

**SECURE
GROWTH.**

Your strong IT partner.
Today and tomorrow.



REVENUE:

€5.374 billion

(PLUS 24.3%)

EBT:

€236.3 million

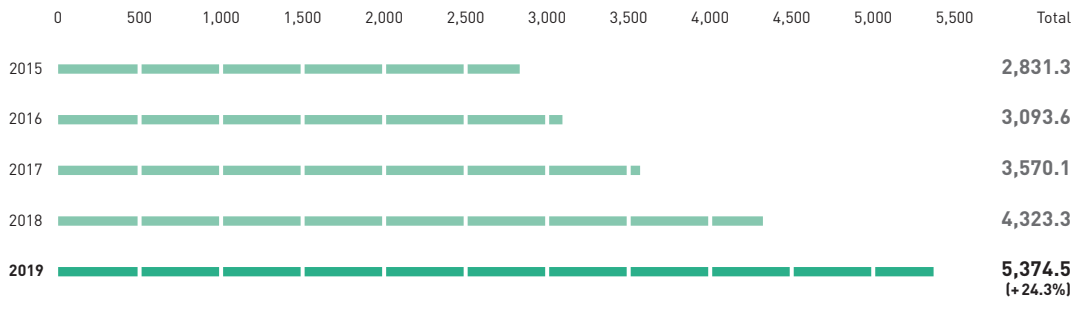
(4.4% MARGE)

5 YEARS IN BRIEF

REVENUE

€m

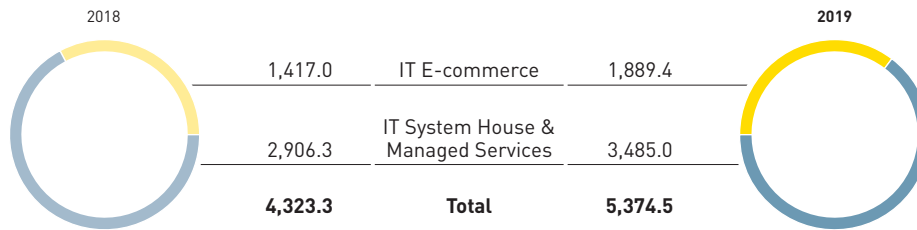
For revenue performance see page 72 f



REVENUE BY SEGMENTS

€m

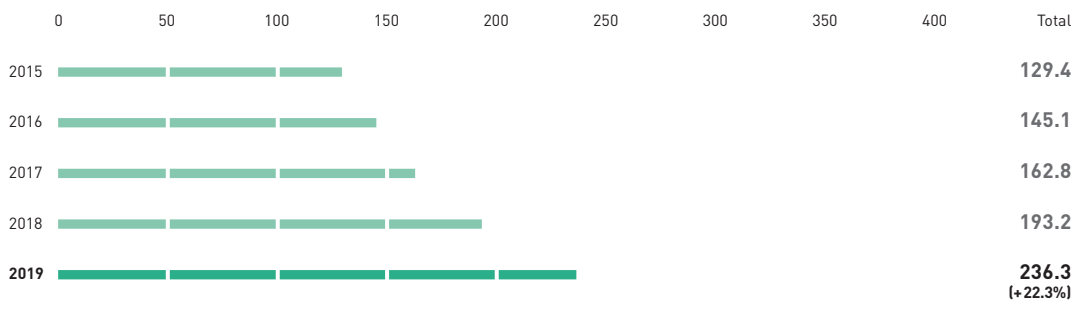
For segment reporting see page 77 ff



EBT

€m

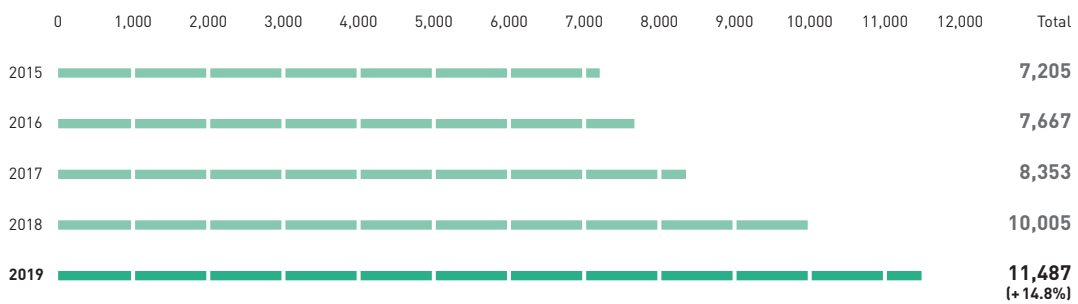
For earnings situation see page 74 ff



EMPLOYEES

as of 31 December

For development of employee numbers see page 44 ff



EPS:

€4.06

(PLUS 24.3%)

DIVIDEND:

€1.20¹

(PLUS 20.0%)

01. 5 YEARS IN FIGURES

		2015	2016	2017	2018	2019	Change in % 2019-2018
Revenue	€k	2,831,303	3,093,579	3,570,124	4,323,318	5,374,453	24.3
IT System House & Managed Services	€k	1,889,494	2,174,893	2,516,872	2,906,290	3,485,037	19.9
IT E-Commerce	€k	941,809	918,686	1,053,252	1,417,028	1,889,416	33.3
EBITDA	€k	155,920	171,798	196,182	237,058	325,980	37.5
IT System House & Managed Services	€k	101,831	119,600	140,614	157,764	209,495	32.8
IT E-Commerce	€k	54,089	52,198	55,568	79,294	116,485	46.9
EBIT	€k	129,484	144,083	164,252	195,081	241,370	23.7
IT System House & Managed Services	€k	80,293	96,589	114,501	126,084	149,832	18.8
IT E-Commerce	€k	49,191	47,494	49,751	68,997	91,538	32.7
EBIT margin	%	4.6	4.7	4.6	4.5	4.5	
IT System House & Managed Services	%	4.2	4.4	4.5	4.3	4.3	
IT E-Commerce	%	5.2	5.2	4.7	4.9	4.8	
EBT	€k	129,404	145,100	162,804	193,242	236,320	22.3
EBT margin	%	4.6	4.7	4.6	4.5	4.4	
Earnings after taxes	€k	92,877	103,371	114,562	137,141	170,484	24.3
Earnings per share	€	4.42	4.92	2.73	3.27	4.06	24.3
Dividend per share	€	1.40	1.50	0.90	1.00	1.20¹	20.0
Equity ratio	%	53.9	54.7	53.9	43.6	42.4	-2.7
Cash and cash equivalents²	€k	206,660	162,781	174,827	250,922	272,197	8.5
Working capital	€k	294,872	375,645	492,865	580,794	647,728	11.5
Cash flow from operating activities	€k	115,945	53,363	54,261	140,525	185,973	32.3
Number of employees (as of 31.12)		7,205	7,667	8,353	10,005	11,487	14.8
IT System House & Managed Services		5,766	6,212	6,853	7,772	9,097	17.0
IT E-Commerce		1,439	1,455	1,500	2,233	2,390	7.0

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

For more key figures see multi-year overview, page 230 ff

02. REVIEW BY QUARTER 2019

		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	1,239,948	1,260,804	1,276,305	1,597,396
EBITDA	€k	64,922	76,649	79,702	104,707
EBIT	€k	46,278	57,059	58,363	79,670
EBT	€k	45,006	55,708	57,027	78,579
EBT margin	%	3.6	4.4	4.5	4.9
Earnings after taxes	€k	31,677	39,193	40,217	59,397



From 8 May 2020, you can find the latest figures for the first quarter of 2020 at bechtle.com/reports

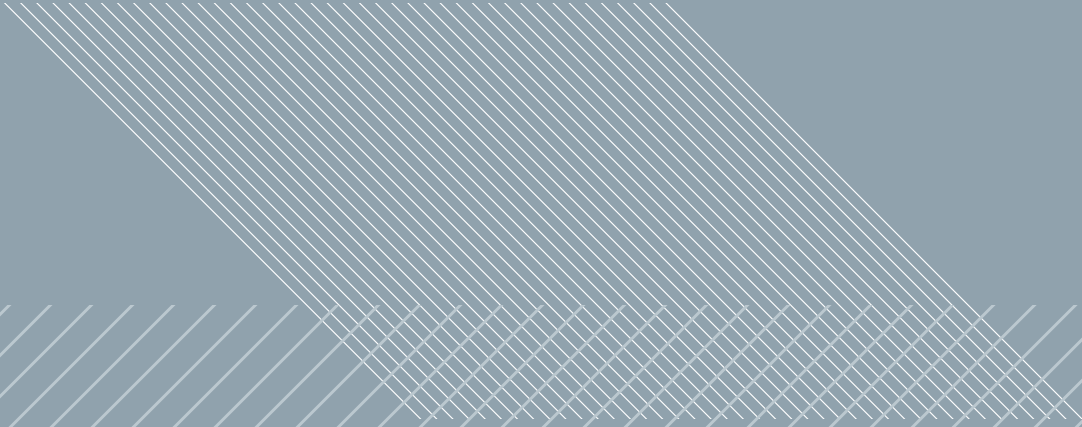


One thing is for sure:
Bechtle offers jobs with a future.

Michael Walter, Team Leader Product Management Cisco, Logistik & Service
Zoran Janjic, Product Manager Lenovo, Logistik & Service
Laura Walouch, Trainee in office management, Logistik & Service
Markus Reutter, Head of Bechtle Systemhaus Holding
From left to right



TO OUR SHAREHOLDERS



Cross reference
within the Annual Report



Cross reference
to other printed works
and other literature



Cross reference
to information on the Internet



Reference to non-financial
performance indicators



TO OUR SHAREHOLDERS

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Q1

New building
at Bechtle Platz 1600
new workplacesMore space
in Neckarsulm.

Q2

€1.00
per share11% more
than in the prior yearHigher dividend payout
to shareholders.**JAN Bechtle expands.**

Bechtle expands its group headquarters in Neckarsulm. At the beginning of the year, construction work starts for a new office building that will offer space for 600 additional jobs.



FEB Solid rocks. At the worldwide partner and user meeting of the software manufacturer Dassault Systèmes SOLIDWORKS, the 3D-CAD specialists of the Bechtle Group underline their positioning as a top partner for product development and manufacturing solutions. The Bechtle companies Coffee, SolidLine and Solidpro (all in Germany), planetsoftware (Austria) and Solid Solutions (Switzerland) receive a total of 38 awards. Numerous employees are honoured personally.

MAR Bechtle offers sustainable mobility. Throughout Germany, Bechtle employees can order a company bicycle inexpensively. Bechtle will lease the ordered bicycle for the employee, who can benefit from attractive conditions.



APR Bechtle Competence Days 2019. The response to the 15th Bechtle Competence Days at the group headquarters in Neckarsulm is again very positive. More than 3,500 visitors approach the 60 fair booths and attend about 100 lectures for information on the latest IT solutions. **Reinforcements for managed services.** Bechtle and IBM conclude a cooperation contract in the field of managed services. As of 1 April 2019, some 320 employees transfer from IBM to Bechtle. The long-standing partnership between the two companies is thus further expanded.

MAY Hopp Schwiiz! Growth in the field of application solutions: Bechtle acquires Alpha Solutions AG, thereby further expanding its presence in Switzerland. Alpha Solutions has 74 employees in St. Gallen and Zürich.

Bechtle sponsors knowledge. Bechtle is the new sponsor partner of Experimenta in Heilbronn. Germany's largest science centre was greatly expanded with a new building in 2019 and now offers visitors an impressive knowledge and experience world on 25,000 m².



Bechtle has also been a key IT partner of Experimenta since it opened its gates in 2009. **Ninth dividend increase in a row.** The Annual General Meeting decides to pay out a dividend of €1.00 per share. This represents a year-on-year increase of 11.1 per cent. The dividend payout ratio thus amounts to 30.6 per cent.

JUN Bechtle – a global leader. Hewlett Packard Enterprise designates Bechtle as Global Solution Provider of the Year. Furthermore, Bechtle is designated as Solution Provider of the Year for Germany, Austria and Switzerland.

Q3

$\frac{713}{\text{total}}$ $\frac{229}{\text{newcomers}}$

More trainees
than ever.

Q4

$\frac{2019}{+84.5\%}$ $\frac{\text{All-time high:}}{\text{€127.60}}$

Share price almost doubled
in the reporting period.

JUL Hiya, Manchester. Bechtle direct UK establishes a new branch in Manchester, thereby paving the way for further growth in the United Kingdom and improving the customer proximity in the northern part of the country. The additional location supplements the activities in Chippenham in southern England and offers sufficient space for more growth. **Executive Board contracts renewed.** The Supervisory Board decides to reappoint Executive Board members Michael Guschlbauer, who is responsible for IT System House & Managed Services, and Jürgen Schäfer, responsible for IT E-Commerce, for another five years. The Supervisory Board thus continues to rely on the ongoing reliable management of the business by the three members of the Executive Board. **AUG Hustle and bustle.** In view of the success achieved in the previous year, Bechtle's holiday care programme takes place a second time. The holiday kids enjoy three weeks of fun and entertainment. The highlights: a visit to the Bechtle bees, the construction of an insect hotel and a day in the forest. **Bechtle in the lead.** In the annual system house ranking of ChannelPartner and Computerwoche, Bechtle continues to defend its leading position confidently in the ranking of the largest system houses. **SEP Young trainees.** Bechtle welcomes 229 new trainees and students on integrated degree programmes, more than ever before. With this, the IT company has a total of 713 trainees and students on integrated degree programmes – this, too, is a new record. Bechtle thus seamlessly continues the growth in the field of training.



OCT Grüezi, algaCom. With algaCom AG, based in Basle, Bechtle further expands the competence in the field of cloud-based software solutions. The collaboration as well as identity and access management specialist has 34 employees in Basel, Wien and Tucumàn, Argentina. In the 2018 fiscal year, the company generated revenue of approximately CHF 6.4 million. **Bechtle expands cloud partnerships.** Bechtle concludes a partner contract with Google Cloud and cooperates with the provider in the field of professional cloud solutions. Bechtle thus expands the multi-cloud portfolio with the offerings of one of the most innovative technology businesses worldwide. Bechtle offers the Google Cloud services via its own clouds platform. **NOV Soyez bienvenue.** The two IT system houses Abissa Informatique and Codalis SA supplement the Bechtle team in western Switzerland. Apart from gaining a total of 90 highly qualified team members, Bechtle strengthens its portfolio and realises synergies within the group. **Bechtle honoured for its sustainable growth.** Accenture and WELT honour Bechtle for its sustainable growth and future orientation. The Top 500 award honours outstanding German companies that do not merely experience a flash in the pan, but are able to impressively boost their profit and revenue through organic growth and takeovers. Apart from the growth development, the jury selects the three winners on the basis of criteria such as innovative drive, sound and value-adding business models and successful globalisation strategies. The jury ranks Bechtle second. **€5 billion market cap.** Towards the end of the year, the Bechtle share soars. For the first time, Bechtle's market capitalisation rises to more than €5 billion. Thus, Bechtle is one of Germany's 60 largest listed companies. **DEC Apple competence in the Netherlands.** In the Netherlands, Bechtle further expands its mobility competence with Ivizi B.V. in Maastricht. The specialist is a certified Apple Premium Reseller and an authorised Apple Premium Service Provider. **Most successful stock market year.** Just before the end of the year, the Bechtle share reaches a new all-time high of €127.60. In 2019, the share price went up by a total of 84.5 per cent, the greatest annual increase ever.



LETTER FROM THE EXECUTIVE BOARD

Dear Stockholders,

For eleven years, our Vision 2020 was our permanent companion. Now, it has become history. The highly challenging goals we had embraced back then always served both as our guiding star and as a promise. The central target was to increase our revenue to €5 billion. Though not impossible, this was a highly ambitious figure. To reach it was a matter of honour for all of us.

As our headcount had already surpassed the 10,000 mark in 2018, our efforts in 2019 concentrated on speedily attaining the revenue goal. In the end, we reached €5.37 billion, clearly demonstrating the strength and will of the Bechtle team to deliver outstanding performance. At the same time, we thus seamlessly followed up on our success of prior years. Nine record years in a row – cool, don't you agree?

And now? Now we will continue to do what Bechtle has always done. We are now locked on to the targets we set in the Bechtle Vision 2030, our fourth vision. To remind you of its key message: The vision underlines that our customers' success is our goal, it aims at doubling the revenue to €10 billion with an EBT margin of 5 per cent, and it expresses our goal of becoming the market leader and regularly achieving above-market growth rates.

Again, our highly ambitious vision is based on our economic strength and the excellent competitive position that we have established in the market over the past 37 years since our company was founded. Even more than that, however, what makes the difference between mediocrity and top business performance are our innovative drive, our sound business model that creates added value, our successful growth strategy and a sustainable, motivating corporate culture.

Especially when new companies are integrated, it becomes obvious just how interlocked everything is. Those who have observed Bechtle for many years know that since the first takeover in 1993, acquisitions have always been part of our growth strategy. In this fiscal year, we will pass the mark of 100 acquisitions. On average, some four companies have joined Bechtle each year since the IPO in 2000. In view of this figure, the nine takeovers that took place in 2019 represented an extraordinary step. The primary purpose of these acquisitions was to strengthen our business in Switzerland. In this market, last year's efforts were aimed mainly at getting the organisation ready for the future. The efforts have been worth it – we are now excellently positioned. Again, we have seen that our business model of networked decentralisation is the right answer to the great challenges of our age. Sustainable success is an interdisciplinary task that requires the collaboration of all central departments, all locations and all specialists. This approach is reflected in the catchy motto "One Bechtle". We know beyond any doubt that this is the path to success.

It's easy to sum up my personal experiences in the past 13 years at Bechtle: We can look back on some remarkable achievements, and look forward to even more ahead of us. In many areas, we are well prepared; in others, we still have some homework to do. To us, leadership is a theme of utmost importance. Especially in times of profound transformation of entire industries and the current demographic developments, leadership is a crucial factor to achieve sustainable success. This year, we will therefore broadly focus on this aspect within our company. This will give us the strength we need to face future challenges, which will no doubt be numerous.

Even as I write these lines, news about the further spread of the coronavirus are hitting the headlines. Right now, we do not know for sure how the economy might be affected. In the last week of February 2020, the stock markets experienced the most severe slump since the bank crisis back in 2008. Of course, we will continue to monitor such developments, as we cannot fully escape their influence. At the same time, given our corporate responsibility, including towards our employees, we must not give in to hysteria.

Something we might benefit from in future is the fact that due to the inevitable digital transformation of the economy, the IT market is undergoing a special development that is no longer on par with the macroeconomy in the EU, and especially in Germany: while economic growth slowed in 2019, the IT market exhibited robust growth. Although our industry cannot fully escape the macroeconomic trend, it does exhibit a certain measure of resilience to the global framework conditions. In any case, instead of attaching too much importance to daily occurrences, the experience gained in the past underlines the importance of concentrating on our company's sustainable development.

Especially in uncertain and volatile times, it is not always easy to justify our long-term orientation against the desire for short-term performance improvements. Thus, we have all the more reason to appreciate the trust you put in Bechtle, dear shareholders. On behalf also of my fellow Executive Board members, Michael Guschlbauer and Jürgen Schäfer, I would like to express our gratitude for the loyalty you have shown – some of you for as much as two decades. I look forward to continuing Bechtle's success story as part of a committed, ambitious and highly qualified team – the more than 11,500 people who work for the Bechtle Group. This story has a bright future and makes us proud and eager to explore new horizons.

Stay tuned.

On behalf of the Executive Board of Bechtle AG

Yours sincerely,



Dr. Thomas Olemotz

Chairman of the Executive Board (CEO)

Neckarsulm, 3 March 2020



Jürgen Schäfer



Dr. Thomas Olemotz



Michael Guschlbauer



Klaus Winkler

JÜRGEN SCHÄFER

Member of the Executive Board, responsible for the IT e-commerce segment. Born in 1958, married, two adult children. After his studies in business economics and employment 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.

» **In 2019, we again furnished evidence of how successful we are when we act as "One Bechtle". To serve customers holistically across national boundaries – that is something that makes us matchless!** ◀

DR. THOMAS OLEMOTZ

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

» **The financial highlight of the year is our early achievement of the revenue target of Vision 2020. Once again, this shows that we are moving along in the fast lane – faster than ever. Now we are locked on to the next target: to increase our revenue to €10 billion in 2030.** ◀

MICHAEL GUSCHLBAUER

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

» **I am impressed by how Bechtle continues to grow year by year and by the passion that our top-notch colleagues demonstrate in their effort to enhance their customers' success with the help of future-oriented IT. Our networked decentralisation is the timely answer to the great challenges associated with digitalisation. I am looking forward to the future!** ◀

KLAUS WINKLER

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

» **The strong revenue growth that Bechtle has exhibited for many years – at double-digit rates for the third year in a row – is associated with a high level of continuity in management. These two aspects go hand in hand. The company is effectively developed further with great consistency.** ◀



REPORT OF THE SUPERVISORY BOARD

DEAR SIR OR MADAM,

For Bechtle, 2019 was an extremely successful fiscal year – though this had not been expected. The macroeconomic situation in Germany and in the EU had darkened right at the beginning of the year. As the year progressed, the outlook became even gloomier. What about Bechtle? Quarter by quarter, the company achieved double-digit organic growth rates, skipping from one record to the next. It would certainly go too far to conclude that the IT industry has detached itself from the overall economy. Nevertheless, the IT industry has truly demonstrated a sound measure of resilience. In the age of digitisation and Industry 4.0, IT has become vital for the success of many companies. The successful operation of this technology requires partners – large, reliable partners like Bechtle. As you see, our company is well prepared for the future! On the way to success, the Supervisory Board is pleased to provide advice and support to the company.

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

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board about all aspects relevant to the company as well as transactions subject to approval. This included particularly the numerous acquisition projects, the group's business performance, future investments, location-related subjects, the risk situation, the opportunity and risk management as well as basic issues related to corporate planning and strategy.

The Chairman of the Executive Board maintained especially close contact with individual Supervisory Board members, primarily with the Chairman of the Supervisory Board, even outside the regular meetings. Additionally, the Executive Board informed the Supervisory Board as a whole about key operational indicators, the fulfilment of business plans and the employment situation of the group, segments and all major subsidiaries on a monthly basis. 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 looked into the business performance of the group as well as the assets and financial position and the implementation of the corporate strategy. Moreover, we continually dealt with the risk situation and actively participated in the further development of the control and risk management system of Bechtle AG.

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

MEETINGS AND CENTRAL ISSUES

In the reporting period, the Supervisory Board held four ordinary plenary sessions: on 1 February, 13 March (balance sheet meeting for the annual and consolidated financial statements for 2018), 26 July and 25 October 2019. Dr. Lars Grünert was unable to participate in the session on 26 July. Apart from this, all Supervisory Board members attended all plenary sessions in the reporting period.

Apart from the resolutions adopted at the meetings, the Supervisory Board and/or its committees also adopted resolutions via circular procedure where relevant, in particular in urgent cases. We discussed all measures and transactions that required the approval of the Supervisory Board or its committees in detail at Supervisory Board and committee meetings. At its balance sheet meeting on 13 March 2019, 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 2019.

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

- The group strategy, especially of the clouds and managed services business and the business of the IT System House & Managed Services segment in Switzerland, as well as the targets achieved in the course of the strategy rollout
- The integration of the French Inmac Wstore S.A.S., the largest acquisition in Bechtle's history, and of other takeovers
- The economic development of the group
- The nine acquisitions performed in the reporting period
- The renewal of the Executive Board contracts of Michael Guschlbauer and Jürgen Schäfer
- The compensation system of the Executive Board
- The efficiency audit in the Supervisory Board
- Sustainability at Bechtle and non-financial group declaration
- The draft of the new Corporate Governance Code
- The internal audit and risk management system

STAFFING OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

In 2019, the staffing of the Executive Board of Bechtle AG did not undergo any changes. The Supervisory Board underwent the following change in the reporting period: For age-related reasons, Barbara Greyer stepped down from her Supervisory Board mandate as of the end of 30 November 2019. By decision of the Stuttgart District Court, Anastasia Polidoros was appointed as a member of the Supervisory Board as of 19 December 2019. We would like to thank Mrs Greyer for her many years of competent assistance.

