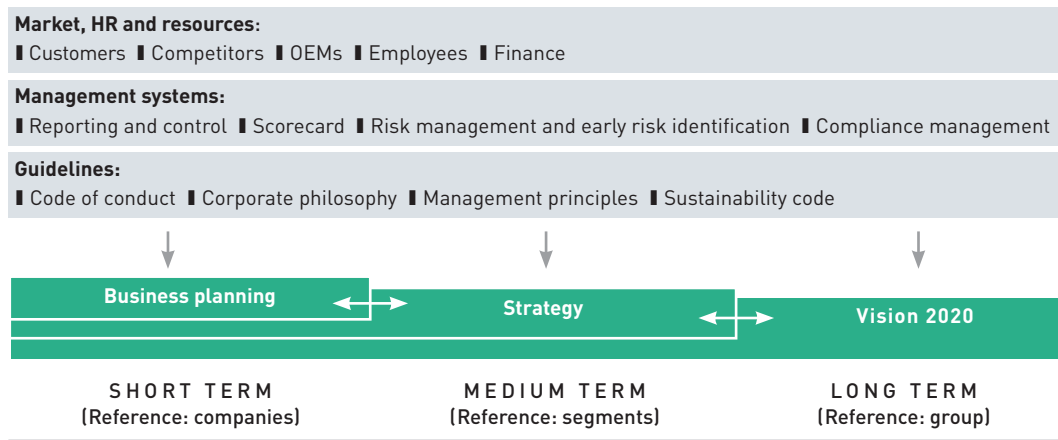


See Organisation,  
page 30

In the IT e-commerce segment, Bechtle pursues a consistent internationalisation approach on the basis of a multi-brand strategy. The company is already represented in 14 European countries. By 2020, the group will further expand its leading position in e-commerce in Europe. By means of the Global IT Alliance (GITA), which was established in 2014, Bechtle will push ahead the internationalisation beyond Europe. In 2017, we gained a new partner with locations in Russia and Turkey, among other countries.

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. The objective is to provide innovative, solution-oriented and efficient concepts for the customer IT by way of duly qualified personnel, thereby ensuring competitive positioning in an environment subject to constant change.

#### 06. CORPORATE GOVERNANCE OF BECHTLE AG



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, provide all employees with instructions on how to reach their goals and furnish orientation in the management process with respect to efficient, sustainable corporate governance and control.



Our basic values  
provide orientation

#### SYSTEMS AND INSTRUMENTS

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.

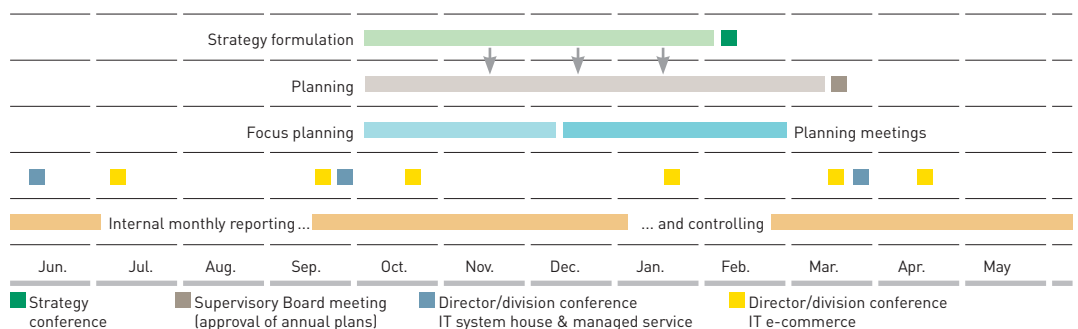
The short and medium-term planning for the management of the operational units and the resulting measures are derived from the long-term corporate planning. However, they are also geared to the development of competitors and of the market environment. For all employees of the Bechtle Group, the top priority is to achieve growth and increase returns through satisfied customers, and to attain market leadership at their own location.

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

Various reporting systems ensure that all units always have an overview of the performance indicators relevant for them and can manage the business operations accordingly. At group level, the consolidated data for 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.

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.

#### 07. PLANNING AND REPORTING PROCESS OF BECHTLE AG



See  
Competitive Position,  
page 40 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 and are used internally to coordinate sales activities.



Training, employee  
motivation and staff  
development for successful  
customer retention

Combined with target-oriented staff training, these analyses help Bechtle to continue to provide customers with comprehensive, flexible and competent consulting services. Personnel-related data, such as fluctuation and qualification details, are 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 improve employee loyalty. Bechtle's single-digit fluctuation rate is below the industry average.



## EMPLOYEES

In the fiscal year 2017, the Bechtle Group welcomed more than 600 new colleagues. The company now has more than 8,000 employees. Dedicated and competent employees play a key role in the success of the business and will also serve as the material basis for further profitable growth. Therefore, Bechtle consistently invests in the training of its staff. In 2017, Bechtle had more than 550 young trainees and students on integrated degree programmes all over the group. Together with the extensive training programme of the internal academy – which is open to all employees – as well as custom-tailored staff development programmes for senior and junior executives, Bechtle is well positioned in the quest for talented skilled personnel.

### DEVELOPMENT OF THE EMPLOYEE NUMBERS

As of 31 December 2017, the Bechtle Group had a total of 8,353 employees. Compared to the prior year, with a total of 7,667 employees, the total workforce grew by 686, an increase of 8.9 per cent. On average, 7,968 employees worked for Bechtle during the reporting period (prior year: 7,428 employees), an increase of 7.3 per cent. The increase in the number of employees is the result of acquisitions and, most importantly, new recruitment.

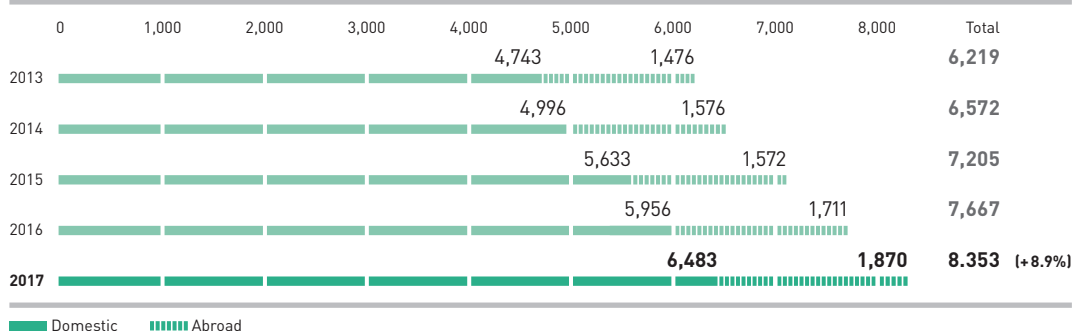


See Notes,  
Employees,  
page 194 f

In Germany, the number of employees increased by 527 or 8.8 per cent to 6,483 (prior year: 5,956 employees). The number of employees active abroad increased by 159 or 9.3 per cent to 1,870 (prior year: 1,711 employees). As previously, more than three quarters of all employees thus work in Germany.

#### 08. EMPLOYEES BY REGIONS

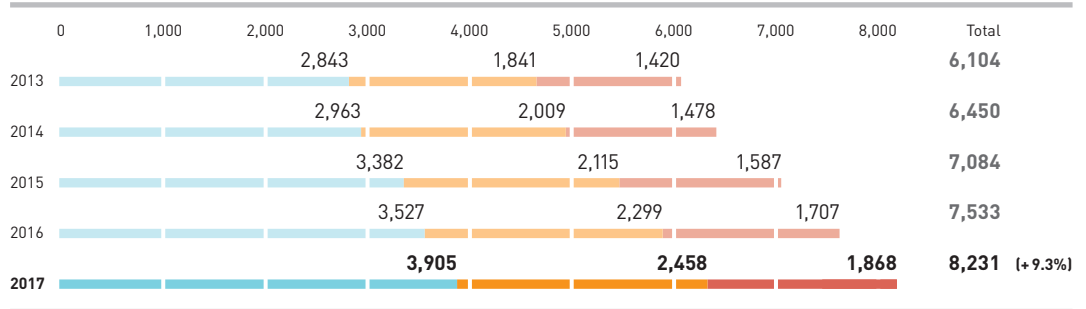
as of 31 December



Divided into functional areas, the greatest headcount increase was recorded in the service area. In 2017, the number of employees throughout the group in this area amounted to 3,905, some 378 employees or 10.7 per cent more than in the prior year. In the administration, the number of employees went up by 161, an increase of 9.4 per cent. The number of sales employees increased by 159, a growth of 6.9 per cent.

#### 09. EMPLOYEES BY AREAS

as of 31 December



Services Sales Administration

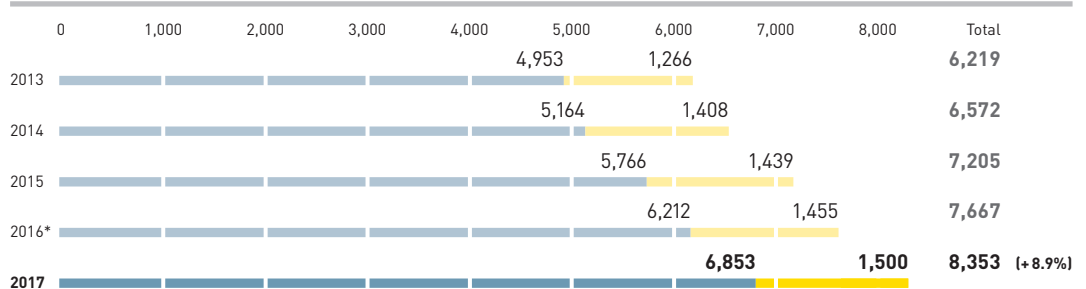
For internal costing reasons, the staff information by areas does not take employees on parental leave into consideration.

See  
Company Structure,  
page 28 ff

At the beginning of the fiscal year, the activities of Comsoft direct in Germany, Austria and Switzerland were transferred from the IT e-commerce segment to the IT system house & managed services segment. This has affected the distribution of employees in the segments. For the sake of comparability, we have duly adjusted the prior-year figures. At the business segment level, the number of employees increased to 6,853 in the IT system house & managed services segment, compared to 6,212 in the prior year. The number of employees in the IT e-commerce segment amounted to 1,500 (prior year: 1,455). The IT system house & managed services segment recorded a headcount increase of 10.3 per cent, compared to only 3.1 per cent in the IT e-commerce segment.

#### 10. EMPLOYEES BY SEGMENTS

as of 31 December



IT SH & MS IT e-commerce

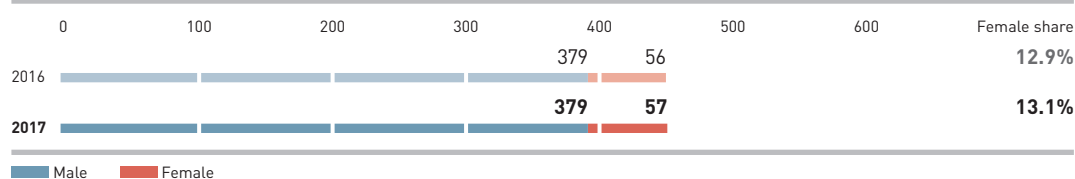
\* Figures adjusted

As an IT enterprise active throughout Europe, Bechtle already has a balanced proportion of various cultures and nationalities and of men and women. We are convinced that the diversity of the employees promotes team performance, making an effective contribution to the business success. Currently, women account for approximately 27 per cent of all employees, slightly more than in the prior year.

Among the executives, 13 per cent of all employees are female, as in the prior year; among the trainees, the share of women amounts to 26 per cent, a figure far above the industry average. At 50 per cent, the central divisions account for the highest share of women, followed by 39 per cent in the e-commerce segment. In the system house segment, the female share amounts to 20 per cent.

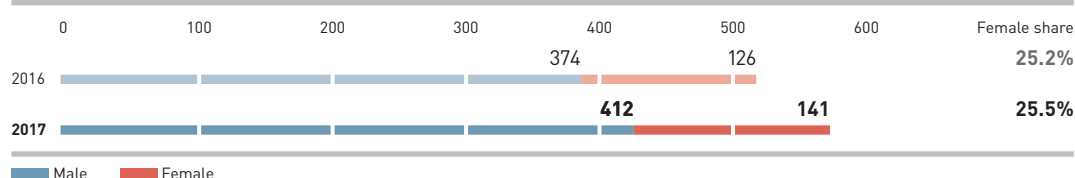
### 11. EXECUTIVES: SHARE FEMALE/MALE

as of 31 December



### 12. TRAINEES: SHARE FEMALE/MALE

as of 31 December



## PERSONNEL EXPENSES AND SALARY MODEL

In 2017, expenses for wages and salaries including social contributions underwent a disproportionately low increase of 10.5 per cent to €507.7 million (prior year: €459.4 million). Accordingly, the personnel expense ratio dropped from 14.8 per cent to 14.2 per cent. The personnel intensity in relation to the gross profit amounted to 61.0 per cent, the same level as in the prior year.

### 13. PERSONNEL EXPENSES

		2017	2016	2015	2014	2013
Personnel and social expenses	€m	507.7	459.4	423.0	388.8	348.8
Personnel and social expenses per employee <sup>1</sup>	€k	64.3	62.9	62.2	61.7	58.5
Personnel expense ratio	%	14.2	14.8	14.9	15.1	15.3

<sup>1</sup> Without employees on parental leave

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.

## EDUCATION AND TRAINING



bechtle-azubit.de

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 time, 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.



553 people  
in training

In the reporting period, more than 170 young people embarked on their training or integrated degree programme with Bechtle. As of the end of the reporting period, the company had a total of 553 young trainees (prior year: 500), including 64 abroad. Technical professions that require training (262 trainees) outweigh administrative professions that require training (212 trainees). Moreover, 41 young people studied on an economic degree programme and 38 on a technical degree programme at a cooperative university. At 7.5 per cent, the training ratio in Germany was slightly higher than in the prior year (7.3 per cent). The training ratio at the headquarters in Neckarsulm also went up, reaching 9.9 per cent (prior year: 9.5 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. With the training initiative AZUBIT – which consists of various components that supplement each other – we convince high-school students of 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 the attention of young people 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 at Bechtle and establish personal contact with the young people. Furthermore, Bechtle makes use of numerous recruiting events to present itself as a training company.

To facilitate the first steps in the 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-locational seminars give the young people the 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 is a visible sign of our successful investments in training.

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 ranging from ongoing training measures, to the acquisition of special skills, to interdisciplinary seminars. Furthermore, all employees have access to the seminars of the Bechtle training centres, which are an integral part of the Bechtle system houses. The monthly introductory events for new employees are also supervised by the Bechtle Academy. In terms of the organisation, the activities of the Academy are integrated in staff development, whose main task consists of supporting the achievement of the tar-

geted growth of the Bechtle Group by means of suitable strategic staff-development measures. In the reporting period 2017, the Bechtle Academy conducted 432 classroom events with a total of 5,261 participants (prior year: 354 events with 4,498 participants).

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 used throughout the group. iLEARN provides a target group-oriented training offering for newcomers and 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. In addition, we reduce emissions and costs caused by business trips for training purposes.

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". Once again, the programme was successful in 2017. Following an intensive quality audit by Absolventa GmbH in collaboration with Ludwig Maximilian University in Munich, it was again awarded the "Career-promoting & fair trainee programme" label.



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

To continue to be able to staff strategically important executive positions with excellent managers from our own ranks, the staff development has introduced two development programmes for executives. 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. Since 2013, the yearly junior management programme has been offered annually to employees who do not yet perform any executive tasks or who have just started assuming some executive responsibility, but who demonstrate further management potential. This programme focuses on leadership.

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 the 13-day programme the employees learn how to elaborate long-term IT strategies aligned with the business development needs of the customers.

The Leadership@Bechtle initiative, which was launched in 2016, supports all executives in the exercise of their HR and management work. Apart from the provision of the so-called Bechtle Leadership Toolbox with work aids for common leadership situations, the existing qualification offering has been expanded and supplemented with additional measures. The objective is to improve the leadership experience at Bechtle and thus to increase employee loyalty.

In 2017, Bechtle again received the “Best Recruiters Gold” award. For the third time in a row, Bechtle thus achieved first place among 19 companies in the IT ranking and second place among 507 companies in Germany in the overall ranking. In Germany, Austria and Switzerland, Bechtle achieved ninth place among 1,531 companies. This award corroborates the recruitment strategy of our company. In the reporting period, Bechtle received a total of 19,000 applications.



For further information on the HR work, refer to the Sustainability Report

Bechtle grows from year to year, and so does its staff. We find the right people with the skills that fit our teams.

**Marina Kaltenberger**, HR Manager,  
Bonn system house

**Maria Zgrzebski**, HR Manager,  
Bonn system house

**Francisco Nogueras**, Head of Managed  
Service Centre, Bonn system house





## CORPORATE GOVERNANCE REPORT

Bechtle's corporate governance is focused on meeting the company's responsibility towards society as a whole and towards various stakeholders, such as employees, customers and shareholders. The guiding principle here is to act in accordance with the value system of a respectable merchant. This self-image 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 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/investors/corporate-governance](https://www.bechtle.com/investors/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](https://www.bechtle.com/agm)

Bechtle AG endeavours to organise the Annual General Meeting efficiently and within a reasonable time frame. In this context, the company follows the provisions of 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 broadcasted 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



[bechtle.com/executive-supervisory-boards](https://bechtle.com/executive-supervisory-boards)

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

Apart from the distribution of tasks, the rules of procedure of the Executive Board govern the collaboration within the Executive Board, majority requirements for resolutions and the cooperation with the Supervisory Board. An age limit of 65 has been determined for members of the Executive Board.

The Supervisory Board of Bechtle AG has examined the subject of determining a target for the share of women on the Executive Board. Currently, the share of women on the Executive Board is 0 per cent. The Supervisory Board firmly believes that committing 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 share of women is not a viable option. In 2015, a target quota of 0 per cent was determined for the Executive Board. The deadline for reaching this target quota was 30 June 2017. The target quota was reached. From the current perspective, we consider a change of this proportion to be unrealistic in the medium term. Therefore, the Supervisory Board has again 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 share of women 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 proportion of women at this level is 0 per cent. A target quota of 0 per cent was determined on 31 July 2015. This target was reached as of 30 June 2017. For the said reasons, it is unlikely that this quota will change noticeably in the coming years. In its decision of 29 May 2017, the Executive Board therefore again set the target quota for the first executive level with effect from 1 July 2017 to 30 June 2022 at 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 31 July 2015, the proportion of women at this level amounted to 4.48 per cent. On 31 July 2015, this target was set to 5 per cent. The deadline for reaching this target quota was 30 June 2017. As of this date, the target was reached with a share of 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 at 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. Directly or using a special e-mail account, every employee can report legal violations in the company in a confidential way. Third parties can also report legal violations in the same way.

## 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 were 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 the overwhelming majority of the shareholder representatives are independent. Some of the employee representatives are normal employees of the company.



See Notes,  
Members of the  
Supervisory Board,  
page 208 f

For personal reasons, Karin Schick stepped down from her Supervisory Board mandate as of the end of 30 November 2017. By decision of the Stuttgart District Court of 4 December 2017, Elke Reichart was appointed as a Member of the Supervisory Board.

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 Bechtle's 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.

Bechtle does not publish annually updated CVs of all Supervisory Board members on the company's website. From the company's perspective, the uploading of CVs of all members of the Supervisory Board onto the website would not provide any significant added value for shareholders.

The Supervisory Board endeavours to fulfil its duties with due care. Every three years, the Supervisory Board has the efficiency of its activities 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 efficiency has deteriorated, 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. In accordance with these, the Supervisory Board 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, most of the members of the Supervisory Board fulfil the criterion of "independence", as they do not have any personal or business relationship with the company, its bodies, a controlling shareholder or a company affiliated with a controlling shareholder and do not exercise any advisory function or role on a body for customers, suppliers, creditors or other business partners of Bechtle AG. Nevertheless, the Supervisory Board will continue to propose representatives of business partners as Supervisory Board members if their specific skills are more beneficial to the company than potential conflicts of interest 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. Moreover, the Supervisory Board does not see any need for the definition of specific goals for the handling of potential conflicts of interest. In respect of diversity, the Supervisory Board has not determined any goals. Moreover, the Supervisory Board has not determined any standard limit for 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 is to remain the case in the future as well.

Pursuant to the new recommendation in Section 5.4.1 (2), second half of sentence 1 of the amended version DCGK, the Supervisory Board has also 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 financial 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.

The rules of procedure of the Supervisory Board provide for an age limit of 70 for election to the supervisory committee.

## 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. The chairmanship, vice chairmanship and committee activities, as well as 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)

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 interest, 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.



See Notes,  
Members of the  
Supervisory Board,  
page 208 f

## TRANSPARENCY

Bechtle attaches great importance to open, trusting communication with shareholders and other stakeholders, and therefore 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.

## FINANCIAL ACCOUNTING AND AUDITING OF 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 Annual General Meeting had appointed as auditor for the fiscal year 2017.

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, attends the balance sheet meeting on 14 March 2018 and reports the results of its audit. Moreover, the auditor provides additional information and answers questions of the Supervisory Board concerning the audit.

## SHARE

Bechtle AG looks back on another extremely successful trading year. The year ended also saw the implementation of a capital measure adopted by the General Meeting. As a result of the issuance of so-called bonus shares, the company's share capital doubled to €42 million, and the price of the Bechtle share was halved. Backed by the positive mood on the European financial market, this measure boosted the demand for Bechtle shares. Throughout the year, the share price repeatedly reached new record marks. As of the end of the year, our share had recorded an increase of 40.7 per cent.

### CAPITAL MEASURE

By proposal of the Executive Board and the Supervisory Board, the General Meeting of 1 June 2017 decided to increase the company's share capital from company funds by issuing so-called bonus shares to the company's existing shareholders. The capital increase was entered in the trade register on 7 July. The company's share capital doubled to €42 million, divided into 42 million no-par shares. All shareholders of Bechtle AG received an additional new share (so-called bonus share) for every existing Bechtle share. The last trading day prior to the technical roll-out of the share capital increase from company fund and the issuance of the bonus shares was 21 July. Stock market quotations for the new shares on the regulated market of the Frankfurt stock exchange started on 24 July. The new shares are entitled to profit starting from the start of the fiscal year 2017.

The objective of this measure was to improve the tradability of the share certificates at the stock exchanges, thereby making it easier for more investors to enter into the Bechtle share or to expand their existing positions. The significant increase in the trading volume and the vigorous price performance since the implementation demonstrate the success of the measure.

All price information and all indicators that refer to share prices have been adapted to the share split.

## STOCK MARKET

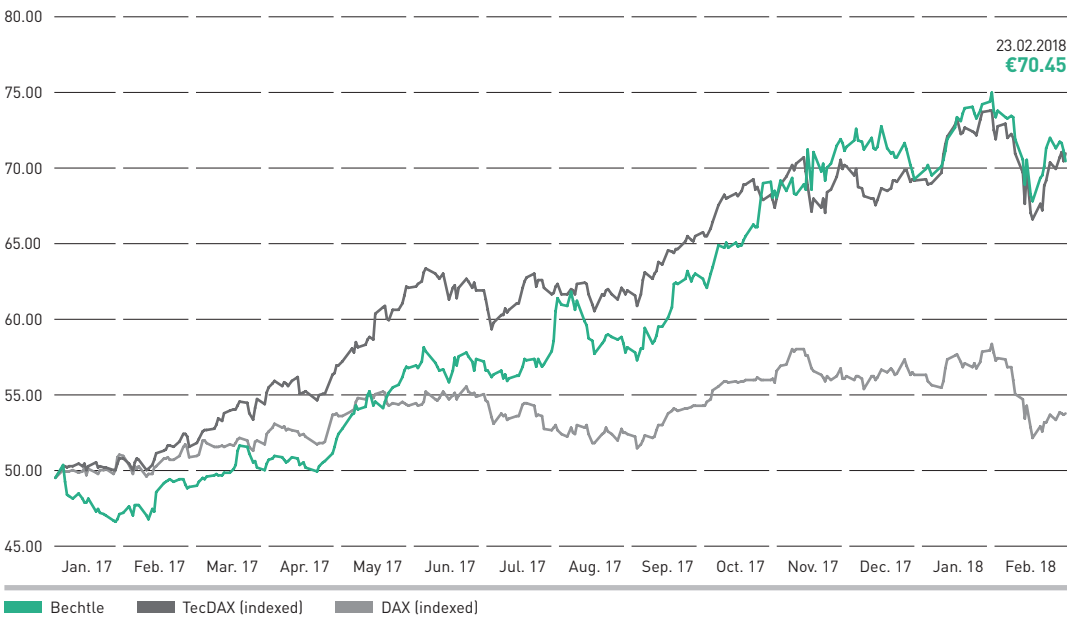
In 2017, the European financial market underwent a positive development in almost all areas. Brexit and its consequences were not yet tangible, and fears of disintegration of the eurozone dissipated due to the strong election results of the pro-Europe factions. Robust economic growth boosted the consumption mood, even in crisis-shaken countries like Greece, Italy and Portugal. The persistent low interest rate policy of the central banks also played a key role in supporting the investor demand.

The German stock markets reacted with an upward price movement. In early November 2017, the DAX reached a new record level of 13,500 points and gained a total of 12.5 per cent over the year. The MDAX (+18.1 per cent) and the SDAX (+24.9 per cent) also underwent significant growth. With an increase of 39.6 per cent and a new record level of over 2,500 points, the TecDAX performance in 2017 was especially remarkable.

## SHARE PERFORMANCE

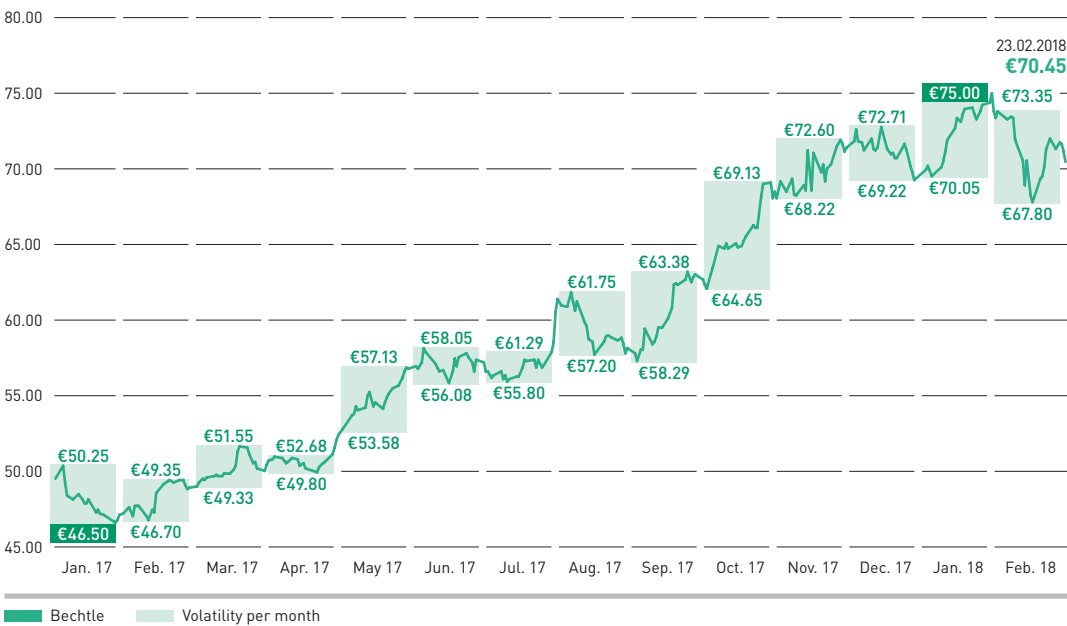
The year 2017 was an extremely successful trading year. At the beginning of the year, the Bechtle share started out reluctantly and reached its annual low of €46.50 on 24 January. Thereafter, the price went up to figures above €50.00 and remained at this level until the end of April. In May, the share price leaped to levels above €55.00 for the first time. The share remained stable in this region until the share split at the end of July started to push up the prices again. On 3 August, the Bechtle share reached a new high of €61.61. Profit-taking caused the price to drop slightly before the share started to shoot up in September. Records were broken without let-up. On 8 December, our share reached its annual high of €72.71, a new all-time high. As of the end of the year, the Bechtle share was worth €69.52, an increase of 40.7 per cent.

14. THE BECHTLE SHARE – PERFORMANCE FROM JANUARY 2017 TO FEBRUARY 2018



See [bechtle.com/share](http://bechtle.com/share) for the current share price

15. THE BECHTLE SHARE – HIGHS AND LOWS FROM JANUARY 2017 TO FEBRUARY 2018



Apart from the prices, the market cap also progressed, reaching a figure of €2,919.8 million at the end of the year, just short of €3 billion. In the ranking of Deutsche Börse as of 31 December 2017, Bechtle occupied the eleventh place in terms of market cap in the TecDAX, one place higher than in the prior year.