COMMITTEE WORK

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

The audit committee came together on 31 January, 12 March, 17 May, 25 July and 24 October 2019. Additionally, it held telephone conferences on 9 May, 8 August and 12 November 2019. Daniela Eberle was unable to attend the meeting on 17 May. Apart from this, all committee members participated in all meetings throughout the reporting period. In 2019, the audit committee dealt intensively with transactions that require approval, especially the acquisitions performed, location-related issues and long-term agreements. Other subjects discussed included the interim financial reports, the preliminary audits of the annual and consolidated financial statements, the non-financial group report, the proposal for the appropriation of profits and the review of the internal control and risk management system. The meetings also focused on the monitoring of the auditor's independence, the definition of the main issues to be audited, the agreement of the audit fee and the corporate governance. The development of the cash flow and of the working capital was another key subject addressed in 2019.

In 2019, the personnel committee came together at five meetings on 1 February, 13 March, 24 June, 12 September and 26 November 2019. All committee members participated in all meetings. The meetings of the personnel committee focused mainly on the renewal of the Executive Board contracts, the compensation system of the Executive Board, the further development of the management organisation and employment contracts with Executive Vice Presidents.

The conciliation committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG) was not convened in 2019.

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

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

We intensively reviewed the set of rules of the German Corporate Governance Code (DCGK). To ensure compliance with the German Corporate Governance Code (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 January 2020. Deviations from the recommendations of the Government Commission are explained in detail in the Corporate Governance Report. All declarations of conformity of the last five years and other documents concerning the corporate governance have been and continue to be made permanently available to the shareholders on the Internet. In the fiscal year ended, there were no conflicts of interests of Executive Board or Supervisory Board members that, according to the Code, would have had to be disclosed to the plenum without delay and about which the Annual General Meeting would have had to be informed.



See
Corporate Governance Report,
page 58 ff



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

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2019

The General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, as auditor of the annual and Consolidated Financial Statements for the 2019 fiscal year. Following the engagement by the Supervisory Board, the auditor audited the annual financial statements of Bechtle AG as well as the consolidated financial statements and the management reports of Bechtle AG and of the Bechtle Group for the 2019 fiscal year, including the accounts and the risk management and early detection system, and awarded unqualified auditor's certificates. The audit also included the monitoring system for early identification of risks, which is to be set up by the Executive Board, and the internal audit and risk management system with respect to the accounting process. The auditor confirmed that the installed systems are suitable for identifying developments endangering the company's going concern at an early stage.

The documents related to the financial statements, the proposal of the Executive Board for the appropriation of profits and the auditor's audit reports were duly sent to the members of the Supervisory Board and discussed in detail in the audit committee and in the Board as a whole. The auditor of the annual and consolidated financial statements also participated in the balance sheet meeting on 17 March 2020. He reported in detail on the material results of his audit and comprehensively answered all questions of the Supervisory Board.

Following its own review of the annual financial statements, Consolidated Financial Statements, management report and group management report, the Supervisory Board approved the results of the audit conducted by the auditor. According to the final result of its audit, there were no objections. At the balance sheet meeting on 17 March 2020, the Supervisory Board thus approved the annual financial statements and the Consolidated Financial Statements in accordance with the recommendation of the audit committee, thereby adopting the annual financial statements pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG). The Supervisory Board agreed to the Executive Board's proposal for the appropriation of the net profit and payment of a dividend of €1.20 per share. We approve the management report and the group management report of the Executive Board and consider the proposal for the appropriation of profits appropriate.

The Supervisory Board also audited and comprehensively discussed the non-financial group declaration of Bechtle AG, which was prepared by the Executive Board and is included in the sustainability report 2019 of Bechtle AG as a separate non-financial group report, at the balance sheet meeting on 17 March 2020. 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.

Bechtle's performance is truly impressive. We believe that this has only been possible thanks to our clear long-term strategy, our reliability towards customers and employees, and the values that each and every one of us lives by on a daily basis. Therefore, the Supervisory Board sincerely thanks all employees of the Bechtle Group, the Executive Vice Presidents and Managing Directors of the group companies, as well as the members of the Executive Board. None of what we have achieved would have been possible without the individual contribution and commitment of every member of the Bechtle team. In the future, the Supervisory Board will continue to exert itself vigorously to provide advice and guidance as Bechtle moves ahead.

On behalf of the Supervisory Board



Klaus Winkler
Chairman

Neckarsulm, 17 March 2020



GROUP MANAGEMENT REPORT



GROUP MANAGEMENT REPORT

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COMPANY

BUSINESS ACTIVITY

The success of businesses depends more and more on the use of information technology. At the same time, IT systems are growing in complexity. Therefore, medium-sized companies in particular increasingly need reliable partners. As a vendor-independent one-stop provider, Bechtle features a comprehensive IT portfolio that covers the full spectrum of products and services and has a suitable solution for each and every customer.

BUSINESS MODEL

Everything from one source. With 75 system houses in Germany, Austria and Switzerland and 24 e-commerce companies in 14 countries, Bechtle is one of Europe's leading online IT dealers. Founded in 1983 and based in Neckarsulm, Germany, the IT company combines the strength and resilience of a financially sound international group with the proximity, personal support 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, trade, finance and the public sector.

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, in the context of managed services, the complete operation of customer IT. We have bundled our trading business in IT E-Commerce, the second business segment. In this segment, we offer our customers hardware and standard software under a multi-brand strategy via the Internet and by telephone. Our portfolio comprises more than 50,000 products in total.

BUSINESS SEGMENTS

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

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

Under the URL bechtle.com, we feature a cross-segment digital marketplace that showcases the entire bandwidth of Bechtle's service and solution portfolio at a glance. We are thus able to address every customer holistically and systematically offer them additional solutions. At the same time, it helps us to boost customer satisfaction and penetration. In the coming years, this digital marketplace will be further developed in order to better maximise the potential of bechtle.com both for the distribution team and for the direct sale of products and services. For this purpose, Bechtle established, among other things, the Digital Business Unit in the reporting period; this is a unit that bundles business digitisation competencies and strategies.

IT SYSTEM HOUSE & MANAGED SERVICES

One-stop IT provider. Bechtle's service portfolio in the IT System House & Managed Services segment spans the entire IT value chain. The portfolio mainly focuses on digitisation, clouds, IT security, modern workplaces and IT as a service. A key competitive advantage stems from the fact that Bechtle is a one-stop provider. By individually compiling an offer comprising various interlinked services and freely configurable service levels, Bechtle is capable of developing a custom-tailored solution for every customer. The service and solution portfolios are subject to ongoing review and adaptation to market and customer requirements.



Whether three, 30 or more, the collaboration in the team is one of Bechtle's main success factors. For many years, we have demonstrated what we mean by "better together".

Arthur Schneider, Sales Development
Public Sector,
Bechtle Systemhaus Holding AG

Anne Ehmer, student on an integrated
degree programme in business
administration – commerce,
Bechtle Systemhaus Holding AG

Christian Heinlein, Technical Consultant
Public Sector,
Bechtle Systemhaus Holding AG

From left to right

Driven by the digital transformation, the market for IT solutions and services is on the verge of a major change. In addition to the conventional business fields, the demand for consumption- and cloud-based purchase models is on the rise. Medium-sized customers are also increasingly making use of the option to procure IT infrastructure, platforms, software and applications as a subscription-based service. Accordingly, we are in the course of expanding our range of managed cloud and multi-cloud services. Unlike the conventional project business, managed services deliver recurring revenue throughout the contract term, which is usually four to six years. Due to the greater complexity that these services usually involve, this business field also tends to yield higher margins than the conventional project business.



Premium qualification
thanks to vendor
certifications

Most of our customers have regional roots and want to have direct access to a personal contact in their vicinity in order to master the increasingly complex challenges associated with IT. This is exactly what the 1,700 sales representatives of our 75 regional system houses offer. The decentralised structure of Bechtle is a key criterion that makes this proximity possible. The direct contact to a sales representative, many of whom have known their customers for many years, helps to establish a trusting customer base. This is vital, especially in the contract-based managed services business. The ongoing training of our sales team plays a key role in our success in this context. By means of regular training measures, we make sure our sales representatives are able to offer our customers the full bandwidth of Bechtle's portfolio.

When performing the services, about 5,400 service team members, certified specialists, system engineers and consultants offer customers expertise, advanced specialised competence, long-standing IT project experience and quick implementation of individual requirements. Bechtle has bundled specialist expertise on complex IT solution issues in more than 70 competence centres that are active in various regions. Numerous certifications from all renowned vendors guarantee the premium qualification of our services.

IT E-COMMERCE

Comprehensive portfolio of IT products. In the IT E-Commerce segment, the Bechtle Group 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 achieved a good competitive position in all markets. With more than 50,000 products in the online shop, Bechtle direct succeeds in offering customers a comprehensive portfolio for IT infrastructures. The Bechtle shops thus give customers everything they need to operate their IT. The ARP brand is present in six European countries. The offer of the ARP companies focuses on medium-sized businesses and the public sector. The portfolio comprises all common IT products. Furthermore, Bechtle is active with the Buyitdirect brand in the Netherlands and with Inmac Wstore in France. The home

brand ARTICONA supplements the product range of all companies of the Bechtle Group with peripheral products in particular.

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

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



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

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

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

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

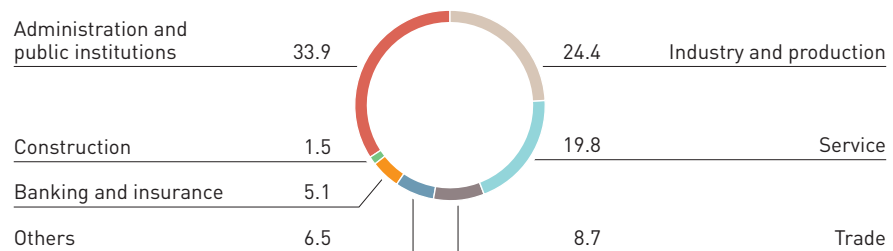
MARKETS

The focus is on medium-sized customers of all industries. Bechtle has a great deal of experience supervising medium-sized customers. The medium-sized segment belongs to our core target group. In this context, we define the size of a company on the basis of the number of workstations. When a company is classified as medium-sized, the number of PC workstations ranges from 20 to 2,000. However, apart from such conventional medium-sized businesses, we are also increasingly addressing larger companies and groups, as well as public-sector clients with more than 2,000 PC workstations.

Bechtle welcomes all customers, which is to say, its activities are not confined to specific industries. However, in light of the special requirements of the tendering procedures of public-sector clients, we have introduced a more clearly focused, individualised approach to this customer group. As an internal service unit, the central public-sector division supports the decentralised system houses and the trading companies in processing public invitations to tender.

03. INDUSTRY SEGMENTATION OF BECHTLE AG BY REVENUE

%



As of 31 December 2019



See Locations,
page 41 ff

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

COMPETITIVE POSITION

Bechtle is Germany's number one. The IT market in Germany is highly fragmented. According to the German Federal Statistical Office, more than 90,000 IT companies in Germany offer products and services in the fields of IT hardware, software and IT services. These companies vary greatly with regard to their size, service spectrum and specialisation. About 82,000 of these IT companies operate on a local scale only and generate annual revenue of no more than €1 million. About 9,500 companies generate annual revenue of up to €50 million. According to the Federal Statistical Office, the group of medium-sized IT companies generating annual revenue of €50 to €250 million comprises about 190 companies. Only 38 companies, including Bechtle, are on the list of the largest companies active in Germany.

Bechtle occupies an excellent market position in Germany. According to the industry medium "Channel Partner", our company continued to be the top system house in 2019 in terms of domestic revenue. We have even been able to further extend our lead over the competitors.

The market research institute EITO estimates the total volume of the German IT market in 2019 to be €84.3 billion (previous year: €80.9 billion). This also includes the revenue generated with private customers, but no telecommunication revenue. With its annual revenue of about €3.3 billion in Germany, Bechtle's market share currently amounts to about 4 per cent. Germany's ten largest system houses, which the industry medium "ChannelPartner" assesses every year, account for a market share of about 15 per cent. These figures clearly illustrate how fragmented the German IT market still is. Small and medium-sized companies, as a whole, still account for the largest market share by far. Despite the ongoing pressure to consolidate, which has existed for some time, this situation is unlikely to change in the medium run.



destatis.de



As Germany's leading IT company, Bechtle has a wide spectrum of specialists who take care of diverse tasks, such as the licensing of complex software solutions or the organisation of various events.

Julian Weiß, Software Licence Specialist,
Bechtle Comsoft

Julia Schneider, Event Management,
Bechtle AG

RESEARCH AND DEVELOPMENT

Most of the development work is done by the subsidiary Modus Consult GmbH. As a pure service and trading company, Bechtle does not engage in any research. However, we conduct software and application development activities both for internal purposes and for individual customer projects. Additionally, we develop software to cover special industry needs and offer it in modular form.

In the software and application solutions division, our work includes designing, developing and implementing software to customer order, e.g. for SharePoint or ERP projects.

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

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

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

Seamless connection between cloud systems and locally installed systems. Besides individual development work in customer projects, we have also carried out development work to update the solutions. These are currently being converted for the next generation of Microsoft's ERP suites in order to ensure that we will continue to remain fully capable of delivery in future. Thanks to the expansion of our SharePoint portfolio as a central graphical user interface and the integration of the processes with the Microsoft Power Platform, we are able to make the entire offering of the Microsoft Platform, including Office 365 and selected third-party providers, available to medium-sized companies. New subjects such as the Internet of Things, artificial intelligence and augmented reality are also driven forward here. Modus Consult seamlessly connects cloud systems to locally installed systems.

Products from ELO (Elektronischer Leitz Ordner (electronic organisers)) 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.

Additionally, Modus Consult assists customers in pure CRM projects that are already highly cloud-oriented. The CRM portfolio comprises marketing solutions, as well as sales, service, user portal and support functions.

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

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



Firmly rooted in IT and always focused on customer needs: that is what makes Bechtle so special.

Hans Beck, Servicedesk & Onsite Services, Würzburg system house

Lucia Hamm, trainee in IT system integration, Würzburg system house

VISION, STRATEGY AND CONTROLLING

The IT market is marked by constant change and an innovation rate that has increased significantly. In this setting, it is important not to lose one's focus. Long-term targets, such as our Vision 2030, serve as orientation guidelines for our employees and customers. For a permanently successful development, it is vital to explore new ways without carelessly abandoning what has already proven to be successful. The combination of long-term orientation and timely controlling of business thus forms the basis of our success.

VISION AND STRATEGY



bechtle.com/vision2030

Vision 2030 shows the way. Shortly after its foundation, Bechtle formulated its long-term goals in a vision. Since then, we have established new visions at intervals of about ten years. The goals formulated in Vision 2020, which was published in 2008, were to have 10,000 employees generate revenue of €5 billion with a pre-tax margin of 5 per cent. The 10,000 employee goal was already reached in 2018, and the €5 billion threshold was surpassed in the reporting period. Thus, two of the three goals of Vision 2020 were reached ahead of time.

In 2018, we elaborated and published the new Vision 2030. Apart from important qualitative statements, the vision again specifies quantitative growth targets. By 2030, the group intends to generate a total revenue of €10 billion with a pre-tax margin (EBT margin) of at least 5 per cent. This goal will require average revenue growth of about 7 per cent a year, along with an above-average increase in profitability of at least 8 per cent a year.

Bechtle: Integrate IT. Architect the future. For the first time, the Bechtle vision has a heading: "Bechtle: Integrate IT. Architect the future." Our key principle is customer orientation, which is measured by the customer's success. At the same time, we put emphasis on expertise, professional IT handling and our commitment to our core competencies – aspects that are summarised in the statement: IT is our passion. Our entrepreneurial spirit and our independence are reflected in the goal of achieving an EBT margin of at least 5 per cent. Another goal formulated in the vision is our aspiration to become the market leader in the markets in which we operate.

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 support the long-term strategic objectives. They provide all employees with orientation with a view to efficient, sustainable corporate governance and controlling.



Our fundamental values
provide orientation

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 our strategy and the pursuit of our long-term growth targets. Our objective is to provide innovative, solution-oriented and efficient concepts for our customers' IT by deploying duly qualified personnel. In this way, we endeavour to ensure a competitive positioning in an environment marked by rapid change.



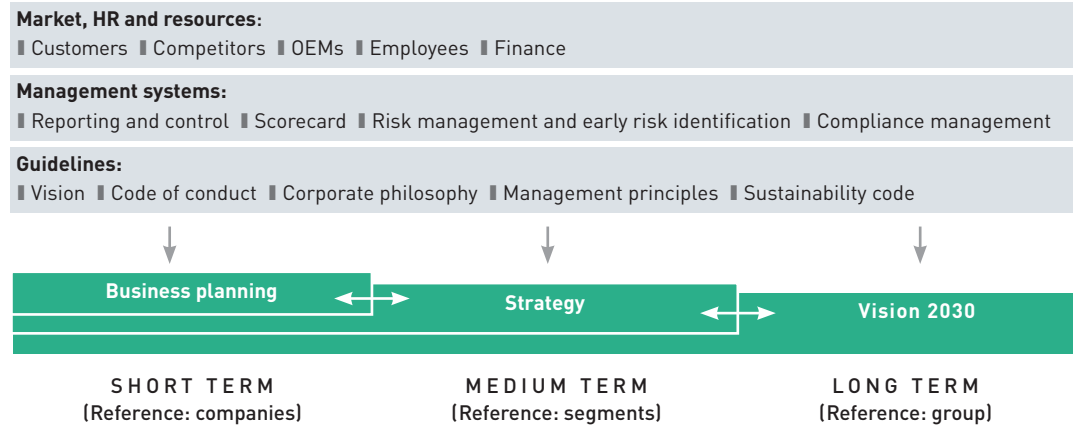
See Employees,
page 44 ff

Growth strategy also comprises takeovers. Acquisitions have always been part of Bechtle's growth strategy. Thus, the goals of Vision 2030 are to be achieved both organically and by means of acquisitions. Since its foundation, Bechtle has successfully carried out almost 100 acquisitions. Organically, we can build on our experience in the IT market, which already stretches back 36 years, and our high market penetration. From 2009 to 2019, we achieved an average annual organic growth rate of 13.8 per cent.

So far, growth through acquisitions has taken place mainly through the acquisition of smaller to medium-sized businesses in the IT System House & Managed Services segment. However, in its search for suitable acquisition candidates, the company often also examines larger businesses. What matters to us most is that an acquisition strengthens the market position of the Bechtle Group in terms of the regional coverage, customers and/or services. Accordingly, the objectives are to supplement our IT-specific expertise and to intensively process strategically important markets and customer groups in order to gain market shares.

Bechtle changes with the market. Bechtle has been active in the IT market for 36 years. This market is characterised by rapid technological development, resulting in constantly changing market requirements. One of the main pillars of our success is our ability to adapt our portfolio and our business model to the latest market requirements. Right now, this has again become a vital topic for us: The IT market is currently undergoing a paradigm shift. In the past, most of our customers used to operate their own IT landscape. IT partners such as Bechtle were only involved on a project-specific basis. Though this model will not disappear entirely, subscription and consumption-based IT service models in the context of cloud computing or managed services are on the rise as part of the digital transformation. In recent years, Bechtle has aligned its strategy so as to actively contribute to this change and boost its revenue share in these consumption-based IT solutions. Of course, we will not lose sight of our traditional business and our most valuable asset – our proximity to customers.

04. CORPORATE GOVERNANCE OF BECHTLE AG



SYSTEMS AND INSTRUMENTS

Corporate management is determined by key performance indicators. 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 company development is to effectively increase the enterprise value through profitable growth.

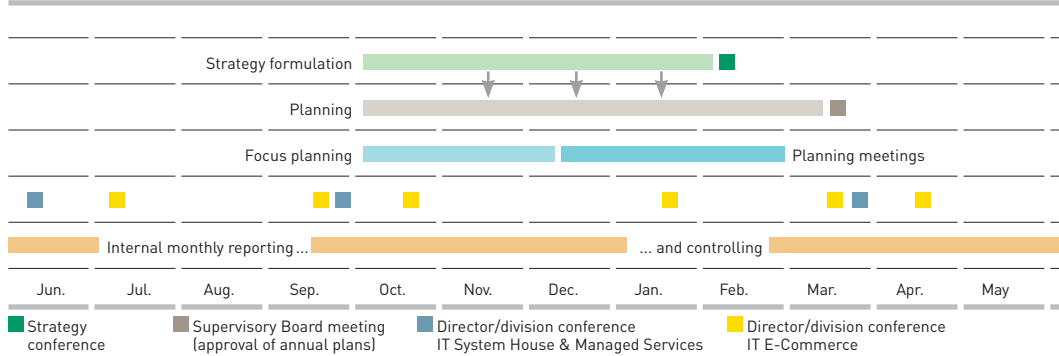
The short and medium-term planning for controlling the operational units and the resulting measures are derived from long-term corporate planning. At the same time, they are also geared towards the development of the competitive environment and the market environment. The priority is to achieve growth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

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

Various reporting systems ensure that all units always have an overview of the performance indicators relevant to them and can manage business operations accordingly. The data are aggregated across all operational units from the various reporting systems. At the group level, the data are then used to coordinate investment and financing decisions, identify target/actual variances early on and initiate suitable measures. In recent years, the cash-flow cockpit, which regularly provides all individual companies with a detailed view of their cash flows, has grown in significance. The objective is to zoom in on cash-flow-based and working-capital-based indicators in order to enable their optimisation throughout the group.

Non-financial aspects are also on the radar. Though Bechtle also focuses on non-financial aspects, these are only indirectly quantifiable, if at all. They include factors such as the brand reputation, customer satisfaction, staff qualification, experience, motivation and leadership qualities, aspects of corporate social responsibility, as well as values and corporate culture. Usually, it is easier to describe these factors qualitatively.

05. PLANNING AND REPORTING PROCESS OF BECHTLE AG



For example, Bechtle conducts customer surveys in order to get a better picture of our reputation in the market. In some cases, we also examine third-party surveys and analyses. Among other things, the results of these studies are used within the scope of strategic planning in order to assess our company’s image in relation to competitors. The customer satisfaction factor is analysed in both company segments at regular intervals. The results serve as indicators for the quality of the customer loyalty. On this basis, we derive suitable measures in order to duly align our sales activities.



See **Competitive Position**, page 31

Combined with target-oriented staff training and development, these analyses help Bechtle to continue to provide customers with comprehensive, flexible and competent consulting services in future as well. Personnel-related data such as fluctuation and qualification details are also used as internal performance indicators. The aim is to systematically qualify employees in all fields and to increase their motivation in order to further improve employee loyalty. Our company’s single-digit fluctuation rate of 9.4 per cent is below the industry average.



Training, employee motivation and staff development for successful customer retention

SUSTAINABILITY

Doing business proactively, showing respect to each other in the daily work and carefully examining the impact of the business activities on society and the environment – these are the basic pillars of our operations. We want to establish sustainability on a broad base as an inherent, permanent principle of our business. The reporting in this area takes place transparently in the form of a yearly sustainability report that also contains the non-financial group report.

Long-term mindset, future-oriented action. Bechtle has always been an enterprise with a long-term focus. From the outset, sustainability has been part of our strategic orientation. We are driven by strong goals that are formulated in a measurable vision. We believe that economic, environmental and social responsibility go hand in hand. We are convinced that we can only be successful if we manage to keep business and social interests in a healthy balance. In accordance with this idea, we continually expand our activities in the field of sustainability. In 2013, Bechtle elaborated a sustainability code that helps all Bechtle employees and business partners to understand our responsibility towards society as a whole as well as our key guiding principles.


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

As of 2015, we publish a sustainability report that provides transparent information on our sustainability management as well as all material fields of operation of our company. Since 2017, this report has contained the non-financial group report pursuant to CSR-RUG. In 2018, Bechtle joined the United Nations Global Compact and is now also committed to the integration of its ten sustainability principles in the fields of human rights, labour, environment and anti-corruption in its corporate strategy and to implement these in its business operations. Starting from this reporting period, our sustainability reporting will also be aligned with the GRI standards, the internationally accepted framework of the Global Reporting Initiative (GRI). The sustainability report is available at bechtle.com/sustainability.

THE BECHTLE GROUP

Bechtle is Germany's largest IT system house and is present in 14 countries across Europe. Thus, Bechtle presents a one-stop portfolio of IT products and services to its international customers. The principle of networked decentralisation has greatly contributed to our success. The companies at the various locations are responsible for the customer relationships and focus on their core competencies, while the holding performs central services for all group companies.

LEGAL STRUCTURE

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

A layer of various holding companies has been implemented directly under Bechtle AG. The business fields and brands of the two segments IT System House & Managed Services as well as IT E-Commerce are bundled at this level. These perform more and more business development tasks.



Bechtle's group structure bridges countries, companies, competencies and people of great diversity.

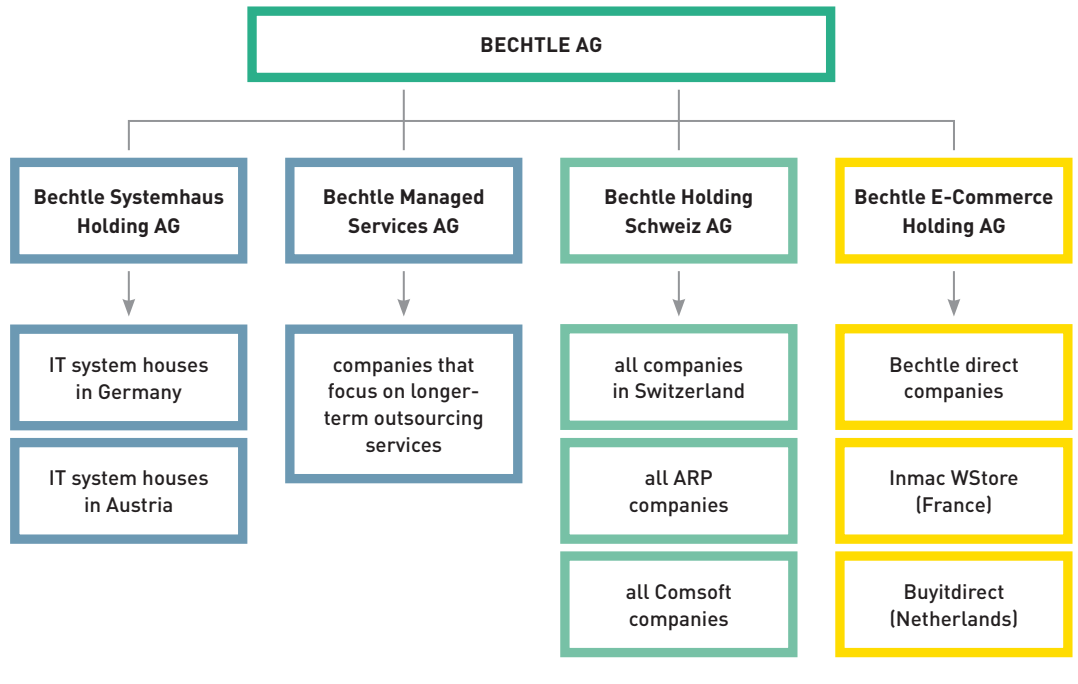
Marissa Bamberger, Legal, Bechtle AG

Klaus Schilpp, Account Manager, Neckarsulm system house

Linda Philipp, Controlling, Bechtle Onsite Services

From left to right

06. HOLDING STRUCTURE OF BECHTLE AG



For an overview of the subsidiaries see Notes, page 211 ff

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. The only exception is an acquisition that took place in the reporting period, by means of which Bechtle has taken over 75 per cent of the shares. However, the plan is to take over 100 per cent of the shares by 2021 by exercising a binding purchase option.

Objectives of this two-level holding structure

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

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

MANAGEMENT

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

The Executive Vice Presidents serve as links between the group's Executive Board and the operational units. Executive Vice Presidents have been appointed for the cross-segmental business area Public Sector and the central finance department as well as for the IT E-Commerce segment. The Executive Vice Presidents in the IT System House & Managed Services segment are responsible for the activities of the Bechtle IT system houses in the northern/eastern, western, central and southern regions of Germany, the managed services area, the application solutions and the system house activities in Switzerland. At the individual locations, the Managing Directors alone are responsible for the success of their companies. By way of their strictly earnings-oriented variable compensation, each Managing Director directly participates in the success of his company. In this way, Bechtle promotes and supports the entrepreneurial drive and business responsibility at all locations.



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

LOCATIONS

Largest location: headquarters in Neckarsulm. The Bechtle Group is headquartered in Neckarsulm. Besides Bechtle AG and system house Neckarsulm, i.a. Logistik & Service GmbH and the German intermediate holding companies are also domiciled here. With almost 1,900 employees, Neckarsulm is our group's largest location. In total, Bechtle AG has about 100 operating companies. The majority of the IT system houses and service and trading companies are located in Germany, followed by Switzerland. Thus, Germany is the most important national market for Bechtle. Nevertheless, Bechtle generates about a third of its revenue abroad. In terms of the revenue generated, France, Switzerland, the Netherlands and Austria are the most important international markets.



For an overview
of the subsidiaries,
see Notes,
page 211 ff

07. E-COMMERCE LOCATIONS OF BECHTLE AG



See
Business Activity,
page 26

Under the Bechtle direct brand, we have IT E-Commerce locations in a total of 14 European countries. Additionally, we are present in six European countries with the ARP brand. Moreover, ARP operates a purchasing company in Taiwan. The Comsoft direct and Inmac WStore brands are active in France only. In the Netherlands, Bechtle is also represented with the Buyitdirect brand. The activities of the Dutch Ivizi B.V., that have been taken over as of 2 January 2020, are fully integrated in the local ARP company.



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

Nine new companies in the IT System House segment. In the consulting-intensive service business of the IT System House & Managed Services segment, local customer contacts are vital. For this reason, we have a dense network of IT system houses at 75 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.

08. SYSTEM HOUSE LOCATIONS OF BECHTLE AG



In this segment, Bechtle added a record number of nine companies to the group in the reporting period. Bucker GmbH, based in Hille, East Westphalia, and Coffee GmbH, which is headquartered in Angelburg, Hesse, and has seven other locations throughout Germany, had already been reported as acquisitions back in 2018 but were only consolidated in 2019. In July, Bechtle took over exe GmbH in Mönchengladbach, Germany. Within the scope of a partial transfer of operations, some 320 former IBM employees joined Bechtle in April 2019. They now support our managed services business. In July, Bechtle acquired INEO IT-Solutions, based in Gleisdorf in the Austrian state of Styria. In Switzerland, Bechtle took over four companies: Alpha Solutions AG, which is headquartered in St. Gallen and has an office in Zürich, was taken over in May. The software company algaCom AG in Basel as well as Abissa Informatique SA and Codalis SA in western Switzerland were taken over in the fourth quarter.

EMPLOYEES

Bechtle's success is the result of the joint effort of all employees. Therefore, we endeavour to promote the skills and further education of each and every one of them. By training young people and offering extensive further training to our staff members, we are ensuring that we can acquire and retain talented experts on a long-term basis.

DEVELOPMENT OF THE EMPLOYEE NUMBERS

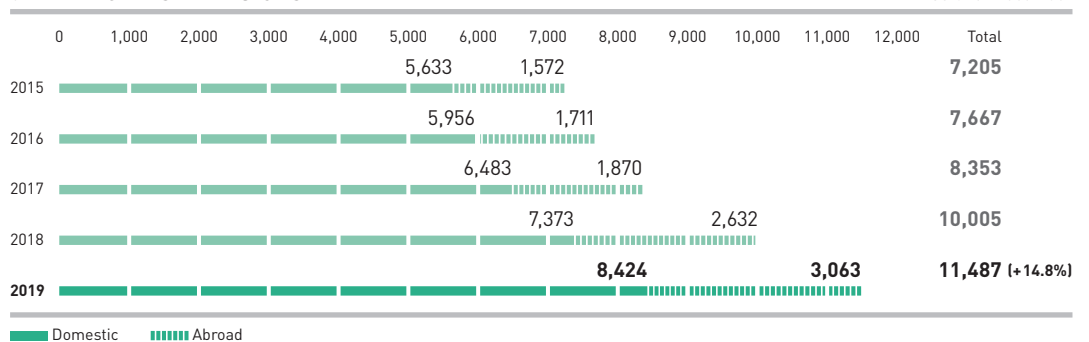
See Notes,
Employees,
page 204 f

Number of employees on the rise. As of 31 December 2019, the Bechtle Group had a total of 11,487 employees (prior year: 10,005). Year on year, the total number of employees increased by 1,482 or 14.8 per cent. The increase in the number of employees reflects both the new recruitment associated with the company growth and the acquisitions performed during the year. In the reporting period, the average headcount underwent higher growth due especially to the full inclusion of Inmac WStore. The average headcount thus amounted to 10,899 in 2019 (prior year: 9,083), an increase of 20.0 per cent.

In Germany, the number of employees as of the end of the year increased by 1,051 or 14.3 per cent. At the end of the reporting period, Bechtle had more 431 employees abroad than in the prior year, an increase of 16.4 per cent. More than a quarter of all employees worked abroad at the end of 2019.

09. EMPLOYEES BY REGIONS

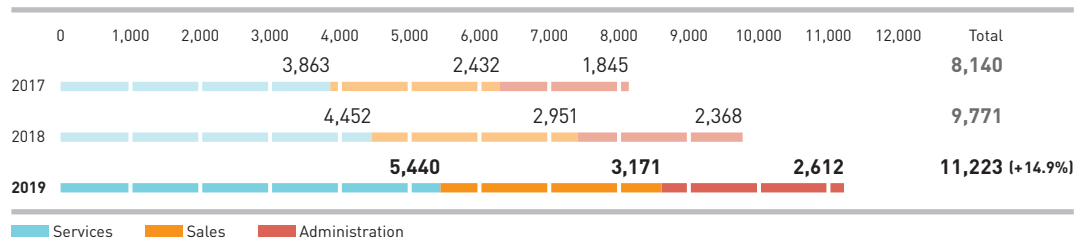
as of 31 December



Broken down by function areas, the service area experienced the greatest headcount increase, as had also been the case in the prior year. In 2019, the number of employees active in this area throughout the group was 988 or 22.2 per cent more than in the prior year. In administration, the headcount went up by 244, an increase of 10.3 per cent. The number of sales employees went up by 220 or 7.5 per cent.

10. EMPLOYEES BY AREAS

as of 31 December

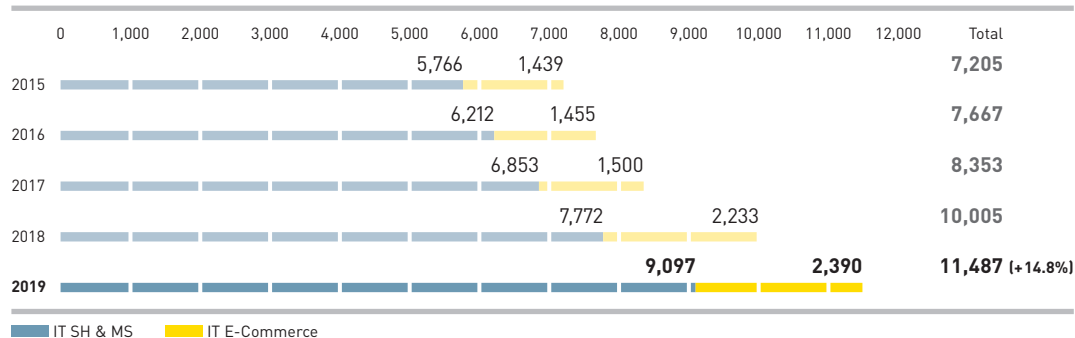


For internal costing reasons, the staff information by area does not take employees into consideration who are absent for more than six weeks.

At the business segment level, the headcount increased sharply especially in the IT System House & Managed Services segment. As of 1 April, some 320 employees transferred from IBM to Bechtle. All in all, the headcount in this segment increased by 1,325 or 17.0 per cent. In the E-Commerce segment, the number of employees went up by 157 or 7.0 per cent.

11. EMPLOYEES BY SEGMENTS

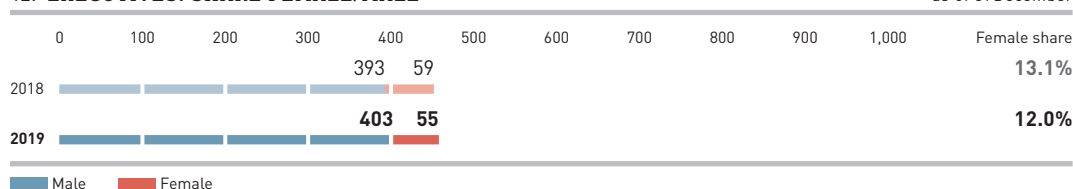
as of 31 December



We are convinced that the diversity of the employees promotes team performance and makes an effective contribution to the business success. As an IT enterprise active throughout Europe, Bechtle already has a balanced proportion of various cultures and nationalities and of men and women. At the end of 2019, women accounted for approximately 27 per cent of all employees, as in the prior year. Among the executives, 12 per cent of all employees were female. Among the trainees, women account for more than 24 per cent. At 49 per cent, the central divisions had the highest share of women, followed by 40 per cent in the E-Commerce segment and 20 per cent in the System House segment.

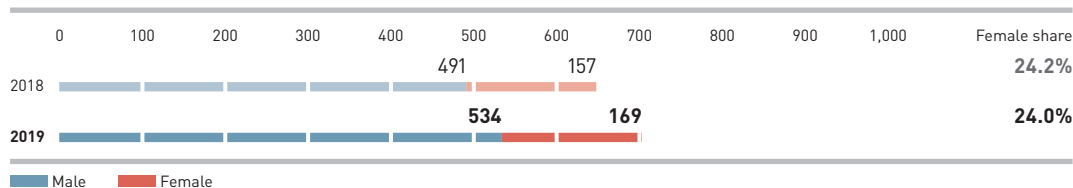
12. EXECUTIVES: SHARE FEMALE/MALE

as of 31 December



13. TRAINEES: SHARE FEMALE/MALE

as of 31 December



PERSONNEL EXPENSES AND SALARY MODEL

Personnel expenses increase in line with revenue. In 2019, expenses for wages and salaries including social contributions increased by 24.3 per cent, resulting in a stable personnel expense ratio. The personnel intensity amounted to 60.4 per cent (prior year: 60.3 per cent) in relation to the gross profit.

14. PERSONNEL EXPENSES

		2019	2018
Personnel and social expenses	€m	734.4	590.7
Personnel and social expenses per employee ¹	€k	68.9	66.7
Personnel expense ratio	%	13.7	13.7

¹ Without absentees

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 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

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

In the reporting period, 229 young people embarked on their training or integrated degree programme with our company. As of the end of the reporting period, the company had a total of 703 young trainees (prior year: 648), including 89 abroad. Technical training professions (370 trainees) outweigh administrative training professions (248 trainees). Moreover, 50 young people studied on a business degree programme and 35 on a technical degree programme of a cooperative university. The training ratio in Germany was 7.3 per cent, slightly less than in the prior year (7.7 per cent). At the head office in Neckarsulm, the training ratio is 9.0 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.



[bechtle-azubit.de](https://www.bechtle-azubit.de)



703 trainees



At Bechtle, individual further development and the promotion of diversity supplement each other, resulting in a wide range of highly qualified specialists who cooperate effectively.

Thomas Erfort, Head of Staff Development and Academy, Bechtle AG

Dilan Günes, Human Resources Manager, Bechtle AG

Jana Hedrich, Head of Payroll Accounting, Bechtle AG

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

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

Bechtle Academy offers a comprehensive education and training programme. The Bechtle Academy, which was established by the company back in 1999, complements the individual training at the group locations, offering all employees a comprehensive qualification programme. The programme ranges from ongoing training measures to the acquisition of special skills to interdisciplinary seminars. The monthly introductory events for new employees are also supervised by the Bechtle Academy. From an organisational perspective, the Academy's activities are assigned to the staff-development department whose main duty is to support the achievement of the growth targets of the Bechtle Group by means of suitable strategic staff-development measures. In the 2019 reporting period, the Bechtle Academy conducted 540 classroom events with a total of 7,425 participants (prior year: 523 events with 6,904 participants). Furthermore, all employees have access to the seminars of the Bechtle training centres, which are an integral part of the Bechtle system houses.

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

Programme for IT business architects further expanded. The Bechtel-certified IT business architects programme was launched in 2012 in order to satisfy our customers' increasing demand for IT consulting services and IT strategy support. In this 13-day programme, employees learn how to elaborate long-term IT strategies aligned with the business development needs of the customers. Meanwhile, more than 55 certified architects serve in 26 companies.

Trainee programme receives quality label once again. Bechtel offers ambitious newcomers with a knack for IT an attractive trainee programme that focuses on "Sales (industry)", "Sales (public-sector division)" and "IT system engineering/IT consulting". In 2019, the programme again demonstrated its effectiveness. Following an intensive quality audit by the Trendence Institute in collaboration with Ludwig Maximilian University (LMU) in München, it was awarded the "Career-promoting & fair trainee programme" label for the eighth time in a row. A total of approximately 60 trainees embarked on their career with Bechtel.



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

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



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

How will we work in the future?
How should we lead our team? How can
we further develop our employees?
These are questions that we consider both
at a global level and in our daily work.
As the team continues to learn, so does
the overall organisation – Bechtle
is always eager to improve.



Rik Evers, Recruiter,
Bechtle direct Netherlands

Larissa Förster, Staff Development,
Bechtle AG

SHARE

For Bechtle AG, 2019 was the most successful trading year in its history. Despite the initially restrained forecasts for the capital markets, the price of our share skyrocketed by 84.5 per cent in the course of the year. It thus greatly outperformed the strong performance of the leading German indices. With its market cap of more than €5 billion, our company also attracted the attention of numerous investors from Germany and abroad. After being listed in the MDAX for more than a year, Bechtle AG is firmly rooted in the mid-cap index.

STOCK MARKET

Surprisingly strong stock market year. Despite forecasts to the contrary, the stock markets were in for a very pleasant surprise in 2019. Right at the start of the year, the trade dispute between the USA and China as well as the uncertain outcome of Brexit caused insecurity on the financial markets. Moreover, experts prophesied a decline of the global economy and rising interest rates. Investors, however, were unfazed and continued to invest intensively. This was also evident from the positive performance of the leading German indices.

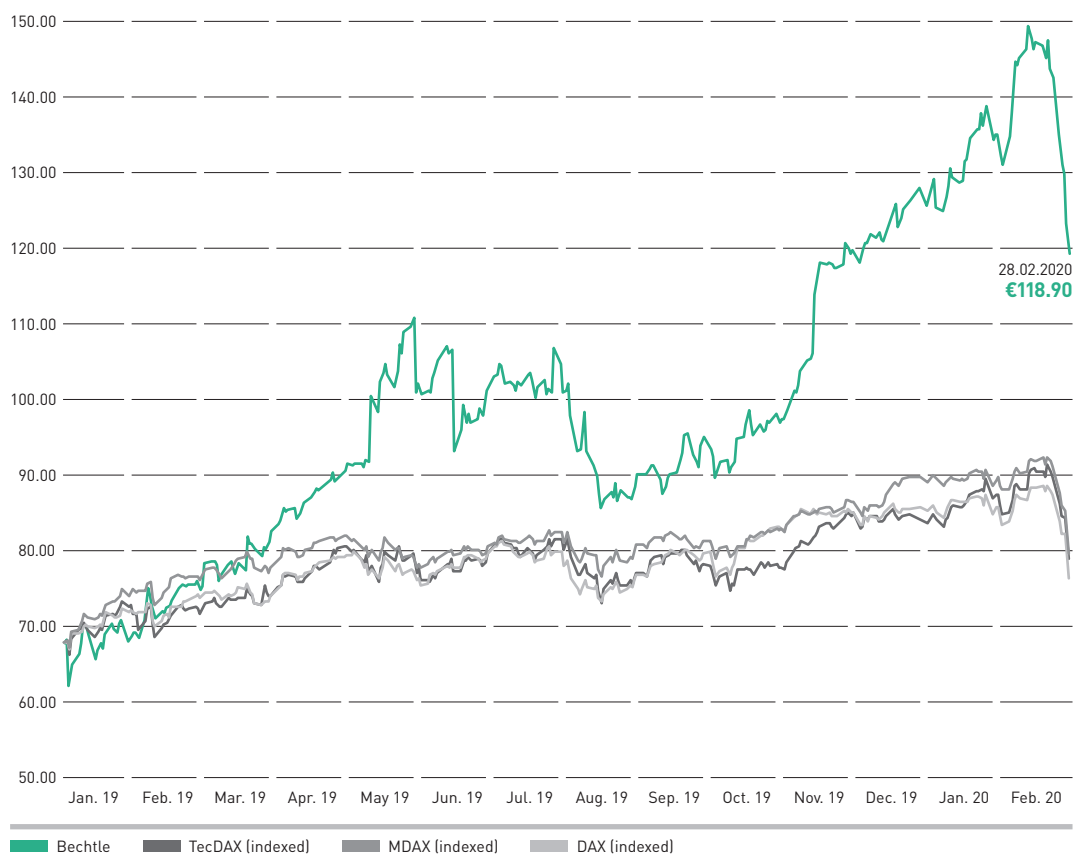
At the beginning of the second half of the year, the slackening global economic performance and a gloomy outlook gave rise to fears of a recession. The stock markets initially reacted with downward price movements. However, the negative mood did not last long. Once again, the ongoing low-interest policy of the central banks contributed to a positive development of the share prices. In October, the year-end rally started, and by the end of the year, the indices reached new highs. In total, the DAX increased 25.5 per cent, the MDAX 31.2 per cent and the TecDAX 23.0 per cent.

SHARE PERFORMANCE

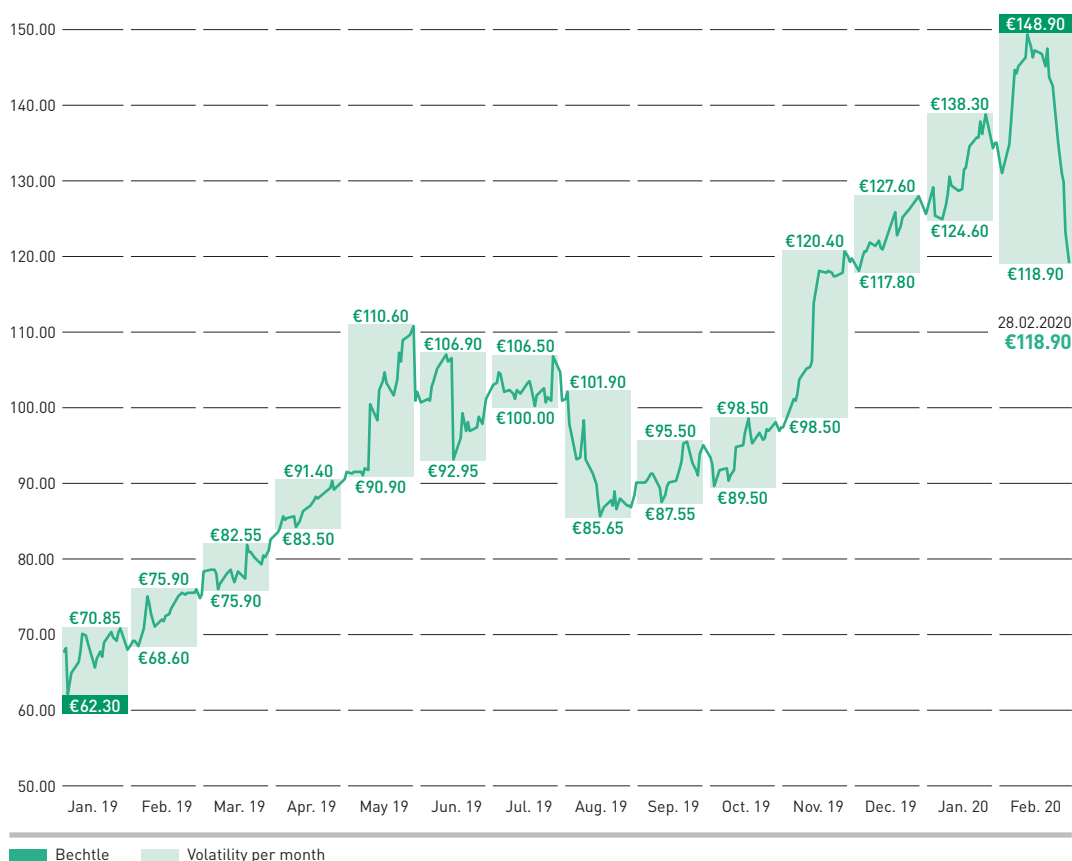
Bechtle share soaring. Already on the second trading day of the new trading year, the Bechtle share reached its annual low of €62.30. Thereafter, the share continually moved upwards, surpassing €100 for the first time in May (adjusted for the split). In the following weeks, the price evened out at that level. Some drops were quickly balanced. The economic concerns at the beginning of the second half of the year also impacted the value of the Bechtle share. In August, it dropped to levels around €90, where it remained until November. In the last two months of the trading year, the Bechtle share then started to soar, breaking one record after another. On the day before the last trading day, the share reached its annual high of €127.60, a new all-time high. With an increase of 84.5 per cent, the Bechtle share outperformed all reference indices, experiencing a higher increase than ever before.