## 16. TRADING DATA OF THE BECHTLE SHARE

		2017	2016	2015	2014	2013
Closing price at the end of the year	€	69.52	49.41	44.03	32.99	24.74
Performance	%	+40.7	+12.2	+33.5	+33.4	+61.4
High (closing price)	€	72.71	52.28	46.32	32.99	25.48
Low (closing price)	€	46.50	36.85	32.25	24.67	15.04
Market cap – total <sup>1</sup>	€m	2,919.8	2,075.2	1,849.3	1,385.6	1,038.9
Avg. turnover/trading day <sup>2</sup>	shares	45,637	30,515	46,580	41,281	34,201
Avg. turnover/trading day <sup>2</sup>	€	3,604,891	2,789,577	3,452,399	2,452,888	1,364,142

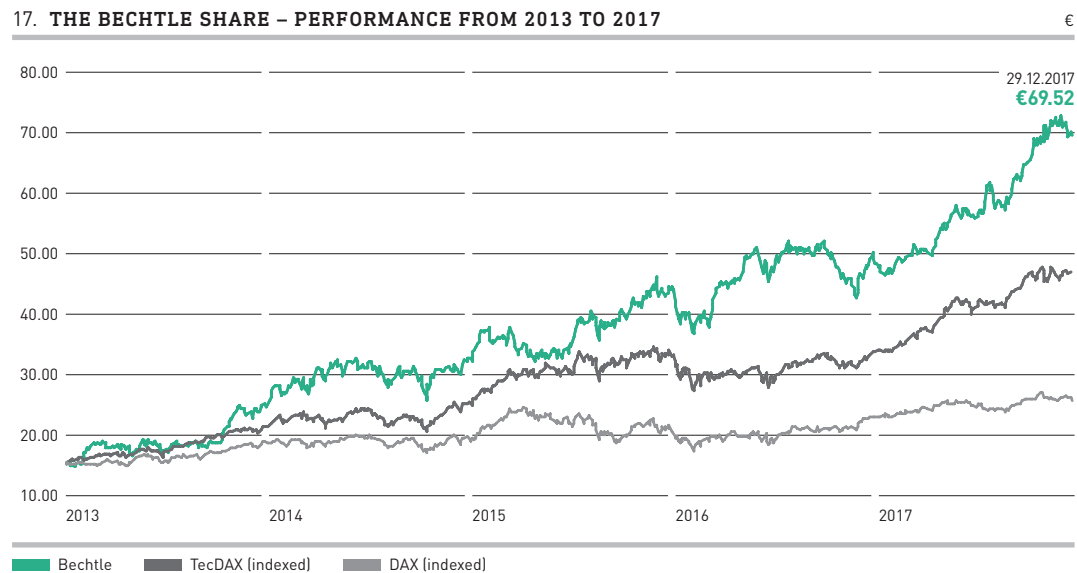
Xetra closing price data (adapted to share split)

<sup>1</sup> As of the end of the year

<sup>2</sup> All German stock exchanges

The average daily stock exchange turnover amounted to €3,604.9 thousand, considerably more than in the prior year (€2,789.6 thousand). The trading volume also increased as far as the number of shares was concerned. On average, 45,637 Bechtle shares were traded per day (prior year: 30,515). In the December ranking of Deutsche Börse, Bechtle reached the 22nd place in the TecDAX in terms of stock exchange turnover. In the prior year, the company had been on the 18th place.

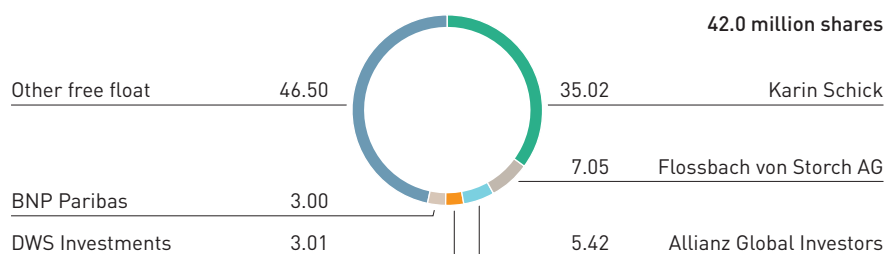
## 17. THE BECHTLE SHARE – PERFORMANCE FROM 2013 TO 2017



## SHAREHOLDER STRUCTURE

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 Karin Schick’s 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.

### 18. SHAREHOLDER STRUCTURE %



As of 31 December 2017

## DIVIDEND

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 that have continued to distribute profits to shareholders year after year without interruption since their IPO and regularly increased it. So far, the dividend has never declined. This underscores the reliability of the shareholder-oriented distribution policy of Bechtle AG.

Following the outstanding results achieved in 2017, the Executive Board and the Supervisory Board have agreed to propose a dividend of €0.90 per share for the fiscal year 2017 to the Annual General Meeting. In the prior year, Bechtle AG had paid out a dividend of €1.50 per share (prior to the share split). Subject to the approval of the Annual General Meeting, the payout proposal would correspond to a dividend increase of 20 per cent (adapted to share split). This would be the eighth increase in a row.


As of 31 December 2017, the number of shares with dividend entitlement was 42,000,000. Thus, the sum to be distributed for the fiscal year 2017 amounts to €37.8 million. This means a dividend payout ratio of exactly 33.0 per cent of the consolidated earnings after taxes (prior year: 30.5 per cent). In relation to the annual closing price of our share, the dividend yield amounts to 1.3 per cent, slightly less than in the prior year (1.5 per cent).



## EARNINGS PER SHARE

The improvement of the operating earnings was accompanied by a corresponding rise in the earnings per share (EPS). Based on the new number of voting rights of 42.0 million shares and earnings after taxes of €114.6 million, EPS amounted to €2.73, some 10.8 per cent or €0.27 more than in the prior year (€2.46; adapted to share split).

### 19. SHARE PERFORMANCE INDICATORS

 For further key figures, see Multi-year Overview, page 218 ff

		2017	2016	2015	2014	2013
Shares with dividend entitlement <sup>1</sup>	shares	42,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Earnings per share	€	2.73	4.92	4.42	3.63	3.02
Amount distributed	€m	37.8 <sup>2</sup>	31.5	29.4	25.2	23.1
Dividend payout ratio	%	33.0 <sup>2</sup>	30.5	31.7	33.1	36.4
Cash dividend per share	€	0.90 <sup>2</sup>	1.50	1.40	1.20	1.10
Dividend yield <sup>1</sup>	%	1.3 <sup>2</sup>	1.5	1.6	1.8	2.2
Price/earnings ratio <sup>1</sup>		25.5	20.1	19.9	18.2	16.4

<sup>1</sup> As of the end of the year

<sup>2</sup> Subject to approval of the General Meeting

## ANNUAL GENERAL MEETING

On 1 June 2017, the Executive Board and the Supervisory Board welcomed about 600 shareholders and guests to the 17th Annual General Meeting of Bechtle AG at the "Harmonie" concert and congress centre in Heilbronn. The attendees represented 73.33 per cent of the company's entire issued capital. The General Meeting adopted all discussed agenda items – including the said capital increase from company funds – with an overwhelming majority. This fact again underlines the high trust put in the Executive Board and the Supervisory Board.

## COMMUNICATION WITH THE CAPITAL MARKET

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

The way that analysts view a company has a major impact on the shareholder and investor opinion. In 2017, a total of 11 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 and Metzler. Berenberg started to cover the company in November 2017. Bechtle's regular constructive dialogue with all institutions is enhanced by analyst visits to the headquarters, various conferences and joint road shows.

In 2017, contacts with existing and potential investors again took place on numerous occasions. In individual discussions, road shows and investor conferences, Bechtle provided information about the company's economic situation, business strategy and outlook. Furthermore, many investors made use of the opportunity to inform themselves about Bechtle during a visit to group headquarters in Neckarsulm.

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 shareholders within the scope of the Shareholder Days, which were held for the 13th time. By means of a presentation and a tour of the headquarters, Bechtle AG gives its shareholders a deeper insight into the company, thereby enhancing the relationship with its shareholders.



**Collaboration is vital, a good atmosphere is vital: everything for the benefit of digitisation.**

**Mara Casulli**, Team Leader  
Admin Client & Repair Service,  
Neckarsulm system house

**Jochen Rummel**, Head of Project  
and Service Management,  
Neckarsulm system house

**Jessica Baumgart**, Organisation &  
Communication, Public-Sector division

**Dominik Fleisz**, Account Manager  
Healthcare, Bechtle ÖA direct

From left to right

## TAKEOVER-RELATED DISCLOSURES

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

In the reporting period, Bechtle AG performed a capital increase from company funds. Accordingly, the equity capital has gone up. As of 31 December 2017, the company's issued capital amounted to €42,000,000, 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](http://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 27 February 2018, 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 f 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](http://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).



See Notes,  
Issued Capital,  
page 156 f

Pursuant to Sections 202 ff 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 €10,500,000 by issuing new bearer shares against cash contributions and/or contributions in kind until 4 June 2019 (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 ff of the German Stock Corporation Act (AktG) shall be taken into consideration. The redemption authorisation has been granted for any purpose permitted by law. On 14 March 2017, Bechtle AG adopted the basic resolution to launch a share redemption programme. The redemption was to take place after the capital increase from company funds and the issuance of the free shares, at the earliest.

The company has no other 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 case of premature termination of the 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

### MACROECONOMY

  
ec.europa.eu

In 2017, the macroeconomic performance in the EU was highly positive. According to the figures published by the European Commission, the gross domestic product (GDP) underwent a year-on-year growth of 2.4 per cent (prior year: 2.0 per cent), the highest growth rate since 2007. Among the Bechtle markets in the EU, the growth varied considerably. In terms of GDP growth, Italy (1.5 per cent) and Belgium (1.7 per cent) were at the bottom of the scale. The list was headed by the Eastern European countries with growth rates of about 4 per cent and the top performer Ireland with 7.3 per cent. In 2017, investments in equipment – an indicator that is relevant to Bechtle – underwent an above-average growth of 3.5 per cent. However, compared to the growth of 3.9 per cent in the prior year, the dynamics slackened.

  
destatis.de

The German economy also performed well in 2017. As reported by the German Federal Statistical Office, the GDP went up 2.2 per cent in the reporting period (prior year: 1.9 per cent), the highest level in six years. Investments in equipment increased by an above average rate of 3.5 per cent, compared to 2.2 per cent in the prior year. In Germany, the growth of government investments amounted to only 1.4 per cent, compared to 3.7 per cent in the prior year. In Switzerland, the hope for further recovery of the tense economic situation due to the strong Swiss franc did not materialise. Rather, the development lagged behind that of the EU and Germany. According to an estimate by the Swiss expert group for federal economic forecasts, the country's GDP growth in 2017 amounted to 1.0 per cent, compared to 1.4 per cent in the prior year.

## INDUSTRY

The IT market performance in 2017 was excellent. In the EU and most relevant national markets, the growth dynamics of this market surpassed both that of the economy in general and that of the prior year. The market research institute EITO reports a figure of 3.6 per cent for the growth of the IT market in the EU, compared to 3.2 per cent in the prior year. All three sub-segments contributed to this development. Service revenues climbed 2.7 per cent, and software 5.4 per cent. With an increase of 4.2 per cent, the hardware segment – which market researchers usually expect to deliver a rather weak performance at the beginning of the year – provided a strong growth contribution. Though conventional desktop PC sales continued to decline as anticipated, this was compensated by an 8.9 per cent growth in the field of mobile devices and good growth in other product groups. In the countries in which Bechtle is active, hardware sales again diverged greatly in 2017. Sales dropped by rates ranging from -0.5 per cent to -1.4 per cent in Switzerland, Poland, the Czech Republic, Italy and Belgium. By contrast, the other nine countries recorded growth, some even significant growth. Germany and the Netherlands, which are especially important for Bechtle in the hardware market, grew 6.5 per cent and 7.5 per cent, respectively. The list was headed by Portugal with 11.0 per cent, Hungary with 14.2 per cent and Ireland with 17.3 per cent.

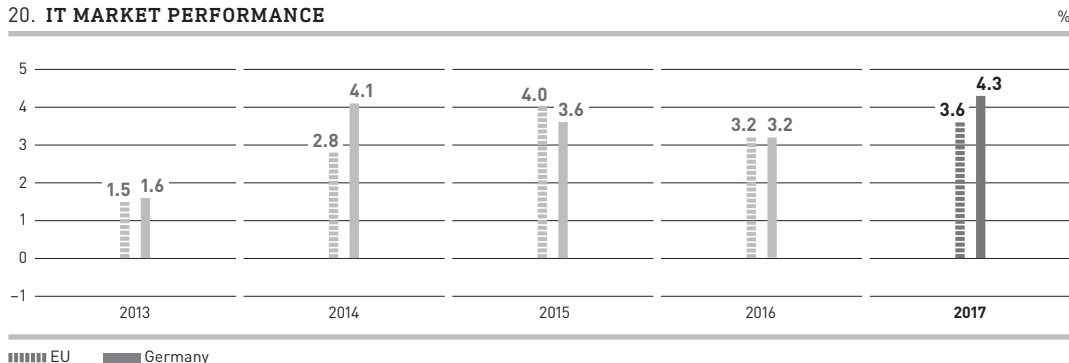


eito.com

In Austria, the IT market grew by a total of 3.8 per cent. Services grew 2.6 per cent, hardware 4.6 per cent and software 5.2 per cent. With a plus of 3.5 per cent, Switzerland also exhibited good growth. However, the performance in the individual segments was mixed here. Hardware revenue declined 0.5 per cent. On the other hand, services increased 3.0 per cent and software 6.0 per cent.

The German IT market grew very dynamically in 2017, gaining 4.3 per cent compared to 3.2 per cent in the prior year. With an increase of 6.5 per cent, the hardware business was the main growth driver. The growth rates in the field of mobile devices were especially high. Software increased 6.3 per cent, and service revenue 2.3 per cent.

### 20. IT MARKET PERFORMANCE



## OVERALL ASSESSMENT

In the reporting period, the macroeconomic development delivered positive impulses. The growth increased in almost all countries in which Bechtle is present, reaching the highest levels of the past ten years in some areas. The economic situation in Germany was also very positive. In 2017, only the Swiss economy suffered declining dynamics and the lowest growth figures of all Western European countries. The IT industry was very strong and further stepped up its growth dynamics. Compared to the GDP, the overall IT market grew at an above-average rate. Once again, the hardware market refuted the originally rather pessimistic forecasts and greatly contributed to the growth.

Bechtle AG was able to pick up and amplify these dynamics. In all regions and in both segments, the revenue increased at a rate higher than that of the overall IT market. Owing to this above-average growth, Bechtle outperformed many competitors. In the reporting period, Bechtle AG was thus able to further expand its market share.

In 2017, apart from the macroeconomic development and the economic trend in the industry, the Bechtle markets did not witness any significant events outside the company that had a noteworthy effect on the business performance. The upcoming Brexit did not have any noticeable effect, neither on the local company in the UK nor on the group as whole.

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**Christian Hensmann**, Central Team  
Bundeswehr Project and  
Service Management, Bonn system house

**Florian Pawlitte**, Key Account Manager,  
Bonn system house

From left to right



## EARNINGS, ASSETS AND FINANCIAL POSITION

### EARNINGS POSITION

The fiscal year 2017 was marked by very strong growth dynamics, which increased even more in the second half of the year. Bechtle recorded double-digit growth rates throughout all quarters. The growth was broadly supported. Both segments, Germany and abroad, saw significant growth compared to the prior year. The company has thus taken a further major step towards the fulfilment of Vision 2020. At 4.6 per cent, the EBT margin is in reach of the goal of 5 per cent defined in this Vision.

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.

### 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.

Incoming orders during a fiscal year currently still largely correspond to the revenue in this period. In the reporting period, this figure amounted to €3.61 billion, some 14 per cent more than in the prior year (€3.16 billion). The incoming order volume climbed from €2.23 billion to €2.54 billion in the IT system house & managed services segment and from €0.94 billion to €1.07 billion in the IT e-commerce segment.

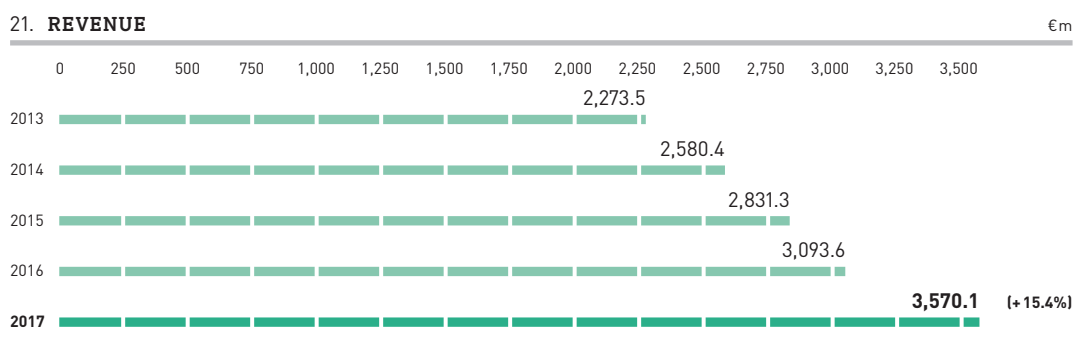
As of the end of the year, the group's order backlog was worth approximately €569 million, compared to €463 million in the prior year. Of this amount, the IT system house & managed services segment accounted for €490 million (prior year: €404 million), and the IT e-commerce segment for €79 million (prior year: €59 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



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Revenues,  
page 144

In the fiscal year 2017, Bechtle grew very dynamically, pushing up its revenue 15.4 per cent from €3,093.6 million to €3,570.1 million. This is the highest increase since 2011. The growth of 14.4 per cent was mainly organic.



The growth was broadly supported by all regions and segments. Top growth rates of almost 20 per cent were achieved by domestic e-commerce and, due to acquisitions, the foreign system houses.

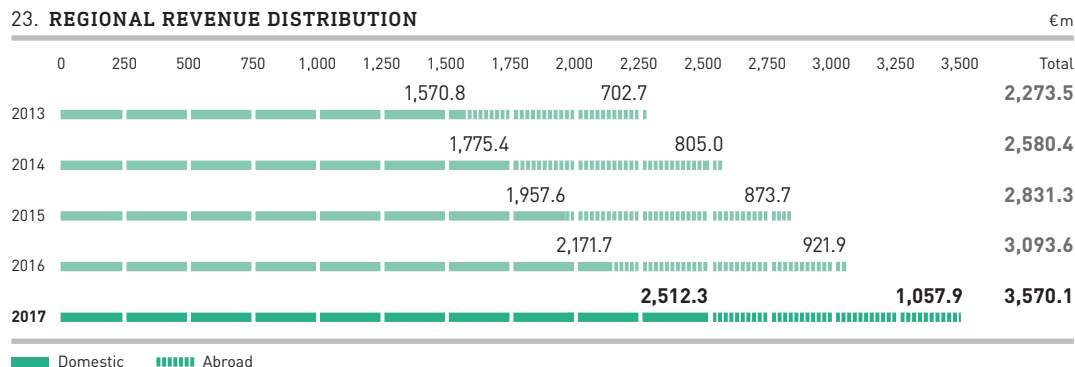
Throughout the year, growth rates remained in the double-digit range. Further into the year, the dynamics got even better. In the first half of the year, the revenue growth amounted to 13.8 per cent. An outstanding growth rate of 19.7 per cent was reached in the third quarter, and the final quarter also achieved a double-digit growth rate of 14.5 per cent despite the strong base effect of the prior year.

22. REVENUE PERFORMANCE €m

	Q1		Q2		Q3		Q4	
	2017	2016	2017	2016	2017	2016	2017	2016
Group revenue	803.1	704.9	822.2	723.4	873.9	730.0	1,070.9	935.3
% of total annual revenue	22.5	22.8	23.0	23.4	24.5	23.6	30.0	30.2

At 8.0 per cent, the average headcount of full-time and part-time employees increased at a lower rate than revenue. In the reporting period, Bechtle thus further increased its productivity. Based on a number of 7,404 full-time and part-time employees (prior year: 6,855), revenue per employee amounted to €482 thousand, compared to €451 thousand in the prior year.

## 23. REGIONAL REVENUE DISTRIBUTION



The revenue increase in Germany amounted to 15.7 per cent. Germany thereby remains Bechtle's most important market. The share in the total revenue amounted to 70.4 per cent, compared to 70.2 per cent in the prior year. Revenue abroad went up 14.7 per cent. In absolute terms, the foreign share thus surpassed the one-billion-euro mark for the first time, reaching a figure of €1,057.9 million (prior year: €921.9 million).

## COST AND EARNINGS PERFORMANCE

In 2017, certain manufacturer bonuses that had been recognised as other operating income were reclassified into cost of sales. The prior-year figures have been adjusted accordingly.

**Cost of sales.** In the reporting period, gross earnings went up by a disproportionately low 12.6 per cent to €543.8 million (prior year: €483.1 million). Compared to revenue, the cost of sales developed at a disproportionately high rate of 15.9 per cent. This was due to the increase in material costs by 16.9 per cent resulting from strong demand for IT infrastructure by customers. On the other hand, the increase of 9.2 per cent in personnel expenses for employees in the field of services, whose personnel costs are included in the cost of sales, was disproportionately low. The gross margin thus amounted to a good rate of 15.2 per cent (prior year: 15.6 per cent).



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Expense Structure,  
page 144

## 24. COST OF SALES/GROSS EARNINGS

		2017	2016	2015	2014	2013
Cost of sales	€m	3,026.3	2,610.5	2,394.0	2,189.5	1,926.6
Gross earnings	€m	543.8	483.1	437.3	391.0	346.8
Gross margin	%	15.2	15.6	15.4	15.2	15.3

**Distribution costs and administrative expenses.** In 2017, distribution costs merely underwent a below-average increase of 10.0 per cent to €216.0 million (prior year: €196.3 million). The distribution cost ratio thus fell from 6.3 per cent to 6.0 per cent. Administrative expenses increased 13.3 per cent from €153.0 million to €173.4 million. The ratio remained at 4.9 per cent. Other operating income remained more or less at the prior-year level at €9.8 million (prior year: €10.3 million).



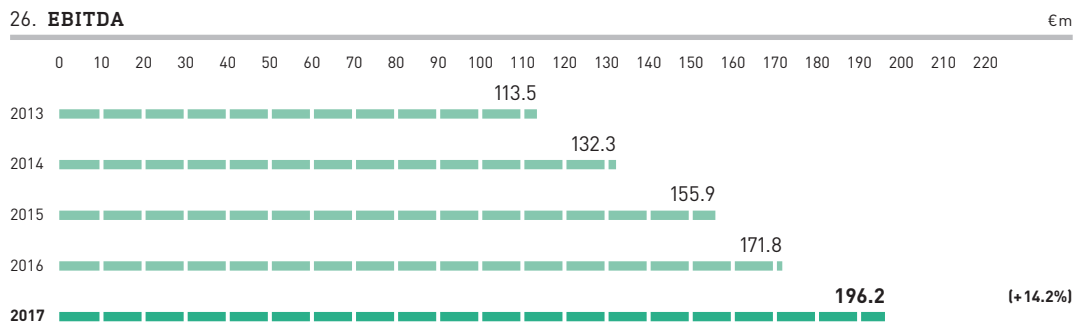
See Employees,  
page 47

## 25. DISTRIBUTION COSTS/ADMINISTRATIVE EXPENSES

		2017	2016	2015	2014	2013
Distribution costs	€m	216.0	196.3	182.8	166.6	151.5
Distribution cost ratio	%	6.0	6.3	6.5	6.5	6.7
Administrative expenses	€m	173.4	153.0	138.4	124.0	110.5
Administrative expense ratio	%	4.9	4.9	4.9	4.8	4.9

**Earnings situation.** In the reporting period, earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed 14.2 per cent to €196.2 million (prior year: €171.8 million). The increase is attributable mainly to the disproportionately low increase of 10.5 per cent in personnel expenses. However, as this effect could not fully compensate for the higher increase in material costs, the EBITDA margin declined slightly from 5.6 per cent to 5.5 per cent.

## 26. EBITDA



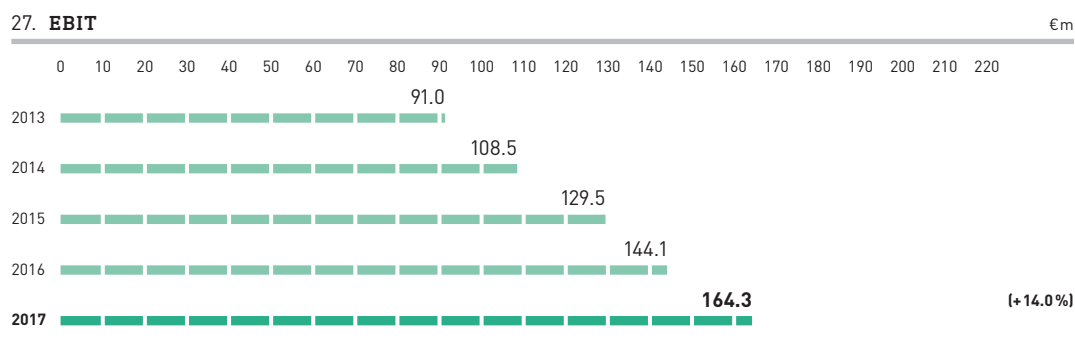
In 2017, depreciation and amortisation amounted to €31.9 million, 15.2 per cent more than in the prior year (€27.7 million). The higher increase compared to prior years was caused by factors such as the investments in property, plant and equipment in 2016 and 2017, especially the equipment of the new data centre in Frankfurt. Accordingly, depreciation of property, plant and equipment underwent the highest increase at 22.7 per cent. Software and property, plant and equipment accounted for most of the depreciation, totalling €28.0 million (prior year: €22.8 million). Property, plant and equipment mostly consists of the company's own IT, purchased assets such as the buildings at the headquarters in Neckarsulm, tenant installations and office equipment. Moreover, assets used by customers under long-term maintenance agreements are depreciated.



See Measurement,  
page 83

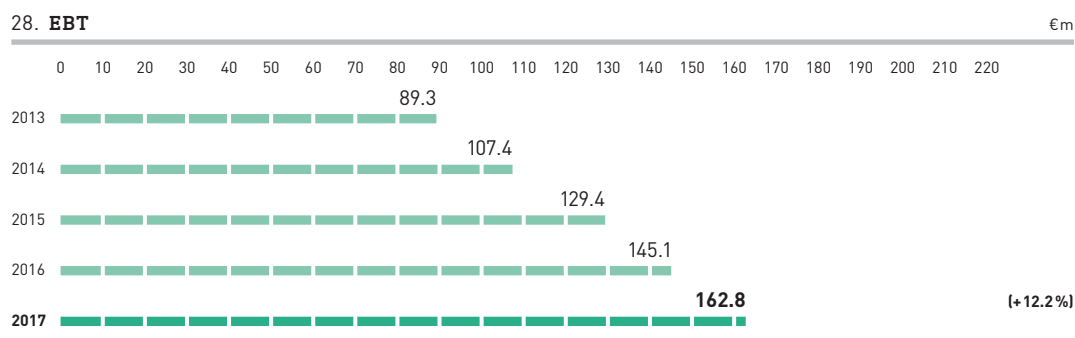
At 0.9 per cent, the depreciation and amortisation rate remained at the prior-year level and is rather insignificant compared to the other expense items. For 2017, the goodwill impairment test again did not reveal any need for impairment.

Earnings before interest and taxes (EBIT) improved 14.0 per cent to €164.3 million (prior year: €144.1 million). The EBIT margin dropped from 4.7 per cent to 4.6 per cent.



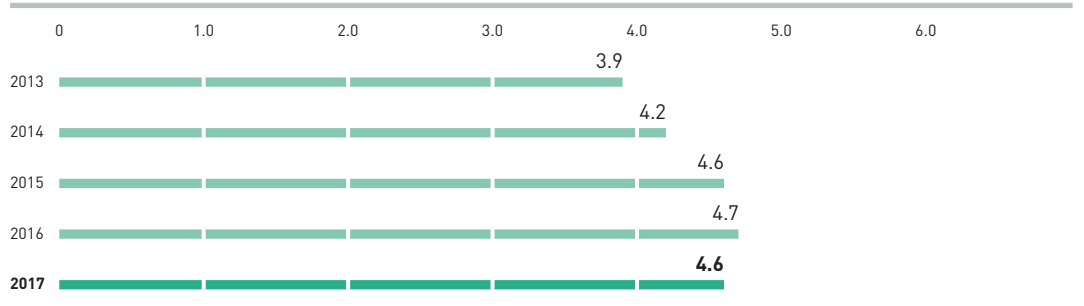
The financial earnings of minus €1.4 million did not undergo any special developments. In the prior year, the financial earnings had been impacted by a positive one-time effect of €1.6 million, resulting in a positive balance of €1.0 million.

Earnings before taxes (EBT) climbed 12.2 per cent to €162.8 million (prior year: €145.1 million). In the course of the year, the first three quarters recorded double-digit growth. The fourth quarter was impacted by positive special effects from the prior year, resulting in below-average growth of 6.2 per cent. In the prior year, the mentioned one-time effect in the financial earnings had been partially noticeable in the fourth quarter. Most significantly, though, pension provisions of about €3 million were reversed in December 2016. Without this effect, the fourth quarter of 2017 would have seen double-digit EBT growth of 13 per cent.



In the reporting period, the EBT margin was 4.6 per cent, compared to 4.7 per cent in the fiscal year 2016. Thus, the target margin of 5 per cent, which is mentioned in Vision 2020, remains in reach.