15. THE BECHTLE SHARE – PERFORMANCE FROM JANUARY 2019 TO FEBRUARY 2020

€



16. THE BECHTLE SHARE – HIGHS AND LOWS FROM JANUARY 2019 TO FEBRUARY 2020



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

Apart from the prices, the market cap also progressed. On 25 November 2019, Bechtle passed the €5 billion threshold for the first time. At the end of the year, the market cap amounted to €5,258.4 million. In the MDAX ranking of Deutsche Börse, Bechtle thus advanced to 56th place as of 31 December 2019 (prior year: 75th place). In the TecDAX, Bechtle improved by five places, reaching 10th place as of the end of 2019.

17. TRADING DATA OF THE BECHTLE SHARE

		2019	2018	2017	2016	2015
Closing price at the end of the year	€	125.2	67.85	69.52	49.41	44.03
Performance	%	+84.5	-2.4	+40.7	+12.2	+33.5
High (closing price)	€	127.6	89.90	72.71	52.28	46.32
Low (closing price)	€	62.3	63.85	46.50	36.85	32.25
Market cap – total ¹	€m	5,258.4	2,849.7	2,919.8	2,075.2	1,849.3
Avg. turnover/trading day ²	shares	106,634	101,037	45,637	30,515	46,580
Avg. turnover/trading day ²	€	9,980,675	7,668,425	3,604,891	2,789,577	3,452,399

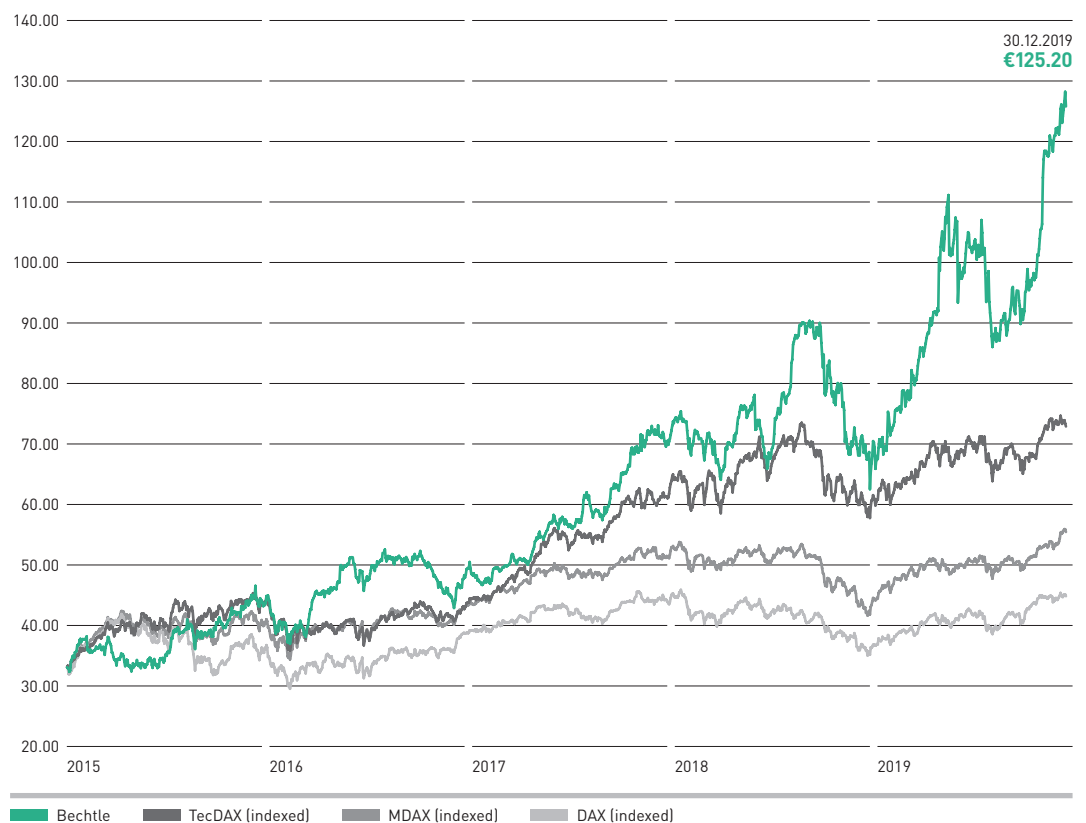
¹ As of the end of the year

² All German stock exchanges

In the reporting period, the average daily stock exchange turnover amounted to €9,980.7 thousand, considerably more than in the prior year (€7,668.4 thousand). The trading volume also increased in terms of the number of shares. On average, 106,634 Bechtle shares were traded per day (prior year: 101,037). In the December ranking of Deutsche Börse, Bechtle reached 75th place in the MDAX in terms of its stock exchange turnover (prior year: 89th place). In the TecDAX, Bechtle remained in 20th place, as in the prior year.

18. THE BECHTLE SHARE – PERFORMANCE FROM 2015 TO 2019

€

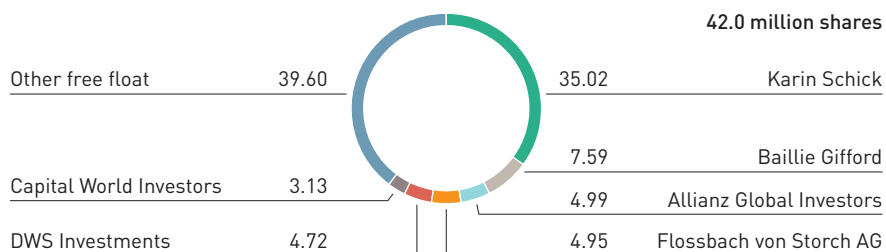


SHAREHOLDER STRUCTURE

Shareholder structure reflects the company's international makeup. With an interest of 35.02 per cent, Karin Schick remains the largest shareholder of Bechtle AG. This figure also comprises the shares of Schick GmbH, of which Karin Schick is a partner, and shares belonging to her son. At 7.59 per cent, Baillie Gifford also held an interest of more than 5 per cent in our company as of the end of 2019. 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. In recent years, international investors have shown more interest in the company. Accordingly, their interest in the shareholder structure has gone up.

19. SHAREHOLDER STRUCTURE

%



As of 31 December 2019

DIVIDEND

10th dividend increase in a row. Since its IPO in 2000, Bechtle has pursued a shareholder-friendly dividend policy focused on continuity. Year after year, the company has thus distributed profits to its shareholders. What is more, the dividend is regularly increased. So far, Bechtle has never reversed this trend. This too underscores the reliability of the highly shareholder-oriented distribution policy of Bechtle AG.


In view of the outstanding results achieved in 2019, the Executive Board and the Supervisory Board have agreed to propose a dividend of €1.20 per share for the 2019 fiscal year to the General Meeting. This would be the 10th increase in a row. Subject to the approval of the Annual General Meeting, the payout proposal would correspond to a dividend increase of 20.0 per cent. In the prior year, Bechtle AG had paid out a dividend of €1.00 per share.

As of 31 December 2019, the number of shares with dividend entitlement was 42,000,000. Thus, the sum to be distributed for the 2019 fiscal year amounts to €50.4 million. This means a dividend payout ratio of 29.6 per cent of the consolidated earnings after taxes (prior year: 30.6 per cent). In relation to the annual closing price of our share, the dividend yield amounts to 1.0 per cent (prior year: 1.5 per cent).

EARNINGS PER SHARE

Earnings per share 24.3 per cent above prior year. The improvement of the operating earnings was accompanied by a corresponding rise in the earnings per share (EPS). Based on the number of voting rights of 42.0 million shares and earnings after taxes of €170.5 million, EPS amounted to €4.06, some 24.3 per cent more than in the prior year (€3.72).

20. SHARE PERFORMANCE INDICATORS

 For further key figures, see Multi-year Overview, page 232

		2019	2018	2017	2016	2015
Shares with dividend entitlement ¹	shares	42,000,000	42,000,000	42,000,000	21,000,000	21,000,000
Earnings per share	€	4.06	3.27	2.73	4.92	4.42
Amount distributed	€m	50.4 ²	42.0	37.8	31.5	29.4
Dividend payout ratio	%	29.6 ²	30.6	33.0	30.5	31.7
Cash dividend per share	€	1.20 ²	1.00	0.90	1.50	1.40
Dividend yield ¹	%	1.0 ²	1.5	1.3	1.5	1.6
Price/earnings ratio ¹		30.8	20.8	25.5	20.1	19.9

¹ As of the end of the year

² Subject to approval of the General Meeting

ANNUAL GENERAL MEETING

Increasing interest in the Annual General Meeting. On 28 May 2019, the Executive Board and the Supervisory Board welcomed about 900 shareholders and guests to the 19th Annual General Meeting of Bechtle AG at the "Harmonie" concert and congress centre in Heilbronn. The attending shareholders represented 78.67 per cent of the company's entire issued capital, much more than in previous years. All agenda items were accepted with an overwhelming majority.

COMMUNICATION WITH THE CAPITAL MARKET

 [bechtle.com/analysts-recommendations](https://www.bechtle.com/analysts-recommendations)

Bechtle share covered by more and more analysts. In 2019, a total of 14 institutions reported on Bechtle in detailed surveys and ad-hoc analyses: Baader Bank, Bankhaus Lampe, Berenberg, Commerzbank, Deutsche Bank, DZ Bank, Hauck & Aufhäuser, HSBC Deutschland, Kepler Cheuvreux, Landesbank Baden-Württemberg, Mainfirst, Metzler, M. M. Warburg and Quirin Privatbank. Following a break, Berenberg resumed its coverage in April. Mainfirst Bank commenced its analysis in March 2019. Bechtle pursues regular constructive dialogue with all institutions. This is intensified by analyst visits to the headquarters, various conferences and roadshows.

Intensive investor relations work continued. We are also in constant touch with all other interested capital market players. In 2019, there were numerous contacts with existing and potential investors. At a total of eleven roadshows and investor conferences held throughout 2019, Bechtle provided information about the company's economic situation, business strategy and outlook in individual and group discussions. The Capital Markets Day, which was held in the context of the Bechtle IT Forum in Frankfurt as in the previous year, again attracted a lot of interest. The main focus was on Bechtle's international strategy. In the course of the year, many investors also made use of the opportunity to inform themselves about Bechtle by visiting the group headquarters in Neckarsulm.

Moreover, personal contact with private investors – e.g. at the Annual General Meeting – is an important element of the investor relations activities. Additionally, Bechtle's agenda in the fiscal year just ended included the introduction of the group to private investors within the scope of the Shareholder Days, which were held for the 14th time. This event in particular is instrumental in strengthening our bond with our shareholders. By means of a presentation and a tour of the Bechtle headquarters, the shareholders gained a deeper insight into our company.

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

For further information, visit our website or contact us.



bechtle.com/investors



See Imprint,
page 242



For Bechtle's employees, the values and the business model are part of their daily life. To convince the capital market of these outstanding qualities of Bechtle is the duty of Investor Relations.

Marcel Vogler, Head of Infrastructure,
Bechtle direct

Melina Koppe, Account Manager,
Bechtle direct Public Sector

Ilka Freund, student on an integrated
degree programme in business
administration – commerce, Bechtle AG

CORPORATE GOVERNANCE REPORT

A company's responsibility does not end with the direct stakeholders, i.e. its employees, customers and shareholders. Rather, the focus on social responsibility is growing in significance. To Bechtle, this is nothing new, but a matter of course. Bechtle's corporate governance has always been aligned with its understanding of what is expected from a respectable merchant. This continues to be evident from the corporate culture and the corporate values. To us, social responsibility is not a matter of zeitgeist, but a matter of conviction.


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

In this section, the Executive Board and Supervisory Board jointly report on the corporate governance at Bechtle AG according to Section 3.10 of the German Corporate Governance Code (DCGK). Bechtle AG publishes the declaration on corporate governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB) on its website. All statements and disclosures in the Corporate Governance Report are based on the German Corporate Governance Code (DCGK) in the version of 7 February 2017. The German Corporate Governance Code (DCGK) also formed the basis of the latest declaration of conformity of Bechtle AG of 31 January 2020.

SHAREHOLDERS AND ANNUAL GENERAL MEETING


bechtle.com/agm

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

Bechtle direct Netherlands is one of our 24 European IT trading companies. The headquarters in Eindhoven and the Breukelen branch have more than 150 employees – and counting.

Casper Brackel, Account Manager,
Bechtle direct Netherlands

Robin Krimp, Business Developer
Software, Bechtle direct Netherlands

From left to right



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

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

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

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 continually 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 them 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 insurance for the Executive Board and Supervisory Board members. 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.



See Report of the Supervisory Board, page 18 ff

EXECUTIVE BOARD


bechtle.com/executive-supervisory-boards

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

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

In 2017, the Executive Board of Bechtle AG had adopted targets for the female quota at the two executive levels under the Executive Board, which were to be reached by 30 June 2022. The target was 0 per cent for the first executive level and 5.5 per cent for the second executive level.

In the reporting period, the Executive Board revised these targets. The Executive Board of Bechtle AG is very open to the topic of diversity and has always welcomed a female proportion at the executive levels absolutely. However, the targets adopted in 2017 do not fully reflect Bechtle's social responsibility and are not in line with the high demand for qualified professionals. In its resolution of 17 January 2020, the Executive Board has therefore adjusted the targets ahead of time. The first executive level under the Executive Board comprises the Executive Vice Presidents throughout the group. Currently, the share of women at this level is 0 per cent. The new target for this level is 22 per cent, which is to be reached by 31 January 2025.

The second executive level under the Executive Board comprises the decision makers in managerial positions as well as other executives throughout the group that report directly to a member of the Executive Board. The female share at this level currently amounts to 8.94 per cent. The Executive Board has determined a target quota of 25 per cent for the second executive level. This target, too, is to be reached by 31 January 2025.


compliance@bechtle.com

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. The code of conduct is currently being revised and updated. Moreover, Bechtle has a compliance board. This board consists of the Executive Board of Bechtle AG and a permanent representative of the legal department. All employees as well as external parties can contact the compliance board via a hotline and a secure e-mail account. The compliance board reviews and assesses reports and violations and makes sure that any required measures are taken. Additionally, the compliance board advises decision makers in handling compliance-relevant situations. It continually processes reported incidents and uses the information to specify and further develop compliance requirements.

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. Currently, the organic performance accounts for 80 per cent and the performance including acquisitions for 20 per cent of the assessment base for the long-term component. Apart from this, the Supervisory Board may, at its own discretion, grant the Executive Board a special bonus. As in the past, the company did not make any pension commitments to members of the Executive Board in the reporting period.

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

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

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

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

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

SUPERVISORY BOARD



See Notes,
Members of the
Supervisory Board,
page 218 f

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

For age-related reasons, Barbara Greyer stepped down from her Supervisory Board mandate as of the end of 30 November 2019. By decision of the Stuttgart District Court, Anastasia Polidoros was appointed as a member of the Supervisory Board as of 19 December 2019.

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

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

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

As of 13 March 2019, Bechtle AG started publishing CVs of all supervisory members on the company website, which will be updated every year.

The Supervisory Board endeavours to fulfil its duties with due care. Every three years, the Supervisory Board has the efficiency of its activity comprehensively audited on the basis of the guideline of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. Such an audit was carried out during the reporting period and confirmed that the Supervisory Board works efficiently. Should the Supervisory Board come to the conclusion that the 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. The Supervisory Board thus intends to ensure that at least two members of the Supervisory Board fulfil the criterion of internationality to a special degree. However, the Supervisory Board does not see any necessity to fix the number of independent members of the Supervisory Board. Currently, all shareholder representatives fulfil the criterion of "independence", as they do not have any personal or business relationship with the company, its organs, a controlling shareholder or a company affiliated with a controlling shareholder and do not exercise any advisory or organ functions for customers, suppliers, creditors or other business partners of Bechtle AG. Nevertheless, the Supervisory Board will continue to propose representatives of business partners as members of the Supervisory Board if their specific skills are more beneficial to the company than potential conflicts of interests could be detrimental. For the aforesaid reasons, the Supervisory Board does not consider it to be necessary to disclose the number of independent members among the shareholders representatives which it believes to be appropriate and the names of these members in the Corporate Governance Report. In terms of diversity, the Supervisory Board has not determined any goals. Moreover, the Supervisory Board has not determined any standard limit for the affiliation with the Supervisory Board. In this area too – as in the case of the staffing of the Executive Board and executive positions and in its dealings with all employees – Bechtle AG aims at a long-term cooperation. In the past, Bechtle AG often benefited from the long-standing expertise of experienced members of the Supervisory Board. This would be desirable in the future as well.



Bechtle has IT system houses throughout Germany. In Bavaria alone, IT system houses exist in Würzburg and at four other locations. Like all Bechtle IT system houses in Germany, Austria and Switzerland, they are characterised by a regional focus and networking among each other.

Nikolaj Wilm, Sales Consultant,
Würzburg system house

Florian Schmitt, Sales Back Office,
Würzburg system house

From left to right

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

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

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

SUPERVISORY BOARD COMPENSATION


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


 See Notes,
page 201

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

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 INTERESTS

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



See Notes,
Members of the
Supervisory Board,
page 218 f

TRANSPARENCY

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



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

ACCOUNTING AND AUDITING OF ANNUAL FINANCIAL STATEMENTS

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

The annual and Consolidated Financial Statements were audited by the audit firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, Germany, which the General Meeting had appointed as auditor for the 2019 fiscal year.

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

The auditor participates in the Supervisory Board discussions on the annual and Consolidated Financial Statements, attends the balance sheet meeting on 17 March 2020 and reports the results of its audit. Moreover, the auditor provides additional information and answers questions of the Supervisory Board concerning the audit.

TAKEOVER-RELATED DISCLOSURES

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

As of 31 December 2019, the company's issued capital amounted to €42 million, divided into 42,000,000 no-par bearer shares (ordinary shares). The pro-rata amount of the issued capital that is allocated to each share is €1.00. All shares have voting rights and are entitled to dividends. The rights and obligations associated with the ordinary shares are as specified in the German Stock Corporation Act (AktG).

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



[bechtle.com/
shareholder-structure](https://www.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 28.83 per cent directly and 6.19 per cent indirectly. No changes occurred up to 3 March 2020, 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.

At Bechtle's group headquarters in Neckarsulm, there is ample opportunity for people to meet each other. The open "piazza" is a spacious hub for scheduled and incidental meetings of employees of all departments. Here, the exchange culture comes alive on a daily basis.

Mario Sommer, Large Account Manager,
Bechtle direct Public Sector

Rebecca Reinhold, Assistant to the CEO,
Bechtle AG

Jan König, Sales Back Office,
Comsoft Germany

From left to right



The appointment and dismissal of members of the Executive Board is governed by Sections 84 ff 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.

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).



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

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 €14 million by issuing new bearer shares against cash contributions and/or contributions in kind until 11 June 2023 (authorised capital according to Article 4.3 of the Articles of Incorporation). Detailed information on this subject is available in the Notes.



See Notes,
Issued Capital,
page 161

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 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 below 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 below the average closing prices of the company's share on the five stock exchange trading days prior to the publication of the decision to issue a public purchase bid or the publication of the invitation to submit offers for sale by more than 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.

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

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

FRAMEWORK CONDITIONS

In 2019, the macroeconomic performance slowed down considerably, especially in Germany. The growth rates of the gross domestic product (GDP) receded in all areas. However, the IT market remained largely unaffected by this trend. In the EU and in many national markets, the growth even increased at a high level. Against this background, Bechtle performed extremely well, highly outperforming the market growth with double-digit growth rates and further expanding its market share.

MACROECONOMY



Economic performance cooling off. Though the macroeconomic performance in the EU remained positive in 2019, the latest figures of the European Commission show that the growth of the gross domestic product (GDP) only reached 1.5 per cent, compared to 2.1 per cent in the prior year. The performance in the various Bechtle markets in the EU was uneven. In terms of GDP growth, Italy (0.2 per cent) and Germany (0.6 per cent) were at the bottom of the scale. Hungary (4.9 per cent) and Poland (4.0 per cent) were among the top performers. For the third time in a row, Ireland reported the highest growth of 5.7 per cent. In 2019, investments in equipment – an indicator that is relevant to Bechtle – underwent above-average growth of 2.8 per cent in the EU. However, the dynamics were weaker than in the prior year (4.4 per cent).



The pace of growth in the German economy slowed down significantly in 2019. As reported by the German Federal Statistical Office, the GDP increased 0.6 per cent in the reporting period (prior year: 1.5 per cent). This is the weakest growth rate in six years. Investments in equipment merely increased 0.4 per cent, compared to 4.4 per cent in the prior year. By contrast, government investment went up by an above-average 2.5 per cent (prior year: 1.4 per cent).

INDUSTRY



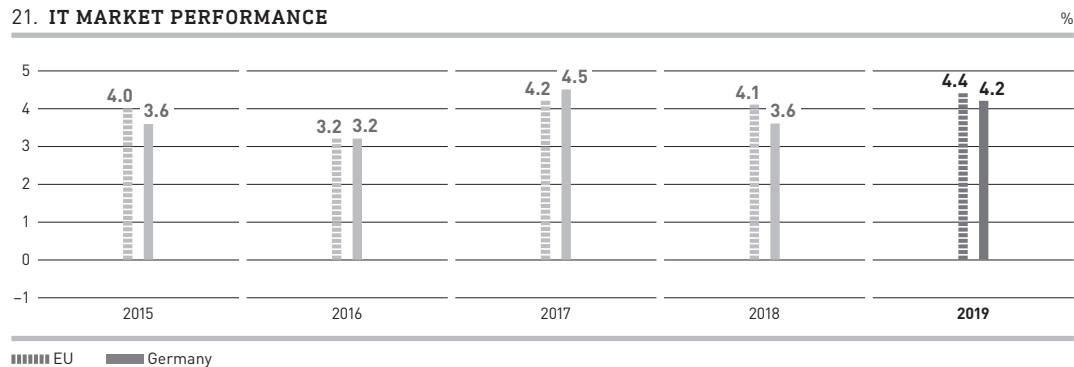
IT market remains positive. The IT market continued to perform very well in 2019. In the EU and most of the national markets relevant to us, the sector grew faster than the overall economy. In many countries, the growth rates even underwent a sometimes significant increase. The market research institute EITO reports growth of 4.4 per cent in the IT market in the EU, compared to 4.1 per cent in the prior year. The two subsegments services and software made a positive contribution to this growth,

reporting increases of 3.3 per cent and 6.6 per cent, respectively. According to the market researchers, the growth of the hardware segment also picked up, reaching 4.8 per cent (prior year: 4.0 per cent). This development reflects the strong revenue growth achieved with PCs and especially with mobile devices. In the countries in which Bechtle is represented, the hardware revenue figures for 2019 were again highly heterogeneous: Almost all countries picked up, headed by Austria with 12.3 per cent. Switzerland and France, two other countries that play a key role in Bechtle’s hardware sales, grew 11.8 per cent and 8.3 per cent, respectively. In the reporting period, the hardware revenue only suffered losses in three countries, most prominently in Hungary with -5.4 per cent and in Ireland with -2.0 per cent.

In the reporting period, the growth dynamics of the IT market in Germany also went up. In 2019, the German IT market grew 4.2 percent (prior year: 3.6 per cent), reaching a level similar to that of the EU. In Germany, the performance in the individual segments was rather balanced. Affected by the stronger growth in the business with corporate customers, hardware revenue increased 5.5 per cent. The service revenue went up 2.4 per cent, and software increased 6.3 per cent.

Driven by the strong hardware revenue, the IT market in Austria grew by a total of 4.8 per cent; software increased 5.0 per cent and services 2.4 per cent. Switzerland recorded significant growth of 6.1 per cent; service revenue went up 3.7 per cent, software 7.2 per cent and hardware 11.8 per cent.

21. IT MARKET PERFORMANCE



OVERALL ASSESSMENT AND EFFECTS OF THE ECONOMIC ENVIRONMENT

Bechtle continues to grow. In the reporting period, the macroeconomic framework conditions were under considerable pressure. In the course of 2019, the mood deteriorated and the GDP growth rates dropped sharply, especially in Germany. The IT industry, however, was able to resist this negative trend, growing even stronger than in the prior year in some areas. Contrary to the forecasts made at the start of the year, the hardware segment also contributed greatly to this development.

Bechtle AG has made good use of the positive industry trend: Double-digit percental revenue growth was achieved in all regions and in both segments, and thereby greatly outperformed the growth of the overall IT market. With these growth figures, Bechtle also outperformed its competitors. In the reporting period, we were thus able to further expand our market share.

Apart from the macroeconomic performance and the economic trend in the industry, the Bechtle markets did not witness any significant events outside the company that had a noteworthy impact on business performance in 2019. Brexit and the negotiations on how the process will actually take place did not have any noticeable effect, neither on the UK subsidiary nor on the group as a whole.

Form teams, find solutions. This is what the employees at the Bechtle IT system houses do day by day. Changing challenges require flexibility to establish the most suitable constellations – at the locations, in collaboration with the competence centres and throughout the group.



Oliver Soares Machado, Sales Back Office, Würzburg system house

Steffen Freund, Leader Enterprise Networking, Würzburg system house

Markus Menig, Project and Service management, Würzburg system house

From left to right

EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

The year 2019 was the third in a row in which Bechtle achieved double-digit revenue and earnings growth – both overall and organically. The dynamics were strong throughout all quarters. Despite the higher depreciation and amortisation as a result of acquisitions, profitability remained at a high level. We are especially pleased with the performance of our system houses abroad, which achieved the by far highest organic growth.

ORDER POSITION

Incoming orders increase accompanied by an increase in revenue. 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 short order and delivery times. In the IT System House & Managed Services segment, project deals can take anywhere from several weeks to one year. Especially in the fields of managed services and cloud computing, most of the framework and operating agreements that Bechtle concludes with its customers have terms of several years.

Incoming orders during a fiscal year largely correspond to the revenue in this period. In the reporting period, incoming orders amounted to €5.29 billion, approximately 22 per cent more than in the prior year (€4.33 billion). Incoming orders increased from €2.91 billion to €3.42 billion in the IT System House & Managed Services segment and from €1.42 billion to €1.87 billion in the IT E-Commerce segment.

As of the end of 2019, the group's order backlog was worth approximately €761 million, some 13 per cent more than at the end of 2018 (€671 million). Of this amount, the IT System House & Managed Services segment accounted for €620 million (prior year: €563 million), and the IT E-Commerce segment for €141 million (prior year: €108 million). The order backlog in the IT System House & Managed Services segment is approximately two months. In the trading segment, the order backlog is less than four weeks, as direct and fast delivery of the goods is the main priority.

REVENUE PERFORMANCE

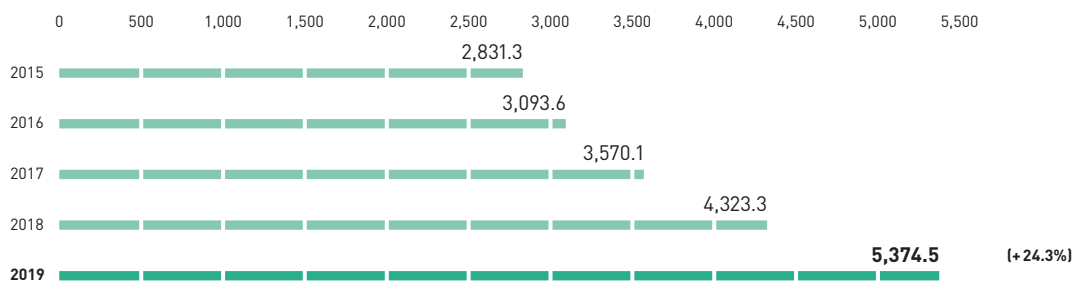


See Notes,
Revenues,
page 149

Strong revenue increase. In the 2019 fiscal year, Bechtle achieved substantial growth, increasing its revenue by 24.3 per cent from €4,323.3 million to €5,374.5 million. This is second-highest growth rate ever achieved in a fiscal year over the past 15 years. Only 2010 had seen slightly higher growth, reaching almost 25 per cent. In the reporting period, the organic growth amounted to 15.2 per cent, almost as much as in the prior year, which had reached an excellent 15.8 per cent.

22. REVENUE

€m

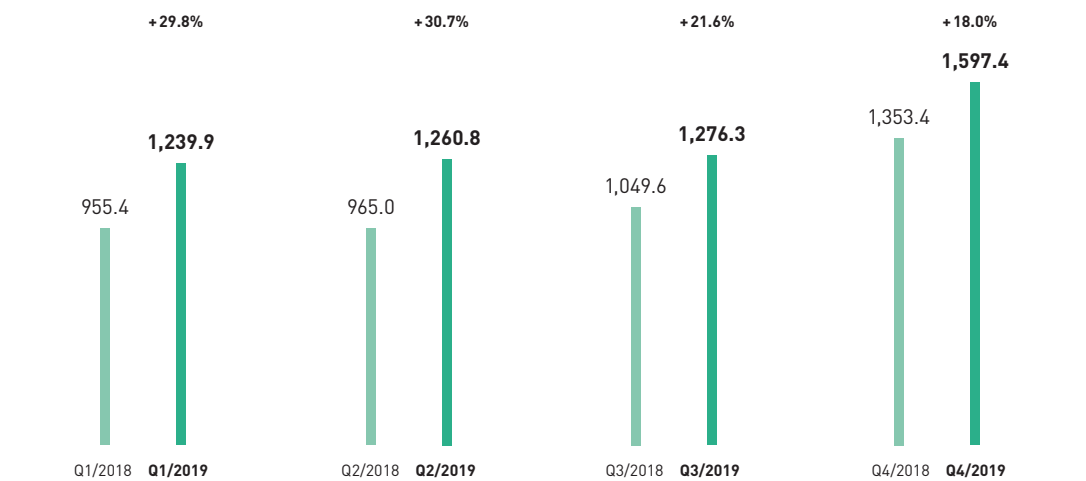


All regions and all segments exhibited strong growth rates. At 38.8 per cent, the companies outside Germany boasted the most significant growth. At the organic level, the system houses abroad recorded the highest growth of 30.1 per cent.

Throughout the year, the growth remained in the double-digit range. Owing to acquisitions, the growth was especially high in the first half of the year. In the second quarter, Bechtle achieved the highest organic growth of 16.9 per cent. In the first quarter and in the fourth quarter, the organic growth amounted to just over 15 per cent, respectively. In the third quarter, it amounted to more than 12 per cent.

23. REVENUE PERFORMANCE

€m

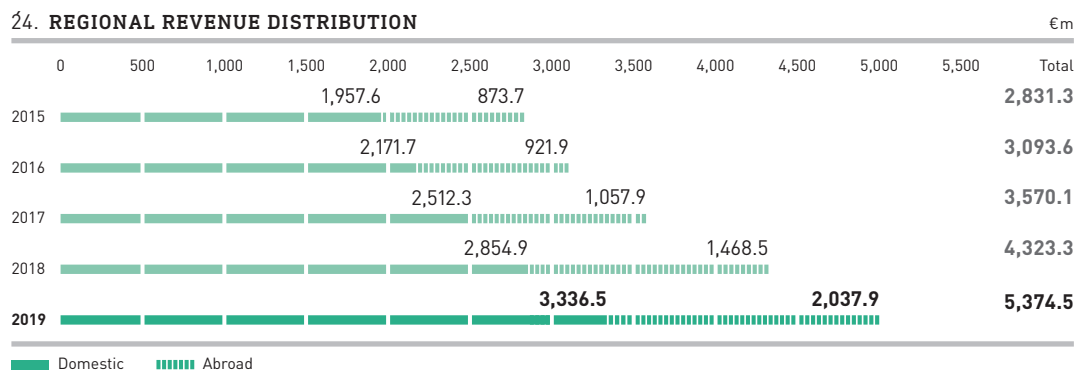


The average number of full-time and part-time employees increased 20.6 per cent, a rate lower than the revenue growth rate. In the reporting period, Bechtle thus further increased its productivity. Based on a number of 10,031 full-time and part-time employees (prior year: 8,316), the revenue per employee amounted to €536 thousand, compared to €520 thousand in the prior year.



For calculation, see Employees, page 45

24. REGIONAL REVENUE DISTRIBUTION



In Germany, the revenue increased at a substantial and highly organic rate of 16.9 per cent. Thus, Germany remains Bechtle's most important market. Though the share in the total revenue dropped due to the acquisition of Inmac WStore in France, it still reached a high level of 62.1 per cent (prior year: 66.0 per cent). Especially due to acquisitions, the revenue abroad increased 38.8 per cent. For the first time, Bechtle's revenue abroad surpassed the mark of €2 billion. The gap between the organic growth rates was much smaller, with 14.3 per cent in Germany and 17.1 per cent abroad.

COST AND EARNINGS PERFORMANCE

EBT shows double-digit growth.

Cost of sales. In the reporting period, gross earnings increased 19.4 per cent – a rate lower than the revenue growth rate – to €767.8 million (prior year: €642.9 million). Compared to the revenue, the cost of sales developed at a disproportionately high rate of 25.2 per cent. This was, among other things, due to the disproportionately high increase in personnel expenses (31.6 per cent). Material costs increased 24.7 per cent, only slightly more than the revenue. The gross margin thus amounted to 14.3 per cent (prior year: 14.9 per cent).



See Notes, Expense Structure, page 150

25. COST OF SALES/GROSS EARNINGS

		2019	2018	2017	2016	2015
Cost of sales	€m	4,606.6	3,680.4	3,026.3	2,610.5	2,394.0
Gross earnings	€m	767.8	642.9	543.8	483.1	437.3
Gross margin	%	14.3	14.9	15.2	15.6	15.4



See Employees,
page 44

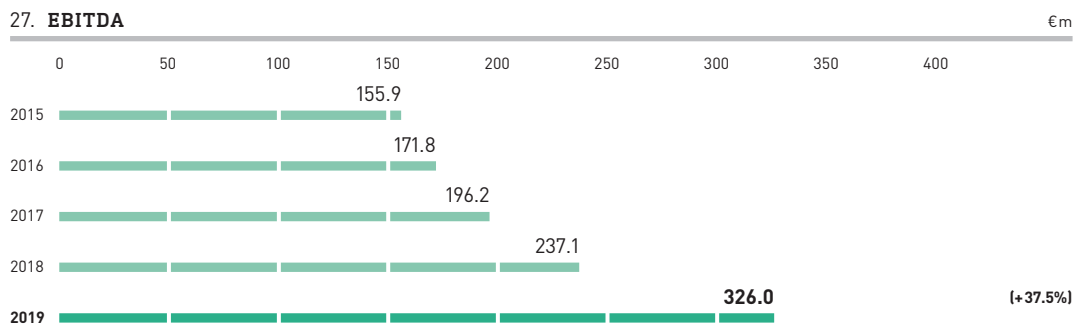
Distribution costs and administrative expenses. In 2019, distribution costs increased at a below-average rate of 19.2 per cent to €306.6 million (prior year: €257.2 million). The distribution cost ratio thus receded from 5.9 per cent to 5.7 per cent. Administrative expenses increased 21.4 per cent from €205.7 million to €249.6 million. The administrative expense ratio thus also declined from 4.8 per cent to 4.6 per cent. Other operating income totalled €29.8 million, considerably more than in the prior year (€15.0 million). This was due mainly to higher marketing grants of the manufacturers and a one-time effect from the second quarter in the amount of €4.4 million.

26. DISTRIBUTION COSTS/ADMINISTRATIVE EXPENSES

		2019	2018	2017	2016	2015
Distribution costs	€m	306.6	257.2	216.0	196.3	182.8
Distribution cost ratio	%	5.7	5.9	6.0	6.3	6.5
Administrative expenses	€m	249.6	205.7	173.4	153.0	138.4
Administrative expense ratio	%	4.6	4.8	4.9	4.9	4.9

Earnings. In the reporting period, earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed 37.5 per cent to €326.0 million (prior year: €237.1 million). The main reason for the disproportionately high increase was the initial adoption of IFRS 16. The EBITDA margin increased from 5.5 per cent to 6.1 per cent. Without the IFRS 16 effects, EBITDA would have amounted to €294.4 million, thus 24.0 per cent more than in the prior year. The EBITDA margin would have been stable compared to the prior year at 5.5 per cent.

27. EBITDA



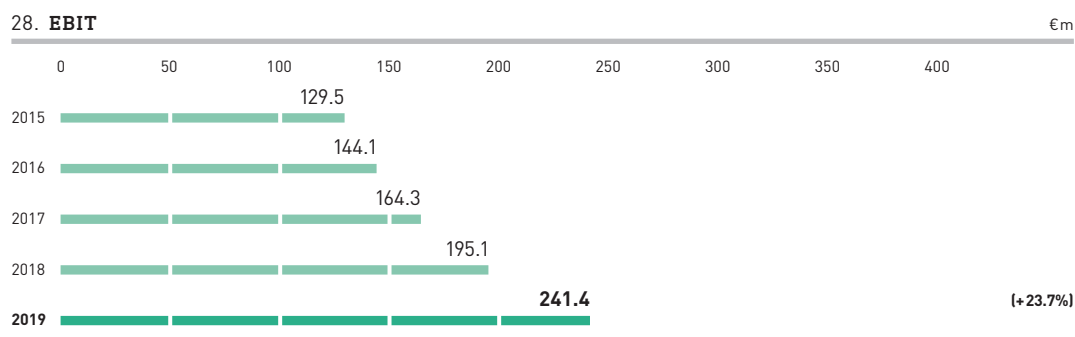
In 2019, depreciation and amortisation increased sharply, due partly to the initial adoption of IFRS 16. This item amounted to €84.6 million, compared to €42.0 million in the prior year. However, acquisition-related purchase price allocations (PPA) in the amount of €9.5 million were also effective, particularly due to the acquisition of Inmac WStore. Accordingly, amortisation of customer bases underwent the highest increase of 126.2 per cent. Nevertheless, software as well as property, plant and equipment accounted for the greatest absolute share of the depreciation and amortisation, totalling €71.3 million (prior year: €35.1 million). Property, plant and equipment mostly consists of the company's own IT, purchased assets such as the buildings at various locations, tenant installations and office equipment. Moreover, assets used by customers under long-term maintenance agreements are depreciated.

The depreciation and amortisation rate increased slightly to 1.6 per cent as of the end of 2019 (prior year: 1.0 per cent). However, compared to the other expense items, it remained insignificant. For 2019, the goodwill impairment tests again did not reveal any need for impairment.



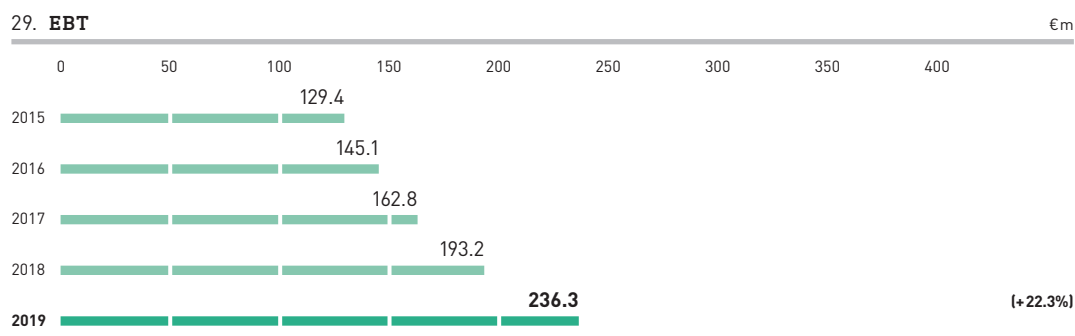
See Value Information,
page 83

Earnings before interest and taxes (EBIT) improved by 23.7 per cent to €241.4 million per cent (prior year: €195.1 million). As in the prior year, the EBIT margin was 4.5 per cent. Without the PPA effects, it would have increased to 4.7 per cent. Purely organically (i.e. without PPA effects and without any positive one-time effect), it would have amounted to 4.6 per cent.



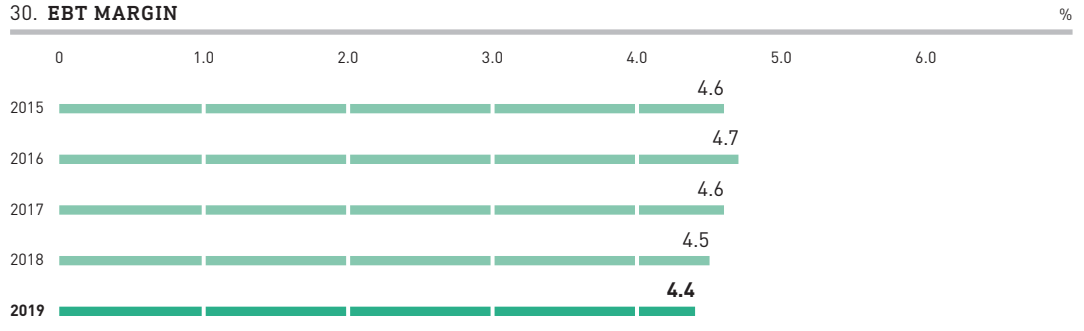
The financial earnings of –€5.1 million were affected by a substantial increase in expenses. This was due to the significantly higher financial liabilities in connection with the acquisition of Inmac WStore.

Earnings before taxes (EBT) increased 22.3 per cent to €236.3 million (prior year: €193.2 million). All in all, the disproportionately high increase in cost of sales and depreciation and amortisation could not be compensated. Although the earnings performance was highly positive, it remained slightly behind the revenue performance.



In the reporting period, the EBT margin was 4.4 per cent, compared to 4.5 per cent in the fiscal year 2018. Without the PPA effects, it would have increased to 4.6 per cent. Purely organically (i.e. without PPA effects and without any positive one-time effect), it would have amounted to 4.5 per cent, as in the prior year.

30. EBT MARGIN

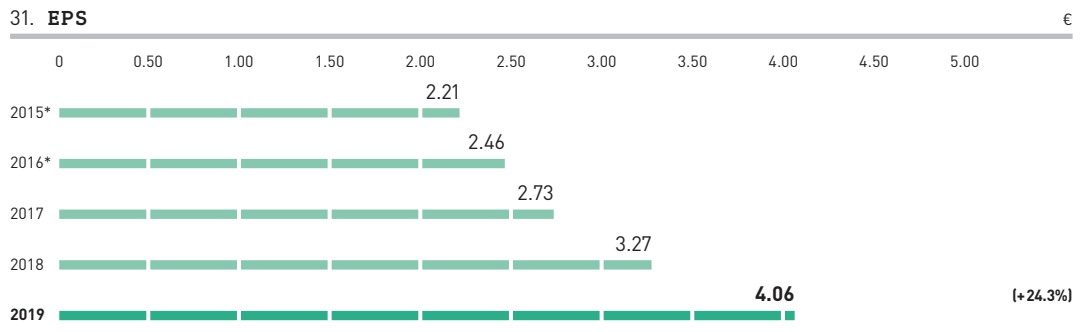


See Notes,
Income Taxes,
page 151f

In the reporting period, income tax expenses increased 17.4 per cent to €65.8 million (prior year: €56.1 million). The tax rate declined from 29.0 per cent to 27.9 per cent. This decline was caused by the higher earnings shares from abroad, some of which were subject to lower tax rate. Other reasons included the tax reforms in France and Switzerland, which necessitated a remeasurement of the deferred taxes, resulting in a lower tax burden in the reporting period.

Earnings after tax amounted to €170.5 million, 24.3 per cent more than in the prior year (€137.1 million). Earnings per share amounted to €4.06, compared to €3.27 in the prior year.

31. EPS



* Prior year adapted to share split



See Foreign Currencies,
page 106

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



See Dividend,
page 55

In view of the good performance, the Executive Board and the Supervisory Board propose to pay out a dividend of €1.20 per share to the shareholders for the 2019 fiscal year (prior year: €1.00). Compared to the prior year, the dividend would thus be 20.0 per cent higher, and the dividend payout ratio would amount to 29.6 per cent.

SEGMENT REPORT

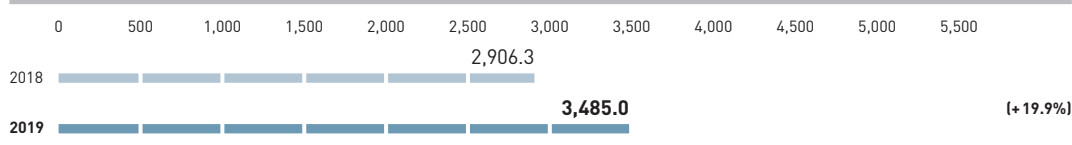
Both segments contribute to growth.

IT System House & Managed Services. In the service segment, Bechtel generated revenue of €3,485.0 million in 2019, an increase of 19.9 per cent (prior year: €2,906.3 million). In total, the IT System House & Managed Services segment accounted for 64.8 per cent of the group revenue (prior year: 67.2 per cent).



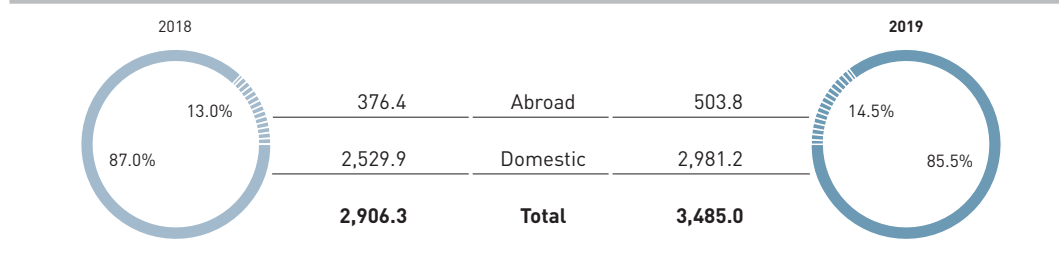
See Notes,
Segment Information,
page 186 ff

32. SEGMENT REVENUE IT SYSTEM HOUSE & MANAGED SERVICES €m



The system houses abroad exhibited exceptional growth of 33.9 per cent, only part of which was due to acquisitions. The organic growth still amounted to an outstanding 30.1 per cent. At 17.8 per cent (organic growth: 14.9 per cent), Germany, too, achieved high growth. With its comprehensive offering, a full bandwidth of system house services up to managed services and multi-cloud services, the Bechtel system houses manage to boost the existing demand and gain market shares.