### 29. EBT MARGIN

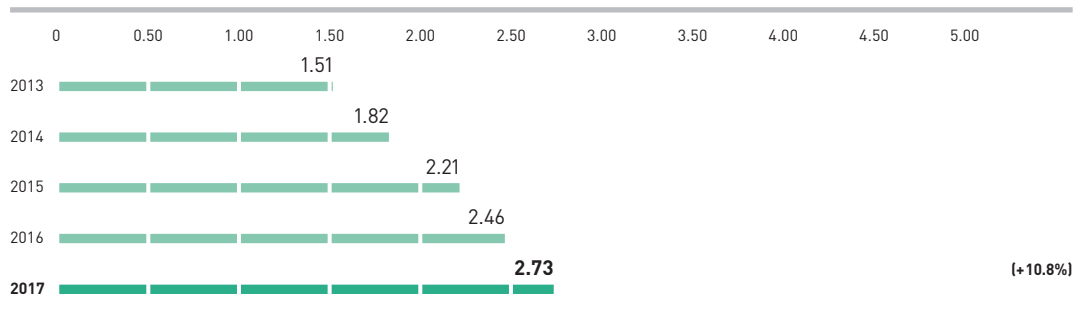


See Notes,  
Income Taxes,  
page 146

In the reporting period, income tax expenses increased 15.6 per cent to €48.2 million (prior year: €41.7 million). The tax rate rose from 28.8 per cent to 29.6 per cent. This was due to the higher domestic earnings share with its relatively high tax rate.

Earnings after taxes amounted to €114.6 million, 10.8 per cent more than in the prior year (103.4 million). Earnings per share (EPS) amounted to €2.73. Adjusted for the capital increase and the subsequent share split, this represents an increase of 10.8 per cent over the prior-year EPS of €2.46.

### 30. EPS\*



\* Prior year adapted to share split

See Foreign Currencies,  
page 104

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

See Dividend,  
page 63

In view of this very good development, the Executive Board proposes to the Supervisory Board to pay out a dividend of €0.90 per share to the shareholders. Compared to the prior year, the dividend is thus 20.0 per cent higher, and the dividend payout ratio amounts to 33.0 per cent.

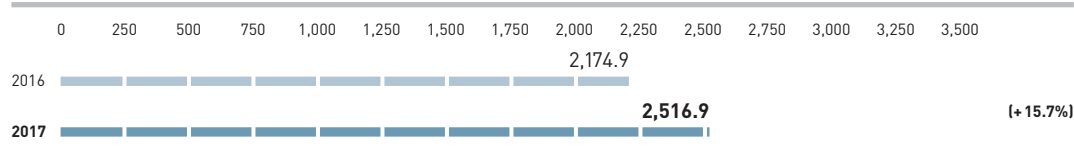
## SEGMENT REPORT

**IT system house & managed services.** In the service segment, Bechtel achieved revenue of €2,516.9 million in 2017 (prior year: €2,174.9 million), an increase of 15.7 per cent. In total, the IT system house & managed services segment accounted for 70.5 per cent of the group revenue (prior year: 70.3 per cent).



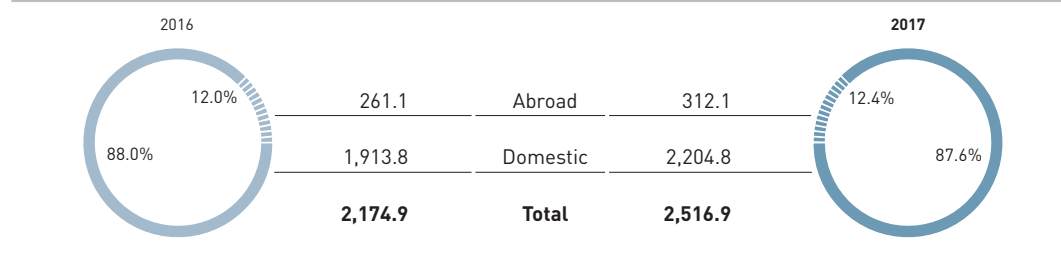
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Segment Information,  
page 182 f

### 31. SEGMENT REVENUE IT SYSTEM HOUSE & MANAGED SERVICES €m



With an increase of 19.5 per cent (partly due to acquisitions), the system houses in Switzerland and Austria were the growth drivers. At 15.2 per cent, domestic growth was very high as well. With their comprehensive, up-to-date service offering, the Bechtel system houses have succeeded in boosting the existing demand and providing further impetus.

### 32. REVENUE DISTRIBUTION IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT €m



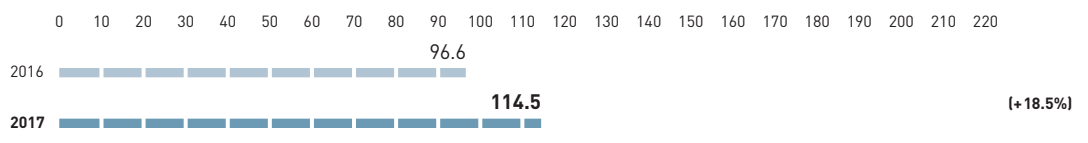
Productivity in the IT system house & managed services segment increased as a result of the below-average headcount increase compared to revenue growth. Based on an average number of 6,049 full-time and part-time employees (prior year: 5,550 employees), the revenue per employee amounted to €416 thousand (prior year: €392 thousand).



In 2017, EBIT in the IT system house & managed services segment went up 18.5 per cent to €114.5 million (prior year: €96.6 million). Apart from the successful marketing of premium services, efficient cost control was one of the main reasons for this development. Accordingly, the EBIT margin increased to 4.5 per cent (prior year: 4.4 per cent).

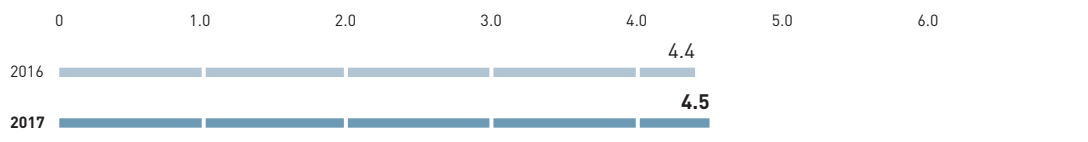
### 33. EBIT IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m



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

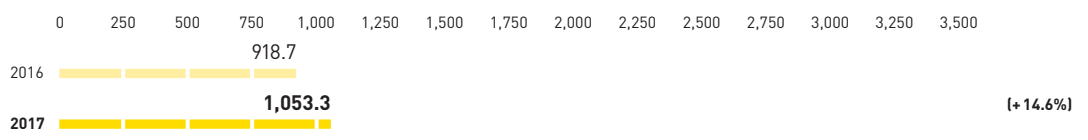
%



**IT e-commerce.** In the reporting period, the IT e-commerce segment stepped up its revenue 14.6 per cent, exceeding the one-billion-euro mark with a figure of €1,053.3 million (prior year: €918.7 million).

### 35. SEGMENT REVENUE IT-E-COMMERCE

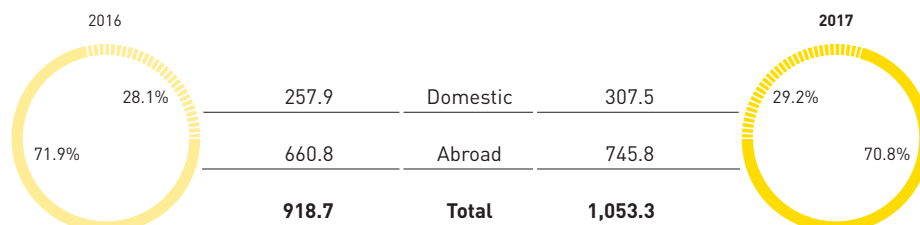
€m



Germany was the growth driver in this segment, with €307.5 million in revenue in the reporting period, an excellent 19.2 per cent more than in the prior year (€257.9 million). The trading companies in other countries grew 12.9 per cent to €745.8 million (prior year: €660.8 million).

## 36. REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT

€m

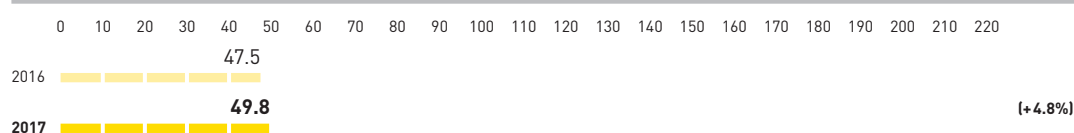


The revenue per employee also increased in the reporting period. Based on an average of 1,355 full-time and part-time employees (prior year: 1,305), this figure went up to €777 thousand (prior year: €704 thousand).

In the reporting period, EBIT in the IT e-commerce segment was under pressure from two sides. On the one hand, the composition of the product mix in the reporting period merely resulted in a below-average increase in the contribution margin. On the other hand, the above-mentioned positive one-off effect from the pension provisions had been noticeable especially in this segment. Despite the very positive development of e-commerce in the reporting period, it was not possible to compensate for this prior-year effect. Therefore, EBIT rose 4.8 per cent to €49.8 million (prior year: €47.5 million).

## 37. EBIT IN THE IT E-COMMERCE SEGMENT

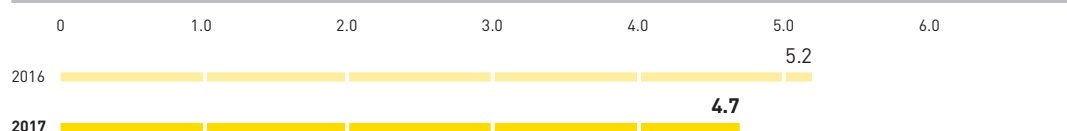
€m



The EBIT margin thus dropped from 5.2 per cent to 4.7 per cent.

## 38. EBIT MARGIN IN THE IT E-COMMERCE SEGMENT

%



## ASSETS POSITION

Bechtle's balance sheet has always expressed its robustness and economic strength and thus underlines the Bechtle Group's financial independence. This is not only effective internally but is also regarded by many customers as a key criterion for selecting the preferred IT partner. Indicators such as the superb equity ratio of 53.9 per cent and the liquidity of more than €170 million require no further explanations.



Concerning the assets position of the segments, see Notes, page 183

Mainly owing to the greater business volume and the investments made in the reporting period, the balance sheet total of the Bechtle Group went up in the reporting period. As of the closing date of 31 December 2017, this figure amounted to €1,443.4 million, 13.7 per cent more than in the prior year.

### 39. CONDENSED BALANCE SHEET

	2017	2016	2015	2014	2013
<b>Assets</b>					
Non-current assets	415.2	368.2	344.4	321.9	299.2
Current assets	1,028.2	901.1	806.0	694.7	611.1
<b>Equity and liabilities</b>					
Equity	777.3	694.1	620.7	554.0	501.6
Non-current liabilities	127.3	118.0	119.2	95.9	90.8
Current liabilities	538.8	457.3	410.6	366.7	318.0
<b>Balance sheet total</b>	<b>1,443.4</b>	<b>1,269.3</b>	<b>1,150.4</b>	<b>1,016.6</b>	<b>910.3</b>

On the assets side, non-current assets amounted to €415.2 million, 12.8 per cent more than in the prior year. This item was mainly effected by changes in property, plant and equipment as well as other intangible assets, which both increased substantially due to the investments made. At €66.9 million, the expenses for investments were thus significantly higher than in the prior year (€39.6 million). The investment ratio increased to 40.5 per cent (prior year: 28.5 per cent). Trade receivables also went up again due to some large long-term projects. On the other hand, time deposits and securities fell due to the reclassification as current assets because of the shorter terms to maturity.

During the reporting period, the capitalisation ratio only receded slightly to 28.8 per cent as of the reporting date 31 December 2017 (prior year: 29.0 per cent). In the reporting period, the coverage of non-current assets by equity fell slightly from 188.5 per cent to 187.2 per cent.

Current assets went up €127.1 million or 14.1 per cent to €1,028.2 million. This item was affected primarily by the trade receivables and inventories, which increased at a rate similar to that of the business volume. For reasons such as the increase in non-current receivables, the DSO (days sales outstanding) underwent a slight upward move from 39.7 days to 40.2 days. The ratio of inventories to revenue saw a minimal rise from 5.8 per cent to 5.9 per cent. 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. Cash and cash equivalents went up, while short-term time deposits and securities dropped slightly.

All in all, the liquidity of the Bechtle Group – including short- and long-term time deposits and securities – amounted to an excellent €174.8 million (prior year: €162.8 million). In addition to the total liquidity, Bechtle has a liquidity reserve of €37.3 million in the form of unused cash credit lines and guarantee 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 2017, net assets increased by €5.1 million (prior year: minus €1.3 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, 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, ROCE amounted to 22.3 per cent, compared to 24.0 per cent in the prior year. The decline was caused mainly by the balance sheet extension and the disproportionately high increase in average capital employed.

#### 40. ROCE/CAPITAL EMPLOYED

		2017	2016	2015	2014	2013
ROCE	%	22.3	24.0	23.7	22.3	20.6
Capital Employed	€m	738.0	601.0	546.4	486.4	442.1

Year on year, working capital again underwent a very significant increase of 31.2 per cent. In relation to revenue, the figure climbed from 12.1 per cent to 13.8 per cent. While the development of inventories normalised compared to the prior year and their increase was about the same as revenue growth, trade receivables increased at a disproportionately high rate. However, this effect was closely

linked to the reporting date and was mainly due to the high business volume towards the end of the year. As of the reporting date 31 December, Bechtle AG reduced its trade payables more extensively than in the prior year, which also encumbered working capital.

#### 41. WORKING CAPITAL

		2017	2016	2015	2014	2013
Working capital	€m	492.9	375.6	294.9	291.3	234.6
In % of revenue		13.8	12.1	10.4	11.3	10.3

On the equity and liabilities side, current liabilities increased by €81.6 million or 17.8 per cent to €538.8 million. Financial liabilities underwent the greatest increase of €49.2 million. Other liabilities went up €15.8 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.

As of the reporting date, non-current liabilities amounted to €127.3 million, 7.9 per cent more than in the prior year. Due to loans raised, financial liabilities underwent the greatest increase of €18.2 million. Pension provisions were reduced by €6.9 million. This effect was outside profit or loss. The share of non-current liabilities in the balance sheet total decreased from 9.3 per cent to 8.8 per cent.

In the reporting period, equity grew 12.0 per cent to €777.3 million. The increase was the result of the €83.2 million increase in retained earnings. Due to the balance sheet extension, the equity ratio nevertheless dropped slightly from 54.7 per cent to 53.9 per cent. The return on equity dropped slightly from 17.1 per cent to 16.9 per cent.

#### 42. RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

		2017	2016	2015	2014	2013
Return on equity	%	16.9	17.1	17.2	15.6	14.2
Return on total assets		9.6	9.6	9.5	8.9	8.2

Due to the loans raised in the reporting period, the debt ratio went up from 82.9 per cent to 85.7 per cent as of 31 December 2017. The net debt remains negative, i.e. on a de-facto basis, Bechtle is free of debt. It amounted to minus €46.0 million (prior year: minus €101.3 million).

The return on total assets, a key performance indicator that reflects the return on the total assets employed, remained on the high level of 9.6 per cent as in the reporting period.

## VALUE INFORMATION

In almost all cases, the fair value of the current assets and liabilities and the short-term and long-term securities 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 142 f



For value in use of  
the goodwill, see Notes,  
page 147 f

## INTANGIBLE ASSETS

The assets of a company consist not only of quantifiable elements but also of elements that can only be described in qualitative terms. The employees of Bechtle AG are doubtless among the most important assets. Information on this subject is available in the chapter "Employees".



Qualitative assets:  
Employees and close supplier  
relationships

Moreover, the supplier relationships in both business segments are highly significant to the company's success. Bechtle collaborates with more than 300 vendors and about 1,700 distributors throughout Europe. Based on a close supplier relationship, Bechtle is able to offer its customers a comprehensive spectrum with transparent market prices and quick availability. Usually, ordered goods are delivered directly from the vendor or distributor to the customer within 24 hours through fulfilment solutions.

Thanks to the close partnership with the vendors – partly via in-house product managers for the most important vendors – Bechtle receives information about new product developments at an early stage and is therefore always able to offer customers optimum solutions.

Especially in the consulting-intensive service business, good customer relationships are the key to success. For most customers, respectability, reliability and continuity are indispensable preconditions for customer relationships. Bechtle has been active on the IT market for more than 30 years and has carved out an outstanding market position. Therefore, the company not only has an established customer base, but is also able to use its long-standing experience to quickly establish a successful business relationship with new customers.

Thanks to the broad market acceptance and the high market penetration, the ARP, Bechtle, Bechtle direct and Comsoft direct brands, which belong to the Bechtle Group, represent an intangible asset for the company. The positive image of the brands among customers, vendors and employees, which has been built up over many years, is therefore very important for the group's business success.



Broad market acceptance  
and market penetration

## FINANCIAL POSITION

For a fast-growing company like Bechtle, it is vital to generate the required financial means under its own steam. Therefore, cash flow and liquidity are key indicators for managing the company. However, especially in times of vigorous growth, these figures also depend greatly on the reporting date. In the reporting period, Bechtle also invested in numerous future-oriented projects, which has impacted the cash flow from investing activities and the free cash flow.

### CASH FLOW STATEMENT



See Assets Position,  
page 80

In 2017, the cash inflow from operating activities amounted to €54.3 million, slightly more than in the prior year (€53.4 million). The cash flow was affected mainly by the higher earnings before taxes and the development of the net assets. In the reporting period, the change in trade payables was especially effective. While this item had resulted in a cash inflow of €36.1 million in the prior year, the reporting period saw a cash outflow of €5.5 million, a change by €41.6 million. The cash outflow also increased for trade receivables, namely by €17.5 million to €99.3 million.



See Notes,  
page 169f

The cash outflow from investing activities amounted to €62.7 million, compared to €41.4 million in the prior year. This item was affected especially by the outflow for investments in intangible assets and property, plant and equipment, which increased from €39.9 million to €67.2 million. The reasons for this include the relocation of the data centre to Frankfurt, investments in the Bechtle Clouds platform and in the "Next" project, and the construction of a car park at the headquarters in Neckarsulm.

In 2016, the cash flow from financing activities had amounted to minus €36.3 million. However, due to the financial liabilities raised in the reporting period, there was an inflow of €84.9 million, resulting in a cash flow in 2017 of plus €33.6 million. Traditionally, this cash flow is also affected by the dividend payout.

The free cash flow dropped from minus €7.0 million to minus €24.1 million. This was due to the outstandingly high investment volume in the reporting period.



## 43. CASHFLOW

	€m				
	2017	2016	2015	2014	2013
Cash flow from					
operating activities	54.3	53.4	115.9	56.0	73.1
investing activities	-62.7	-41.4	-34.5	-25.9	-10.2
financing activities	33.6	-36.3	-25.7	-30.0	-35.0
Cash and cash equivalents	162.4	140.4	164.8	106.7	105.8
Free cash flow	-24.1	-7.0	78.6	29.3	43.1

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 167

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 192

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

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 securing adequate liquidity. At the same time, risks are to be largely avoided 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 the respective forward transactions, unless they serve the hedging of the 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 financial management. The company uses 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 measures are taken for Swiss francs and pound 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.



See Notes,  
page 141f and  
page 171ff

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 financial income – are subordinate to the acquisition strategy and 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.

## STRATEGIC FINANCING MEASURES

In 2017, the current business and necessary replacement investments were financed with cash and cash equivalents and the operating cash flow. The funds required for the acquisitions in the fiscal year ended were largely covered by cash and cash equivalents.

The company has a relatively high equity ratio of 53.9 per cent. This reflects a financing strategy that is based on the policy of maintaining maximum independence from outside creditors. Nevertheless, the financing strategy provides for continuous monitoring and, if necessary, optimisation of the capital structure. In 2017, no major measures were taken in this area. Though current and non-current financial liabilities increased from €61.5 million to €128.8 million in the reporting period, they only accounted for a minor share of 8.9 per cent of the group's balance sheet total as of 31 December 2017 (prior year: 4.8 per cent). The debt ratio amounted to 85.7 per cent (prior year: 82.9 per cent). Apart from improving the leverage and optimising the capital structure, a stable equity ratio also forms the basis for higher borrowing potential and financial flexibility, especially in order to make use of acquisition opportunities that arise at short notice. Therefore, Bechtle holds funds amounting to €174.8 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

The Executive Board of Bechtle AG considers the company's economic position as of the reporting date to be excellent, as previously. Most of the forecasts made on the basis of the fiscal year 2016 were fulfilled, and the key performance indicators of 2017 impressively underscore Bechtle's economic strength. Solely the EBT margin was slightly below our expectations, which was, however, due mainly to our extremely high revenue growth.

### 44. COMPARISON OF THE ACTUAL AND PROJECTED BUSINESS PERFORMANCE

	Forecast AR 2016	Forecast Q3 2017	Actual 2017	Comparison
Revenue	Significant increase over 2016	Very significant increase over 2016	Growth: 15.4%	Fulfilled
Cost of sales	In line with the revenue	-	Growth: 15.9%	Fulfilled
Gross margin	About 15%	-	15.2%	Fulfilled
Distribution cost ratio	< 7%	-	6.0%	Fulfilled
Administrative expense ratio	< 5%	-	4.9%	Fulfilled
EBT	Significant increase over 2016	Very significant increase over 2016	Growth: 12.2%	Fulfilled
EBT margin	At least prior-year level	At least prior-year level	From 4.7% to 4.6%	Not fulfilled
Dividend	Dividend payout ratio of about one third of EAT	-	Payout ratio: 30.5%	Fulfilled

## OPPORTUNITY AND RISK REPORT

All business operations are marked by the interaction of opportunities and risks. The objective is to exploit opportunities without assuming an unduly high risk. However, as both aspects are interdependent, the decision ultimately always represents the best possible evaluation of the pros and cons. Therefore, the purpose of Bechtle's opportunity and risk management is to identify opportunities and risks at an early stage and to evaluate them appropriately in order to be able to benefit from meaningful business opportunities and limit business risks to the extent possible.

### OPPORTUNITY AND RISK MANAGEMENT

#### BASIC CONCEPTION

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. Accordingly, there is no comparable opportunity management alongside the risk management system. Rather, the opportunities are recorded and evaluated within the framework of the risk management system. All statements made below concerning risk management thus largely apply to 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. 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 is intensively involved in detailed evaluations and comprehensive scenarios concerning the company's market and competitive position and critical success factors for the company's performance. The potential for specific opportunities is derived for the individual business segments therefrom and discussed in planning meetings between the Executive Board and the executives with operating responsibility, and suitable measures and targets are agreed in order to exploit this potential.

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 due identification of risks, their assessment and the initiation of suitable risk control measures in order to avert a risk 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.



See  
Objectives and Strategy,  
page 42 f

The management is convinced that the risk management should not try 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, which govern everyday operations and serve as an orientation aid for all decisions in various ways. The key elements of these basic cultural definitions are rooted in Bechtle's corporate philosophy, the Bechtle code of conduct, the Bechtle sustainability code, the Bechtle management principles and the Bechtle 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. In addition to 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 embraces the review of the operability of all processes.

The Internal Audit department is an important part of the process-independent monitoring. It retroactively audits business operations 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 audit 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 system 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 52

Within the scope of the risk management, effective communication across all hierarchy levels is of great significance for the interlinking with the operational business. Committee work and teamwork are thus important instruments for the organisation and control of the needed information flow. At the top management level of Bechtle AG, this is done at Supervisory Board and Executive Board meetings and risk management sessions. At the management level, especially meetings of the Executive Vice Presidents, conferences of the Managing Directors, strategy conferences, planning and individual meetings as well as round tables with the Executive Board are held in order to meet this need.

Sharing ideas and doubling  
the potential for solutions:  
a basic formula for successful  
collaboration



**Timo Wörner**, IT Business Architect –  
Public Sector, Public-Sector division

**Sascha König**, Business Service Manager,  
Bechtle AG

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 describe the key properties 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 discovery of financial losses that may be caused by 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 adjusted 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 accounting, this ensures that business transactions and circumstances 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 adjusted and supplemented by the executives involved in the risk identification and assessment in order to take any peculiarities of individual business areas into consideration.

The risk assessment form, whose purpose is to summarise 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 exploited 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 sessions, whose content is subject to ongoing review and further development. In addition to the risk management session of Bechtle AG, separate sessions 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 sessions. The Executive Vice Presidents and individual employees entrusted with controlling and risk management responsibilities also participate in the meetings. All areas and responsibilities that are important for the company's success are thus 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 sessions, there is an arrangement for timely ad-hoc reporting of critical issues 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 virtually all other players on the IT market, Bechtle AG depends on the sector's performance and on macroeconomic development. Of course, a positive economic development presents opportunities for further successful company growth. However, even in the event of macroeconomic or sector-specific stagnation or decline, Bechtle can benefit from the consolidation of the competitor landscape and expand its relative market share. Therefore, the group intensively conducts strategic market and competition analyses, deriving concrete growth options for its future development. 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 40 f

The IT market is characterised by a high rate of innovation and short product cycles. Due to the advancing technologisation and the trend towards digitisation, the significance of information technology is on the rise. IT is increasingly becoming an integrated component of production processes and thus a key success factor of virtually all enterprises. At the same time, due to the complexity of IT, many enterprises need competent partners for the successful and secure operation of their IT infrastructures, especially for high-quality services such as managed services and cloud services. Most companies also prefer cooperating with a partner in the field of digitisation – an area whose bearings cannot yet be fully ascertained. Therefore, even markets that are considered to be saturated, such as the countries in Western and Central Europe, continue to have large and further increasing growth potential. Bechtle's product and service portfolio covers all current and presently foreseeable needs of industrial customers. This comprehensive offer distinguishes Bechtle from most of its direct competitors. Thanks to its strategic and structural positioning, Bechtle is able to exploit the resulting growth potential.

For a number of years, the system house market – especially in German-speaking countries – has been undergoing a period of intense consolidation, which Bechtle is actively exploiting. Thanks to its solid financial resources and good reputation, the company has been able to perform about 70 acquisitions since its IPO, thereby continually strengthening its market position. In view of the progressive thinning of the industry and the Bechtle Group's persistently excellent assets position and funding, the company will have further opportunity to continue to fortify its competitive position, e.g. by means of acquisitions or by expanding the product and service spectrum. In the reporting period, Bechtle again made use of this opportunity and acquired three companies.

The Bechtle Group occupies a leading competitive position in Germany and Europe. The group's size creates opportunities on the customer side, as its comprehensive product portfolio gives it a leading edge especially over smaller competitors. Bechtle is also greatly appreciated by its vendor partners. Despite its size, Bechtle's decentralised structure enables it to act quickly and flexibly to leverage any weaknesses of its competitors for the purpose of increasing the regional market exploitation. In this way, the group combines the size and financial power of an international business with the agility and customer proximity of a locally enrooted medium-sized enterprise.

## CUSTOMERS



See chart  
Industry Segmentation,  
page 39

In the IT system house & managed services segment, Bechtle addresses the German-speaking markets with a dense network of about 70 system houses. Due to the widely diversified customer structure, the effect of industry-specific economic trends and special investment-related framework conditions on the company is relatively small. Moreover, Bechtle's long-standing presence in the IT market represents a high market-entry barrier for potential competitors. The strong competitive position in the medium-sized business segment thus enables Bechtle to expand its market leadership in this area and push ahead its business with large customers.



Strong  
customer bases

Bechtle also markets its services in the public sector, that stands for about 30 per cent of the group revenue. Apart from the basic opportunity associated with the expansion of the customer portfolio and the achievable higher business volume, further opportunities are associated with the specialisation in the needs of public-sector clients and the consideration of the special aspects of the contract award practice in this segment, as the investment behaviour of this customer group is less susceptible to economic trends and is often even anti-cyclical.



See Business Activity,  
IT E-Commerce,  
page 35 ff

In the IT e-commerce segment, we are active with the ARP and Bechtle direct brands in 14 European countries. In the coming years, Bechtle wants to continue to grow, especially at the locations that already exist. Other important factors include a broader customer approach as well as the further internationalisation of the business on the basis of our Global IT Alliance, which was established in 2014. Moreover, systematic customer bonding through the use of bios® shops plays an important role.

Bechtle's new online platform went live in the reporting period. With its new website under bechtle.com, Bechtle will merge, in the long run, the trading business of the online shops with the service offer of the system houses on the digital external front. This will deliver the opportunity of offering Bechtle's entire service portfolio to even more customers and to exploit existing potential even more effectively.

## MANUFACTURERS AND DISTRIBUTORS

Bechtle AG maintains close partnerships with all major suppliers and vendors of the IT industry. Intensive collaboration with partner companies enables us to offer technologically suitable solutions for the growing bandwidth of customer requirements. Bechtle is improving its own growth opportunities especially by means of a more extensive range of individual service solutions for enterprise customers and public-sector clients. In its partnerships with key suppliers and manufacturers, the overwhelming majority of the group's certifications have the highest partner status.

To support the collaboration with strategic vendors, Bechtle has additionally appointed Vendor Integrated Product Managers (VIPM) who promote both the interests of the vendors and those of Bechtle. This concept provides various opportunities, e.g. due to the fact that information from the 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 customer offer reflects the state of the art at all times. In this way, the quality of the sales activities increases and customers also benefit immediately from innovative product promotions of the vendors. In return, the vendors promptly receive largely unfiltered user feedback about existing products and requirements for future products.

Numerous additional synergies are achieved through the standardisation of logistics processes and synchronisation of the ERP systems between Bechtle and the partners. This not only makes for a wider product offer and increasing availability of the goods, but also increases the attractiveness of Bechtle for other distributors and vendors. Moreover, it gives Bechtle the opportunity to further increase its efficiency, thereby optimising its costs.

## SERVICE SPECTRUM

Enterprise customers primarily expect their IT providers to deliver complete solutions from one source. With its combination of trading and services and – within the field of services – with its blend of project, managed services and financing business, Bechtle is well prepared to benefit from this trend. Furthermore, Bechtle has duly positioned itself by means of acquisitions, strategic alliances and competence centres especially tuned to the needs and trends of the market, and has fortified its position with qualified staff. These developments are ongoing and will continue to be pursued in the future.