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

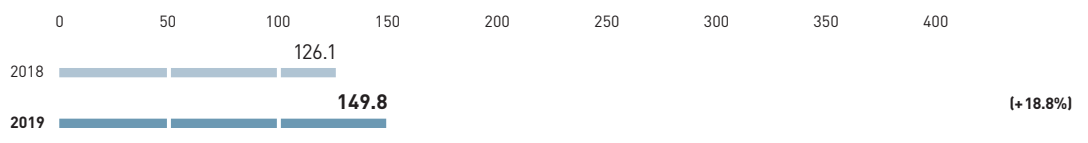


Productivity in the IT System House & Managed Services segment increased as a result of the below-average headcount increase compared to revenue growth. Based on an average number of 7,810 full-time and part-time employees (prior-year: 6,640 employees), the revenue per employee amounted to €446 thousand (prior year: €438 thousand).

In 2019, EBIT in the IT System House & Managed Services segment climbed 18.8 per cent to €149.8 million (prior year: €126.1 million). The EBIT margin remained stable at 4.3 per cent. Especially considering the many qualification and training measures conducted in the reporting period, this stability is a major achievement.

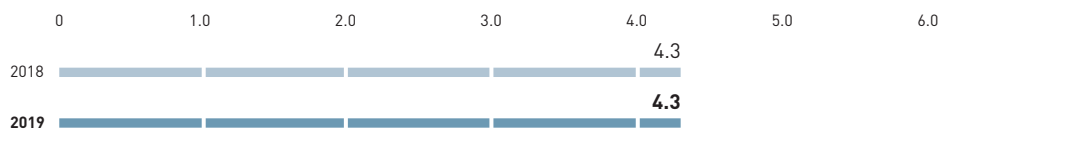
34. EBIT IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m



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

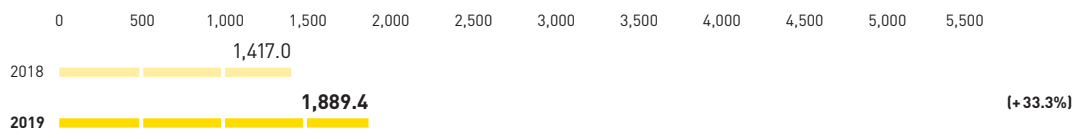
%



IT E-Commerce. In the reporting period, the IT E-Commerce segment increased its revenue 33.3 per cent to €1,889.4 million (prior year: €1,417.0 million). This was due especially to the acquisition of Inmac WStore. However, the segment also achieved organic revenue growth of 11.8 per cent.

36. SEGMENT REVENUE IT E-COMMERCE

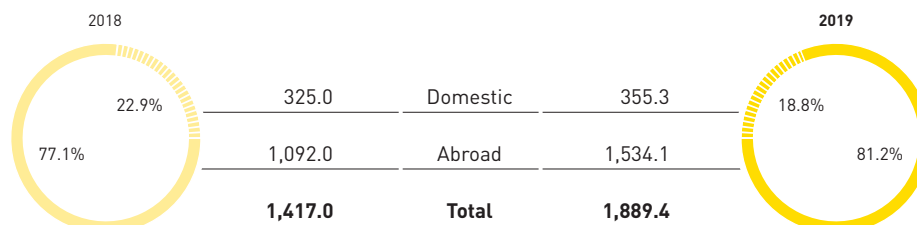
€m



In this segment, too, the international companies made a greater contribution to the growth. In the reporting period, the revenue generated by these companies increased 40.5 per cent to €1,543.1 million. Organically, the growth abroad amounted to 12.6 per cent. The German trading companies grew 9.3 per cent to €355.3 million (prior year: €325.0 million).

37. REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT

€m

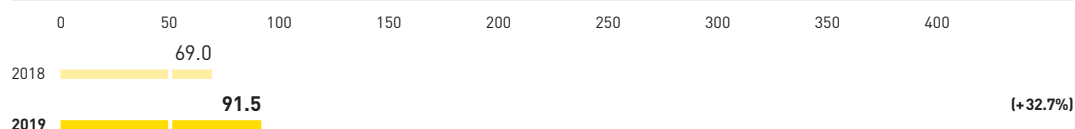


In the reporting period, the revenue per employee increased as well. Based on an average of 2,221 full-time and part-time employees (prior year: €1,676), this figure increased to €851 thousand (prior year: €845 thousand).

In the reporting period, EBIT in the IT E-Commerce segment came under pressure, especially due to the substantial increase in depreciation and amortisation in connection with the purchase price. Nevertheless, EBIT increased 32.7 per cent to €91.5 million (prior year: €69.0 million).

38. EBIT IN THE IT E-COMMERCE SEGMENT

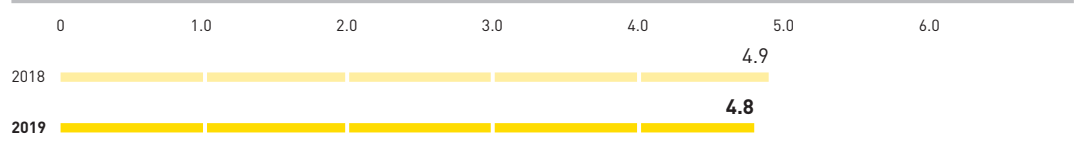
€m



The EBIT margin declined only slightly from 4.9 per cent to 4.8 per cent. The effects from the purchase price allocations for Inmac WStore add up in this segment to 0.4 percentage points and have thus already been partly compensated.

39. EBIT MARGIN IN THE IT E-COMMERCE SEGMENT

%



ASSETS POSITION

Our solid balance sheet gives us and our customers the necessary security to be able to make long-term plans. Apart from some stable indicators such as the equity ratio and the debt ratio, a number of balance sheet indicators also shed light on the day-to-day activities. In 2019, we were able to reduce the capital commitment in this area despite the high growth rate. For example, this is evident from the only minor increase in inventories. Accordingly, the working capital, too, only underwent disproportionately low growth.



For the assets position of the segments, see Notes, page 188

Balance sheet total up due to initial adoption of IFRS 16. In the reporting period, the balance sheet total of the Bechtle Group increased 18.1 per cent to €2,394.7 million.

40. CONDENSED BALANCE SHEET

	2019	2018	2017	2016	2015
Assets					
Non-current assets	846.4	659.3	415.2	368.2	344.4
Current assets	1,548.3	1,367.9	1,028.2	901.1	806.0
Equity and liabilities					
Equity	1,014.8	883.2	777.3	694.1	620.7
Non-current liabilities	566.7	464.9	127.3	118.0	119.2
Current liabilities	813.1	679.1	538.8	457.3	410.6
Balance sheet total	2,394.7	2,027.2	1,443.4	1,269.3	1,150.4

On the assets side, non-current assets amounted to €846.4 million, some 28.4 per cent more than in the prior year. Due to the initial adoption of IFRS 16, property, plant and equipment increased €127.8 million or 83.6 per cent. Owing mainly to acquisitions, goodwill rose by €51.7 million. Due to the higher number of long-term projects, non-current receivables increased €10.3 million. At €48.0 million, the amount spent on investments was below that of the prior year (€56.6 million). The investment ratio receded to 17.2 per cent (prior year: 26.9 per cent).

The capitalisation ratio thus increased, reaching 35.3 per cent as of 31 December 2019 (prior year: 32.5 per cent). In the reporting period, the coverage of the non-current assets by the equity dropped from 134.0 per cent to 120.0 per cent.

Comfortable liquidity. Current assets only increased at a disproportionately low rate, by 13.2 per cent to €1,548.3 million. This item was affected primarily by the trade receivables, which rose by €108.3 million or 14.4 per cent due to the higher business volume. The DSO (days sales outstanding) increased from 41.3 to 43.4 days. This was due mainly to the higher overseas share in the business volume and thus a higher share of receivables with longer periods of payment. Despite the significant revenue increase, inventories only underwent a slight increase. The figure indicates that Bechtle only ties up 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. The ratio of inventories to revenue receded from 6.5 per cent to 5.3 per cent. Cash and cash equivalents increased €26.8 million to €272.2 million. Bechtle thus has sufficient funds to finance both its further growth as well as smaller acquisitions. Moreover, Bechtle has a liquidity reserve of €95.4 million in the form of unused cash, guarantee and money market credit lines.

In the business of Bechtle AG, which does not involve a great deal of property, plant and equipment, the ROCE (return on capital employed) is usually largely affected by the development of current assets and liabilities, on the one hand, and the earnings performance, on the other. However, the initial adoption of IFRS 16 in the reporting period impacted the non-current assets, which is also reflected in the ROCE. In the reporting period, the ROCE amounted to 18.7 per cent, compared to 20.6 per cent in the prior year.

41. ROCE/CAPITAL EMPLOYED

		2019	2018	2017	2016	2015
ROCE	%	18.7	20.6	22.3	24.0	23.7
Capital Employed	€m	1,288.7	948.2	738.0	601.0	546.4

Year on year, the working capital increased 11.5 per cent, a rate lower than the revenue growth rate. In relation to the revenue, the figure declined from 13.4 per cent to 12.1 per cent. Though the trade receivables underwent a substantial increase that was mainly caused by the growth, this effect was compensated for by an only minor increase in inventories and a greater increase in trade payables. This reflects some initial success of Bechtle's more active working capital management.

42. WORKING CAPITAL

		2019	2018	2017	2016	2015
Working capital	€m	647.7	580.8	492.9	375.6	294.9
In % of revenue		12.1	13.4	13.8	12.1	10.4

On the equity and liabilities side, current liabilities increased €134.0 million or 19.7 per cent to €813.1 million. Trade payables underwent a slight increase of €34.5 million. Other liabilities increased €71.8 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 €566.7 million, 21.9 per cent more than in the prior year. This was due especially to the initial adoption of IFRS 16, which resulted in an increase of €93.2 million in other liabilities. Pension provisions increased €14.4 million, due mainly to acquisitions. Accordingly, the share of non-current liabilities in the balance sheet total increased from 22.9 per cent to 23.7 per cent.

Robust equity ratio. In the reporting period, the equity grew 14.9 per cent to €1,014.8 million. This increase was the result of the increase of €131.6 million in retained earnings. The equity ratio declined slightly from 43.6 per cent to 42.4 per cent. However, the return on equity improved from 18.1 per cent to 19.8 per cent.

43. RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

		2019	2018	2017	2016	2015
Return on equity	%	19.8	18.1	16.9	17.1	17.2
Return on total assets		8.5	9.1	9.6	9.6	9.5

Due especially to the initial adoption of IFRS 16, the debt ratio increased from 129.5 per cent to 136.0 per cent as of 31 December 2019. However, the pure financial liabilities were reduced. Thus, the net debt dropped from €142.6 million to €115.5 million.

Due to the balance sheet extension in connection with the adoption of IFRS 16 and other reasons, the return on assets – a key performance indicator that reflects the return on the total assets employed – dropped from 9.1 per cent to 8.5 per cent in the reporting period.

VALUE INFORMATION

In almost all cases, the fair value of the current assets and liabilities corresponds 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, with the exception of the Inmac WStore brand. 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 147 f



For value in use of
the goodwill, see Notes,
page 153 f

FINANCIAL POSITION

In 2019, the cash flow underwent a very positive development, revealing the first positive results of the measures initiated to control the working capital. The company continues to focus on the capital commitment and its reduction. Bechtle should continue to be able to generate the financial means required for growth and investments from its ongoing business operations.

CASH FLOW STATEMENT

Substantial rise in cash flow. In 2019, the cash inflow from operating activities amounted to €186.0 million, significantly more than in the prior year (€140.5 million). Apart from the higher earnings before taxes, this was caused by the higher depreciation and amortisation due to the initial adoption of IFRS 16 as well as changes in net assets. The cash outflow for inventories was €26.0 million lower than in the prior year. This reflects the first positive results of the measures we have taken to reduce the capital commitment. The cash outflow from trade receivables underwent a year-on-year increase of €19.3 million, due especially to the strong year-end business. The cash inflow from the increase in trade payables amounted to €28.6 million, i.e. less than in the prior year (€69.0 million).



See Assets Position,
page 80 f

The cash outflow from investing activities amounted to €72.1 million, compared to €280.6 million in the prior year. This was mainly due to the reduced outflow for acquisitions. In the prior year, this item had been greatly affected by the acquisition of Inmac WStore. The cash outflow for investments in intangible assets and property, plant and equipment stood at €48.6 million, €7.8 million less than in the prior year.



See Notes,
page 175 f

In the prior year, the cash flow from financing activities had been greatly influenced by the issuance of a bond loan to finance the acquisition of Inmac WStore. In the reporting period, the cash outflows and inflows due to financial liabilities returned to normal. The first-time adoption of IFRS 16 resulted in a cash outflow of €36.2 million in the new position payments for the repayment of leases. In total, the cash flow from financing activities amounted to minus €89.7 million, compared to plus €221.4 million in the prior year. The item was also affected by the dividend payout, which was increased for the ninth time in a row.

The free cash flow increased from minus €147.2 million to plus €109.5 million. This was mainly due to the reduced outflow for acquisitions.

44. CASH FLOW

	€m				
	2019	2018	2017	2016	2015
Cash flow from					
operating activities	186.0	140.5	54.3	53.4	115.9
investing activities	-72.1	-280.6	-62.7	-41.4	-34.5
financing activities	-89.7	221.4	33.6	-36.3	-25.7
Cash and cash equivalents	272.2	245.4	162.4	140.4	164.8
Free cash flow	109.5	-147.2	-24.1	-7.0	78.6

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 172

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 203

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

FINANCIAL MANAGEMENT PRINCIPLES AND OBJECTIVES

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

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



See Notes,
page 145 f and
page 177 ff

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

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

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

STRATEGIC FINANCING MEASURES

Investments covered by cash and cash equivalents. In 2019, 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 also largely covered by cash and cash equivalents.

The financing of the acquisition of Inmac WStore in 2018 resulted in a balance sheet extension and a changed weighting of individual positions. The initial adoption of IFRS 16 in the reporting period also resulted in a balance sheet extension. Nevertheless, the equity ratio remains at a very high level of 42.4 per cent (prior year: 43.6 per cent). It forms the basis for our financial flexibility, which especially allows us to continue to make use of any acquisition opportunities that might arise at short notice. Therefore, Bechtle holds funds in the amount of €272.2 million in cash and cash equivalents.

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

OVERALL ASSESSMENT

As previously, the Executive Board of Bechtle AG considers the company's economic position as of the reporting date to be very good. Most of the forecasts made on the basis of the 2018 fiscal year were fulfilled, and the figures reported for 2019 impressively underline Bechtle's economic strength. However, as the cost of sales went up at a slightly higher rate than the revenue, the gross margin in the reporting period remained behind our expectations, which, however, was largely due to the higher depreciation and amortisation.

45. COMPARISON OF THE ACTUAL AND PROJECTED BUSINESS PERFORMANCE

	Forecast AR 2018	Actual 2019	Comparison
Revenue	Very significant increase over 2018	Growth: 24.3%	Fulfilled
Cost of sales	In line with the revenue	Growth: 25.2%	Not fulfilled
Gross margin	About 15%	14.3%	Not fulfilled
Distribution cost ratio	About 6%	5.7%	Fulfilled
Administrative expense ratio	< 5%	4.6%	Fulfilled
EBT	Very significant increase over 2018	Growth: 22.3%	Fulfilled
EBT margin	At least at prior-year level before PPA effects	From 4.5% to 4.6% (before PPA effects)	Fulfilled
Dividend	Dividend payout ratio of about one third of the EAT	Dividend payout ratio: 29.6%	Fulfilled

OPPORTUNITY AND RISK REPORT

Business operations always involve interdependent opportunities and risks. The purpose of Bechtle's opportunity and risk management is to identify entrepreneurial opportunities and risks at an early stage and to duly evaluate them. The successful development of Bechtle AG is based on courageously seeing opportunities and on limiting business risks as far as possible.

OPPORTUNITY AND RISK MANAGEMENT

BASIC UNDERSTANDING

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



See
Vision and Strategy,
page 34 ff

Bechtle AG defines risk management as the entirety of all organisational arrangements and measures to identify risks and manage them. The main objective of the risk management is to effectively ensure the company's going concern on a long-term basis. This is achieved by means of the timely identification of risks, their assessment and the initiation of suitable risk control measures. In this way, the company endeavours to avoid risks or to avert or minimise possible harmful consequences of the occurrence of the risk for the company. The assessment ranges from minor risks to material and existential risks.

The management 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 evolves from the corporate culture, the corporate guidelines and the company's strategic goals. These aspects govern everyday operations and, in various ways, serve as an orientation aid for all decisions. The key elements of these basic cultural definitions are rooted in our Bechtle corporate philosophy, our code of conduct, our sustainability code, our management principles and our social media policy.

ORGANISATION

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

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

■ **Process-independent monitoring:** This comprises the review of the operability of all processes. Controlling is an important part of the process-independent monitoring. Here, Bechtle audits business operations retroactively for compliance and suitability. The Executive Board thereby fulfils its statutory duty pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). At Bechtle AG, controlling tasks are continually performed in the context of the review of incoming orders and month-end closings as well as for specific events in the field of group accounting. The suitability of the early risk identification system set up by the Executive Board and the effectiveness of individual risk control measures and of the accounting-related internal control system are reviewed by the auditors within the scope of the audit of the annual financial statements and during the year by the company management.

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



See
Collaboration between
the Executive Board and
the Supervisory Board,
page 59

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

GROUP ACCOUNTING

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

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



idw.de

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



RISK IDENTIFICATION AND ASSESSMENT

To pinpoint all risks relevant to Bechtle AG as comprehensively as possible, the company uses a risk pool. The risk pool describes all potential risks identifiable for Bechtle AG. In the reporting period, the risk pool was routinely restructured and revised. The definition of the risk areas has been aligned with the risk situation of Bechtle AG, taking established standards into consideration. To identify risks correctly, Bechtle makes use of 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.



For Bechtle to be able to deliver what our customers expect and need, services, projects and employees need to be coordinated. Numerous colleagues at all locations make sure this is done.

Bettina Königer, Internal Services/ Logistics, Würzburg system house

Anabell Knoll, Mission Planning, Würzburg system house

From left to right

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

RISK CONTROL

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

- Risk avoidance: Refraining from activities involving risks may mean that opportunities cannot be used either.
- Risk reduction: Reduction of the average probability of occurrence and/or of the amount of the loss
- Risk transfer: Transfer of the risk to another (insurance) company
- Risk acceptance: No countermeasures taken.

RISK REPORTING AND DOCUMENTATION

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

OPPORTUNITIES

MARKET AND COMPETITION

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



See
Competitive Position,
page 31

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

For a number of years, the system house market – especially in German-speaking regions – has been undergoing a phase of intensive consolidation, which Bechtle is actively working to exploit. Thanks to our robust financial resources and good reputation, we have been able to complete more than 80 acquisitions since our IPO, continuously strengthening our market position. In view of the progressive thinning of the industry and the Bechtle Group's persistently excellent financial situation 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 nine companies, more than it had ever acquired in a single year.



See
Vision and Strategy,
page 35

The Bechtle Group occupies a leading competitive position in Germany and Europe. Many customers appreciate Bechtle for its ability to offer a comprehensive product portfolio – something especially smaller competitors are not able to do. However, we are also greatly appreciated by our manufacturing 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 penetration. The group has the size and financial strength of an international business combined with the agility and customer proximity of a local mid-sized enterprise.

CUSTOMERS



See chart
Industry Segmentation,
page 30

In the IT System House & Managed Services segment, Bechtle addresses the markets in Germany, Austria and Switzerland with a dense network of about 75 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 only significant for single locations. In the reporting period, it became evident that the somewhat critical phase that the automotive industry is currently going through does not have any major impact on the business success of the Bechtle Group as a whole. Moreover, Bechtle's long-standing presence in the IT market poses a high market-entry barrier for potential competitors. A strong competitive position in the SME segment thus enables our company to expand its market leadership in this area while growing its business with large customers at the same time.



See Business Activity,
IT E-Commerce,
page 28 f

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 in existing locations, particularly in the form of organic growth. However, we also systematically evaluate takeover opportunities as well as the entry to new national markets in Europe. Other growth factors include marketing to a wider spectrum of customers and further internationalisation of the business. To this end, we will be approaching customers on the basis of our Global IT Alliance, formed in 2014. The market-leading position in the French market will also assist us in expanding our international customer base.

With the online platform under bechtle.com, Bechtle merges the trading business of its online shops with the service offering of the system houses in its digital marketing. This enables Bechtle to offer its entire service portfolio to even more customers and to exploit potential even more effectively.



Strong
customer bases

Bechtle also markets services to public-sector division customers, a business segment that accounts for roughly 30 per cent of the group's revenue. Apart from the basic opportunity 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.

MANUFACTURERS AND DISTRIBUTORS

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

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

Additional synergies are achieved through the standardisation of logistics processes and synchronisation of the ERP systems between Bechtle and its partners. This not only makes for a wider product offering and increasing availability of the goods, but also increases the attractiveness of Bechtle for other distributors and manufacturers. In addition, it gives our company the opportunity to further increase efficiency, thus optimising costs.

SERVICE SPECTRUM

Enterprise customers often expect their IT providers to deliver complete solutions 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. Bechtle has indeed positioned itself to do so through acquisitions, strategic alliances and competence centres especially tuned to market demand and trends, and by hiring and retaining or training qualified staff. These ongoing activities will continue to be pursued going forward.

In connection with the procurement and operation of IT, many companies usually pay attention to several features, such as competitiveness, efficiency gain and modernisation. 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 broad portfolio makes it possible to devise optimal solutions that are tailored to each customer's specific needs.



See **Business Segments**,
page 26 ff

As a one-stop provider, we have great advantages over smaller and niche providers. Furthermore, due to the already high and further increasing relevance of IT to all corporate processes and to heightened security concerns, customers insist on service provider reliability when choosing an IT partner. In addition to 36 years of experience and advanced solution expertise, Bechtle also enjoys a strong, solid 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. As a financially solid and reliable partner with an excellent reputation, Bechtle will continue to enjoy attractive growth opportunities. Especially the customer relationships in the so-called “as-a-service” business can benefit from this. These relationships are usually of a long-term nature, which facilitates business performance planning. Also, this area generally enables higher margins than the conventional trading or project business.

Under the ARP umbrella, we have sold custom-branded peripheral products for many years. For this, ARP has a purchasing company in Taiwan. Since 2018, we have made this custom brand available to all companies of the Bechtle Group under the name ARTICONA. The portfolio features IT accessories and connectivity products. Thus, all customers of the Bechtle Group benefit from the excellent price/performance ratio of the ARTICONA products.

Mutual support is vital for the skill network to unleash its potential. Therefore, Bechtle encourages its team members to share knowledge and to think beyond their field of responsibility.



Alexander Kütt, Field Sales,
Würzburg system house

Tanja Laschinski, Servicedesk & Onsite
Services, Würzburg system house

Kim Sofie Lepsien, Field Sales,
Würzburg system house

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



bechtle-clouds.com

Bechtle Clouds represents another key aspect of our cloud offering. 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. Thus, we are able to benefit from the growing demand of medium-sized businesses for cloud services.

Industry 4.0 and digitisation in general create opportunities for the Bechtle Group as well. The complexity of the industrial IT landscape as well as the relevance of IT to corporate workflows and production processes will continue to grow. Regardless of how the two said trends will develop in detail, most companies will be in need of a competent IT partner that will be broadly integrated in the responsibility for the IT.

COMPANY ORGANISATION

With about 75 system houses, 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 creates opportunities by promoting a sense of responsibility and entrepreneurial drive at the individual locations. Moreover, the locally and regionally positioned system houses enable Bechtle to address medium-sized customers at eye level and – at the aggregate group level and via the e-commerce companies that operate on a country-wide basis – address companies and corporations that work on a wider scale and that need a large IT service provider as a trusted partner. Despite the great significance of decentralised responsibility and decision-making structures, the Bechtle Group benefits from economies of scale with respect to centralised administrative tasks as well as the purchasing and logistics processes that are combined under Bechtle AG. Additionally, competence centres, specialised product management teams and segment heads bundle expertise that is made available centrally to all locations and segments.



See Management,
page 41

In selected business areas, the group has pooled its competencies and experience within the group's parent company to address that particular market segment. This organised interaction between central support and 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.

HUMAN RESOURCES



See **Employees**,
page 44 ff

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



See **Forecast Report**,
page 117

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 experts internally and thus cover its needs through its own initiatives. For this reason, training is one of the central subjects of Bechtle's HR work. Over the medium term, Bechtle's goal is to increase its number of apprentices in Germany to approximately 12 per cent of the company's total workforce. Furthermore, we invest intensively in the further training of our staff members. This active career development offering enhances the satisfaction of Bechtle employees, which translates into long-term loyalty. Our workforce is constantly growing, and our turnover rate of less than 10 per cent is below the industry average, indicating that Bechtle is effective at taking advantage of recruitment and employee retention opportunities.

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. However, this list does not include all risks to which the Bechtle Group might be exposed. Risks that are not yet known or risks that are currently considered to be of little significance could likewise impair the company's performance. Risks are often associated with opportunities and it is the task of management to examine each individual case and decide whether to seize an opportunity and take a risk, or avoid the risk but, in doing so, forfeit an opportunity.

RISK ASSESSMENT

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



See Risk Identification and Assessment, page 91 f

46. RISK POTENTIAL PROBABILITY OF OCCURRENCE

Probability of occurrence	Description
High	Highly probable
Medium	Probable
Low	Improbable

47. RISK POTENTIAL LOSS AMOUNT

Expected loss amount should the risk scenario occur	Definition of the loss amount
High	Substantial detrimental effects on the earnings, assets and financial position
Medium	Some detrimental effects on the earnings, assets and financial position
Low	Low detrimental effects on the earnings, assets and financial position

48. RISK MATRIX

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

MACROECONOMY AND INDUSTRY

Among other things, the willingness of customers to invest depends on the macroeconomic development in the individual national markets, in Europe and around the globe. Additionally, the trust that companies place in a positive economic cycle plays a major role. Bechtle AG generates more than 60 per cent of its revenue in Germany and almost 40 per cent on the international markets. The development of the European economy as a whole, and the German economy in particular, therefore has a key impact on our company's growth. A weaker or, even worse, a receding economic trend represents risks to the earnings, assets and financial position of the Bechtle Group.

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

The economic situation cooled off considerably during the reporting period. Important mood indicators deteriorated and GDP growth in the EU and especially in Germany dropped significantly. However, current forecasts predict a stabilisation of the economic situation in 2020. We see a medium probability of macroeconomic and industry performance risk scenarios occurring. This could involve some detrimental effects on our earnings, assets and financial position. We classify this risk as a medium.

Though Brexit took place on 31 January 2020, there are still many uncertainties concerning the future relationship between the EU and the United Kingdom. Moreover, it remains to be seen what effects Brexit will actually have. This could mean a risk for Bechtle, albeit only insofar as the macroeconomy is affected. The direct effects of a no-deal situation on Bechtle would be limited. In 2019, Bechtle generated less than 2 per cent of its group revenue in the United Kingdom. Furthermore, we do not have any major goods flow from or to the UK. Bechtle therefore regards Brexit-related risks as merely a part of the overall macroeconomic risk.

At the beginning of 2020, the coronavirus risk emerged. As of the reporting date, it could not be foreseen with certainty whether, and to what extent, this risk will materialise. Bechtle could be affected in three ways. Firstly, it could be affected indirectly if the macroeconomic performance around the globe and in Europe were to be impaired. Secondly, Bechtle could be affected at the procurement level. Most large vendors have production facilities in China. If factories were to shut down or work at reduced capacity, or if the export of produced goods were to be prohibited due to the virus, it would be impossible to fulfil customer orders. As a result revenue would be deferred to subsequent quarters or, in the worst case, be lost entirely. Thirdly, Bechtle's operations could be directly affected by government measures.

The lockdown of entire cities – as in February in Italy – also halts the local economy. If such quarantine measures were to be introduced in other regions or countries, and especially on a larger scale, Bechtle would be greatly impacted. As of the reporting date, Bechtle has taken a number of measures to counteract the risk. For example, the stock levels of certain products have been increased. Moreover, the company regularly informs its employees and gives them guidance adapted to the current situation.

BUSINESS ACTIVITY

Cost structure. The cost structure of the Bechtle Group is characterised by a high proportion of personnel expenses, the adjustment of which lags behind any changes in the workload. 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 reduced working hours or making use of natural staff turnover. All measures affecting the personnel expenses must always take the existing or possible future personnel risk (lack of qualified staff) into consideration. Bechtle therefore wants to retain employees on a long-term basis and be highly attractive to new applicants as a reliable employer. The often rather short-term risk of lowered earnings is countered by the long-term opportunity of successful employer branding and retention of qualified staff.



See
Personnel Expenses,
page 46

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 demographic change, it will become increasingly difficult to staff all vacancies with qualified applicants. Bechtle could be forced to raise the salary level to attract applicants. Bechtle endeavours to counteract this risk by strengthening its employer branding and by focusing on training measures, an approach that Bechtle has already pursued for many years.



See
Opportunities, Personnel
page 98

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

Procurement. Bechtle buys its products from all renowned manufacturers and distributors in the IT sector. Across Europe, the company cooperates with about 300 vendors and 2,200 distributors. In every national market in which Bechtle is represented, the company has established a close network with vendors and distributors. As the Bechtle Group continues to grow, the vendors could increasingly start supplying directly without using the distributors. As a result, the bonus payments received from distributors could be discontinued or reduced, in turn adversely affecting the earnings and margin of Bechtle AG.



See
Opportunities, Vendors
and Distributors
page 95

We consider the occurrence of risks from the direct supply by vendors to be highly probable. This could result in significant detrimental effects on the earnings, assets and financial position. We consider this risk to be high.

The development on the IT market is marked by growing competitive pressure as well as price and margin pressure. As a result, both manufacturers and distributors could try to raise the prices of some products. Bechtle is not always able to pass such price increases on to customers to the full extent. Long-term contracts and projects therefore pose a particular risk to the group's earnings position, even though the vendors' pricing policy usually did not have any major impact on Bechtle's business activity in the past. Moreover, manufacturers and distributors could counter the price and margin pressure by cutting bonus payments or marketing grants.

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

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

Creativity is also called for in the field of administration. In this area, numerous employees ensure smooth processes while staying in the background. At the reception and on the phone, however they demonstrate their abilities.

Yvonne Glasbrenner, Reception and Administration, Bechtle AG

Laura Oblak, Trainee in Office Management, Bechtle AG

From left to right



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

Service range. The IT world is characterised by a rapid pace of technological progress resulting in constant change. As a player in this market, Bechtle must always be ready and able to identify new trends and adapt the portfolio accordingly if necessary. At the same time, checks must be made to ensure that existing processes, workflows, products and services are still demand-oriented. There is a risk here of Bechtle noticing important new trends too late and hence being unable to offer customers a state-of-the-art product portfolio. However, in our 36-year history we have demonstrated our capability of keeping up with the IT market's high pace and consistently adapting to the market conditions and customer needs. The risk for the future is largely minimised by the close interaction of Bechtle with all major vendors. Bechtle therefore learns of important technological innovations at an early stage. The close contact maintained by the sales team with industry and public-sector clients also allows Bechtle to adjust its portfolio accordingly 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 in the market as a one-stop provider.



See Business Segments
page 26 ff

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

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

We regard the occurrence of competition risks as highly probable and would expect some negative effects on our earnings, assets and financial position should such a risk scenario occur. These risks are classified as high.

The way that companies use IT and make it available to their employees is currently undergoing a structural transformation. Consumption-based contract models (as-a-service) are increasingly being used at the expense of the classic project business. Furthermore, demand for cloud services is on the rise. Such consumption models are very difficult to map on a process or system engineering diagram. Accordingly, the currently established processes are not yet as lean and effective as those of conventional business fields. Should the significance of these business fields increase faster and more intensively than expected, this could negatively impact the profitability of Bechtle AG.

We regard the occurrence of these risks as probable and would, in the event of occurrence, expect substantial negative effects on our earnings, assets and financial position. These risks are classified as high.



See Markets,
page 30

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

We consider the occurrence of this risk to be possible. It could result in some detrimental effects on our earnings, assets and financial position. This risk is classified as medium.

IT. All companies depend on information technology nowadays. Numerous business processes are closely linked to IT systems and applications. This is also the case at Bechtle. Accordingly, the use of IT involves risks in areas such as order processing, ERP, controlling and financial accounting. For example, an availability risk could arise for a smooth process ranging from the enquiry and order placement to the delivery and invoicing, if the operability of the required IT systems and applications were no longer ensured. Possible causes include the failure of hardware, network components or energy controls as well as handling errors in the field of information technology and telecommunications.

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

To be prepared for potential emergency scenarios, the company's existing crisis plans need to be continually updated, and new ones need to be created for new scenarios. For this purpose, Bechtle has appointed an interdisciplinary work group. Nevertheless, a new scenario could occur even before a new emergency plan is elaborated.

Despite advanced protective mechanisms and security standards, we consider the occurrence of IT security risks to be highly probable. The occurrence of this risk scenario 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 attract personnel to Bechtle and retain them on a long-term basis. The inability to recruit the required number of qualified employees is therefore one of the greatest HR risks, particularly in view of the demographic change. Moreover, risks regarding the retention of employees in the company exist. Loss of expertise could occur due to above-average fluctuation of qualified personnel, or 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. An additional important point is the need for executives to firmly establish and demonstrate the values, the corporate culture and the management principles. Training measures for employees and young people represent another key aspect of the HR work. However, despite these efforts, there is a risk of not being able to find enough experts and executives internally.



See **Training**,
page 47 ff

The occurrence of fluctuation risks is considered to be probable. This could cause some detrimental effects on the earnings, assets and financial position. We classify this risk as medium. We classify the recruitment risk as a high risk as the occurrence of this risk is highly probable and significant detrimental effects on the earnings, assets and financial position cannot be ruled out. We classify the risks associated with the shortage of suitable executives or qualified employees as a whole as a high risk, as the occurrence of this risk is probable and significant effects on the earnings, assets and financial position cannot be ruled out.

FINANCIAL INSTRUMENTS



For a quantification of the risks see Notes, page 181 ff

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

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

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



See Notes, Currency Risk, page 177 ff

Foreign currencies. Currency risks exist especially in areas in which receivables, liabilities, cash and planned transactions exist or will accrue in currencies other than the local currency of the parent company. The foreign currency risk is mainly limited to Swiss francs, as a considerable portion of the international business is generated in Switzerland. Except for Switzerland, the United Kingdom, Poland, the Czech Republic and Hungary, procurement takes place mainly in Euro countries and thus in the Euro currency. In some cases, goods are purchased in US dollars or other currencies in order to take advantage of better prices. The Bechtel Group hedges the currency risk with currency futures. Since the 2018 fiscal year, the hedging of assets held by international subsidiaries in foreign currencies has comprised all non-Euro countries. Currency futures are used in individual cases to hedge the currency risk associated with other currencies when purchasing goods or when customers pay in foreign currency. In the case of one-time amounts with usually short terms to maturity, these economic hedges are not accounted for as hedges. For projects that run over a longer period and generally have several associated hedges, the hedge accounting regulations of IFRS 9 are applied. Open currency transactions and the respective receivables and liabilities are analysed on a monthly basis and tested for their effectiveness.



See Financial Position, page 84 ff

Liquidity. To ensure unlimited solvency, the company must have sufficient liquidity at all times. The liquidity situation is managed and monitored by the treasury. The current position of the Bechtle Group as of the end of 2019 was outstandingly robust and comfortable, with cash, cash equivalents, time deposits and securities worth €272.2 million (prior year: €250.9 million), unused cash, guarantee and money market credit lines worth €95.4 million, and a positive cash flow from operating activities amounting to €186.0 million (prior year: €140.5 million). The probability of a liquidity risk scenario occurring is limited.

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

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

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

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



See Assets Position,
page 82 ff, and Notes,
Interest Rate Risk,
page 183 f

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

OTHERS



See Locations,
page 41 ff

Acquisitions. Since its IPO in 2000, Bechtle AG has acquired 81 companies. Takeovers are an essential part of the corporate strategy, which is designed with long-term profitable growth in mind. Bechtle intends to continue to strengthen and expand its market position by means of targeted acquisitions. At the same time, however, the decision to purchase a company and integrate it in the group always involves an entrepreneurial risk. It is always possible that the expectations placed on the acquired company may not be fully met. 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. Furthermore, Bechtle has many years of experience in integrating companies. We have established the structures and processes that are necessary for this and pursue a post-merger concept that meets the group's needs in connection with the integration of newly acquired companies in the best way possible. For Bechtle, the opportunities that acquisitions offer therefore clearly outweigh the risks.

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

The people who work at Bechtle's international locations come together on various occasions. Strategies are discussed and further developed at conventions and in workshops, and various specialised events give specialists from various countries the opportunity to talk about their subject areas with their peers and with vendor partners.

Laurent Caron, Marketing Director,
Bechtle Comsoft France

Luc Meeks, Project Manager Marketing,
ARP Netherlands

From left to right



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. 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 appropriate measures if necessary. As a consistent further development of its own code of conduct, Bechtle has developed and distributed a “Code of Conduct for Suppliers of Goods and Services”. This code contains the principles and minimum requirements from Bechtle’s code of conduct that Bechtle’s suppliers are also required to comply with.



See
Corporate Governance,
page 58 ff

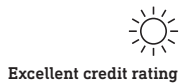
Despite the measures taken, the occurrence of compliance risks from structures and processes is not completely improbable. Some detrimental effects on the business activity as well as on our earnings, assets and financial position cannot be fully ruled out. This risk is classified as medium.

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

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

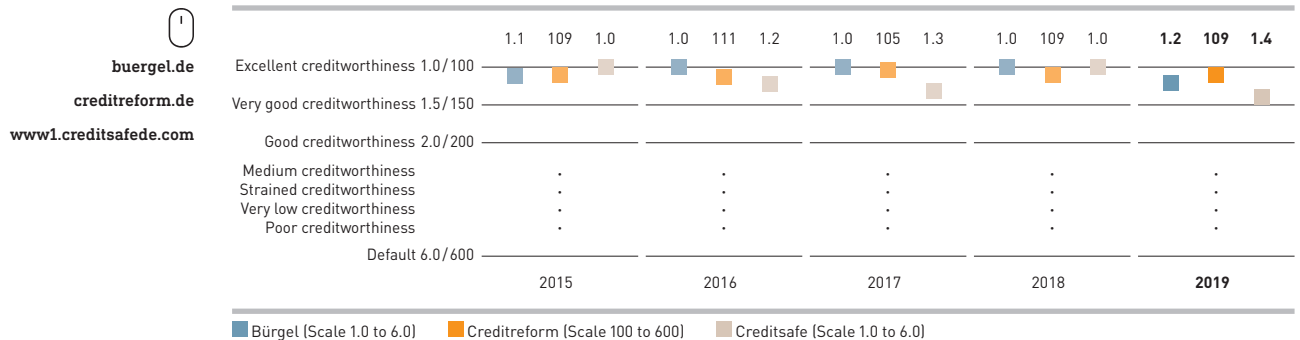
OVERALL EXAMINATION OF OPPORTUNITIES AND RISKS

The evaluation of the group's overall opportunity and risk situation by the Executive Board is based on an examination of all major compound and individual risks under consideration of any opportunities that may arise. Compared to the prior year, there were no major changes to the overall risk position or to the risks described. The management is of the opinion that the risks presented are limited and manageable. The company boasts a very robust financial basis. The company has a good equity ratio of 42.4 per cent and a comfortable liquidity situation.



Third-party ratings are important indicators for the overall risk assessment. Apart from the company's own internal risk assessment, Bechtle's credit rating and aggregate credit risk are regularly appraised and monitored by banks and rating agencies. Due to the sound capital structure and first-class funding of the company, Bechtle has received excellent ratings for many years – even after the balance sheet extension and optimisation of the leverage potential in the 2018 fiscal year. There is no reason why this should change in the future.

49. CREDIT RATINGS BECHTLE AG



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

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

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

FORECAST REPORT

The demand for future-proof IT landscapes is a result of the necessity for a resolute digitisation of business models and value added chain. As a reliable partner for medium-sized customers in particular, Bechtle covers these needs in the best possible manner. Therefore, the prospects for the development of the Bechtle Group are positive. Moreover, developments in 2019 demonstrated that the IT industry is capable of exhibiting a more robust performance than the economy as a whole. Thus, the Executive Board remains consistently optimistic with regard to the expectations for the development of Bechtle AG in 2020 and beyond.

FRAMEWORK CONDITIONS

Economic growth remains weak. In its February 2020 forecast, the European Commission predicts that in 2020, the growth rate in the EU will more or less remain at the level of 2019. The GDP is to increase 1.4 per cent, compared to 1.5 per cent in the reporting period. This growth expectation is also reflected in Bechtle's markets in the EU. With an expected GDP increase of 0.3 per cent (2019: 0.2 per cent), Italy remains at the bottom of the scale. As in 2019, Ireland, Poland and Hungary are expected to be the top performers, with growth rates above 3 per cent. At 1.5 per cent, investment in equipment throughout the EU is expected to grow at about the same rate as the economy as a whole, but significantly less than in 2019 (2.8 per cent). In the EU, government investments are expected to grow 3.1 per cent, a level close to that of the reporting year (3.0 per cent). In 2021, GDP growth in the EU is to remain stable at 1.4 per cent, and investments in equipment are expected to return to a slightly higher growth rate of 2.0 per cent.

Economic performance in Germany is expected to pick up again slightly in 2020. The European Commission predicts GDP growth of 1.1 per cent, compared to 0.6 per cent in the reporting period. According to the European Commission, investments in equipment are merely expected to grow 0.4 per cent, as in the prior year. Government expenditure, however, is to grow at a slightly higher rate of 2.6 per cent (2019: 2.5 per cent). For 2021, the European Commission again expects the GDP in Germany to grow 1.1 per cent. Investments in equipment are expected to increase again at a higher rate of 1.7 per cent in 2021, and government expenditure, too, is expected to increase slightly again by 2.7 per cent.

The forecasts do not yet take any potential effects of the coronavirus into consideration. It remains to be seen whether, and to what extent, a possible spread of the virus could impact the economy in the EU.

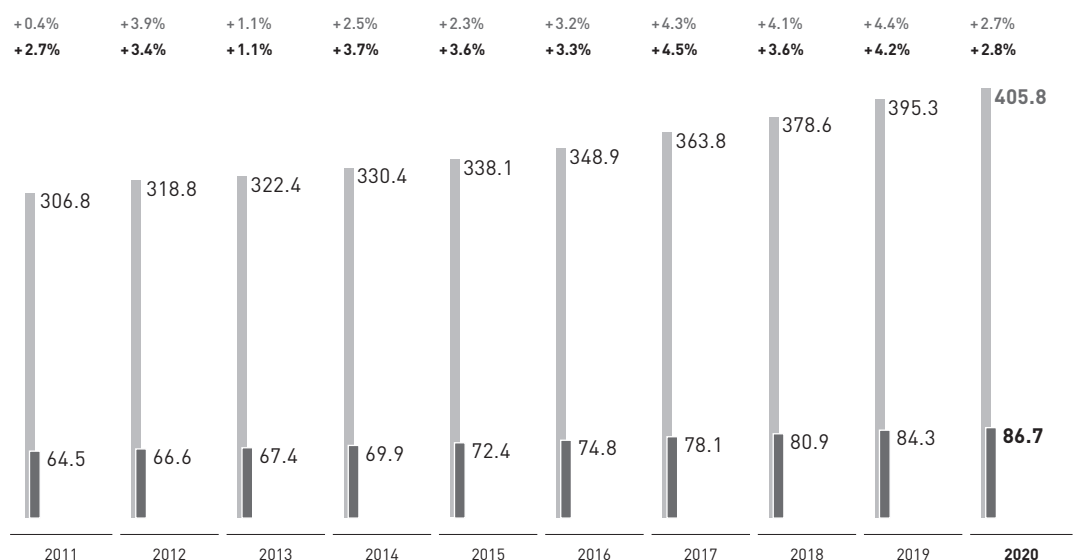
Slightly lower growth dynamics forecast for the IT industry. The IT industry is expected to continue to grow in 2020, though at a slower pace. According to the figures of EITO, the IT market in the EU is to grow 2.7 per cent, compared to 4.4 per cent in the reporting period. As is usually the case in the first forecasts at the beginning of a year, hardware sales are expected to drop. Following an increase of 4.8 per cent in the reporting period, a decline of 2.1 per cent is forecast for 2020. However, services are expected to grow 2.4 per cent and software 6.8 per cent. In the countries in which Bechtle is present, hardware sales are expected to diverge greatly. A positive development is only forecast for Ireland, the Czech Republic and Spain, with growth rates from 0.9 per cent to 2.2 per cent. Negative figures are projected for all other countries. The greatest declines are anticipated in Austria (–5.1 per cent) and the Netherlands (–5.0 per cent).

In 2020, the German IT market is expected to grow 2.8 per cent, a rate that is similar to that projected for the EU but also lower than in 2019 (4.2 per cent). For the hardware segment, a decline of 1.6 per cent is forecast here as well. The decline is expected to be especially noteworthy in the field of servers and stationary business PCs. By contrast, storage and mobile PC sales are expected to go up. Services and software are expected to grow at rates similar to those of the prior year (2.4 per cent and 6.4 per cent, respectively).

For France, Bechtle's second-most important national market, IT market growth of 3.3 per cent is projected for 2020. However, hardware sales are expected to recede by 2.7 per cent. In Switzerland, the expected IT market growth for 2020 is 3.2 per cent. Hardware sales are expected to decline by 2.1 per cent. However, services are expected to grow 2.1 per cent, and software 7.3 per cent.

50. IT EXPENDITURE IN THE BECHTLE MARKETS 2011–2020

€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

Stable legal and political framework conditions. With respect to the forecast future economic situation in the relevant national markets, the Bechtle Group does not expect any major impact on the demand due to changes in legal framework conditions or the implementation of policy measures. The direct effects of Brexit are only conceivable for our UK subsidiary. All indirect effects relate to the macroeconomy. The exchange rate development does not play a major role in most countries in which Bechtle is present, as these belong to the euro area and purchases and billing therefore take place in euros. Significant transactions in foreign currency only take place in Switzerland.



See Risks,
page 101

GROUP PERFORMANCE

PRODUCTS AND MARKETS

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

In the years to come, Bechtle will expand the range of special IT solutions in the IT System House & Managed Services segment. In this context, we regard subjects such as mobility, security, storage, modern workplace, networking solutions and IT as a service as market drivers. Bechtle boasts an excellent position in all of the said areas and is always able to offer customers solutions that satisfy the latest technological standards. In the reporting period, we conducted numerous training measures especially in this segment in order to make sure our team has the capacities required to meet the growing demand. We plan to continually expand the share of higher-margin services and the share of recurring revenue.

Digitisation activities in a central unit. Since 2017, Bechtle has been developing bechtle.com into a target-oriented digital marketplace. On this website, our customers can see the entire bandwidth of Bechtle's service and solution portfolio at a glance. Regardless of the customer's original concern and irrespective of the segment to which the customer has been allocated, Bechtle is able to address every customer comprehensively for the purpose of systematically offering them further solutions. At the same time, this helps us to boost the customer satisfaction and penetration. In 2018, we consolidated the activities for the development of our digital marketplace and further digitisation of our portfolio in the Digital Business Services unit. For the future successful positioning of Bechtle, we believe that it is vital to digitise many of our (internal) processes.

Bechtle to gain further market shares. The consolidation of the German and European IT markets, which has been ongoing for several years, will continue in the years to come. Smaller providers in particular will find it increasingly difficult to offer their customers services in the needed breadth and depth. However, the consolidation is not expected to accelerate, neither in 2020 nor thereafter. Bechtle AG will benefit from this development thanks to its financial strength, its competitive position, its decentralised positioning and its outstanding reputation with all relevant customer groups. Therefore, we are confident that we will be able to continue to expand our market share at a disproportionately high rate.