See **Service Spectrum and Processes**, page 32 ff

In connection with the procurement and operation of IT, many companies usually pay attention to several features, such as competitiveness, efficiency gain, modernisation and cost optimisation. To meet these diverse demands, Bechtle analyses the customer's existing corporate processes in order to offer solutions and IT management models on this basis, e.g. outsourcing or cloud computing. Bechtle's wide portfolio enables the elaboration of solutions custom-tailored to the specific needs of every customer. As a one-stop provider, Bechtle has great advantages over smaller or niche providers. Furthermore, due to the high and further increasing relevance of IT to all corporate processes, on the one hand, and heightened security concerns, on the other, customers place great emphasis on the reliability of the company when choosing an IT partner. Apart from its 34 years of experience and high solution competence, Bechtle especially excels with its sound and strong financial position. These factors directly influence the choice of service providers, the prices and the question of how and from whom external services are procured. In view of its status as an economically stable, reliable partner with an excellent reputation, Bechtle can therefore gain access to attractive growth opportunities. The customer relationships in the so-called operation business can benefit from this in particular. These relationships are usually of a long-term nature, which facilitates the business performance planning. Moreover, the operation business generally yields higher margins than the conventional trading or project business.



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

Cloud computing is an area with great growth potential. Cloud computing is commonplace in large corporations, and the demand for solutions in this area is on the rise among medium-sized customers as well. In cloud computing, processing performance, storage, applications and IT services are obtained in real time via data networks. In this context, the price of the individual services is determined by the actual usage. Bechtle is active in the cloud computing market both in cooperation with renowned partners and with its own solution portfolio. In this connection, the Bechtle system houses offer an extensive portfolio of virtualisation and server technologies, infrastructure solutions and security-relevant applications, thereby creating the needed customer-specific conditions for procurement and operation of IT 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.

In the reporting period, the Bechtle Clouds offering went online. Under this name, Bechtle bundles public and business cloud services. As a multi-cloud service provider, Bechtle Clouds offers custom-produced cloud services as well as numerous public cloud solutions. In this way, Bechtle makes use of the opportunity of benefiting from medium-sized companies' growing demand for cloud services.

The subjects of Industry 4.0 and of digitisation in general offer opportunities for the Bechtle Group. The complexity of industrial IT landscapes as well as the relevance of IT to corporate workflows and production processes will continue to rise. Regardless of how the two said trends actually develop, most enterprises will need a competent IT partner to shoulder significant portions of the IT responsibility.

## COMPANY ORGANISATION

With about 70 locations, Bechtle boasts a dense presence in Germany, Austria and Switzerland. The decentralised alignment of the Bechtle Group is of great significance: Every location is a separate legal entity with a Managing Director who is responsible for the business performance in his territory. The decentralisation principle offers opportunities by promoting a sense of responsibility and entrepreneurial drive at the individual locations. 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 in the field of centralised administrative tasks and the combination of purchasing and logistics processes under Bechtle AG. Additionally, competence centres, specialised product management teams and segment heads bundle expertise that is made available centrally to all locations.

In selected business fields, the group has pooled the competencies and experience for the particular market segment at the group's parent company. This organised interaction between central support and a decentralised market approach by the system houses yields improved opportunities for growth in the respective market; for example, this is the case in the public-sector division, in software & application solutions and in the fields of managed services and cloud services.

## PERSONNEL

The employees play the central role in Bechtle's business model. Therefore, the long-term bonding of employees to the company, high motivation and a positive corporate culture are key factors for Bechtle's business success. Further increasing the attractiveness of Bechtle as an employer is both a challenge and an opportunity. By means of systematic employer branding, Bechtle positions itself as an attractive employer, making use of the opportunity to recruit new employees for the company and to bond existing employees on a long-term basis.

The shortage of skilled personnel is one of the challenges that Bechtle is faced with in the field of recruitment. However, the limited availability of qualified staff could also represent opportunities, e.g. if the company can train a sufficient number of skilled staff internally and thus cover its needs by own initiatives. For this reason, training is one of Bechtle's central themes in the field of HR work. In the medium term, Bechtle's goal is to increase the training ratio in Germany to approximately 12 per cent. Furthermore, Bechtle invests intensively in the training of its employees. Thanks to this active offering of development possibilities, Bechtle is boosting the employee satisfaction, bonding the team members to the company on a long-term basis. The constantly growing headcount and an extremely low fluctuation rate of just over 8 per cent show that Bechtle is successful in actively making good use of recruitment and employee bonding opportunities.



See  
Management Structure,  
page 27 f



See  
Forecast Report,  
page 116

## 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 91 f

To take 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" by means of a matrix. To ensure uniform understanding, the definitions used for the measurement are described below.

#### 45. RISK POTENTIAL PROBABILITY OF OCCURRENCE

Probability of occurrence	Description
High	Highly probable
Medium	Probable
Low	Improbable

#### 46. 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

#### 47. 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 markets abroad. Thus, the development of the European economy as a whole and of the German economy in particular has a key impact on the growth of Bechtle. A weaker or, even worse, a declining economic trend could involve risks for the earnings, assets and financial position of the Bechtle Group.

Bechtle operates in a highly competitive and technologically short-lived 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 company's income position largely depends on the extent to which Bechtle is able to exploit the industry consolidation as well as 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 customers' growing need for smart IT solutions. In this area, risks and opportunities for the company are in close proximity to each other.

In view of the current positive situation, we consider the short-term probability of occurrence of macroeconomic and industry performance risks to be medium. This could involve some detrimental effects on our earnings, assets and financial position. We classify this risk as a medium risk. Naturally, the uncertainty rises for a medium to long-term horizon. For such a time horizon, we consider the risk to be high.

## BUSINESS ACTIVITY

**Cost structure.** The cost structure of the Bechtle Group is characterised by a high proportion of personnel expenses whose adjustment lags behind any changes in the 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 retain employees within the company on a long-term basis and be attractive for 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 retention of qualified staff.



See  
Personnel Expenses,  
page 47

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.



See  
Opportunities, Personnel  
page 97

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

**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. The vendor proximity is of particularly 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.



See  
Opportunities, Vendors  
and Distributors  
page 95

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 characterised 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 associated with the vendors' pricing policy as medium risks. We consider the occurrence of this risk to be probable. In the event of occurrence of the risk, we expect some detrimental effects on our earnings, assets and financial position.

Bechtle AG endeavours to reduce the stocks that need to be kept to the absolute minimum. Larger warehouses exist only in Neckarsulm (for Germany) 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 warehouse stock that has not been earmarked and is subject to depreciation. 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 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 spectrum.** 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 needs-oriented. In this field, 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 its history of over 30 years, Bechtle has shown that it is capable of keeping up with the high pace of the IT market and adapting to the market circumstances and customer needs at all times. As far as the future is concerned, this risk 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 teams maintain with industry and government 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 Service Spectrum  
and Processes,  
page 32 ff

We consider the occurrence of this risk to be fairly improbable. We cannot exclude some detrimental 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, the range of competitors also comprises some vendors that engage in direct sales. Key accounts, in particular, are already supplied directly by some vendors. Distributors are also making efforts to acquire business directly with end customers, thereby competing with 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 the 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 retention, 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 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 in the medium-sized business segment, thereby reducing the risk of entry of new competitors in Bechtle's clientele.

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.



See Markets,  
page 39 f

**Customers.** Across its two segments, Bechtle has more than 70,000 customers. Customer satisfaction is a (if not the) key criterion of our services. Only satisfied customers will be willing to place new orders with Bechtle and to expand the business relationship. Satisfied customers will also be inclined to recommend Bechtle, thereby helping the company to gain new customers. Starting from the offer stage, Bechtle pays attention to addressing customer needs and requirements as effectively as possible. During the implementation phase, project teams can get assistance from the central project management. And last but not least, Bechtle regularly surveys the customer satisfaction in order to identify and realise improvement potential.

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.

Cracks at the racks:  
two who are not only fit  
in the virtual world



**Gerd Hecken**, Head of Competence  
Centre DataCenter, Bonn system house

**Christian Behma**, Head of Competence  
Centre DataCenter, Bonn system house

From left to right

**IT.** Information technology is necessary in every enterprise. Numerous business processes are closely linked to IT systems and applications. This is also the case with Bechtle. Accordingly, the use of IT involves risks in fields such as order processing, ERP, controlling and financial accounting. This could result in an availability risk for the smooth process of enquiry, ordering, delivery and billing if the operability of the necessary IT systems and applications is no longer guaranteed. Possible causes could be failures of hardware or network components or energy control systems, or operational errors in information and telecommunication technology.

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 occurrences 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.

**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 the employees within 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 48 ff

Bechtle constantly endeavours to recruit qualified personnel, to successfully integrate new employees and, most importantly, to retain them within the company on a permanent basis. By means of its employer branding, Bechtle reinforces its reputation as a popular and reliable employer in order to remain attractive for applicants in the 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 also classify the risk associated with the dependence on key positions at the medium management level 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.

## FINANCIAL INSTRUMENTS



For a quantification of the risks see Notes, page 175 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 175 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 Bechtel Group uses currency futures in order to hedge the currency risk. The hedging of generated cash flows and of assets held by foreign subsidiaries in foreign currencies is limited to Switzerland and the United Kingdom. In view of their current business volume, Bechtel companies in Eastern European countries are excluded from this hedging. 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



See Financial Position, page 84 ff

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 IAS 39 are applied. The 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. In view of the current financial position of the Bechtle Group as of the end of the year with cash, cash equivalents, time deposits and securities worth €174.8 million (prior year: €162.8 million), unused cash and guarantee credit lines worth €37.3 million and a positive cash flow from operating activities amounting to €54.3 million (prior year: €53.4 million), the probability of occurrence of a liquidity risk is limited. Moreover, Bechtle AG has authorised capital of up to €10.5 million, which can be used to increase the equity capital base, if necessary.

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 because customers may be unable to 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 the best ratings.

**Interest.** As a matter of principle, financial assets and liabilities with terms of more than one year 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 auditing as determined by the management.



See Assets,  
page 88 ff and Notes,  
Interest Rate Risk,  
page 177

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

## OTHERS



See Locations,  
page 28 ff

**Acquisitions.** Since its IPO in 2000, Bechtle AG has acquired 70 companies. Takeovers are an essential part of the corporate strategy, which is designed with long-term profitable growth in mind. Bechtle intends to further 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 possible way. For Bechtle, the opportunities that acquisitions offer clearly outweigh the risks.

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

**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 should also commit to in their statement.

Despite the measures in place, 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 risks for legal transactions – 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 could have a noticeable detrimental effect on the consolidated income. Bechtle AG will form provisions for legal disputes for all 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.



**In the own system house, in regional clusters with other companies, across segments or throughout the group: good collaboration is a key prerequisite for success.**

**Greta Molinski**, HR Manager,  
Bonn system house

**Michael Hoppe**, Key Account Manager,  
Bonn system house

## OVERALL RISK ASSESSMENT

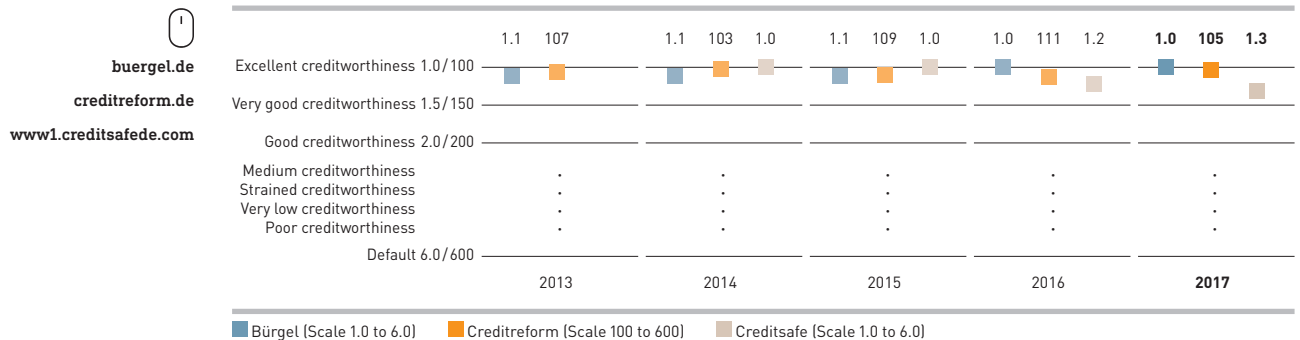
The evaluation of the group's overall risk situation by the Executive Board is based on an examination of all major compound and individual risks, if applicable under consideration of the opportunities that arise. Compared to the prior year, there were no major changes to the overall risk position or to the risks described. The management is of the opinion that the presented risks are limited and manageable. The company boasts a sound financial basis, with a good equity ratio of 53.9 per cent (prior year: 54.7 per cent) and a comfortable liquidity situation.



Excellent credit rating

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.

### 48. 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 continued existence of the company, 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 risk.



## FORECAST REPORT

Since its foundation, Bechtle has been able to boost its revenue and earnings almost every year and has continually grown faster than the market. Year by year, concerted efforts are required to achieve record results. This applies especially to business types such as the conventional project business, which still accounts for a significant share of revenue at Bechtle. Therefore, the forecast is based on the knowledge of our own strengths and a healthy measure of realism with respect to the economic risks our business is facing. The excellent performance in 2017 thus represents at best a sound basis for our business development in 2018. Nevertheless, the framework conditions continued to appear positive at the start of the year. In 2017, we made numerous investments that will shape the future of the Bechtle Group. Provided that the economic framework conditions remain positive, and thanks to its strength and its sound market position, it is highly probable that 2018 will be another record year for Bechtle.

## FRAMEWORK CONDITIONS

In its forecast of January 2018, the European Commission predicted that the EU economy will retain its growth dynamics, increasing by 2.3 per cent in 2018. The outlook within the Bechtle markets in the EU is also good. Italy and Great Britain are at the bottom end of the scale, with an increase in GDP of 1.5 and 1.4 per cent, respectively. The highest GDP growth is expected in the three Eastern European countries and – at the top of the list – in Ireland, with a growth rate of 4.4 per cent. The forecast for investments in equipment even projects a further rise in the growth rate. This category is to grow 4.3 per cent throughout the EU, compared to an already good rate of 3.5 per cent in the reporting period. Government investments in the EU are set to grow 1.5 per cent, slightly more than in the prior year (1.2 per cent). In 2019, GDP in the EU is forecast to continue to grow at a high rate of 2.0 per cent. Investments in equipment are to continue to grow at a disproportionately high rate of 3.5 per cent.

For the current year, the Swiss federal expert group for economic forecasts predicts a considerable upturn for Switzerland. GDP growth is to amount to 2.3 per cent, compared to 1.0 per cent in 2017. Investments in equipment are to grow 3.7 per cent, a more dynamic rate than that of the reporting period (2.8 per cent). In 2019, GDP growth is expected to amount to 1.9 per cent and that of investments in equipment to 3.2 per cent.

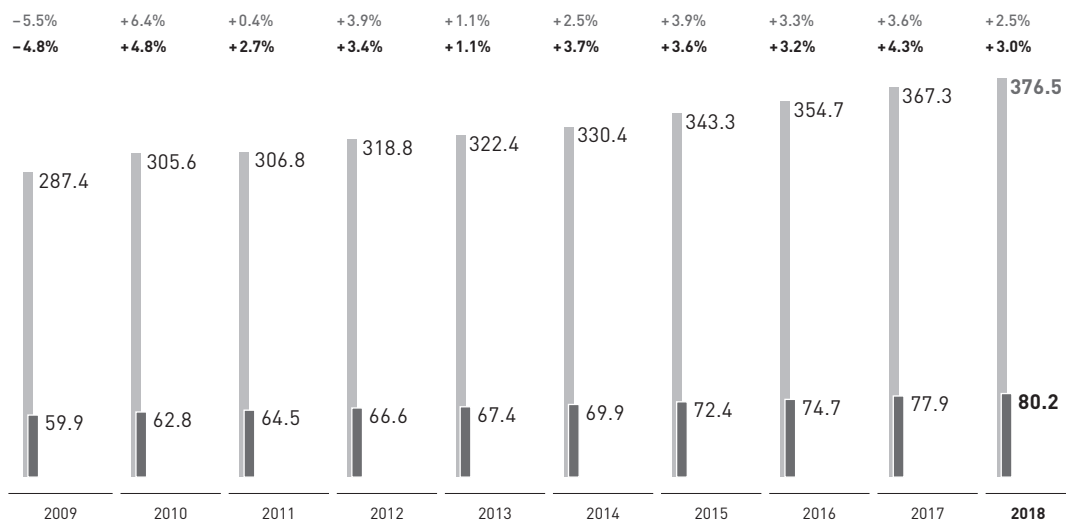
Economic development in Germany will pick up slightly once again in 2018. The European Commission predicts GDP growth of 2.3 per cent, compared to 2.2 per cent in the reporting period. Most forecasts from economic research institutes also project GDP growth of more than 2 per cent for Germany in 2018. According to the European Commission, investments in equipment are to grow 3.7 per cent, compared to 2.6 per cent in the reporting period. Government expenditure is also set to return to higher growth at 2.3 per cent. For 2019, the European Commission expects GDP in Germany to grow 2.1 per cent. Investments in equipment are expected to grow 3.0 per cent, and government expenditure is set to increase 2.0 per cent.

In the IT industry, growth is expected to continue at a high level in 2018, though at a slightly less dynamic pace. According to the figures of EITO, the IT market in the EU is to grow 2.5 per cent in 2018, after 3.6 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 the increase of 4.2 per cent in the reporting period, a rate of minus 1.6 per cent is anticipated for 2018. Services are to grow 2.5 per cent, and software 5.5 per cent. In the countries in which Bechtle is present, the development of hardware sales is expected to differ greatly. Growth of 1.3 per cent is predicted for Portugal, and 2.8 per cent for the Netherlands. Negative figures are projected for all other countries. The top performers from the reporting period are to drop to the bottom of the list: Hungary with minus 9.7 per cent and Ireland with minus 10.2 per cent. In Austria, the dynamics will slacken in 2018, due especially to the dampened forecast for the hardware market. The IT market as a whole is to grow 2.4 per cent, compared to 3.6 per cent in the prior year. Hardware sales are expected to drop 0.9 per cent, compared to plus 4.6 per cent in the reporting period. The expected dynamics in the fields of services (2.4 per cent) and software (5.0 per cent) are only slightly below those of the prior year. In Switzerland, the IT market is forecast to grow at 3.3 per cent in 2018, a similarly high rate to that in the reporting period. Hardware sales are set to drop slightly, by 0.3 per cent. Services are to grow 2.6 per cent, and software 6.0 per cent.

In 2018, the German IT market is again expected to grow at a very high rate of 3.0 per cent, though not quite as dynamically as in the reporting period (4.3 per cent). The main reason for this is the hardware segment, whose growth is to amount to minus 0.6 per cent. PC sales in consumer business in particular are expected to continue to lose momentum, and a drop is also expected in printer and server revenue. By contrast, tablet, workstation and storage revenue is to increase. The growth figure predicted for services (2.6 per cent) is slightly above that of the prior year, and the rate for software (6.3 per cent) is the same as in the prior year.

49. IT EXPENDITURE IN THE BECHTLE MARKETS 2009–2018

€b



Bechtle markets (Austria, Belgium, the Czech Republic, France, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland and the United Kingdom) thereof: Germany Source: EITO

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. The exchange rate development does not play a major role in most countries in which Bechtle is present, as they belong to the euro area and purchases and billing take place in euros. Significant foreign-currency revenue originates in Switzerland.

## GROUP PERFORMANCE

### PRODUCTS AND MARKETS

The consolidation on the German IT market, which has continued for several years, will go on in 2018 as well. Smaller providers in particular will continue to have more difficulties offering their customers services in the needed breadth and depth. However, the consolidation speed is not expected to increase, neither in 2018 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 digital transformation is gaining momentum in the business world. To take technological trends in the IT segment into account and to meet derived growing customer requirements, Bechtle is constantly developing its product and service portfolio. In the reporting period, Bechtle bundled its public and business cloud offerings under the name "Bechtle Clouds". The [bechtle-clouds.com](http://bechtle-clouds.com) portal went online in July.

In the coming years, Bechtle will also expand its 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 and IT as a service as market drivers. Bechtle boasts an excellent position in all of these areas and is always able to offer customers solutions that satisfy the latest technological standards. Our portfolio is always aligned with our customers' demands.

The portfolio expansion also concerns so-called niche markets that might eventually develop into mass markets. In the reporting period, the Bechtle subsidiary Solidpro inaugurated a modern demonstration centre for the latest 3D printing technology of the manufacturer HP at its headquarters in Langenau. On its premises, Solidpro presents an integrated production system for the mass production of high-quality parts and for building prototypes. As one of only three certified sales partners in Germany to date, Solidpro provides comprehensive customer services, from advice and provision to the servicing of the HP systems. Another 3D demonstration centre is to be opened in Paderborn in March 2019.

In the reporting period, Bechtle's new online platform went online under the internal project name "Next". The URL [bechtle.com](http://bechtle.com) now features a digital marketplace that presents the entire bandwidth of Bechtle's service and solution portfolio at a glance. Thus, the separation between the Bechtle shop and the company site has been eliminated on the Internet. 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. This boosts customer satisfaction and penetration. To enhance interchangeability for customers and the collaboration of employees in the two reporting segments, Bechtle will continue to roll out other internal projects in the coming years.

The Bechtle Group strives to drive its market position in the IT e-commerce segment by expanding the existing companies. The establishment of further subsidiaries in Europe is not currently a factor. Nevertheless, Bechtle is keenly interested in further internationalising its operations. We will make progress in this field through our Global IT Alliance. Thanks to our existing partnerships for the US market, Scandinavia and the Baltic states, Australia, New Zealand, Japan, China, South Africa, Brazil and Mexico, as well as the new partner gained in Russia and Turkey in the reporting period, we are represented in almost all relevant economic regions around the globe.

## KEY PERFORMANCE INDICATORS

**Revenue.** Bechtle AG successfully achieves high dynamics and is usually able to grow faster than the market. Since 2010, the company has outperformed the IT market by very significantly increasing its revenue at a compound annual growth rate (CAGR) of about 11 per cent. On a long-term average from 2007 to 2017 – so including 2009, the year of the financial crisis – the CAGR also amounted to approximately 10 per cent. Bechtle has been able to maintain high dynamics over many years. In 2018, we again intend to grow faster than the IT market in line with this trend. We are confident that we will be able to increase our revenue significantly in 2018 compared to the reporting period. In Vision 2020 – which was formulated in 2008 – Bechtle targets group revenue of €5 billion, which means an average annual growth rate of about 12 per cent. Against the backdrop of the historical growth rates, this goal is ambitious but not entirely unrealistic. Alongside organic development, acquisitions are to contribute to the achievement of this goal.

In the coming years, the regional distribution will not undergo any major shifts. On the one hand, 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. On the other hand, the growth on the traditional home market will continue as a result of the strong competitive position and the market share gains, as well as German companies' ongoing high willingness to invest.

**Costs.** In recent years, the cost of sales always increased at more or less the same rate as revenue. For several years, the gross margin remained steady at a level of around 15 per cent. Due to the IFRS-required reclassification of supplier subsidies from other operating income to cost of sales in the reporting period, the gross margin went up a few basis points. For 2018, our plan foresees an increase in the cost of sales in line with the revenue increase and targets a gross margin of over 15 per cent. For Bechtle AG as a service provider, personnel expenses are of central importance. These expenses represent the largest cost items, accounting for approximately 80 per cent of the distribution costs and almost 65 per cent of the administrative expenses. Due to Bechtle's increasingly consulting-intensive business model and the decentralised positioning of the system houses for comprehensive coverage as well as the shortage of qualified staff in some areas, the flexible adjustment of personnel expenses is not possible. Moreover, especially in view of the shortage of skilled personnel, Bechtle considers employee bonding and the quality of being a reliable employer to be far more important than short-term cost optimisations. In the field of sales, expenses are also linked to revenue development, as larger sales teams can generate more revenue. 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 this year and the next. However, as we endeavour to prevent disproportionate 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 revenue, respectively.

**Earnings.** Earnings also increased significantly in 2017, though not as dynamically as revenue. For the first time in six years, the EBT margin declined, though merely to a very minor extent. For 2018, the Executive Board projects a significant earnings increase. No major earnings effects are expected from the currency translation of Swiss francs or other currencies relevant to Bechtle, as exchange rate fluctuations are hedged. In the IT system house & managed services segment, we want to step up the share of higher-margin services. In e-commerce, the main objective is to maintain the high level, which has been achieved especially through efficient processes and modern logistics, and, where possible, to manage the product mix in a margin-orientated manner. For the group as a whole, we thus expect the EBT margin to increase slightly in 2018. All in all, the Executive Board is confident that, in future, Bechtle AG will be able to continually further expand its EBT margin, which is already above the industry average. By 2020, the group's EBT margin is to reach 5 per cent.

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 €0.90 per share for the fiscal year 2017 represents a ratio of exactly 33 per cent, a figure that fully reflects the corporate policy. There are no plans for fundamental changes to the company's dividend policy.

## ASSETS AND FINANCIAL POSITION

**Liquidity.** Bechtle AG has a healthy balance sheet structure and outstanding liquidity. 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. While the high liquidity provides a competitive advantage, the financial position and the stability of the IT partner are also vital from the customer perspective, especially in connection with the awarding of long-term projects. Therefore, Bechtle will continue to attach special importance to cash management. In view of the outstanding balance sheet ratios, Bechtle AG has substantial "rating-neutral" borrowing potential, in addition to free liquidity of €174.8 million. Combined with the continued positive development of operating cash flow, Bechtle thus has the leeway needed for attaining its goals and financing the targeted above-average growth without any difficulties and under its own steam.

**Financing.** Liabilities and the associated interest payments will not undergo any material changes in 2018, except in the case of large acquisitions. In 2018, smaller acquisitions can 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 debt financing options would be more likely, at least to a certain extent. The company could also resort to the equity financing options according to the adopted Annual General Meeting resolutions. Until June 2019, the Executive Board is authorised to increase the issued capital by issuing up to 10.5 million shares against cash or in-kind contributions.

Provided that no major takeovers occur in 2018, the balance sheet structure will not undergo any significant changes compared to the reporting date 31 December 2017.

**Investments.** The business of Bechtle AG, which comprises IT product trading and IT services, does not require high investments. However, the reporting period was an exceptional year during which Bechtle invested heavily. Among other things, the relocation of the data centre from Neckarsulm to Frankfurt was completed in 2017, the “Next” project and the Bechtle Clouds platform went online, and a car park was built at the headquarters in Neckarsulm. With a volume of €66.9 million, the investments reached the highest figure in the history of Bechtle. In the course of this year, Bechtle will continue to invest in the company’s future. However, we expect a volume significantly lower than in the reporting period. The Executive Board currently projects investments in the range of €40 to 50 million.

Acquisitions will remain an integral element of the growth strategy in all business fields. In IT e-commerce, however, the Executive Board mainly relies on organic growth. In the IT system house & managed services segment though, selective acquisitions will 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 the group. 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 senior executives. The Executive Board also plans to increase the headcount in 2018, regardless of acquisitions. Nevertheless, the increase is to remain below the revenue growth. Training young people will remain a central aspect of Bechtle’s HR policy. In this connection, Bechtle AG has adopted the medium-term goal of expanding the training ratio in Germany to approximately 12 per cent in order to safeguard its future.

What are our plans for the future? Time for a little exchange programme in between.

**Florian Macher**, Senior VIPM Sophos,  
Logistics & Service

**Andreas Müller**, Content Management  
Clients, Public, Logistics & Service

From left to right

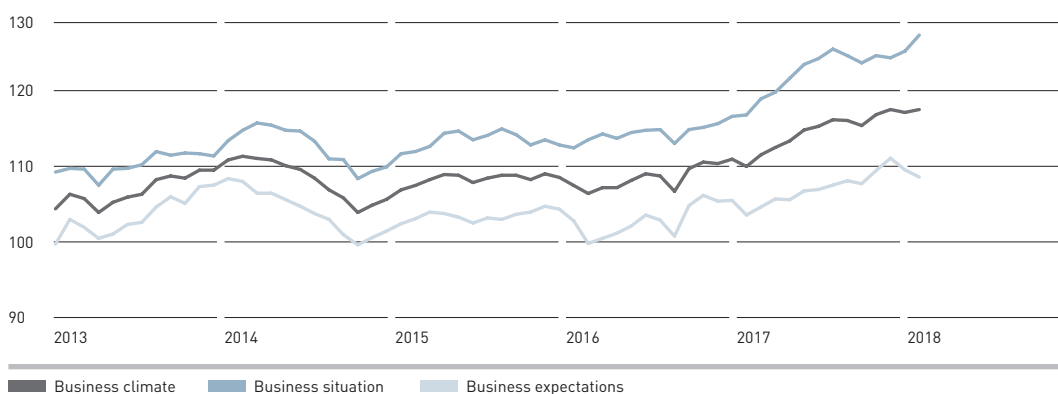




## OVERALL ASSESSMENT

The macroeconomic situation remained positive at the beginning of 2018. The forecasts project growth dynamics that more or less correspond to the level in the reporting period. In 2018 and 2019, GDP growth of more than 1 per cent is anticipated in all European countries relevant to Bechtle. The mood in the economy was very good at the beginning of the year. The ifo indicator for the economic climate in the euro area went up from 37.0 to 43.2 points in the first quarter of 2018, reaching its highest value since 2000. The evaluation of the current situation is much more positive than in the prior quarter. Expectations are also evaluated more positively. In Germany, the ifo business climate index for the commercial economy went up again at the start of the year. At the start of the year, the evaluation of the current situation even reached a record high, though expectations for the next six months declined slightly. However, they are still at a high level.

### 50. IFO BUSINESS CLIMATE INDEX FOR THE COMMERCIAL ECONOMY IN GERMANY



The situation in the IT industry is not so optimistic. After the ifo index for IT service providers reached its low for the year in November 2017, it shot up in December due, in particular, to the highly positive assessment of the current situation, but then it dropped almost to the same extent in January. However, with its balance of 36.5 points, the index is only slightly below the level at the beginning of 2017.

At the beginning of 2018, the economic situation in Germany and in the EU was good. Customers remain willing to invest, though the dynamics on the IT market are expected to slacken compared to the reporting period. The Executive Board expects the business performance of Bechtle AG to remain positive and significantly above the industry average. The year 2018 is thus expected to be a very successful year for the Bechtle Group.

## 51. OVERVIEW OF FORECASTS ON THE EARNINGS POSITION FOR 2017

	Group	IT system house & managed services	IT e-commerce
Revenue	Significant increase over 2017	Significant increase	Significant increase
Cost of sales	In line with revenue		
Gross margin	> 15 per cent		
Distribution cost ratio	about 6 per cent		
Administrative expense ratio	< 5 per cent		
EBT	Significant increase over 2017	Significant increase	Significant increase
EBT margin	Slight increase over 2017	Slight increase	Slight increase
Dividend	Dividend payout ratio of about one third of EAT		



**CONSOLIDATED  
FINANCIAL STATEMENTS**



**Entrepreneurial  
thinking and actions  
at all levels represent  
a success factor  
of Bechtle. This is  
also evident from  
the results.**

# CONSOLIDATED FINANCIAL STATEMENTS

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## 52. CONSOLIDATED INCOME STATEMENT

		€k	
	Notes	2017	2016
Revenue	1	3,570,124	3,093,579
Cost of sales	2	3,026,329	2,610,514 <sup>1</sup>
<b>Gross profit</b>		<b>543,795</b>	<b>483,065<sup>1</sup></b>
Distribution costs	2	215,989	196,285
Administrative expenses	2	173,396	153,037
Other operating income	3	9,842	10,340 <sup>1</sup>
<b>Earnings before interest and taxes</b>		<b>164,252</b>	<b>144,083</b>
Financial income	4	1,133	3,512
Financial expenses	4	2,581	2,495
<b>Earnings before taxes</b>		<b>162,804</b>	<b>145,100</b>
Income taxes	5	48,242	41,729
<b>Earnings after taxes (attributable to shareholders of Bechtle AG)</b>		<b>114,562</b>	<b>103,371</b>
<b>Net earnings per share (basic and diluted)</b>	6	<b>2.73</b>	<b>2.46<sup>2</sup></b>
<b>Weighted average shares outstanding (basic and diluted)</b>		<b>42,000</b>	<b>42,000<sup>2</sup></b>
		in thousands	



See further comments in the Notes, in particular III., page 144 ff

<sup>1</sup> Prior year figures adjusted

<sup>2</sup> Prior year adjusted due to issuance of bonus shares

## 53. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		€k	
	Notes	2017	2016
<b>Earnings after taxes</b>		<b>114,562</b>	<b>103,371</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>			
Actuarial gains and losses on pension provisions	17	5,990	1,842
Income tax effects		-973	-77
<b>Items that will be reclassified to profit or loss in subsequent periods</b>			
Unrealised gains and losses on securities		0	7
Income tax effects		0	-1
Unrealised gains and losses on financial derivatives		-1,702	-1,385
Income tax effects		504	410
Currency translation differences of net investments in foreign operations		0	0
Income tax effects		0	0
Hedging of net investments in foreign operations		5,094	-1,121
Income tax effects		-1,511	333
<b>Currency translation differences</b>		<b>-7,284</b>	<b>-527</b>
<b>Other comprehensive income</b>	<b>16</b>	<b>118</b>	<b>-519</b>
of which income tax effects		-1,980	665
<b>Total comprehensive income (attributable to shareholders of Bechtle AG)</b>		<b>114,680</b>	<b>102,852</b>



See further comments in the Notes, in particular IV. no. 16, page 156 ff

## 54. CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>		€k	
	Notes	31.12.2017	31.12.2016
<b>Non-current assets</b>			
Goodwill	7	193,538	193,521
Other intangible assets	8	48,721	35,338
Property, plant and equipment	9	134,865	111,666
Trade receivables	12	30,235	12,436
Deferred taxes	10	4,004	4,798
Other assets	14	3,833	3,467
Time deposits and securities	13	0	7,005
<b>Total non-current assets</b>		<b>415,196</b>	<b>368,231</b>
<b>Current assets</b>			
Inventories	11	211,319	180,652
Trade receivables	12	581,919	502,270
Income tax receivables		1,340	847
Other assets	14	58,783	61,562
Time deposits and securities	13	12,444	15,361
Cash and cash equivalents	15	162,383	140,415
<b>Total current assets</b>		<b>1,028,188</b>	<b>901,107</b>
<b>Total assets</b>		<b>1,443,384</b>	<b>1,269,338</b>



See  
further comments  
in the Notes,  
in particular IV.,  
page 147 ff



**EQUITY AND LIABILITIES**

€k

	Notes	31.12.2017	31.12.2016
<b>Equity</b>			
Issued capital		42,000	21,000
Capital reserves		124,228	145,228
Retained earnings		611,055	527,875
<b>Total equity</b>	<b>16</b>	<b>777,283</b>	<b>694,103</b>
<b>Non-current liabilities</b>			
Pension provisions	17	13,002	19,924
Other provisions	18	7,190	6,719
Financial liabilities	19	69,917	51,744
Trade payables	20	96	147
Deferred taxes	10	21,069	20,570
Other liabilities	21	2,292	5,874
Deferred income	22	13,701	12,981
<b>Total non-current liabilities</b>		<b>127,267</b>	<b>117,959</b>
<b>Current liabilities</b>			
Other provisions	18	7,129	6,657
Financial liabilities	19	58,930	9,745
Trade payables	20	237,160	242,120
Income tax payables		10,733	7,676
Other liabilities	21	131,118	115,314
Deferred income	22	93,764	75,764
<b>Total current liabilities</b>		<b>538,834</b>	<b>457,276</b>
<b>Total equity and liabilities</b>		<b>1,443,384</b>	<b>1,269,338</b>

## 55. 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 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			103,371		103,371	103,371
Other comprehensive income				-519	-519	-519
Total comprehensive income	0	0	103,371	-519	102,852	102,852
Equity as of 31 December 2016	21,000	145,228	529,180	-1,305	527,875	694,103
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			0	0
Equity as of 31 December 2017	42,000	124,228	612,242	-1,187	611,055	777,283



See further comments in the Notes, in particular IV. no. 16, page 156 ff

56. CONSOLIDATED CASH FLOW STATEMENT

		k€	
	Notes	2017	2016
<b>Operating activities</b>			
<b>Earnings before taxes</b>		162,804	145,100
Adjustment for non-cash expenses and income			
Financial earnings		1,448	-1,017
Depreciation and amortisation of intangible assets and property, plant and equipment		31,930	27,715
Gains and losses on disposal of intangible assets and property, plant and equipment		138	176
Other non-cash expenses and income		3,708	1,283
Changes in net assets			
Changes in inventories		-28,884	-31,585
Changes in trade receivables		-99,293	-81,836
Changes in trade payables		-5,541	36,090
Changes in deferred income		19,011	-2,157
Changes in other net assets		14,684	2,083
Income taxes paid		-45,744	-42,489
<b>Cash flow from operating activities</b>	23	54,261	53,363
<b>Investing activity</b>			
Cash paid for acquisitions less cash acquired		-11,711	-23,519
Cash paid for investments in intangible assets and property, plant and equipment		-67,173	-39,897
Cash received from the sale of intangible assets and property, plant and equipment		494	3,004
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets		10,033	19,525
Settlement of net investment hedges		5,093	-1,120
Interest payments received		589	603
<b>Cash flow from investing activities</b>	24	-62,675	-41,404
<b>Financing activities</b>			
Cash paid for the repayment of financial liabilities		-17,583	-9,523
Cash received from the assumption of financial liabilities		84,941	4,993
Dividends paid		-31,500	-29,400
Interest paid		-2,280	-2,388
<b>Cash flow from financing activities</b>	25	33,578	-36,318
Exchange-rate-related changes in cash and cash equivalents		-3,196	7
<b>Changes in cash and cash equivalents</b>		21,968	-24,352
<b>Cash and cash equivalents at the beginning of the period</b>		140,415	164,767
<b>Cash and cash equivalents at the end of the period</b>		162,383	140,415



See further comments in the Notes, in particular V., page 169 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 and listed in the TecDAX technology index since 2004. The company's shares are traded at all German stock exchanges.

On 27 February 2018, the Executive Board released the consolidated financial statements of Bechtle AG for the fiscal year 2017 for forwarding to the Supervisory Board (IAS 10.17)

  
[bechtle.com/investors/  
corporate-governance](https://www.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 fiscal year 2017 have been adopted. The International Financial Reporting Standards adopted ahead of time are listed in the disclosures on the new accounting pronouncements. Furthermore, the disclosures required pursuant to Section 315a (1) of the German Commercial Code (HGB) are presented in the Notes.

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:



efrag.org

Pronouncement	Publication by IASB/IFRIC	Endorsement (EU)	Effective date (EU)
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	19 January 2016	6 November 2017	1 January 2017
Amendments to IAS 7: Disclosure Initiative	29 January 2016	6 November 2017	1 January 2017
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2014–2016 Cycle – IFRS 5	8 December 2016	7 February 2018	1 January 2017

The amendments to IAS 7 in connection with the disclosure initiative were duly implemented in the consolidated financial statements as of 31 December 2017. The other standards whose adoption was mandatory for the first time in the EU did not have any significant effect on the consolidated financial statements.

**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 <sup>1</sup>
<b>Published pronouncements not yet adopted</b>			
IFRS 9 Financial Instruments	24 July 2014	22 November 2016	1 January 2018
Amendment to IFRS 2 Share-based Payment	20 June 2016	26 February 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers	28 May 2014	22 September 2016	1 January 2018
IFRS 16 Leases	13 January 2016	31 October 2017	1 January 2019
IAS 19 Plan Amendments, Curtailments or Settlements	7 February 2018	Open	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	8 December 2016	Open	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	7 June 2017	Open	1 January 2019
Amendments to IAS 40 Investment Property	8 December 2016	Open	1 January 2018
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2014–2016 Cycle	8 December 2016	7 February 2018	1 January 2018
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2015–2017 Cycle	12 December 2017	Open	1 January 2019

<sup>1</sup> 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 9 Financial Instruments.** The final version of IFRS 9 Financial Instruments contains the revised regulations concerning the classification and measurement of financial instruments, accounting of impairment of financial assets and hedge accounting. The standard is to fully replace IAS 39. The classification of financial instruments is based on the properties of the cash flows and the business model according to which they are controlled. The application of the classification and measurement regulations of IFRS 9 is not expected to have significant effects on the balance sheet or the equity. Therefore, Bechtle, believes that all financial assets held at fair value will continue to be measured at fair value. Henceforth, not only losses incurred but also expected losses are to be recognised as impairment. In the case of trade receivables, all expected losses must already be taken into consideration upon initial recognition. Insofar as credit risks become evident within Bechtle’s trade

receivables or leasing receivables, these are already accommodated by means of impairment; thus no major effects are expected from the change. In this connection please refer to the presentation of the written-off receivables in chapter IV. "Further Explanatory Notes on the Balance Sheet". Moreover, due to its financial policy, which focuses on security and unlimited solvency, Bechtle only has securities and time deposits whose credit risk is considered to be very low. Therefore, we merely expect minor effects from the change in the field of cash at banks. With respect to the recognition of hedges, IFRS 9 provides for elimination of the thresholds within the scope of the retrospective effectiveness testing. Henceforth, proof of the economic relationship between the underlying and the hedging instrument is to be furnished instead. Bechtle only takes out hedges that are 100 per cent effective and whose economic link is ensured. Thus, the adoption of the new standard will not have any significant effect on the assets, earnings and financial position. The date of first-time adoption is 1 January 2018.



See page 152 ff

**IFRS 15 Revenue from Contracts with Customers.** 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. 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. However, in the field of our software licence trading, the question whether Bechtle conducts its activity as principal or agent can have significant effects on the amount of revenue presented. If Bechtle is a principal, the revenue must be recognised in the gross amount it is entitled to. However, if Bechtle is only an agent, the net amount that Bechtle is entitled to for its agency activity would have to be posted. For the evaluation, the information in IFRS 15, Appendix B, B 34 ff provides indications. A company is a principal if it exercises the control over the specified goods or services prior to the transfer to the customer. Nevertheless, due to the immateriality and the form of transfer, the interpretation of the criteria is difficult to apply in connection with the evaluation of whether a company exercises the control over software licences within the scope of a commercial transaction. Against this backdrop, it is therefore somewhat uncertain when Bechtle acts as the principal within the scope of a commercial transaction with software licences. Based on discussions with major international value-added resellers from the industry, it can be assumed that Bechtle is the principal with respect to software licences if extensive consulting services are performed in connection with the sale of the software licenses, which could

be regarded as an integral part of the performance obligation towards the customer. In such cases, the software licences would only deliver benefits together with the extensive consulting services and could not be isolated from the services in the contractual context. Thus, various consulting services would constitute a bundled service obligation in conjunction with the actual transfer of the software licence. By contrast, if Bechtle does not have control over the traded licence and does not perform any consulting services for the customer, it would qualify as an agent. The question of qualification as principal or agent also arises for other services that are performed after the delivery of the software licence and that could represent an independent performance obligation. Due to these uncertainties, these issues are currently also being examined by regulators around the globe (e.g. by the US stock exchange regulatory authority SEC). Bechtle performs numerous licence transactions with various software vendors. In the fiscal year 2017, the revenue with software licences amounted to more than €500 million. In view of the remaining uncertainties with respect to the question of when Bechtle actually qualifies as the principal, it cannot yet be reliably estimated to what extent commercial transactions with software licences will henceforth be reflected in the revenue. As of the adoption date of 1 January 2018, the balance sheet did not undergo any changes in this connection.

In connection with supplier refunds and subsidies, no significant changes are expected in connection with the accounting recognition. However, services performed under contracts for managed services might be subject to changes with respect to the ramp-up 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. Currently, these costs play a minor role at Bechtle. However, due to the increase in contracts for managed services, they will play a greater role in the future. Changes could arise in connection with contracts for managed services if the time of accrual of the sales commission 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, or with regard to the performance of ramp-up and ramp-down costs in connection with contracts for managed services. We have hardly found any changes in this area. At Bechtle, sales 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 will result in a minor increase of the group balance sheet total. By contrast, the disclosures in the Notes will increase considerably. 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 business processes need to be adapted to the new situation. The date of first-time adoption is 1 January 2018.



**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. At the same time, 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 rise by no more than 10 per cent. Please refer to the current amounts of the existing operating leases in section X. "Other Disclosures". The date of first-time adoption is 1 January 2019.



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## 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 has been effected 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 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



See Appendix A,  
Subsidiaries,  
page 201 ff

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
Ulbel & Freidorfer GmbH	Graz, Austria	5 July 2017	Acquisition



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

## 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	
		2017	2016	2017	2016
Switzerland	CHF	1.17	1.08	1.11	1.09
UK	GBP	0.89	0.86	0.88	0.82
USA	USD	1.20	1.06	1.13	1.11

## ACCOUNTING POLICIES

**Revenue recognition.** The revenue comprises sales of IT products and services. In accordance with IAS 18, revenue is measured at fair value of the consideration received or receivable less discounts and rebates.

Revenue from the sale of IT products is recognised when the significant risks and rewards of ownership of the goods sold are transferred to the buyer, the amount of revenue can be measured reliably, and it is sufficiently probable that the economic benefits will flow to the group.

Revenue from services is recognised after the provision of the service or after the acceptance by the customer. Revenue from work in progress is recognised according to the stage of completion on the balance sheet date, provided that the result can be reliably estimated (IAS 18.20 ff). Depending on the underlying agreement, the stage of completion is 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 cannot be measured reliably, this is only recognised in the amount of the incurred expenses that are probably recoverable.

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

**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.



See Company,  
page 38 f

**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 revenue 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.

For the initial recognition, **goodwill** from a business combination is measured at cost 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, customer service agreements and non-compete agreements.

Brands acquired in the context of company acquisitions are measured at the value in use of the brand right. The useful life is 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.

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 three 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. In connection with the preparation of the annual financial statements of these companies, there were no events or changed circumstances that would have necessitated unscheduled impairment. 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 fully depreciated in the year of accrual and recognised as disposal. 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.

The work in progress presented under inventories is measured in the amount of incurred and probably recoverable expenses.

**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.

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.

Securities include listed corporate bonds and are therefore, as a matter of principle, classified as available-for-sale financial assets and measured at fair value. The initial measurement takes place on the settlement date. Changes in fair value are accrued in other comprehensive income outside profit or loss and only recognised through profit or loss upon disposal and permanent or material impairment. For debt instruments, permanent, substantiated appreciation of impairments previously recognised through profit or loss is recognised through profit or loss. For equity instruments, however, appreciation is recognised in other comprehensive income outside profit or loss until sold.

**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 amount 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.

At Bechtle, **deferred income** includes all deferred revenue and earnings. In particular, these include prepayments and deferred income for maintenance agreements and warranty services. The deferral takes place on the basis of the income achieved taking into account services already performed. As a matter of principle, it is assumed that the performance is linear through the contract term.

**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. The subsequent measurement of financial assets and liabilities depends on 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".



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**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 bases, customer service agreements 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, past experience in connection with the derecognition of bad debts, 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 €3,570,124 thousand (prior year: €3,093,579 thousand) includes the considerations charged to customers for goods and services less rebates and discounts.

In this context, the IT e-commerce segment exclusively generates IT trading revenue. The revenue in the IT system house & managed services segment consists primarily of IT trading revenue and an IT service revenue share of about 25 to 30 per cent. 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, Bechtel generated about 57 per cent of the total revenue.



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

#### 2 EXPENSE STRUCTURE

	€k					
	Cost of sales		Distribution costs		Administrative expenses	
	2017	2016	2017	2016	2017	2016
Material costs	2,748,121	2,350,799 <sup>1</sup>	0	0	0	0
Personnel and social expenses	222,474	203,704	175,127	156,601	110,111	99,072
Depreciation/amortisation	13,044	13,547	6,673	6,447	12,213	7,721
Other operating expenses	42,690	42,464	34,189	33,237	51,072	46,244
<b>Total expenses</b>	<b>3,026,329</b>	<b>2,610,514<sup>1</sup></b>	<b>215,989</b>	<b>196,285</b>	<b>173,396</b>	<b>153,037</b>

<sup>1</sup> Adjustment of prior-year figures

The predominant portion of the material costs corresponds to the costs for commodities. The material costs include net expenses of €1,561 thousand from exchange rate fluctuations (prior year: income of €452 thousand).

Other operating expenses include the following:

- Vehicle costs amounting to €30,135 thousand (prior year: €28,007 thousand);
- Expenses for office and building rent amounting to €26,262 thousand (prior year: €25,164 thousand);
- Communication costs amounting to €7,847 thousand (prior year: €7,312 thousand);
- Marketing costs amounting to €8,764 thousand (prior year: €7,229 thousand);
- Legal and consulting costs amounting to €17,257 thousand (prior year: €10,152 thousand);
- Other costs incurred within the scope of the normal business operations.

### 3 OTHER OPERATING INCOME

	€k	
	2017	2016
Marketing allowances and other remuneration from suppliers	6,276	7,316 <sup>1</sup>
Income from operating a photovoltaic system	256	224
Rental income	344	242
Others	2,966	2,558
<b>Other operating income</b>	<b>9,842</b>	<b>10,340<sup>1</sup></b>

<sup>1</sup> Adjustment of prior-year figures

In the reporting period, the presentation in the field of marketing allowances and other remuneration from suppliers was changed. Such allowances and remuneration that cannot be clearly distinguished from the actual goods supplied were netted against the cost of sales (IAS 2.11). In 2017, €8,885 thousand (prior year: €8,568 thousand) was deducted from the cost of sales. The prior-year figure has been duly adjusted. 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 €1,133 thousand (prior year: €3,512 thousand) consists of interest income from call money, time deposits and financial receivables amounting to €1,038 thousand (prior year: €3,235 thousand) and income from securities, e.g. in the form of realised capital gains and interest income from bonds in the amount of €95 thousand (prior year: €277 thousand).

The financial expenses of €2,581 thousand (prior year: €2,495 thousand) include interest cost for loans and 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	
	2017	2016
Paid or due taxes		
Germany	40,231	35,417
Other countries	7,749	6,405
Deferred taxes		
from valuation differences in terms of time	111	-818
from loss carryforwards	151	725
<b>Income taxes</b>	<b>48,242</b>	<b>41,729</b>

In Germany, the statutory corporation tax rate for the assessment period 2017 was 15.0 per cent. Including the trade tax and solidarity surcharge, the tax encumbrance amounted to 29.6 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: 28.2 per cent) on the profit before income taxes was as follows:

	€k	
	2017	2016
Earnings before taxes	162,804	145,100
<b>Expected tax expense</b>	<b>46,279</b>	<b>40,985</b>
Tax-free revenue	-63	-87
Tax rate change for deferred taxes	310	61
Tax expense of earlier years	1,706	33
Tax income of earlier years	-36	-155
Non-deductible expenses	1,198	834
Allocation/addition deferred tax assets to loss carryforwards	-659	-350
Use of previously unrecorded loss carryforwards	-449	-278
Unrecognised deferred taxes on loss carryforwards for the current year	0	321
Devaluation of previously recognised deferred taxes on loss carryforwards	18	242
Earn-out components	8	66
Others	-70	57
<b>Actual tax expense</b>	<b>48,242</b>	<b>41,729</b>

## 6 EARNINGS PER SHARE

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

		2017	2016
Earnings after taxes	€k	114,562	103,371
Average number of outstanding shares		42,000,000	42,000,000 <sup>1</sup>
<b>Earnings per share</b>	€	<b>2.73</b>	<b>2.46<sup>1</sup></b>

<sup>1</sup> Prior year adjusted due to issuance of bonus shares

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.

The company's share capital doubled to €42 million, divided into 42 million no-par shares. All shareholders of Bechtle AG received an additional new share (so-called bonus share) for every existing Bechtle share. The average number of outstanding shares was adjusted in 2016 pursuant to IAS 33.64.

## 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			
As of 01.01.2017	164,995 <sup>1</sup>	28,526 <sup>1</sup>	193,521
Acquisitions in the reporting period	5,227	0	5,227
Comformatik AG	253	0	253
smartpoint IT consulting GmbH	2,144	0	2,144
Ulbel & Freidorfer GmbH	2,830	0	2,830
Currency translation differences	-4,185	-1,025	-5,210
As of 31.12.2017	166,037	27,501	193,538

<sup>1</sup> Prior-year figures have been adjusted due to the changed segment allocation of the Comsoft activities in Germany, Austria and Switzerland



See page 184 ff for information on newly accrued goodwill



For information on the assets and liabilities of the cash-generating units, see page 180 ff

Like the previous impairment tests, the annual impairment test of the goodwill as of 30 September 2017 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 42 ff and Forecast Report, page 109 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 2017, the cash-generating units had a weighted average cost of capital (WACC) of 6.4 per cent (prior year: 4.5 per cent) after taxes (WACC before taxes 6.6 per cent, prior year: 4.7 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 2018 and 2019 have been derived on the basis of the as-is data and the target data in accordance with the above-mentioned factors. All growth rates for later years were estimated with a great aversion to risk at 1.8 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 per cent each or an increase of the WACC to 10 per cent, if the other input parameters remained unchanged.



See Appendices B and C, Notes, page 206 f

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

## 8 OTHER INTANGIBLE ASSETS

	31.12.2017	31.12.2016
Brands/licences	6,765	7,086
Customer bases	5,322	5,472
Purchased software	16,777	8,426
Internally developed software	11,248	4,824
Customer service agreements	8,609	9,347
Non-compete agreements	0	183
<b>Other intangible assets</b>	<b>48,721</b>	<b>35,338</b>



ARP (carrying amount €3,665 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 ARP brand is 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, €6,194 thousand was 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 6.4 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	
	2017	2016
<b>Customer bases</b>		
Carrying amount (31.12)	5,322	5,472
Remaining useful life (weighted average) (years)	3.2	3.5
Accumulated scheduled amortisation	3,479	2,765
Accumulated impairment as per IAS 36	0	330
Scheduled amortisation	1,705	2,100
Impairment according to IAS 36	0	330
Currency translation differences of accumulated amortisation	-76	20

The development of the other intangible assets is presented in Appendices B and C to the Notes. The impairment applied in the fiscal year 2016 according to IAS 36 resulted in full write-off of the corresponding customer base.



See Appendices B and C, Notes, page 206 f

## 9 PROPERTY, PLANT AND EQUIPMENT

	€k	
	31.12.2017	31.12.2016
Property and buildings	88,426	72,445
Other equipment, furniture, fixtures and fittings	43,080	32,004
Advance payments and construction in progress	3,359	7,217
<b>Property, plant and equipment</b>	<b>134,865</b>	<b>111,666</b>

As of 31 December 2017, there were no contractual obligations for the purchase of property, plant and equipment.

No unscheduled depreciation was performed for property, plant and equipment.

As in the prior year, the property, plant and equipment as of 31 December 2017 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 206 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	
	31.12.2017	31.12.2016
Property, plant and equipment	12,481	5,920
Liabilities	4,336	2,106
Pension provisions	2,858	3,991
Other provisions	1,602	1,269
Loss carryforwards	804	961
Other intangible assets	416	371
Others	750	663
	<b>23,247</b>	<b>15,281</b>
Netting	-19,243	-10,483
<b>Deferred tax assets (net)</b>	<b>4,004</b>	<b>4,798</b>

	€k	
	31.12.2017	31.12.2016
Receivables	14,344	6,967
Goodwill	14,258	14,417
Other intangible assets	8,157	6,291
Deferred income	1,897	2,390
Property, plant and equipment	728	342
Inventories	248	79
Other provisions	340	239
Others	340	328
	40,312	31,053
Netting	-19,243	-10,483
<b>Deferred tax liabilities (net)</b>	<b>21,069</b>	<b>20,570</b>

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 2016 and/or 2017 amounted to €277 thousand (prior year: €72 thousand), and netted deferred tax liabilities at these companies amounted to €55 thousand (prior year: €1 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 €2,408 thousand (prior year: €4,311 thousand) for corporation tax, €7,409 thousand (prior year: €9,614 thousand) for trade tax and €1,880 thousand (prior year: €3,193 thousand) for losses of companies abroad.

As in the prior year, as of 31 December 2017, 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 €14,501 thousand (prior year: €14,318 thousand).

Of the deferred taxes accounted for in the balance sheet, a total of €1,031 thousand was deducted from the equity (prior year: equity increase by €644 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	
	31.12.2017	31.12.2016
Commodities	212,488	182,229
Work in progress	5,330	4,758
Advance payments on inventories	229	812
Impairment	-6,728	-7,147
<b>Inventories</b>	<b>211,319</b>	<b>180,652</b>

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

As of 31 December 2017, the carrying amount of the impaired inventories amounted to €18,015 thousand (prior year: €14,767 thousand). Year on year, the impairment dropped by €419 thousand (prior year: increase of €1,533 thousand).

The work in progress as reported in the balance sheet corresponds to the contract costs incurred and will most likely be recoverable. The expenses recorded in connection with the use of inventories are included in the material costs.

## 12 TRADE RECEIVABLES

	€k			
	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Trade receivables, gross	588,975	30,235	508,646	12,436
Impairment	-7,056	0	-6,376	0
<b>Trade receivables</b>	<b>581,919</b>	<b>30,235</b>	<b>502,270</b>	<b>12,436</b>

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

	Carrying amount	Individually impaired in full or in part	Individual impairment	Flat-rate individual impairment	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
<b>31.12.2017</b>										
Trade receivables	581,919	3,504	-1,945	-5,111	463,109	103,889	11,524	3,514	1,904	1,531
<b>31.12.2016</b>										
Trade receivables	502,270	2,275	-2,002	-4,374	403,519	90,299	7,909	2,497	1,185	962

The company grants the periods of payment customary in the industry and country. With respect to the balance of trade receivables that were neither impaired nor overdue, there were no indications on the reporting date that the debtors would not meet their payment obligations.

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 in accordance with past experience.

The impairment of trade receivables developed as follows:

	€k	
	2017	2016
<b>Impairment situation as of 1 January</b>	<b>6,376</b>	<b>5,140</b>
Exchange rate differences/consolidation	-46	118
Use	291	237
Reversal	713	716
Allocations (impairment expenses)	1,730	2,071
<b>Impairment situation as of 31 December</b>	<b>7,056</b>	<b>6,376</b>

Expenses from the immediate write-off of trade receivables amounted to €397 thousand (prior year: €510 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" (€570,922 thousand) and "non-current trade receivables" (€4,979 thousand), and to the classes "current leasing receivables" (€10,997 thousand) and "non-current leasing receivables" (€25,256 thousand).

### 13 TIME DEPOSITS AND SECURITIES

	€k			
	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Time deposits	10,442	0	15,361	5,000
Securities	2,002	0	0	2,005
<b>Time deposits and securities</b>	<b>12,444</b>	<b>0</b>	<b>15,361</b>	<b>7,005</b>

The carrying amount of the time deposits contains accrued interest amounting to €8 thousand (prior year: €38 thousand). In the reporting period, time deposits and securities that had been classified as short-term investments as of 31 December 2016 reached maturity. Furthermore, some of the time deposits that had been classified as long term in the prior year became short term.

As of the balance sheet date, time deposits included pension funds in the amount of €5,434 thousand (prior year: €5,323 thousand) as capital investments in addition to bond loans.

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

	€k	
	31.12.2017	31.12.2016
Acquisition costs	2,011	2,011
Carrying amount	2,002	2,005
Accrued interest including interest-like capital losses <sup>1</sup>	-9	-6

<sup>1</sup> In the event of bonds purchased above par

Apart from the interest calculated on an accrual basis, the accrued interest contains the capital losses recognised through profit or loss since the purchase, which is included in the expected return when bonds are purchased above par. In the fiscal years 2016 and 2017, no material impairment (IAS 39.67 ff) was recorded due to credit events that occurred, or are likely to occur, at the issuer.

For the disclosures according to IFRS 7, financial instruments included in time deposits and securities are allocated to:

- "time deposits: bond loans" in the amount of €5,008 thousand (prior year: €15,038 thousand);
- "time deposits: insurances" in the amount of €5,434 thousand (prior year: €5,323 thousand);
- "securities" in the amount of €2,002 thousand (prior year: €2,005 thousand).

## 14 OTHER ASSETS

	€k			
	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Refunds and other receivables from suppliers	30,436	0	33,278	0
Unrealised gains from financial derivatives	541	0	3,166	0
Rental deposits	213	1,538	120	1,352
Loan extended to a leasing company	49	362	48	411
Insurance refunds	31	66	188	61
Due from staff	352	24	210	34
Others	2,379	0	1,133	0
<b>Total financial assets</b>	<b>34,001</b>	<b>1,990</b>	<b>38,143</b>	<b>1,858</b>
Accrued income for customer maintenance agreements	13,234	879	10,680	619
Accrued income	9,205	964	7,787	990
VAT receivable	717	0	2,337	0
Advance payments	139	0	1,920	0
Social security claims	1,446	0	551	0
Receivables from other taxes	41	0	144	0
<b>Total non-financial assets</b>	<b>24,782</b>	<b>1,843</b>	<b>23,419</b>	<b>1,609</b>
<b>Other assets</b>	<b>58,783</b>	<b>3,833</b>	<b>61,562</b>	<b>3,467</b>

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
<b>31.12.2017</b>							
Financial assets	34,001	33,955	0	25	6	5	10
<b>31.12.2016</b>							
Financial assets	38,143	37,818	88	66	107	58	6

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 €35,039 thousand (prior year: €36,376 thousand);
- "long-term lending" in the amount of €411 thousand (prior year: €459 thousand);
- "financial derivatives" in the amount of €541 thousand (prior year: €3,166 thousand).

## 15 CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €162,383 thousand (prior year: €140,415 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.

## 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

According to the resolution of the Annual General Meeting on 1 June 2017, the company's share capital 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 share capital. 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.

The company's share capital as of 31 December 2017 amounted to €42,000 thousand, divided into 42,000,000 (prior year: 21,000,000) fully paid-up ordinary shares of a calculated nominal value of €1.00 each. Each share has one vote.

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

**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 €10,500 thousand by issuing new bearer shares (authorised capital according to the resolution of the Annual General Meeting of 5 June 2014) until 4 June 2019.

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 €2,100 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 include primarily the offering premium (agio) from capital increases and amounted to €124,228 thousand as of 31 December 2017 (prior year: €145,228 thousand). The year-on-year change resulted from the transformation of capital reserves into share capital in connection with the issuance of bonus shares.

## RETAINED EARNINGS

**Accrued profits.** At the Annual General Meeting of 1 June 2017, a resolution was adopted to pay out a dividend of €1.50 per no-par share with dividend entitlement for the fiscal year 2016 (dividend total: €31,500 thousand). The dividend was paid out on 7 June 2017. In the prior year, a dividend total of €29,400 thousand had been paid out on 10 June 2016.

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 €37,800 thousand for the fiscal year 2017 for the payment of a normal dividend of €0.90 per no-par share with dividend entitlement.

Apart from the dividend paid out for the fiscal year 2016, the retained earnings in the reporting period also changed by the comprehensive income of €114,680 thousand, consisting of earnings after taxes (€114,562 thousand) and other comprehensive income (€118 thousand). Accordingly, the retained earnings as of 31 December 2017 amounted to €611,055 thousand (prior year: €527,875 thousand). Apart from the dividend payment, a change from the comprehensive income amounting to €102,852 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:

	31.12.2017			31.12.2016		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
	Actuarial gains and losses on pension provisions	-13,353	2,692	-10,661	-19,343	3,665
Unrealised gains and losses on securities	-1	0	-1	-1	0	-1
Unrealised gains and losses on financial derivatives	13	-4	9	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	-11,541	3,368	-8,173	-16,635	4,879	-11,756
Currency translation differences	17,639	0	17,639	24,923	0	24,923
<b>Other comprehensive income</b>	<b>-7,243</b>	<b>6,056</b>	<b>-1,187</b>	<b>-9,341</b>	<b>8,036</b>	<b>-1,305</b>

€k

	01.01-31.12.2017			01.01-31.12.2016		
	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	5,990	-973	5,017	1,842	-77	1,765
Items that will be reclassified to profit or loss in subsequent periods						
<b>Unrealised gains and losses on securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>-1</b>	<b>6</b>
Gains and losses that arose in the current period	0	0	0	7	-1	6
Reclassifications to profit and loss	0	0	0	0	0	0
<b>Unrealised gains and losses on financial derivatives</b>	<b>-1,702</b>	<b>504</b>	<b>-1,198</b>	<b>-1,385</b>	<b>410</b>	<b>-975</b>
Gains and losses that arose in the current period	-1,227	363	-864	-933	276	-657
Reclassifications to profit and loss	-475	141	-334	-452	134	-318
<b>Currency translation differences of net investments in foreign operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>Hedging of net investments in foreign operations</b>	<b>5,094</b>	<b>-1,511</b>	<b>3,583</b>	<b>-1,121</b>	<b>333</b>	<b>-788</b>
Gains and losses that arose in the current period	5,094	-1,511	3,583	-1,121	333	-788
Reclassifications to profit and loss	0	0	0	0	0	0
<b>Currency translation differences</b>	<b>-7,284</b>	<b>0</b>	<b>-7,284</b>	<b>-527</b>	<b>0</b>	<b>-527</b>
<b>Other comprehensive income</b>	<b>2,098</b>	<b>-1,980</b>	<b>118</b>	<b>-1,184</b>	<b>665</b>	<b>-519</b>

€k

Thus, the other comprehensive income amounted to €118 thousand (prior year: –€519 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 2016, the company did not hold any treasury shares as of 31 December 2017.

As of 31 December 2017, the number of outstanding shares increased from 21,000,000 to 42,000,000 due to the issuance of so-called bonus shares to the existing shareholders. The weighted average number of outstanding shares in the reporting year, which was determined in accordance with IAS 33, thus amounted to 42,000,000.

## 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 €777,283 thousand, Bechtle's equity as of 31 December 2017 reached a high value that represented a year-on-year improvement (€694,103 thousand). In the reporting period, the equity (+12.0 per cent) grew at a slower rate than the debt capital (+15.8 per cent), which is reflected in a slightly lower equity ratio of 53.9 per cent (prior year: 54.7 per cent). The increase in the debt capital was caused by the increase in financial liabilities, other liabilities and deferred income. Additional loans were raised in the reporting period, and the existing ones were repaid according to schedule. The higher earnings after taxes resulted in an almost unchanged return on equity of 16.9 per cent (prior year: 17.1 per cent). The return on assets remained stable at 9.6 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 2017, Bechtle had cash and cash equivalents, as well as time deposits and securities, amounting to €174,827 thousand (prior year: €162,781 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 €492,865 thousand as of 31 December 2017 (prior year: €375,645 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 2017 and 31 December 2016, 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 €23,747 thousand (prior year: €21,013 thousand). In France, the contributions to the statutory pension fund totalled €702 thousand (prior year: €613 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 the Steffen Group as of 1 July 2016, 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 €5,854 thousand accrued in the course of the reporting period. Taking exchange rate differences amounting to plus €202 thousand into consideration, the actuarial losses recognised in retained earnings as of 31 December 2017 amounted to €12,366 thousand (prior year: actuarial loss of €18,419 thousand), less deferred tax assets amounting to €2,399 thousand (prior year: €3,391 thousand).

In the reporting period, net pension expenses recognised exceeded the employer contributions paid by €373 thousand. This amount was posted to personal expense.

After factoring in the other exchange rate differences amounting to minus €1,486 thousand, the total net obligation and thus the pension provisions to be accounted for as of 31 December 2017 amounted to €12,505 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.

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 2017, the pension provision decreased €157 thousand to €497 thousand. In the course of the reporting period, actuarial losses amounting to €63 thousand accrued; thus, the actuarial losses recognised in retained earnings as of 31 December 2017 amounted to €987 thousand (prior year: €924 thousand), less deferred tax assets amounting to €293 thousand (prior year: €274 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 2017 amounted to €13,002 thousand (prior year: €19,924 thousand).

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

	€k	
	2017	2016
<b>Present value of the defined benefit obligation 01.01</b>	<b>131,813</b>	<b>108,166</b>
Current service cost (for pension entitlements in the reporting period)	3,827	3,324
Interest cost (for pension entitlements already acquired)	778	881
Employee contributions	2,652	2,441
Actuarial gains and losses		
based on demographic development	0	246
based on changes in financial assumptions	-54	-2,486
based on experience	1,736	905
Curtailement	-89	-3,919
Addition by acquisition	0	29,692
Retirement benefits paid	-3,303	-5,289
Past service cost	0	-3,173
Exchange rate differences	-10,600	1,025
<b>Present value of the defined benefit obligation 31.12</b>	<b>126,760</b>	<b>131,813</b>

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

	€k	
	2017	2016
<b>Fair value of the plan assets 01.01</b>	<b>111,889</b>	<b>92,267</b>
Interest income	675	761
Employee contributions	2,652	2,440
Employer contributions	4,028	3,849
Income from plan assets included in other comprehensive income	7,473	612
Curtailement	-89	-3,919
Addition by acquisition	0	20,522
Retirement benefits paid	-3,289	-5,275
Administrative expenses	-265	-236
Exchange rate differences	-9,316	868
<b>Fair value of the plan assets 31.12</b>	<b>113,758</b>	<b>111,889</b>

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

	€k				
	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Present value of defined benefit obligation	126,760	131,813	108,166	99,535	79,085
Fair value of the plan assets	113,758	111,889	92,267	87,545	72,703
Net obligation	13,002	19,924	15,899	11,990	6,382
Pension provision accounted for	13,002	19,924	15,899	11,990	6,382

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

	€k	
	2017	2016
Current service cost (for pension entitlements in the reporting period)	3,827	3,324
Interest cost (for pension entitlements already acquired)	778	881
Interest income	-675	-761
Past service cost	0	-3,173
Administrative expenses	265	236
Net pension expenses for benefit commitments	4,195	507

As of 31 December 2017 and of 31 December 2016, respectively, the defined benefit plans and their actuarial measurement were based on the following parameters:

	Bechtle Holding Schweiz AG		Bechtle Onsite Services GmbH	
	2017 <sup>1</sup>	2016 <sup>1</sup>	2017	2016
Discount rate and expected interest	0.6%	0.6%	1.6%	1.5%
Inflation rate	0.5%	0.5%	n/a	n/a
Salary increase (including inflation rate)	1.0%	1.0%	1.5%	1.5%
Pension increase	0.0%	0.0%	2.0%	2.0%
Retirement likelihood, mortality, invalidity	BVG 2010 (P2023); company-specific likelihood of retirement	BVG 2010 (P2022); company-specific likelihood of retirement	Heubeck guide 2005 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 2005 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)
Surcharge for longevity	None	None	None	None

<sup>1</sup> 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 Steffen Group)		Bechtle Onsite Services GmbH	
Discount rate	+0.5%	-0.5%	+1.0%	-1.0%
	Obligation decreases 8.0% (8.2%)	Obligation increases 9.1% (9.3%)	Obligation decreases 11.6% (13.4%)	Obligation increases 17.6% (16.7%)
Expected interest	+0.5%	-0.5%		
	Obligation increases 3.1% (3.2%)	Obligation decreases 2.9% (3.0%)		

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

	31.12.2017	
	Bechtle Holding Schweiz AG	Measurement class (IFRS 13)
Obligations	34.8%	Level 1
Equity instruments	17.8%	Level 1
Real estate fund	25.0%	Level 1
Other assets	22.4%	Level 2

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

The average weighted duration is 17.4 years for those insured at the Swiss pension fund and 14.5 years for those at Bechtle Onsite Services GmbH.

The return on plan assets totalled €8,148 thousand in the reporting period (prior year: €1,373 thousand).

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

	€k
	2017
Due within one year	6,393
Due in two to five years	24,769
Due in five to ten years	30,381
<b>Net pension expenses for benefit commitments</b>	<b>61,543</b>

For 2018, the actuarial opinions for Bechtle Holding Schweiz AG and Bechtle Onsite Services GmbH forecast employee contributions of €4,466 thousand to the defined benefit plans. The expected employer contributions to the plan assets amount to €2,280 thousand. As the plan assets are expected to drop to €113,482 thousand in the fiscal year 2018, the expected net obligation is €11,146 thousand. The net pension expenses for benefit commitments are projected to amount to €4,534 thousand.

## 18 OTHER PROVISIONS

	31.12.2016	Currency translation and consolidation	Reclassification	Use	Reversal	Addition	31.12.2017
Guarantees and similar obligations	4,002	257	0	3,259	88	3,752	4,664
Personnel expenses	7,640	-17	0	1,329	267	1,875	7,902
Legal and consulting expenses	208	-2	0	63	27	119	235
Investor relations	370	0	0	370	0	370	370
Others	1,156	-31	0	1,050	224	1,297	1,148
<b>Total other provisions</b>	<b>13,376</b>	<b>207</b>	<b>0</b>	<b>6,071</b>	<b>606</b>	<b>7,413</b>	<b>14,319</b>
<b>Other non-current provisions</b>	<b>6,719</b>	<b>-15</b>	<b>0</b>	<b>15</b>	<b>106</b>	<b>607</b>	<b>7,190</b>
<b>Other current provisions</b>	<b>6,657</b>	<b>222</b>	<b>0</b>	<b>6,056</b>	<b>500</b>	<b>6,806</b>	<b>7,129</b>

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, INTEREST RATE SWAP AND CREDIT LINES

The risk of the variable interest rate was eliminated by an interest rate swap in the prior year. The interest rate swap with an initial reference amount corresponding to the amount of the loan, which was subject to a variable interest rate, represented a cash flow hedge and was considered to be 100 per cent effective in hedging the interest rate risk. The interest rate swap expired on 30 September 2017. In the fiscal year 2017, €9 thousand (prior year: €31 thousand) was reclassified from the accumulated other comprehensive income to the interest earnings in the income statement in connection with this cash flow hedge.

A land charge on the financed property serves as collateral for the loans in the amount of €58,020 thousand (prior year: €41,849) that were raised in connection with buildings. For all other bank loans, there are negative pledges or *pari passu* clauses on furnishing collateral.

Other financial liabilities included other current account debts amounting to €1,948 thousand (prior year: €1,111 thousand).

The company has **credit lines** of €39,486 thousand (prior year: €39,878 thousand), which can be used both for cash loans and for guarantee credits. As of the balance sheet date, €7,049 thousand (prior year: €8,544 thousand) of this amount was utilised for guarantee credits. These credit lines are not earmarked, and their issue is not subject to any conditions. Apart from this, the company has pure guarantee credit lines amounting to €5,109 thousand (prior year: €5,109 thousand), €213 thousand (prior year: €237 thousand) of which had been utilised as of the balance sheet date. In total, the unused credit lines amounted to €37,333 thousand (prior year: €36,206 thousand).

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 of €96 thousand (prior year: €147 thousand) have a remaining term to maturity of more than one year.

## 21 OTHER LIABILITIES

	€k			
	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Liabilities to employees	66,599	0	59,802	0
Liabilities to customers	8,292	7	9,095	7
Liabilities resulting from acquisitions	990	2,217	1,163	5,794
Vehicle expenses	2,048	0	1,550	0
Customer bonus	1,958	0	1,547	0
Rent and ancillary rental costs	925	64	1,076	70
Annual financial statement costs	696	0	712	0
Unrealised losses from financial derivatives	470	0	424	0
Telephone/Internet	360	0	383	0
Travel expenses and expenditures	232	0	301	0
Insurances	281	0	178	0
Transportation charges	126	0	142	0
Advertising	122	0	79	0
Others	2,785	0	2,688	0
<b>Total financial liabilities</b>	<b>85,884</b>	<b>2,288</b>	<b>79,140</b>	<b>5,871</b>
VAT liability	32,797	0	25,376	0
Wage and church tax	6,159	0	5,591	0
Social security contributions	4,953	0	3,773	0
Liabilities from other taxes	1,325	4	1,434	3
<b>Total non-financial liabilities</b>	<b>45,234</b>	<b>4</b>	<b>36,174</b>	<b>3</b>
<b>Other liabilities</b>	<b>131,118</b>	<b>2,292</b>	<b>115,314</b>	<b>5,874</b>

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 €84,495 thousand (prior year: €77,630 thousand);
- "liabilities resulting from acquisitions" in the amount of €3,207 thousand (prior year: €6,957 thousand);
- "financial derivatives" in the amount of €470 thousand (prior year: €424 thousand).

## 22 DEFERRED INCOME

	€k			
	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
Down payments received	27,808	0	18,658	0
Deferred income	65,956	13,701	57,106	12,981
<b>Deferred income</b>	<b>93,764</b>	<b>13,701</b>	<b>75,764</b>	<b>12,981</b>

Deferred income mainly comprises deferrals for maintenance agreements and warranty extensions.

## V. FURTHER EXPLANATORY NOTES ON THE CASH FLOW STATEMENT

The cash flow statement for the 2017 reporting period and the prior year was prepared in accordance with IAS 7 and reports on 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.

### 23 CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the amount of €54,261 thousand (prior year: €53,363 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 slightly 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.

## 24 CASH FLOW FROM INVESTING ACTIVITIES

In 2017, net cash used for investments of €62,675 thousand (prior year: €41,404 thousand) consisted primarily of payments for investments in intangible assets and property, plant and equipment, as well as time deposits and securities, acquisitions of companies and settlements of net investment hedges. 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 184 ff

The payments made for acquisitions comprise the purchase price payments of €8,880 thousand (prior year: €27,566 thousand) for companies acquired in the reporting period, as well as additional payments for contingent purchase price increases amounting to €3,957 thousand (prior year: €1,840 thousand) for companies acquired in prior years. Within the scope of these acquisitions, cash and cash equivalents worth €1,035 thousand were taken over (prior year: €3,438 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 175 ff

Settlements of net investment hedges comprise payments from forward exchange contracts in connection with the hedging of the net investment in the UK-based group company and the Swiss group companies. In the reporting period, this amount totalled €5,093 thousand (prior year: –€1,120 thousand).

## 25 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 €33,578 thousand (prior year: –€36,318 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.

	31.12.2016	Non-cash changes				31.12.2017
		Cash flows	Acquisitions	Exchange rate effects	Changes in fair value	
Non-current financial liabilities	51,744	18,173	0	0	0	69,917
Current financial liabilities	9,745	49,185	0	0	0	58,930
<b>Total financial liabilities</b>	<b>61,489</b>	<b>67,358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>128,847</b>

€k

## 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	Carrying amount 31.12.2017	Fair value 31.12.2017	Carrying amount 31.12.2016	Fair value 31.12.2016	Level
<b>Assets</b>						
Non-current trade receivables	LAR	4,979	5,056	2,941	3,096	3
Long-term leasing receivables	IAS 17	25,256	25,006	9,495	9,220	3
Current trade receivables	LAR	570,922	570,922	498,114	498,114	3
Current leasing receivables	IAS 17	10,997	10,997	4,156	4,156	3
Securities	AFS	2,002	2,002	2,005	2,005	1
Time deposits						
Bond loans	LAR	5,008	5,008	15,038	15,012	2
Fixed-term deposits	LAR	0	0	0	0	2
Insurances	LAR	5,434	5,434	5,323	5,323	3
Other financial assets	LAR	35,039	35,039	36,376	36,376	3
Long-term lending	LAR	411	418	459	498	3
Financial derivatives						
Derivatives accounted for as hedges	n/a	20	20	2,441	2,441	2
Derivatives not accounted for as hedges	FAFVPL	521	521	725	725	2
Cash and cash equivalents	LAR	162,383	162,383	140,415	140,415	1
<b>Equity and liabilities</b>						
Loans	FLAC	128,847	134,048	61,489	69,045	2
Non-current trade payables	FLAC	96	93	147	142	3
Current trade payables	FLAC	237,160	237,160	242,120	242,120	3
Other financial liabilities	FLAC	84,495	84,495	77,630	77,630	3
Liabilities resulting from acquisitions	FLFVPL	3,207	3,207	6,957	6,957	3
Financial derivatives						
Derivatives accounted for as hedges	n/a	0	0	195	195	2
Derivatives not accounted for as hedges	FLFVPL	470	470	229	229	2
<b>Thereof aggregated according to valuation category pursuant to IAS 39</b>						
	LAR	784,176	784,176	698,666	698,834	
	AFS	2,002	2,002	2,005	2,005	
	FLAC	450,598	455,796	381,386	388,937	
	FAFVPL	521	521	725	725	
	FLFVPL	3,677	3,677	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

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** are 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 13.42 ff) 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 €243 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 11 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 and trade payables, other financial assets, cash and cash equivalents and other financial liabilities**.

During the reporting period up to 31 December 2017, there were no reclassifications between measurements at fair value of Level 1 and Level 2, and no reclassifications to or from measurements 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	Total gains and losses							31.12.2017
	01.01.2017	Included in other comprehensive income outside profit or loss			Additions	Compensation/settlement	Reclassification	
		Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income				
Liabilities resulting from acquisitions	6,957	96	0	-373	484	-3,957	3,207	

The €96 thousand posted as expenses under financial earnings were attributable to future payments accounted for as of 31 December 2017.

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

	From the subsequent measurement				Net earnings	
	From interest	Impairment	Fair value	From disposal	2017	2016
Loans and receivables	659	-1,017	0	-397	-755	-1,218
Financial liabilities at amortised cost	-2,168	0	0	0	-2,168	-2,490
Available-for-sale financial assets	95	0	0	0	95	284
Financial derivatives not accounted for as hedges	0	0	51	501	552	597
Liabilities resulting from acquisitions	0	0	-96	373	277	-82
Currency translation differences of financial assets and liabilities	0	-1,561	0	0	-1,561	452
<b>Total</b>	<b>-1,414</b>	<b>-2,578</b>	<b>-45</b>	<b>477</b>	<b>-3,560</b>	<b>-2,457</b>

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 €2,159 thousand (prior year: €2,462 thousand). The amount of €7 thousand for the available-for-sale financial assets, which had resulted from the fair value measurement in the prior year, no longer exists. A total of €0 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):

	2017			2016		
	Gross liabilities	Gross assets	Net amount accounted for	Gross liabilities	Gross assets	Net amount accounted for
<b>Financial assets</b>						
Current trade receivables	317	582,236	581,919	109	502,379	502,270
Refunds and other receivables from suppliers	845	31,281	30,436	147	33,425	33,278
<b>Financial liabilities</b>						
Current trade payables	239,437	2,277	237,160	244,117	1,997	242,120
Current liabilities to customers	8,311	19	8,292	9,101	6	9,095

The trade receivables include liabilities to customers amounting to €317 thousand, and the liabilities to customers include receivables from customers amounting to €19 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 €2,277 thousand, and the receivables from suppliers contain liabilities in the amount of €845 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. 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 39.102, 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 57 million resulted in a gain of €4,996 thousand that was recognised as other comprehensive income outside profit or loss (income tax effect: €1,482 thousand). In the prior year, the forward exchange contract that had been concluded in February 2016 for the sale of CHF 54 million at the end of 2016 had resulted in a loss of €1,675 thousand that had been recognised as other comprehensive income outside profit or loss (income tax effect: €497 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 €97 thousand that was recognised outside profit or loss (income tax effect: €29 thousand). In the prior year, GBP 4.3 million had been sold forward. Also in the prior year, the amount from the hedge of the net assets that had been recognised as other comprehensive income had totalled €555 thousand (income tax effect: €165 thousand).

On the other hand, the consolidated equity underwent a negative effect in the amount of €7,284 thousand (prior year: negative effect of €527 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 (€13 thousand) was recognised in other comprehensive income outside profit or loss, taking into account deferred taxes (€4 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 course of the normal business. The following table shows the volume of the hedges concluded in the respective fiscal years:

Currency pair		2017		2016	
		Purchase	Sale	Purchase	Sale
EUR/SEK	SEKk	56,430	0	2,138	0
EUR/USD	USDk	49,331	34,056	49,830	31,372
EUR/NOK	NOKk	0	0	69,338	0
EUR/GBP	GBPk	6,833	7,596	21,212	8,656
EUR/CHF	EURk	3,447	275	13,830	1,948
EUR/CZK	CZKk	0	0	3,000	3,000
CHF/EUR	CHFk	62,347	63,000	14,695	12,077
CHF/SEK	SEKk	9,408	0	0	0
CHF/USD	USDk	750	0	2,958	0
CHF/GBP	GBPk	700	0	2,730	0
CHF/NOK	NOKk	43,309	0	133,590	17,500

As of the balance sheet date, an obligation to buy GBP 481 thousand, USD 5,646 thousand, NOK 15,479 thousand and SEK 56,430 thousand (all net) against euros, as well as an obligation to buy GBP 607 thousand, NOK 25,514 thousand and SEK 202 thousand (all net) against Swiss francs existed under these currency contracts that were classified as held for trading in accordance with IAS 39 and that were thus measured through profit or loss. Moreover, a claim existed to the sale of €931 thousand (net) against Swiss francs. In the prior year, obligations had existed to buy GBP 126 thousand, USD 511 thousand and NOK 45,554 thousand (all net) against euros and to buy €4,983 thousand, GBP 2,419 thousand and NOK 32,949 thousand (all net) against Swiss francs. The measurement resulted in a loss of €69 thousand (prior year: loss of €198 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.

Effects of a value loss (or increase) of the euro by 10% compared with	2017		2016	
USD	+4,507	(-4,507)	+1,439	(-1,439)
SEK	+622	(-622)	+43	(-43)
NOK	+443	(-443)	+1,383	(-1,383)
CHF	+347	(-347)	-336	(+336)
GBP	+266	(-266)	+455	(-455)
PLN	+12	(-12)	+29	(-29)
CZK	-9	(+9)	+9	(-9)
HUF	-25	(+25)	-22	(+22)

€k

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			
	2017		2016	
<b>Effects of a 10% value loss (or increase) of the euro against</b>				
CHF	+5,674	(-5,674)	+5,596	(-5,596)
GBP	+645	(-645)	+609	(-609)
PLN	+110	(-110)	+79	(-79)
HUF	+65	(-65)	+62	(-62)
CZK	+44	(-44)	+37	(-37)
USD	-127	(+127)	+1,964	(+272)

**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.


Since there is no ineffectiveness, changes in interest rates only affect the fair value measurement of the interest rate swap outside profit or loss if the loan subject to variable interest rates is hedged with a cash flow hedge. The existing interest rate swaps expired in the reporting period. 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, and fixed-income financial instruments, which are exposed to fair value risks from interest rate fluctuations.


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/increase in these interest rates from the beginning of the reporting period by 100 basis points or 1 per cent p.a. (assuming constant exchange rates) would have led to a decrease/increase in interest income by €1,748 thousand (prior year: €1,628 thousand).

**Liquidity Risk.** The liquidity risk from financial instruments results from future interest payments and repayments 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.

	€k			
	Financial liabilities			
	Loans	Other current financial liabilities	Trade payables	Other financial liabilities
<b>Carrying amount 31.12.2017</b>	<b>126,899</b>	<b>1,948</b>	<b>237,256</b>	<b>87,702</b>
<b>Cash flow 2018</b>				
Interest	1,898	0	0	0
Repayment	55,029	1,948	237,160	85,414
<b>Cash flow 2019</b>				
Interest	1,721		0	0
Repayment	9,408		44	28
<b>Cash flow 2020–2021</b>				
Interest	2,795		0	0
Repayment	21,231		8	21
<b>Cash flow 2022–2023</b>				
Interest	527		0	294
Repayment	31,999		44	2,239
<b>Cash flow 2024–2025</b>				
Interest	103			
Repayment	6,162			
<b>Cash flow 2026–2027</b>				
Interest	28			
Repayment	3,070			

  
For further disclosures on the liquidity, see page 105

  
For information on the cash flows of the financial liabilities, see page 167

	€k			
	Financial liabilities			
	Loans and interest rate swap	Other current financial liabilities	Trade payables	Other financial liabilities
<b>Carrying amount 31.12.2016</b>	<b>60,390</b>	<b>1,110</b>	<b>242,267</b>	<b>84,587</b>
<b>Cash flow 2017</b>				
Interest	1,940	0	0	0
Repayment	3,631	1,110	242,120	78,716
<b>Cash flow 2018</b>				
Interest	1,718		0	55
Repayment	6,862		40	2,217
<b>Cash flow 2019–2020</b>				
Interest	2,932		0	294
Repayment	13,133		5	3,654
<b>Cash flow 2021–2022</b>				
Interest	1,468		0	
Repayment	27,661		102	
<b>Cash flow 2023–2024</b>				
Interest	34			
Repayment	8,221			
<b>Cash flow 2025</b>				
Interest	2			
Repayment	871			

The cash and cash equivalents are spread over 24 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 23 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 investment grade 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 2017, Bechtle held time deposits of no more than €10 million per liability unit.



For further disclosures on the risk management, see page 104 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.

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 the 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 provides customers with IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services, training and complete IT operation, covering the entire value chain. 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.

  
Specialist dealer  
with over 70,000 items,  
multi-brand strategy

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).



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, brands and non-compete agreements resulting within the scope of acquisitions. Financial earnings are not consolidated as the segments are primarily funded via the central units where external interest cost and income are mainly incurred. For this reason, financial income and expenses are reported together as financial earnings 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 144

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.

	2017			2016		
	IT system house & managed services	IT e-commerce	Total group	IT system house & managed services	IT e-commerce	Total group
<b>By segments</b>						
Total segment revenue	2,548,280	1,059,781		2,209,991 <sup>1</sup>	926,297 <sup>1</sup>	
less intersegment revenue	-31,408	-6,529		-35,098 <sup>1</sup>	-7,611 <sup>1</sup>	
<b>Revenue</b>	<b>2,516,872</b>	<b>1,053,252</b>	<b>3,570,124</b>	<b>2,174,893<sup>1</sup></b>	<b>918,686<sup>1</sup></b>	<b>3,093,579</b>
Depreciation/amortisation	-22,214	-5,817	-28,031	-18,137 <sup>1</sup>	-4,704 <sup>1</sup>	-22,841
<b>Segment earnings</b>	<b>118,400</b>	<b>49,751</b>	<b>168,151</b>	<b>101,463<sup>1</sup></b>	<b>47,494<sup>1</sup></b>	<b>148,957</b>
Depreciation/amortisation from acquisitions	-3,899	0	-3,899	-4,874	0	-4,874
<b>Earnings before interest and taxes</b>	<b>114,501</b>	<b>49,751</b>	<b>164,252</b>	<b>96,589<sup>1</sup></b>	<b>47,494<sup>1</sup></b>	<b>144,083</b>
Financial earnings			-1,448			1,017
<b>Earnings before taxes</b>			<b>162,804</b>			<b>145,100</b>
Income taxes			-48,242			-41,729
<b>Earnings after taxes</b>			<b>114,562</b>			<b>103,371</b>
Investments	53,245	13,621	66,866	29,026 <sup>1</sup>	10,578 <sup>1</sup>	39,604
Investments through acquisitions	8,550	0	8,550	34,083	0	34,083

<sup>1</sup> Prior-year figures have been adjusted due to the changed segment allocation of the Comsoft activities in Germany, Austria and Switzerland

Apart from the scheduled depreciation and amortisation, 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

	2017			2016		
	IT system house & managed services	IT e-commerce	Total group	IT system house & managed services	IT e-commerce	Total group
<b>By segments</b>						
Total segment assets	1,073,669	373,289		946,811 <sup>1</sup>	328,639 <sup>1</sup>	
less intersegment receivables	-3,474	-100		-5,709 <sup>1</sup>	-403 <sup>1</sup>	
<b>Assets</b>	<b>1,070,195</b>	<b>373,189</b>	<b>1,443,384</b>	<b>941,102<sup>1</sup></b>	<b>328,236<sup>1</sup></b>	<b>1,269,338</b>
Total segment liabilities	514,320	155,355		454,242 <sup>1</sup>	127,105 <sup>1</sup>	
less intersegment liabilities	-100	-3,474		-403 <sup>1</sup>	-5,709 <sup>1</sup>	
<b>Liabilities</b>	<b>514,220</b>	<b>151,881</b>	<b>666,101</b>	<b>453,839<sup>1</sup></b>	<b>121,396<sup>1</sup></b>	<b>575,235</b>

<sup>1</sup> Prior-year figures have been adjusted due to the changed segment allocation of the Comsoft activities in Germany, Austria and Switzerland

€k

	2017			2016		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
<b>By regions</b>						
Revenue	2,512,262	1,057,862	3,570,124	2,171,691	921,888	3,093,579
Investments	61,674	5,192	66,866	34,148	5,456	39,604
Investments through acquisitions	586	7,964	8,550	1,286	32,797	34,083

Of the consolidated revenue generated abroad, Switzerland accounted for €320,783 thousand (prior year: €301,274 thousand). The rest is split between the other countries, namely Austria, Belgium, the Czech Republic, France, Hungary, Ireland, Italy, the Netherlands, 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

	2017			2016		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
<b>By regions</b>						
Assets	987,339	456,045	1,443,384	865,124	404,214	1,269,338
Thereof non-current assets	298,962	116,234	415,196	243,898	124,333	368,231
Liabilities	492,672	173,429	666,101	412,863	162,372	575,235

The non-current assets reported here comprise property, plant and equipment as well as intangible assets (including goodwill). Of the non-current assets held abroad, Switzerland accounted for €77,149 thousand (prior year: €92,834 thousand). The rest is split between the remaining countries Austria, Belgium, the Czech Republic, France, 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 194 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 fiscal year 2017, Bechtle AG acquired 100 per cent of the shares in three companies. The information required for the transactions will be presented together (IFRS 3 B65).

The acquisitions were recognised in the balance sheet according to the purchase method (IFRS 3.4 ff) and were completed as of the balance sheet date.

As of the acquisition date of 9 May 2017, the company had acquired all interests in Comformatik AG, Rottweil, Germany. As of the acquisition date of 17 May 2017, the company had acquired all interests in smartpoint IT consulting GmbH in Linz, Austria. Moreover, as of the acquisition date of 5 July 2017, the company purchased all interests in Ulbel & Freidorfer GmbH, headquartered in Graz, Austria.

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€3,064 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 (€773 thousand) were recognised.

Under consideration of the acquired total net assets (€3,653 thousand), in total the capital consolidation resulted in a preliminary difference of €5,227 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.

By acquiring Comformatik AG, Bechtle is also strengthening its position as a comprehensive IT solution provider in the field of digital training. In addition to the classic fields of activity of an IT system house, the service spectrum also comprises the consulting and design in connection with school IT organisation and media planning, including the installation and commissioning of the required data networks.

By acquiring smartpoint IT consulting GmbH, Bechtle consistently is pursuing its strategic alignment as an IT solution provider with a strong regional presence. Moreover, the acquisition of the renowned smartpoint IT consulting GmbH enables Bechtle to further expand its software and application solutions segment. The service spectrum comprises consulting, design, implementation, operation and training.

By acquiring Ulbel & Freidorfer GmbH, Bechtle has supplemented its system house activities in Austria. Thanks to the combination of the largest Austrian DELL partner (Ulbel & Freidorfer GmbH) with one of the largest EMC partners (Bechtle SH Wien), the Bechtle system house Austria becomes the by far largest DELL EMC partner in Austria.

The company purchase agreements for the acquisition of the shares in Comformatik AG and Ulbel & Freidorfer GmbH do 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 IT consulting GmbH 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 IT consulting GmbH, the fair value of this contingent purchase price payment on the acquisition date was €485 thousand.

The acquisition costs of the three companies (€8,880 thousand) resulted in an outflow of cash and cash equivalents in the amount of €8,395 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
	Fair value
<b>Non-current assets</b>	
Goodwill	5,227
Other intangible assets	3,124
Property, plant and equipment	199
Deferred taxes	0
Other assets	0
<b>Total non-current assets</b>	<b>8,550</b>
<b>Current assets</b>	
Inventories	2,253
Trade receivables	2,664
Other assets	230
Cash and cash equivalents	1,066
<b>Total current assets</b>	<b>6,213</b>
<b>Total assets</b>	<b>14,763</b>
<b>Non-current liabilities</b>	
Other provisions	19
Deferred taxes	894
<b>Total non-current liabilities</b>	<b>913</b>
<b>Current liabilities</b>	
Trade payables	2,943
Income tax payables	420
Other provisions and liabilities	1,115
Deferred income	492
<b>Total current liabilities</b>	<b>4,970</b>
<b>Total liabilities</b>	<b>5,883</b>
<b>Total assets</b>	
<b>- Total liabilities</b>	
<b>= Acquisition costs</b>	<b>8,880</b>

In the course of the acquisitions, an insignificant amount of transaction costs was incurred and recognised through profit or loss.

Since the acquisition, smartpoint IT consulting GmbH and Ulbel & Freidorfer GmbH have contributed a total of €10.7 million to the revenue and €7 thousand to the earnings before taxes. As Comformatik AG was merged with an operating subsidiary, it is no longer possible to provide any information concerning the revenue and earnings contribution. 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 €3,585 million, and earnings before taxes would have amounted to €163.8 million (IFRS 3.B64qii).

## 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 as well as legal and compliance

- 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 PP 2000 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

Member of the Executive Board 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**

	31.12.2017	31.12.2016
Dr. Thomas Olemotz	0	0
Michael Guschlbauer	0	0
Jürgen Schäfer	8,000 <sup>1</sup>	4,000

<sup>1</sup> Increase due to issuance of bonus shares

**COMPENSATION OF THE EXECUTIVE BOARD MEMBERS**

In the fiscal year 2017, the fixed compensation of the Executive Board that was paid out amounted to €2,497 thousand (prior year: €1,472 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 2016 to 2018 in the fiscal year 2016; tranche for 2017 to 2019 in the fiscal year 2017) 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 year under review 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 2014 to 2016 in the fiscal year 2016 and tranche for 2015 to 2017 in the fiscal year 2017; 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 fiscal year 2017 was distributed as follows:

	Dr. Thomas Olemotz Chairman of the Executive Board		Michael Guschlbauer Board member responsible for IT system house & managed services, quality management		Jürgen Schäfer Executive Board member responsible for IT e-commerce		Total compensation	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Executive Board compensation</b>								
<b>Non-performance-based compensation</b>								
Fixed annual salary	1,500	800	540	330	390	280	2,430	1,410
Fringe benefits	21	17	34	33	12	12	67	62
<b>Total</b>	<b>1,521</b>	<b>817</b>	<b>574</b>	<b>363</b>	<b>402</b>	<b>292</b>	<b>2,497</b>	<b>1,472</b>
<b>Performance-based compensation</b>								
Bonus	740	600	220	220	175	175	1,135	995
Special bonus <sup>1</sup>	0	640	0	240	0	120	0	1,000
<b>Total</b>	<b>740</b>	<b>1,240</b>	<b>220</b>	<b>460</b>	<b>175</b>	<b>295</b>	<b>1,135</b>	<b>1,995</b>
<b>Compensation in the form of a long-term incentive</b>								
Commitments 2013 (tranche 2013 to 2015)	0	560	0	160	0	160	0	880
Commitments 2014 (tranche 2014 to 2016)	496	0	184	0	148	0	828	0
Acquisition tranche (2014 to 2017)	256	0	170	0	143	0	569	0
<b>Total</b>	<b>752</b>	<b>560</b>	<b>354</b>	<b>160</b>	<b>291</b>	<b>160</b>	<b>1,397</b>	<b>880</b>
<b>Final total</b>	<b>3,013</b>	<b>2,617</b>	<b>1,148</b>	<b>983</b>	<b>868</b>	<b>747</b>	<b>5,029</b>	<b>4,347</b>

<sup>1</sup> 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, €826 thousand (prior year: €983 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 €1,861 thousand as of 31 December 2017 (prior year: €1,915 thousand).

The benefits granted to the members of the Executive Board for the fiscal year 2017 were distributed as follows:

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 Executive Board member responsible for IT e-commerce from 01.01.2009			
	Minimum 2017	Maximum 2017	2017	2016	Minimum 2017	Maximum 2017	2017	2016	Minimum 2017	Maximum 2017	2017	2016
<b>Non-performance-based compensation</b>												
Fixed annual salary	1,500	1,500	1,500	800	540	540	540	330	390	390	390	280
Fringe benefits	21	21	21	17	34	34	34	33	12	12	12	12
<b>Total</b>			<b>1,521</b>	<b>817</b>			<b>574</b>	<b>363</b>			<b>402</b>	<b>292</b>
<b>Performance-based compensation</b>												
Bonus	0	740	740	600	0	220	220	220	0	175	175	175
Special bonus			0	640			0	240			0	120
<b>Total one-year variable compensation</b>			<b>740</b>	<b>1,240</b>			<b>220</b>	<b>460</b>			<b>175</b>	<b>295</b>
<b>Long-term bonus plan</b>												
Commitments 2016 (tranche 2016 to 2018)	0	0	0	620	0	0	0	230	0	0	0	185
Commitments 2016 (tranche 2017 to 2019)	0	760	760	0	0	230	230	0	0	185	185	0
<b>Total multi-year variable compensation</b>			<b>760</b>	<b>620</b>			<b>230</b>	<b>230</b>			<b>185</b>	<b>185</b>
<b>Total compensation</b>			<b>3,021</b>	<b>2,677</b>			<b>1,024</b>	<b>1,053</b>			<b>762</b>	<b>772</b>

The allocation granted to the members of the Executive Board for the fiscal year 2017 was distributed as follows:

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 Executive Board member responsible for IT e-commerce from 01.01.2009	
	2017	2016	2017	2016	2017	2016
<b>Non-performance-based compensation</b>						
Fixed annual salary	1,500	800	540	330	390	280
Fringe benefits	21	17	34	33	12	12
<b>Total</b>	<b>1,521</b>	<b>817</b>	<b>574</b>	<b>363</b>	<b>402</b>	<b>292</b>
<b>Performance-based compensation</b>						
Bonus	740	600	220	220	175	175
Special bonus	0	640	0	240	0	120
<b>Total one-year variable compensation</b>	<b>740</b>	<b>1,240</b>	<b>220</b>	<b>460</b>	<b>175</b>	<b>295</b>
<b>Long-term bonus plan</b>						
Commitments 2013 (tranche 2013 to 2015)	0	560	0	160	0	160
Commitments 2014 (tranche 2014 to 2016)	496	0	184	0	148	0
Acquisition tranche (2014 to 2017)	256	0	170	0	143	0
<b>Total multi-year variable compensation</b>	<b>752</b>	<b>560</b>	<b>354</b>	<b>160</b>	<b>291</b>	<b>160</b>
<b>Total compensation</b>	<b>3,013</b>	<b>2,617</b>	<b>1,148</b>	<b>983</b>	<b>868</b>	<b>747</b>

## MEMBERS OF THE SUPERVISORY BOARD AND THEIR COMPENSATION

The Members of the Supervisory Board and their compensation were as follows:

Name	Basic compensation	Chairman/ vice-chairman	Committee activity	Attendance fee	€k	
					Total 2017	Total 2016
<b>Shareholder representatives</b>						
Kurt Dobitsch	30		8	7	45	38
Prof. Dr. Thomas Hess	30			4	34	32
Dr. Walter Jaeger (until 09.06.2016)					0	16
Dr. Matthias Metz	30	64	16	7	117	110
Elke Reichart (from 04.12.2017)	2			0	2	0
Karin Schick (until 30.11.2017)	28			4	32	32
Sandra Stegmann (from 09.06.2016)	30			4	34	20
Dr. Jochen Wolf	30	19	16	7	72	68
<b>Employee representatives</b>						
Uli Drautz	30	15	16	7	68	65
Daniela Eberle	30		8	7	45	42
Barbara Greyer	30			4	34	31
Martin Meyer	30			4	34	32
Volker Strohfeld	30			4	34	32
Michael Unser	30			3	33	30
<b>Total</b>	<b>360</b>	<b>98</b>	<b>64</b>	<b>62</b>	<b>584</b>	<b>548</b>



For further disclosures on the Supervisory Board, see page 55 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 208 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 €36,508 thousand (prior year: €35,931 thousand) were recognised as expenses in connection with leases.

The nominal value of the future minimum lease payments under the aforesaid contracts amounted to €62,539 thousand as of 31 December 2017 (prior year: €67,143 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	
	2017	2016
Due within one year	25,332	27,472
Due between one and five years	31,464	31,937
Due after five years	5,743	7,734
<b>Minimum lease payments</b>	<b>62,539</b>	<b>67,143</b>

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 €5,891 thousand for 2018 (prior year for 2017: €5,858 thousand) and €5,633 thousand for 2019 to 2023 (prior year for 2018 to 2022: €5,866 thousand), thus totalling €11,524 thousand (prior year: €11,724 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 fiscal year 2017, non-guaranteed residual values exist in the amount of €1,934 thousand (prior year: €409 thousand).

As of the closing date, the trade receivables contained leasing receivables amounting to €36,253 thousand (prior year: €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

	2017			2016		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
Due within one year	10,997	420	11,417	4,156	569	4,725
Due between one and five years	25,256	485	25,741	9,495	617	10,112
Due after five years	0	0	0	0	0	0
<b>Minimum lease payments</b>	<b>36,253</b>	<b>905</b>	<b>37,158</b>	<b>13,651</b>	<b>1,186</b>	<b>14,837</b>

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	
	2017	2016
Wages and salaries	429,487	392,104
Social security contributions and expenses for pension schemes and support	78,225	67,273
<b>Personnel and social expenses</b>	<b>507,712</b>	<b>459,377</b>

Personnel and social expenses (wages and salaries) include severance pay amounting to €1,601 thousand (prior year: €897 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:

	31.12.2017	31.12.2016	2017	2016
Full-time and part-time employees	7,678	7,033	7,404	6,855
Trainees	553	500	487	446
Employees on parental leave	122	134	77	127
Temporary staff	320	237	274	238
<b>Total</b>	<b>8,673</b>	<b>7,904</b>	<b>8,242</b>	<b>7,666</b>

The average number of full-time and part-time employees listed above includes 108 (prior year: 109) 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:

	31.12.2017	31.12.2016	2017	2016
<b>IT system house &amp; managed services</b>	<b>6,853</b>	<b>6,212<sup>1</sup></b>	<b>6,518</b>	<b>6,019<sup>1</sup></b>
Domestic	5,962	5,440 <sup>1</sup>	5,682	5,297 <sup>1</sup>
Abroad	891	772 <sup>1</sup>	836	722 <sup>1</sup>
<b>IT e-commerce</b>	<b>1,500</b>	<b>1,455<sup>1</sup></b>	<b>1,450</b>	<b>1,409<sup>1</sup></b>
Domestic	521	516 <sup>1</sup>	514	500 <sup>1</sup>
Abroad	979	939 <sup>1</sup>	936	909 <sup>1</sup>

<sup>1</sup> 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:

	31.12.2017	31.12.2016	2017	2016
Services	3,905	3,527	3,736	3,449
Sales	2,458	2,299	2,391	2,243
Administration	1,868	1,707	1,764	1,609

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 2017 and 2016 for services rendered by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for Bechtle AG and its subsidiaries:

	2017	2016
Audit of financial statements	532	449
Other attestation services	1	2
Other services	36	17
<b>Auditor's fee</b>	<b>569</b>	<b>468</b>

The fees for audits include the fees for the consolidated financial statements audit as well as for the audit of the annual financial statements of Bechtle AG and its domestic subsidiaries. The fees for other services comprise permissible non-audit services in connection with the initial adoption of new accounting standards, and the preparation of the non-financial statement for the fiscal year 2017.

## RELATED-PARTY RELATIONSHIPS



See Appendix A,  
page 201 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 third quarter of 2014, Karin Schick acquired a piece of land including a building in which Solid-Pro, a wholly owned subsidiary of Bechtle AG, has rented office space. The existing lease with an annual rent of €294 thousand and a term until September 2023 continues to exist.

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 €529 thousand in the reporting period (prior year: €435 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
Bechtle GmbH	Hamburg, Germany
Bechtle Mobility GmbH	Hamburg, Germany

Company	Location
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
PSB IT-Services GmbH	Ober-Mörlen, Germany
Bechtle GmbH	Offenburg, Germany
Bechtle GmbH	Radolfzell (Lake Constance), Germany

Company	Location
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

As of the acquisition date of 4 January 2018, all interests in Acommit Group AG, headquartered in Horgen, Switzerland, were purchased. 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 development DIAS.

In the balance sheet, the acquisition will be recognised according to the purchase method (IFRS 3.4 ff). Due to the proximity to the reporting date, the identification/measurement of the assets acquired, of the liabilities assumed and of the consideration paid will most likely only be available on a provisional basis in the interim financial report as of 30 June 2018 (IFRS 3.45).

By acquiring Acommit Group AG (60 employees), Bechtle AG expands its expertise in the future-oriented field of Microsoft Dynamics software solutions with outstanding specialists.

The acquisition costs (€13,487 thousand) resulted in an outflow of cash and cash equivalents in the amount of €10,921 thousand. The remaining €2,566 thousand pertains to a conditional purchase price payment that depends on the future business performance.

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

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

Neckarsulm, 27 February 2018

Bechtle AG  
Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

## SUBSIDIARIES OF BECHTLE AG

as of 31 December 2017 (Appendix A to the Notes)

### 57. 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 Softwarelösungen 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
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)

## 58. 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
Comsoft direct 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	Praha
ARP SASU	France	Molsheim
Bechtle direct SAS	France	Molsheim
Bechtle Management E.u.r.l.	France	Molsheim
Comsoft SOS Developers SAS	France	Molsheim
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
Bechtle direct Polska Sp. z o.o.	Poland	Wroclaw
Bechtle direct Portugal Unipessoal Lda	Portugal	Aveiro



Company	Country	Location
Bechtle direct S.L.U.	Spain	Madrid
Comsoft direct S.L.U.	Spain	Madrid
Bechtle direct AG	Switzerland	Gland
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
Steffen Informatik Enterprise Solutions AG	Switzerland	Zug
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

## 59. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

From 1 January to 31 December 2017 (Appendix B 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	
<b>Goodwill</b>	<b>193,521</b>	<b>5,227</b>	<b>0</b>	<b>-5,210</b>	<b>0</b>	<b>0</b>	<b>193,538</b>
<b>Other intangible assets</b>							
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
	<b>68,157</b>	<b>3,124</b>	<b>21,812</b>	<b>-926</b>	<b>5,990</b>	<b>0</b>	<b>86,177</b>
<b>Property, plant and equipment</b>							
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
	<b>193,934</b>	<b>199</b>	<b>45,054</b>	<b>-1,732</b>	<b>16,112</b>	<b>0</b>	<b>221,343</b>
	<b>455,612</b>	<b>8,550</b>	<b>66,866</b>	<b>-7,868</b>	<b>22,102</b>	<b>0</b>	<b>501,058</b>

From 1 January to 31 December 2016 (Appendix C to the Notes)

	Costs of purchase						As of 31.12.2016
	As of 01.01.2016	Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfers/ restructure	
<b>Goodwill</b>	<b>166,398</b>	<b>26,834</b>	<b>0</b>	<b>289</b>	<b>0</b>	<b>0</b>	<b>193,521</b>
<b>Other intangible assets</b>							
Brands/licences	7,059	0	0	27	0	0	7,086
Customer bases	10,770	4,247	27	42	6,519	0	8,567
Acquired software	20,806	36	7,108	8	906	-7	27,045
Internally developed software	7,981	0	1,377	0	0	8	9,366
Customer service agreements	13,123	2,217	171	16	534	0	14,993
Non-compete agreements	1,770	0	0	0	670	0	1,100
	<b>61,509</b>	<b>6,500</b>	<b>8,683</b>	<b>93</b>	<b>8,629</b>	<b>1</b>	<b>68,157</b>
<b>Property, plant and equipment</b>							
Property and buildings	77,247	0	6,789	0	0	13	84,049
Other equipment, furniture, fixtures and fittings	97,767	749	16,932	41	13,189	368	102,668
Advance payments and construction in progress	399	0	7,200	0	0	-382	7,217
	<b>175,413</b>	<b>749</b>	<b>30,921</b>	<b>41</b>	<b>13,189</b>	<b>-1</b>	<b>193,934</b>
	<b>403,320</b>	<b>34,083</b>	<b>39,604</b>	<b>423</b>	<b>21,818</b>	<b>0</b>	<b>455,612</b>

€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

€k

Cumulative depreciations and amortisations					Carrying amount		
As of 01.01.2016	Change in scope of consolidation	Additions	Currency translation differences	Disposals	As of 31.12.2016	As of 31.12.2016	As of 31.12.2015
0	0	0	0	0	0	193,521	166,398
0	0	0	0	0	0	7,086	7,059
7,164	0	2,430	20	6,519	3,095	5,472	3,606
16,711	0	2,780	9	881	18,619	8,426	4,095
3,385	0	1,157	0	0	4,542	4,824	4,596
4,093	0	2,085	2	534	5,646	9,347	9,030
995	0	592	0	670	917	183	775
32,348	0	9,044	31	8,604	32,819	35,338	29,161
9,455	0	2,149	0	0	11,604	72,445	67,792
64,088	0	16,522	88	10,034	70,664	32,004	33,679
0	0	0	0	0	0	7,217	399
73,543	0	18,671	88	10,034	82,268	111,666	101,870
105,891	0	27,715	119	18,638	115,087	340,525	297,429

## SUPERVISORY BOARD MEMBERS

(Appendix D to the Notes)

### 60. 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)
<b>Kurt Dobitsch</b>	Since 20 May 1999	Businessman	<ul style="list-style-type: none"> <li>■ United Internet AG, Montabaur, Germany (Chairman) thereof mandates affiliated with the group:               <ul style="list-style-type: none"> <li>■ United Internet Ventures AG, Montabaur, Germany (Vice-Chairman) (until 01.03.2017)</li> <li>■ 1 &amp; 1 Internet SE, Montabaur, Germany, Member (Vice-Chairman) (until 16.03.2017)</li> <li>■ 1 &amp; 1 Telecommunication SE (formerly 1 &amp; 1 Telecommunication Holding SE), Montabaur, Germany, Member (Vice-Chairman)</li> <li>■ 1 &amp; 1 Mail &amp; Media Application SE, Montabaur, Germany, Member</li> <li>■ Drillisch AG, Maintal, Member (since 16.10.2017)</li> <li>■ Drillisch online AG, Maintal, Member (since 01.01.2018)</li> </ul> </li> <li>■ Nemetschek AG, Germany (Chairman) thereof mandates affiliated with the group:               <ul style="list-style-type: none"> <li>■ Graphisoft S.E., Hungary (Member of the Board of Directors)</li> <li>■ Vectorworks Inc., Columbia, USA (Member of the Board of Directors)</li> </ul> </li> <li>■ Singhammer IT Consulting AG, München, Germany (Member)</li> </ul>
<b>Prof. Dr. Thomas Hess</b>	Since 20 June 2012	Institute director	
<b>Dr. Matthias Metz</b> Chairman of the Supervisory Board	Since 5 June 2014	Businessman	<b>Member of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ FFS Bank GmbH, Stuttgart, Germany</li> </ul>
<b>Elke Reichart</b>	Since 4 December 2017	Chief Digital Officer	
<b>Karin Schick</b>	Since 9 August 2004 until 30 November 2017	Businesswoman	
<b>Sandra Stegmann</b>	Since 9 June 2016	Consultant	
<b>Dr. Jochen Wolf</b> Second Vice-Chairman of the Supervisory Board	Since 2 October 2003	Director	<b>Chairman of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ Joma-Polytec GmbH, Bodelshausen, Germany</li> </ul> <b>Member of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ Bardusch Beteiligungen GmbH + Co. KG, Ettlingen, Germany</li> <li>■ Bizerba Management SE/Bizerba SE &amp; Co. KG, Balingen, Germany</li> <li>■ IMS Gear Management SE/IMS Gear SE &amp; Co. KGaA, Donaueschingen, Germany</li> <li>■ LTS Lohmann Therapie-Systeme AG, Andernach, Germany</li> <li>■ R-Biopharm AG, Darmstadt, Germany</li> <li>■ E.G.O. Elektrogerätebau GmbH, Oberderdingen, Germany</li> <li>■ Rafi GmbH &amp; Co. KG, Berg/Ravensburg, Germany</li> </ul>

## 61. 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)
<b>Uli Drautz</b> Vice-Chairman of the Supervisory Board	Since 15 October 2003	Executive employee	<b>Member of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ AMARAS AG, Monheim am Rhein, Germany</li> <li>■ Bechtle E-Commerce Holding AG, Neckarsulm, Germany</li> <li>■ Bechtle Systemhaus Holding AG, Neckarsulm, Germany</li> <li>■ Bechtle Managed Services AG, Neckarsulm, Germany</li> <li>■ SolidLine Aktiengesellschaft, Walluf, Germany</li> <li>■ PP 2000 Business Integration AG, Stuttgart, Germany</li> <li>■ Bechtle Financial Services AG, Berlin, Germany</li> <li>■ MODUS Consult AG, Gütersloh (since 15.12.2017)</li> </ul>
<b>Daniela Eberle</b>	Since 15 October 2003	Employee	
<b>Barbara Greyer</b>	Since 15 October 2003	Union Secretary ver.di, State District Baden-Württemberg	
<b>Martin Meyer</b>	Since 18 June 2013	Employee	
<b>Volker Strohfeld</b>	Since 18 June 2013	IT service engineer	
<b>Michael Unser</b>	Since 18 June 2013	First representative of IG Metall Heilbronn-Neckarsulm	<b>Member of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ ThyssenKrupp IS, Essen, Germany</li> <li>■ ThyssenKrupp SY, Essen, Germany</li> </ul>

## 62. COMMITTEES OF THE SUPERVISORY BOARD

Audit committee	Personnel committee
<b>Dr. Matthias Metz</b> (Chairman) Kurt Dobitsch Uli Drautz Daniela Eberle Dr. Jochen Wolf	<b>Dr. Jochen Wolf</b> (Chairman) Uli Drautz Dr. Matthias Metz

## 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 2017 to 31 December 2017, the consolidated balance sheet as of 31 December 2017, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 January 2017 to 31 December 2017 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 2017 to 31 December 2017.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statements comply in all material respects with the IFRS as endorsed in the EU and the additional provisions 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 2017 and its earnings position for the fiscal year from 1 January 2017 to 31 December 2017 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 of the German Commercial Code (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 of the German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014) under consideration of the accepted German accounting principles as endorsed 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 2017 to 31 December 2017. 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 a key audit matter.** The revenue of Bechtle AG is generated from the delivery of IT products and the performance of services on various delivery routes and under various contracts, some of which are complex. Due to these different performance components and the diversity of contractual provisions, the correct and due revenue recognition is subject to an elevated risk of error.

**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. Furthermore, we checked the disclosures of Bechtle AG concerning the revenue recognition in chapter II and chapter III (1) of the notes to the consolidated financial statements with respect to applicable requirements of the IFRS regulations as endorsed in the EU. 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 a 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 assumption 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. CLASSIFICATION OF LEASES

**Reasons for the determination as a key audit matter.** The leases in which Bechtle AG acts as the lessor vis-à-vis customers are based on individualised contractual leasing agreements, some of which involve complex contractual arrangements and various performance components. For the evaluation as to whom the economic ownership of the leased item is attributable and thus for the evaluation of whether a finance lease or an operating lease is on hand, the management duly examines every lease according to the criteria of IAS 17. In view of the discretionary leeway for the evaluation of these criteria, the individualised contractual arrangements and the various performance components, the classification and thus the recognition of the leases is subject to an elevated risk of error.



**Audit procedure.** On the basis of the contractual provisions, we examined the leases for which Bechtle AG acts as the lessor vis-à-vis its customers for their economic content. We examined the management's classification of selected leases for applicability of the criteria for the respective classification of finance lease or operating lease pursuant to IAS 17. In this connection, we checked the mathematical correctness of the determination of the present value of the minimum lease payments and analysed whether it largely corresponds to the fair value of the leased items. We checked the contractual provisions for any indications that, due to its special properties, the leased item can only be used by the lessee or that an attractive purchase option has been granted to the lessee for the leased item. We compared the terms of the leases with the useful life of the leased items and analysed whether they cover the major portion of the useful life. Furthermore, we checked the disclosures of Bechtle AG concerning the leases in chapter II and chapter X of the notes to the consolidated financial statements with respect to the applicable requirements of the regulations of IAS 17. Our audit activities did not give rise to any objections with regard to the classification of the leases.

**Reference to associated disclosures.** Bechtle AG presented the accounting and measurement principles in connection with the classification of the leases in chapter II of 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 of the German Stock Corporation Act (AktG) as well as the "balance sheet oath" pursuant to Section 297 (2) sentence 4 of the German Commercial Code (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 of the German Commercial Code (HGB), the non-financial group declaration pursuant to Section 315b of the German Commercial Code (HGB) and the report of the Supervisory Board pursuant to Section 171 (2) of the German Stock Corporation Code (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 provisions of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) in all material respects, 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 plans 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 material respects, complies with the provisions 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 of the German Commercial Code (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 errors 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 intentional 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 errors, as violations may involve fraudulent collaboration, 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 feasibility 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 of 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 provisions of German law pursuant to Section 315e (1) of the German Financial Code (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 Annual General Meeting of 1 June 2017 appointed us as auditors of the consolidated financial statements. On 12 June 2017, we were commissioned by the Supervisory Board. We have continually served as auditors of the consolidated financial statements of Bechtle AG since the fiscal year 2000.

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, 28 February 2018

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft



Heller

Auditor



Moschall

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, 27 February 2018

Bechtle AG

The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

## 63. MULTI-YEAR OVERVIEW BECHTLE GROUP

		2009	2010	2011	2012	2013	2014	2015	2016	2017	Change in % 2017-2016
<b>Regions</b>											
<b>Revenue</b>	€k	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	15.4
Domestic	€k	921,578	1,158,213	1,315,185	1,433,869	1,570,816	1,775,409	1,957,610	2,171,691	2,512,262	15.7
of total revenue	%	66.8	67.2	65.9	68.4	69.1	68.8	69.1	70.2	70.4	
Abroad	€k	457,729	564,706	679,696	662,966	702,669	805,039	873,693	921,888	1,057,862	14.7
<b>Segments</b>											
<b>Revenue</b>	€k	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	15.4
IT system house & managed services	€k	919,956	1,151,119	1,315,669	1,394,455	1,535,316	1,727,073	1,889,494	2,174,893 <sup>1</sup>	2,516,872	15.7
of total revenue	%	66.7	66.8	66.0	66.5	67.5	66.9	66.7	70.3 <sup>1</sup>	70.5	
IT e-commerce	€k	459,351	571,800	679,212	702,380	738,169	853,375	941,809	918,686 <sup>1</sup>	1,053,252	14.6
<b>EBIT</b>	€k	42,712	60,728	86,403	80,265	91,048	108,498	129,484	144,083	164,252	14.0
IT system house & managed services	€k	25,768	35,852	49,891	44,320	56,185	68,907	80,293	96,589 <sup>1</sup>	114,501	18.5
EBIT margin	%	2.8	3.1	3.8	3.2	3.7	4.0	4.2	4.4 <sup>1</sup>	4.5	
IT e-commerce	€k	16,944	24,876	36,512	35,945	34,863	39,591	49,191	47,494 <sup>1</sup>	49,751	4.8
EBIT margin	%	3.7	4.4	5.4	5.1	4.7	4.6	5.2	5.2 <sup>1</sup>	4.7	
<b>Income Statement</b>											
<b>Revenue</b>	€k	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	15.4
<b>Cost of sales</b>	€k	1,179,770	1,486,440	1,697,185	1,778,139	1,933,071	2,197,212	2,401,917	2,610,514 <sup>1</sup>	3,026,329	15.9
<b>Gross earnings</b>	€k	199,537	236,479	297,696	318,696	340,414	383,236	429,386	483,065 <sup>1</sup>	543,795	12.6
<b>Distribution costs</b>	€k	87,944	99,015	127,145	145,405	151,546	166,556	182,806	196,285	215,989	10.0
<b>Administrative expenses</b>	€k	76,171	86,001	93,671	104,300	110,483	124,001	138,415	153,037	173,396	13.3
<b>Other operating income</b>	€k	7,290	9,265	9,523	11,274	12,663	15,819	21,319	10,430 <sup>1</sup>	9,842	-4.8
<b>Operating earnings (EBIT)</b>	€k	42,712	60,728	86,403	80,265	91,048	108,498	129,484	144,083	164,252	14.0
<b>Financial income</b>	€k	1,503	1,727	1,776	2,026	1,560	1,944	2,607	3,512	1,133	-67.7
<b>Financial expenditure</b>	€k	553	671	1,890	3,290	3,300	3,057	2,687	2,495	2,581	3.4
<b>Earnings before taxes (EBT)</b>	€k	43,662	61,784	86,289	79,001	89,308	107,385	129,404	145,100	162,804	12.2
<b>Income taxes</b>	€k	9,404	15,362	23,566	22,643	25,911	31,191	36,527	41,729	48,242	15.6
<b>Earnings after taxes (EAT)</b>	€k	34,258	46,422	62,723	56,358	63,397	76,194	92,877	103,371	114,562	10.8
<b>Material costs</b>	€k	1,043,059	1,338,651	1,520,407	1,584,912	1,726,409	1,971,664	2,160,011	2,350,799 <sup>1</sup>	2,748,121	16.9
<b>Revenue less material costs</b>	€k	343,538	393,533	483,997	523,197	559,739	624,603	692,611	753,120	831,845	10.5
<b>Personnel expenses</b>	€k	220,418	241,420	294,649	326,590	348,848	388,764	423,040	459,377	507,712	10.5
<b>Depreciation and amortisation (on property, plant and equipment and other intangible assets without goodwill)</b>	€k	14,264	15,399	18,361	21,748	22,493	23,753	26,436	27,715	31,930	15.2
<b>EBITDA</b>	€k	56,976	76,127	104,764	102,013	113,541	132,251	155,920	171,798	196,182	14.2
<b>Financial result</b>	€k	950	1,056	-114	-1,264	-1,740	-1,113	-80	1,017	-1,448	-242.4

<sup>1</sup> Adjusted figure

	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change in % 2017-2016	
<b>Balance Sheet (selected items)</b>											
<b>Assets</b>											
<b>Non-current assets</b>	€k	164,510	206,258	279,525	296,139	299,212	321,940	344,401	368,231	415,196	12.8
Goodwill	€k	106,395	115,835	135,648	137,483	139,885	144,499	166,398	193,521	193,538	0.0
Other intangible assets	€k	14,932	17,698	22,348	20,991	19,293	19,980	29,161	35,338	48,721	37.9
Property, plant and equipment	€k	27,740	29,162	79,645	94,537	99,747	104,224	101,870	111,666	134,865	20.8
Trade receivables	€k	145	231	975	2,243	1,547	19,774	22,020	12,436	30,235	143.1
Deferred taxes	€k	9,874	10,652	7,720	6,489	4,131	3,722	4,425	4,798	4,004	-16.5
Other assets	€k	2,253	1,870	2,356	2,224	2,513	2,676	3,495	3,467	3,833	10.6
Capital investment and securities	€k	3,000	30,654	30,700	32,059	32,012	27,008	16,999	7,005	0	-100.0
<b>Current assets</b>	€k	356,155	447,458	521,778	547,859	611,136	694,650	806,036	901,107	1,028,188	14.1
Inventories	€k	59,322	75,056	91,190	90,065	107,638	131,165	150,415	180,652	211,319	17.0
Trade receivables	€k	183,979	249,046	286,773	307,348	345,195	387,828	406,167	502,270	581,919	15.9
Other assets	€k	19,221	21,880	31,955	35,423	33,181	45,469	58,738	61,562	58,783	-4.5
Capital investment and securities	€k	15,510	13,619	16,219	35,888	18,255	22,272	24,894	15,361	12,444	-19.0
Cash and cash equivalents	€k	76,467	85,477	94,569	78,208	105,838	106,720	164,767	140,415	162,383	15.6
<b>Equity and liabilities</b>											
<b>Equity</b>	€k	334,961	371,483	421,597	459,584	501,565	553,996	620,651	694,103	777,283	12.0
Issued capital	€k	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	42,000	100.0
Capital reserve	€k	145,228	145,228	145,228	145,228	145,228	145,228	145,228	145,228	124,228	-14.5
Retained earnings	€k	168,733	205,255	255,369	293,356	335,337	387,768	454,423	527,875	611,055	15.8
<b>Non-current liabilities</b>	€k	32,284	46,727	94,004	96,644	90,787	95,878	119,196	117,959	127,267	7.9
Pension provisions	€k	8,631	13,227	11,873	9,260	6,382	11,990	15,899	19,924	13,002	-34.7
Other provisions	€k	232	810	1,182	2,139	2,307	4,836	5,978	6,719	7,190	7.0
Financial liabilities	€k	6,604	12,266	57,280	61,142	53,625	47,522	56,393	51,744	69,917	35.1
Deferred taxes	€k	11,598	13,209	14,094	14,905	15,128	17,266	20,927	20,570	21,069	2.4
Other liabilities	€k	302	650	1,216	296	538	2,652	7,293	5,874	2,292	-61.0
Deferred income	€k	4,820	6,565	8,359	8,902	12,369	11,343	12,346	12,981	13,701	5.5
<b>Current liabilities</b>	€k	153,420	235,506	285,702	287,770	317,996	366,716	410,590	457,276	538,834	17.8
Other provisions	€k	3,959	5,338	5,643	5,241	5,774	6,239	6,416	6,657	7,129	7.1
Financial liabilities	€k	2,561	4,812	9,002	12,567	10,546	12,711	9,627	9,745	58,930	504.7
Trade payables	€k	79,460	129,060	148,799	145,964	170,518	178,644	204,067	242,120	237,160	-2.0
Tax payables	€k	5,455	6,337	8,735	6,906	6,519	6,418	8,176	7,676	10,733	39.8
Other liabilities	€k	42,381	64,624	72,237	74,963	79,941	95,695	104,052	115,314	131,118	13.7
Deferred income	€k	19,604	25,335	41,286	42,129	44,698	67,009	78,252	75,764	93,764	23.8
<b>Balance sheet total</b>	€k	520,665	653,716	801,303	843,998	910,348	1,016,590	1,150,437	1,269,338	1,443,384	13.7
<b>Cash flow and investments</b>											
Cash flow from operating activities	€k	47,330	59,114	55,782	56,669	73,098	55,965	115,945	53,363	54,261	1.7
Cash flow from investing activities	€k	-30,292	-47,625	-45,282	-56,031	-10,201	-25,853	-34,480	-41,404	-62,675	51.4
Cash flow from financing activities	€k	-17,772	-7,173	-2,246	-17,282	-35,002	-29,973	-25,668	-36,318	33,578	-192.5
Cash and cash equivalents incl. time deposits and securities	€k	94,977	129,750	141,488	146,155	156,105	156,000	206,660	162,781	174,827	7.4
Free cash flow	€k	34,437	41,751	12,159	19,485	43,123	29,252	78,590	-7,049	-24,129	242.3
Investments (in property, plant and equipment and other intangible assets without goodwill)	€k	14,045	11,822	61,120	32,015	23,091	24,102	21,779	39,604	66,866	68.8
Investment ratio (= Investments/Average property, plant and equipment + other intangible assets without goodwill)	%	32.67	26.41	82.12	29.44	19.69	20.11	17.07	28.49	40.45	

		2009	2010	2011	2012	2013	2014	2015	2016	2017	Change in % 2017-2016
<b>Key figures of the share<sup>1</sup></b>											
Closing price	€	18.79	28.99	26.20	30.65	49.47	65.98	88.06	98.82	69.52	40.7 <sup>6</sup>
Annual high	€	20.50	30.65	34.35	35.10	50.95	65.98	92.64	104.55	72.71	39.1 <sup>6</sup>
Annual low	€	11.02	17.01	23.48	25.50	30.07	49.33	64.49	73.70	46.50	26.2 <sup>6</sup>
Weighted average shares	th. shares	20,853	21,000	21,000	21,000	21,000	21,000	21,000	21,000	30,263	44.1
Market capitalisation (31.12)	€k	394,590	608,790	550,200	643,650	1,038,870	1,385,580	1,849,260	2,075,220	2,919,840	40.7
Average turnover/trading day <sup>2</sup>	shares	37,129	30,543	51,873	42,143	34,201	41,281	46,580	30,515	45,637	49.6
Average turnover/trading day <sup>2</sup>	€	538,189	705,260	1,460,183	1,281,620	1,364,142	2,452,888	3,452,399	2,789,577	3,604,891	29.2
Cash dividend per share	€	0.60	0.75	1.00	1.00	1.10	1.20	1.40	1.50	0.90 <sup>3</sup>	20.0 <sup>6</sup>
Dividend amount distributed	€k	12,600	15,750	21,000	21,000	23,100	25,200	29,400	31,500	37,800 <sup>3</sup>	20.0
Pay out ratio	%	36.8	33.9	33.5	37.3	36.4	33.1	31.7	30.5	33.0 <sup>3</sup>	
Dividend yield (31.12)	%	3.2	2.6	3.8	3.3	2.2	1.8	1.6	1.5	1.3 <sup>3</sup>	
Enterprise value (EV)	€k	378,300	618,242	607,239	723,670	1,084,064	1,449,430	1,877,747	2,137,406	3,032,716	41.9
Earnings per share	€	1.64	2.21	2.99	2.68	3.02	3.63	4.42	4.92	2.73	10.8 <sup>6</sup>
Cash flow per share	€	2.25	2.81	2.66	2.70	3.48	2.67	5.52	2.54	1.29	1.7 <sup>6</sup>
Net asset value per share (= Equity/Weighted average shares)	€	16.06	17.69	20.08	21.88	23.88	26.38	29.55	33.05	25.68	55.4
Market capitalisation to revenue		0.3	0.4	0.3	0.3	0.5	0.5	0.7	0.7	0.8	21.9
Price earning ratio (P/E)		11.5	13.1	8.8	11.4	16.4	18.2	19.9	20.1	25.5	27.0
EV/EBITDA		6.6	8.1	5.8	7.1	9.5	11.0	12.0	12.4	15.5	24.3
EV/EBIT		8.9	10.2	7.0	9.0	11.9	13.4	14.5	14.8	18.5	24.5
EV/EBT		8.7	10.0	7.0	9.2	12.1	13.5	14.5	14.7	18.6	26.5
EV/EAT		11.0	13.3	9.7	12.8	17.1	19.0	20.2	20.7	26.5	28.0
EV/Revenue		0.3	0.4	0.3	0.3	0.5	0.6	0.7	0.7	0.8	22.9
<b>Personnel</b>											
Employees <sup>5</sup> (31.12)		4,354	4,766	5,479	5,970	6,219	6,572	7,205	7,667	8,353	8.9
Domestic		3,158	3,471	4,065	4,550	4,743	4,996	5,633	5,956	6,483	8.8
Abroad		1,196	1,295	1,414	1,420	1,476	1,576	1,572	1,711	1,870	9.3
IT system house & managed services		3,443	3,763	4,305	4,754	4,953	5,164	5,766	6,212 <sup>4</sup>	6,853	10.3
IT e-commerce		911	1,003	1,174	1,216	1,266	1,408	1,439	1,455 <sup>4</sup>	1,500	3.1
Trainees		289	306	356	428	473	455	473	500	553	10.6
Employees (annual average) <sup>5</sup>		4,396	4,496	5,146	5,780	6,072	6,421	6,924	7,428	7,968	7.3
Full-time employees (Annual average)		4,058	4,137	4,753	5,315	5,542	5,872	6,376	6,855	7,404	8.0
IT system house & managed services		3,178	3,243	3,727	4,191	4,415	4,647	5,055	5,550 <sup>4</sup>	6,049	9.0
IT e-commerce		880	894	1,026	1,124	1,127	1,225	1,321	1,305 <sup>4</sup>	1,355	3.8
Personnel expenditure ratio	%	16.0	14.0	14.8	15.6	15.3	15.1	14.9	14.8	14.2	
Personnel expenses to gross profit	%	64.2	61.3	60.9	62.4	62.3	62.2	61.1	61.0	61.0	

<sup>1</sup> XETRA share prices<sup>2</sup> All German stock exchanges<sup>3</sup> Proposal to the Annual General Meeting<sup>4</sup> Adjusted figure<sup>5</sup> Without auxiliary staff<sup>6</sup> Adapted to share split



		2009	2010	2011	2012	2013	2014	2015	2016	2017	Change in % 2017-2016
<b>Efficiency ratios</b>											
Contribution margin	%	24.9	22.8	24.3	25.0	24.6	24.2	24.5	24.3	23.3	
Gross margin	%	14.5	13.7	14.9	15.2	15.0	14.9	15.2	15.6 <sup>1</sup>	15.2	
EBITDA margin	%	4.1	4.4	5.3	4.9	5.0	5.1	5.5	5.6	5.5	
EBIT margin	%	3.1	3.5	4.3	3.8	4.0	4.2	4.6	4.7	4.6	
EBT margin	%	3.2	3.6	4.3	3.8	3.9	4.2	4.6	4.7	4.6	
EAT margin	%	2.5	2.7	3.1	2.7	2.8	3.0	3.3	3.3	3.2	
Revenue per employee	€k	339.9	416.5	419.7	394.5	410.2	439.4	444.1	451.3	482.2	6.8
IT system house & managed services	€k	289.5	355.0	353.0	332.7	347.7	371.7	373.8	391.9 <sup>1</sup>	416.1	6.2
IT e-commerce	€k	522.0	639.6	662.0	624.9	655.0	696.6	713.0	704.0 <sup>1</sup>	777.3	10.4
EBIT per employees	€k	10.5	14.7	18.2	15.1	16.4	18.5	20.3	21.0	22.2	5.5
Return on equity (EAT/Average annual equity)	%	11.3	14.2	17.3	13.7	14.2	15.6	17.2	17.1	16.9	
Return on total assets (EAT/Average annual total assets)	%	7.4	8.7	9.8	7.9	8.2	8.9	9.5	9.6	9.6	
ROA (= EBIT/Average annual total assets)	%	9.1	11.3	13.1	10.6	11.3	12.2	12.9	13.1	13.4	
ROE (= EBIT/Average annual equity)	%	14.1	18.4	23.8	19.6	20.4	22.2	23.9	24.0	24.4	
ROCE (= EBIT/Capital Employed)	%	15.7	21.0	25.2	19.6	20.6	22.3	23.7	24.0	22.3	
<b>Balance sheet ratios</b>											
Capitalisation ratio of non-current assets (= non-current assets/total assets)	%	31.6	31.6	34.9	35.1	32.9	31.7	29.9	29.0	28.8	
Working intensity of current assets (= current assets/total assets)	%	68.4	68.4	65.1	64.9	67.1	68.3	70.1	71.0	71.2	
Equity ratio	%	64.3	56.8	52.6	54.5	55.1	54.5	53.9	54.7	53.9	
Total liabilities to total assets	%	35.7	43.2	47.4	45.5	44.9	45.5	46.1	45.3	46.1	
Asset structure (= non-current/current assets)	%	46.2	46.1	53.6	54.1	49.0	46.3	42.7	40.9	40.4	
Capital structure (= equity/liabilities)	%	180.4	131.6	111.0	119.6	122.7	119.8	117.2	120.7	116.7	
<b>Financial ratios</b>											
Net debt	€k	-85,812	-112,672	-75,206	-72,446	-91,934	-95,767	-140,640	-101,292	-45,980	-54.6
Debt ratio		0.55	0.76	0.90	0.84	0.82	0.84	0.85	0.83	0.86	3.4
Working Capital	€k	139,465	166,780	189,881	211,595	234,624	291,326	294,872	375,645	492,865	31.2
Working Capital to revenue	%	10.1	9.7	9.5	10.1	10.3	11.3	10.4	12.1	13.8	
Working Capital to annual total asset	%	26.8	25.5	23.7	25.1	25.8	28.7	25.6	29.6	34.1	
Capital employed	€k	272,247	288,600	342,244	410,023	442,050	486,403	546,404	600,997	738,029	22.8
Capital employed to annual total asset	%	52.3	44.1	42.7	48.6	48.6	47.8	47.5	47.3	51.1	
Capital employed to revenue	%	19.7	16.8	17.2	19.6	19.4	18.8	19.3	19.4	20.7	
<b>Structural analysis ratios</b>											
Revenue to inventory		23.3	23.0	21.9	23.3	21.1	19.7	18.8	17.1	16.9	-1.3
Revenue to average net trade receivables		10.1	10.3	10.2	9.8	9.7	9.5	9.1	9.2	9.1	-1.2
Revenue to average total assets		2.9	3.2	3.0	2.8	2.8	2.9	2.8	2.8	2.9	3.5
DSO		36.2	35.3	35.8	37.3	37.6	38.3	39.9	39.7	40.2	1.3

<sup>1</sup> Adjusted figure

## 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.

**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.

**SQL.** Structured Query Language – a specific database language for defining, querying, inserting, editing and deleting data records in relational databases.

**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

<b>AktG</b>	German Stock Corporation Act (Aktiengesetz)
<b>B for B</b>	Bechtle for Bechtle
<b>BFS</b>	Bechtle Financial Services AG
<b>BI</b>	Business Intelligence
<b>CAD/CAM</b>	Computer-aided design/Computer-aided manufacturing
<b>CAGR</b>	Compound annual growth rate
<b>DCGK</b>	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortisation
<b>EBT</b>	Earnings before taxes
<b>EPS</b>	Earnings per share
<b>ERP</b>	Enterprise-Resource-Planning
<b>EU</b>	European Union
<b>EV</b>	Enterprise value
<b>GDP</b>	Gross domestic product
<b>GITA</b>	Global IT Alliance
<b>HGB</b>	German Commercial Code (Handelsgesetzbuch)
<b>ifo</b>	Institute for Economic Research (Institut für Wirtschaftsforschung)
<b>IFRS</b>	International Financial Reporting Standards
<b>MitbestG</b>	German co-determination Act (Mitbestimmungsgesetz)
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>VIPM</b>	Vender Integrated Product Manager



For further comments  
see Glossary,  
page 222 ff

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## FINANCIAL CALENDAR

### **ACCOUNTS PRESS CONFERENCE**

Friday, 16 March 2018, Stuttgart

### **DVFA ANALYSTS' CONFERENCE**

Friday, 16 March 2018, Frankfurt (Main)

### **QUARTERLY STATEMENT 1ST QUARTER 2018 (31 MARCH)**

Wednesday, 9 May 2018

### **ANNUAL GENERAL MEETING**

Tuesday, 12 June 2018, 10.00 a.m.

Konzert- und Kongresszentrum Harmonie, Heilbronn

### **HALF-YEAR FINANCIAL REPORT 2018 (30 JUNE)**

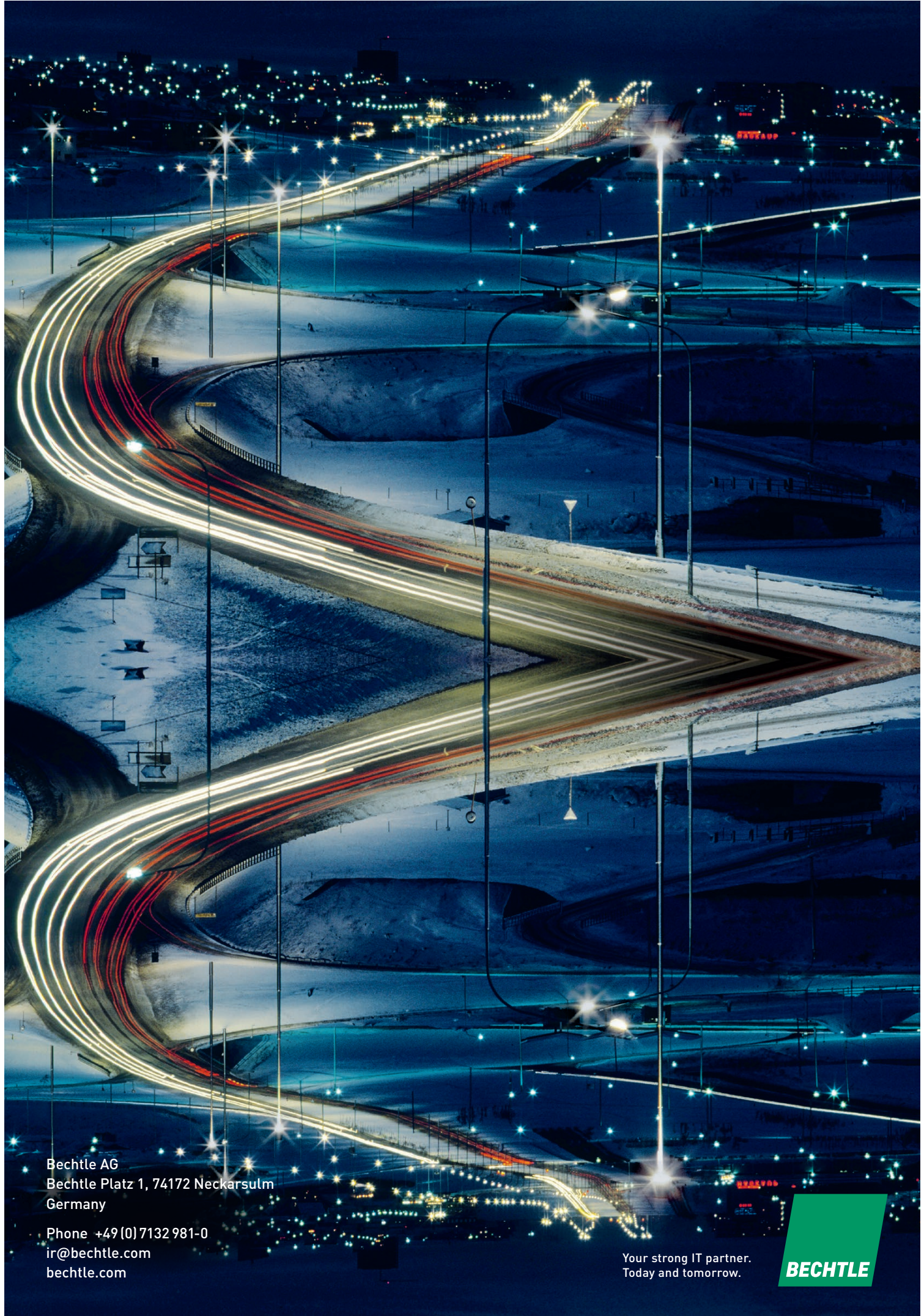
Friday, 10 August 2018

### **QUARTERLY STATEMENT 3RD QUARTER 2018 (30 SEPTEMBER)**

Tuesday, 13 November 2018

See [bechtle.com/financial-calendar](http://bechtle.com/financial-calendar) for further dates and changes.





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Today and tomorrow.