The Bechtle Group strives to drive its market position in the IT E-Commerce segment by expanding the existing companies and by means of acquisitions. For the time being, the establishment of further subsidiaries in Europe is not a high priority. Nevertheless, Bechtle is keenly interested in further internationalising its operations. We will push ahead this process with the help of our Global IT Alliance (GITA; established in 2014), by means of which we are represented in almost all relevant economic regions around the globe.

KEY PERFORMANCE INDICATORS

Revenue. The track record of Bechtle AG demonstrates its high dynamics and its ability to grow faster than the market. Since 2010, we have greatly increased our revenue at a compound annual growth rate (CAGR) of about 15 per cent, thereby outperforming the IT market. From 2009 to 2019 – i.e. including 2009, the year of the financial crisis – the CAGR averaged over 14 per cent. From 2008 to 2017, the growth was largely organic. In the prior year and in the reporting period, the acquisition of Inmac WStore greatly contributed to the acquisition-based growth. From 2020, we expect the group's growth rates to again be more organic. After three years of double-digit growth rates – also organically – we expect the increase to decline slightly and level out in the high single-digit range. We are confident that in 2020, we will, again be able to achieve significant year-on-year revenue growth.

As a result of the acquisition of Inmac WStore, there was a slight shift between the segments and regions in favour of foreign operations and the IT E-Commerce. In 2020, the proportion between the segments is not expected to undergo any major fluctuations. In the coming years, we do not expect any major changes with regard to the regional distribution either. Due to the advancing internationalisation of the business and the strong growth of the foreign IT E-Commerce companies, the group is experiencing an increase in the revenue generated abroad. Furthermore, our strong competitive position and the market share gains will enable us to continue to operate and grow successfully in our home market as well.

Costs. In recent years, the cost of sales has increased at more or less the same rate as the revenue. Years with significant growth rates, such as in the years from 2017 to 2019, are usually characterised by a greater proportion of hardware, resulting in a disproportionately high increase in material costs. In recent years, this put the gross margin under pressure. Especially in the reporting period, the gross margin was 14.3 per cent, a figure considerably below the long-time average. For 2020, we plan to keep the increase in cost of sales slightly below the revenue growth and target a gross margin of close to 15 per cent. Being a service provider, personnel expenses are of central importance for Bechtle AG. These expenses represent the bulk of the costs, accounting for approximately 80 per cent of the distribution costs and about 60 per cent of the administrative expenses. Due to Bechtle's increasingly consulting-intensive business model, the decentralised broad positioning of the system houses and the shortage of qualified staff in some areas, flexible adjustment of the personnel expenses is not possible. Moreover, especially in view of the shortage of experts, Bechtle considers employee retention and the quality of being a reliable employer to be far more important than short-term cost-optimisation measures. In the field of sales, the expenses are also directly linked to revenue performance, as larger sales teams can generate more growth. In view of the growth in the group, management expects the absolute expenses for the two functional areas of sales and administration to further increase in 2020. However, as we endeavour to prevent disproportionately high growth, the ratios of these two items are expected to remain at least at the levels of the reporting period, i.e. at around 6 per cent and about 5 per cent of the revenue, respectively.

Earnings. The earnings performance in recent years has also been very satisfactory. Since the 2010 fiscal year, the CAGR for EBT has been around 18 per cent. EBT has thus developed better than the revenue on a long-term average. However, in the last three years, the margin was subject to some pressure due to the growth and acquisitions. For 2020, the Executive Board expects the earnings to undergo significant growth, at least at the same rate as the revenue. Accordingly, the EBT margin is expected to reach at least the level of the reporting period (4.4 per cent).

In the IT System House & Managed Services segment, we want to further increase the share of higher-margin services and recurring revenue. In E-Commerce, the main objective is to maintain the high margin level, which has been achieved especially through efficient processes and modern logistics.

Bechtle AG plans to continue to share its entrepreneurial success with its shareholders in the form of an attractive dividend. The dividend policy is mainly aligned with the group's earnings and liquidity position and provides for a dividend payout ratio of about one third of the earnings after taxes. The current dividend proposal for the 2019 fiscal year of €1.20 per share represents a ratio of 29.6 per cent, slightly less than the long-term average. This mainly reflects the lower tax rate due to non-sustainable positive effects. There are no plans for any fundamental changes to the company's dividend policy.

ASSETS AND FINANCIAL POSITION

Liquidity. In the reporting period, the balance sheet structure of the Bechtle Group did not undergo any major changes. A certain balance sheet extension took place due to the initial adoption of IFRS 16. Nevertheless, Bechtle's liquidity situation remains outstanding. This financial strength is a vital precondition that enables Bechtle to continuously grow under its own steam and respond flexibly to the requirements of the markets. The high liquidity represents a competitive advantage. The financial position and the stability of the IT partner is another key decision-making criterion from the customer perspective, especially in connection with the award of long-term projects. Therefore, Bechtle will continue to attach special importance to cash management. In view of the good balance sheet ratios, Bechtle AG has substantial "rating-neutral" borrowing potential, in addition to free liquidity of €272.2 million. Combined with the continued positive development of the operating cash flow, Bechtle thus has the leeway needed for attaining its goals and financing the targeted above-average growth without any difficulties and even under its own steam.

Financing. Following the sharp increase in the prior year due to acquisitions, the financial liabilities receded slightly in the reporting period. Unless major acquisitions take place, these positions will not undergo any significant changes in 2020. In 2020, 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 external 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 2023, the Executive Board is authorised to increase the issued capital by issuing up to 14 million shares against cash or in-kind contributions.

Provided that no major takeovers occur in 2020, the balance sheet structure will most likely not undergo any significant changes compared to the reporting date of 31 December 2019.

Investments. The business of Bechtle AG, which comprises IT product trading and IT services, does not require any major investments. The investment ratio in 2019 was about 17 per cent and thus remained below the long-term average. The total amount of investments in 2019 was €48.0 million, a figure slightly below our plans. Apart from the new building in Neckarsulm and at other locations, this figure mainly comprised internal projects such as our digital marketplace or our Bechtle Clouds platform, ongoing investments in the internal IT, as well as higher replacement and expansion investments. In the course of this year, Bechtle will continue to invest in the company's future. Among other things, the new building at the headquarters in Neckarsulm is to be finished in autumn. Besides this, there are other building projects and investments in our digitisation and our clouds platform in the pipeline. We expect investments in 2020 to total €50 million to €60 million.

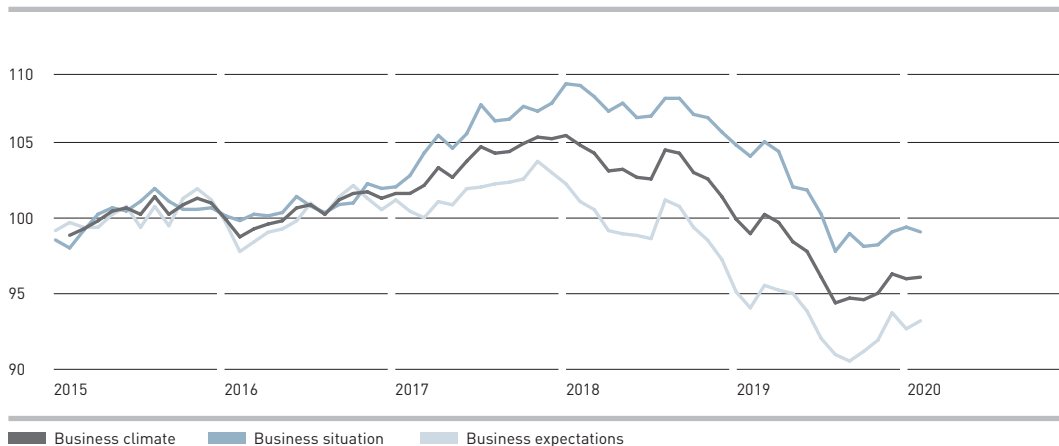
Acquisitions will remain an integral element of our growth strategy in all business fields. In IT E-Commerce, the Executive Board places more emphasis on organic growth. Nevertheless, acquisitions are an option in this segment as well. In the IT System House & Managed Services segment, selective acquisitions will continue to supplement the competence profile of Bechtle AG in a meaningful way.

Staff development and training will continue to play an important role in our business. With an established range of training measures and systematic continuation of the internal management programmes, Bechtle intends to continue to invest in the development of junior and executive staff. The Executive Board plans to continue to increase the headcount in 2020 – irrespective of acquisitions, but at a lower rate than the revenue growth. Bechtle’s HR policy will continue to focus on training young people. In this connection, Bechtle AG has adopted the medium-term goal of increasing the training ratio in Germany to approximately 12 per cent in order to safeguard its future.

OVERALL ASSESSMENT

Positive outlook for Bechtle despite economic weakness. At the beginning of 2020, the macro-economic situation was more positive than it was in the reporting period – though substantial uncertainties remain in terms of where the economic development in Germany and in Europe is headed. In February 2020, the European Commission corrected the growth forecasts for 2020 slightly upwards. According to the updated forecast, the growth in 2020 is expected to be approximately at the level of 2019. The expectations for Germany are slightly better. The greater decline that occurred here in 2019 is expected to be followed by a noticeable recovery in 2020. In total, GDP growth of more than 1 per cent is anticipated for 2020 and 2021 in all European countries relevant to Bechtle except for Italy. At the beginning of the year, the mood in the economy, too, was slightly positive. The ifo business climate index in Germany dropped a little in January 2020, but was still above the levels from August to November 2019. While the evaluation of the current situation even improved in January, the expectations for the next six months declined slightly.

51. IFO BUSINESS CLIMATE FOR GERMANY



The mood is slightly better in the IT industry: In January, the ifo index for IT service providers was 33.5, a level higher than in the seven preceding months. However, although the evaluation of the current situation improved, the expectations for the coming months are slightly lower than in December. As was also the case in 2019, it appears that the performance of the IT market will be better than that of the economy as a whole.

Against this backdrop, the Executive Board expects Bechtle AG to deliver a positive business performance that is significantly above the industry average. However, the growth rates will most likely be lower than in the years from 2017 to 2019.

52. OVERVIEW OF FORECASTS ON THE EARNINGS POSITION FOR 2019

	Group	IT System House & Managed Services	IT E-Commerce
Revenue	Significant increase over 2019	Significant increase	Significant increase
Cost of sales	Slightly below the revenue growth		
Gross margin	< 15%		
Distribution cost ratio	About 6%		
Administrative expense ratio	About 5%		
EBT	Significant increase over 2019	Significant increase	Significant increase
EBT margin	At least at prior-year level	At least at prior-year level	At least at prior-year level
Dividend	Dividend payout ratio of about one third of the EAT		

Looking back, we are very pleased with our achievements in the 2019 fiscal year. However, Bechtle also has excellent perspectives going forward. With the Vision 2030, we are on the path to a successful future.



Sascha Keim, Product Manager, Logistik & Service

Chi-Mai Bach, Product Manager, Logistik & Service



CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS

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53. CONSOLIDATED INCOME STATEMENT

		€k	
	Notes	2019	2018
Revenue	1	5,374,453	4,323,318
Cost of sales	2	4,606,636	3,680,384
Gross profit		767,817	642,934
Distribution costs	2	306,632	257,218
Administrative expenses	2	249,607	205,688
Other operating income	3	29,792	15,053
Earnings before financial earnings and taxes		241,370	195,081
Financial income	4	1,229	1,338
Financial expenses	4	6,279	3,177
Earnings before taxes		236,320	193,242
Income taxes	5	65,836	56,101
Earnings after taxes (attributable to shareholders of Bechtle AG)		170,484	137,141
Net earnings per share (basic and diluted)	6	4.06	3.27
Weighted average shares outstanding (basic and diluted)		42,000	42,000
		in thousands	



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

54. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		€k	
	Notes	2019	2018
Earnings after taxes		170,484	137,141
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses on pension provisions	17	430	1,692
Income tax effects		28	-339
Items that will be reclassified to profit or loss in subsequent periods			
Unrealised gains and losses on securities		0	1
Income tax effects		0	0
Unrealised gains and losses on financial derivatives		-209	1,684
Income tax effects		-5	3
Currency translation differences of net investments in foreign operations		0	0
Income tax effects		0	0
Hedging of net investments in foreign operations		-2,159	-766
Income tax effects		641	228
Currency translation differences		4,428	4,077
Other comprehensive income	16	3,154	6,580
of which income tax effects		664	-108
Total comprehensive income (attributable to shareholders of Bechtle AG)		173,638	143,721



See further comments in the Notes, in particular IV. no. 16, page 161ff

55. CONSOLIDATED BALANCE SHEET

ASSETS		€k	
	Notes	31.12.2019	31.12.2018
Non-current assets			
Goodwill	7	397,592	345,938
Other intangible assets	8	119,303	121,120
Property, plant and equipment	9	280,685	152,853
Trade receivables	12	38,148	27,863
Deferred taxes	10	3,914	4,713
Other assets	14	6,729	6,771
Total non-current assets		846,371	659,258
Current assets			
Inventories	11	285,574	280,331
Trade receivables	12	862,323	754,069
Income tax receivables		2,022	1,357
Other assets	14	126,180	81,227
Time deposits and securities	13	0	5,543
Cash and cash equivalents	15	272,197	245,379
Total current assets		1,548,296	1,367,906
Total assets		2,394,667	2,027,164



See
further comments
in the Notes,
in particular IV.,
page 153 ff

EQUITY AND LIABILITIES		€k	
	Notes	31.12.2019	31.12.2018
Equity			
Issued capital		42,000	42,000
Capital reserves		124,228	124,228
Retained earnings		848,614	716,976
Total equity	16	1,014,842	883,204
Non-current liabilities			
Pension provisions	17	30,702	16,301
Other provisions	18	10,081	11,052
Financial liabilities	19	373,874	380,640
Trade payables	20	13	40
Deferred taxes	10	33,180	41,107
Other liabilities	21	98,025	4,858
Contract liabilities	22	19,353	10,895
Deferred income	23	1,481	0
Total non-current liabilities		566,709	464,893
Current liabilities			
Other provisions	18	12,805	9,162
Financial liabilities	19	13,801	12,872
Trade payables	20	406,807	372,338
Income tax payables		19,859	12,509
Other liabilities	21	231,776	159,957
Contract liabilities	22	105,369	96,120
Deferred income	23	22,699	16,109
Total current liabilities		813,116	679,067
Total equity and liabilities		2,394,667	2,027,164

56. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

	Issued capital	Capital reserves	Retained earnings		Total	Total equity (attributable to shareholders of Bechtle AG)
			Accrued profits	Changes in equity outside profit or loss		
Equity as of 1 January 2018	42,000	124,228	612,242	-1,187	611,055	777,283
Distribution of profits for 2017			-37,800		-37,800	-37,800
Earnings after taxes			137,141		137,141	137,141
Other comprehensive income				6,580	6,580	6,580
Total comprehensive income	0	0	137,141	6,580	143,721	143,721
Equity as of 31 December 2018	42,000	124,228	711,583	5,393	716,976	883,204
Equity as of 1 January 2019	42,000	124,228	711,583	5,393	716,976	883,204
Distribution of profits for 2018			-42,000		-42,000	-42,000
Earnings after taxes			170,484		170,484	170,484
Other comprehensive income				3,154	3,154	3,154
Total comprehensive income	0	0	170,484	3,154	173,638	173,638
Equity as of 31 December 2019	42,000	124,228	840,067	8,547	848,614	1,014,842



See further comments in the Notes, in particular IV. no. 16, page 161 ff

57. CONSOLIDATED CASH FLOW STATEMENT

		€k	
	Notes	2019	2018
Operating activities			
Earnings before taxes		236,320	193,242
Adjustment for non-cash expenses and income			
Financial earnings		5,050	1,839
Depreciation and amortisation of intangible assets and property, plant and equipment		84,610	41,977
Gains and losses on disposal of intangible assets and property, plant and equipment		95	348
Other non-cash expenses and income		6,749	4,585
Changes in net assets			
Changes in inventories		-5,841	-31,846
Changes in trade receivables		-106,025	-86,724
Changes in trade payables		28,644	69,029
Changes in deferred income		22,918	5,123
Changes in other net assets		-17,646	-940
Income taxes paid		-68,901	-56,108
Cash flow from operating activities	24	185,973	140,525
Investing activity			
Cash paid for acquisitions less cash acquired		-32,193	-232,572
Cash paid for investments in intangible assets and property, plant and equipment		-48,619	-56,429
Cash received from the sale of intangible assets and property, plant and equipment		4,356	1,291
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets		5,542	7,006
Settlement of net investment hedges		-2,158	-766
Interest payments received		950	858
Cash flow from investing activities	25	-72,122	-280,612
Financing activities			
Cash paid for the repayment of financial liabilities		-12,799	-129,600
Cash received from the assumption of financial liabilities		6,326	391,010
Dividends paid		-42,000	-37,800
Interest paid		-5,004	-2,243
Cash paid for the repayment of leases		-36,208	0
Cash flow from financing activities	26	-89,685	221,367
Exchange-rate-related changes in cash and cash equivalents		2,652	1,716
Changes in cash and cash equivalents		26,818	82,996
Cash and cash equivalents at the beginning of the period		245,379	162,383
Cash and cash equivalents at the end of the period		272,197	245,379



See further comments in the Notes, in particular V., page 175 f

NOTES

I. GENERAL DISCLOSURES

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

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

On 3 March 2020, the Executive Board released the consolidated financial statements of Bechtle AG for the 2019 fiscal year for submission 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 CONSOLIDATIONS

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 2019 fiscal year have been adopted.

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

NEW ACCOUNTING PRONOUNCEMENTS

New/amended standards and interpretations adopted for the first time. In the period under review, Bechtle adopted the following new and revised standards and interpretations of the following new accounting pronouncements, which had been published by the IFRS IC and endorsed by the EU.



Pronouncement	Publication by IASB/IFRS IC
IFRS 16 Leases	13 January 2016
IFRIC 23 Uncertainty over Income Tax Treatments	7 June 2017
Amendments to IFRS 9 Prepayment Features with Negative Compensation	12 October 2017
IAS 19 Plan Amendments, Curtailments or Settlements	7 February 2018
IAS 28 Long-term Interests in Associates and Joint Ventures	12 October 2017
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2015–2017 Cycle	12 December 2017

The standards relevant to the accounting of the Bechtle Group are listed below.

IFRS 16 Leases. IFRS 16 replaces the previous lease accounting according to IAS 17. Bechtle adopted IFRS 16 for the first time on 1 January 2019, which led to a significant increase in the balance sheet total on 31 December 2019. The first-time adoption of IFRS 16 took place using the modified retrospective approach. The resulting insignificant effect is recognised in equity. The prior-year figures have not been adjusted. The newly applicable standard does away with the previous classification of leases for lessees of Operation Lease and Finance Lease. Instead, IFRS 16 makes use of a uniform assessment model according to which the lessees are under the obligation to capitalise an asset for the right of use and to recognise a lease liability for all lease payments. This applies to all leases. By applying IFRS 16, all leases are thus to be recorded in the group balance sheet as a matter of principle – largely

in line with accounting of the Finance Lease. The measurement and presentation according to IFRS 16 took place with the help of a newly implemented software tool. In the context of the first-time adoption, Bechtle applied the practical expedient pursuant to IFRS 16.C3, according to which agreements that were determined as leases according to IAS 17 or IFRIC 4 can continue to be classified as such.

IFRS 16, grants options not to disclose accounts for a right-of-use asset as well as the corresponding lease liability for leases which are classified as short-term leases with a term of up to twelve months or leases of low-value assets. Bechtle exercises these options and records the lease payments linked to these leases over the term as expenses.

In the course of a comprehensive analysis of the leases, Bechtle identified all agreements to be measured according to IFRS 16, clustered them according to agreement types and sorted them according to the respective agreement terms. In this analysis, the following agreement types were identified:

- Buildings
- Motor vehicles
- Job bicycles (head lease and sublease)
- Furniture, fixtures and fittings
- Office equipment
- Customer equipment (head lease and sublease)

The effects on the presentation of the group's earnings, assets and financial position are shown below:

With the first application of IFRS 16, Bechtle recorded lease liabilities for previously classified leases under IAS 17 as operating leases, which led to a rise in the non-current liabilities. These liabilities are assessed at the present value of remaining lease payments, discounted with the incremental borrowing rate of interest applicable for Bechtle on 1 January 2019. The weighted average incremental borrowing rate of interest used for this is 0.5 per cent. It reflects the situation as of 1 January 2019, not that as of the start of the respective leases.

	€k
Transfer of lease liabilities	01.01.2019
Obligations from operating leases declared on 31 December 2018	101,724
Plus: liabilities from finance leases accounted for on 31 December 2018	0
(Excl.): leases of low value assets which are recorded on a straight-line basis as an expense	-61
(Excl.): current leases which are recorded on a straight-line basis as an expense	-3,540
Plus/(excl.): Adjustments based on various estimations of extension and termination options	9,604
Effect from discounting at the time of initial application	-2,254
Lease liabilities accounted for on 01 January 2019	105,473
Thereof:	
Current lease liabilities	28,369
Non-current lease liabilities	77,104

In the 2019 fiscal year, the expense from leases not accounted for amounted to €4,185 thousand. This mainly concerns motor vehicle leasing agreements with a term of less than 12 months.

Extension and cancellation options were taken into consideration upon recognition and measurement of the lease liabilities if Bechtle was reasonably certain that these options would be exercised in the future. Lease liabilities in the amount of €28,369 thousand were thus recognised under other current liabilities and €77,104 thousand under other non-current liabilities. Furthermore, the capitalisation of the right-of-use assets from previous operating leases led to an increase in the non-current assets. As of the date of first-time adoption, right-of-use assets were capitalised under property, plant and equipment in the amount of €99,778 thousand. The delta between the lease liabilities and capitalised right-of-use assets is due to subleases. These establish a lease liability and, not a corresponding right of use, but a lease receivable. Subleases are agreement constellations in which Bechtle acts both as the lessee and as the lessor. The leased goods are rented from a third party and directly sublet to a customer in the full scope and for the same period. Under the new standard, the classification of the agreement as lessee changes from operating lease to finance lease. As Bechtle fully sublets the right of use, the application of IFRS 16 also reclassifies the agreement in that Bechtle is deemed to be the lessor. According to IAS 17, both agreements had been classified as operating leases.

The right-of-use assets applied refer to the following types of asset:

	€k	
Assets with assigned rights of use	31.12.2019	01.01.2019
Buildings	91,088	83,857
Furniture, fixtures and fittings	738	357
Vehicle fleet	24,263	15,564

The change in the accounting method also resulted in increases in the following balance sheet items as of 1 January 2019:

	€k
Amendment based on IFRS 16	01.01.2019
Property, plant and equipment	99,778
Trade receivables (non-current)	2,923
Trade receivables (current)	2,787
Deferred tax liabilities	4
Other liabilities (non-current)	77,104
Other liabilities (current)	28,369

As of 31 December 2019, the amount for the option exercised by Bechtle not to disclose payments as right-of-use assets in the balance sheet for short-term leases and for leases based on low-value assets amounts to €1,372 thousand.

	€k	
Leases not accounted for	31.12.2019	01.01.2019
Short-term leases	1,116	3,540
Low-value assets	256	61

Expenditures previously recorded as lease expenses are being replaced by depreciation and interest expenditures as of 1 January 2019. This led to an improvement of earnings before financial earnings and taxes by €308 thousand. In the 2019 fiscal year, the interest expenses for lease liabilities totalled €553 thousand. The effects of the changes from IAS 17 to IFRS 16 on the earnings before taxes as of the end of the 2019 fiscal year were not significant and merely resulted in an increase of €245 thousand in expenses.



See page 184 concerning the maturity analysis of the lease liabilities

In the cash flow statement, the cash flow from operating activities improved by €36,208 thousand due to the changed presentation of repayments for lease liabilities in the cash flow from financing activities. Due to the exercise of the option for interest paid, the associated interest payments amounting to €553 thousand are also included in the cash flow from financing activities.



See page 202 ff concerning the accounting as lessor and lessee

Furthermore, Bechtle acts as a lessor within the scope of operating leases and finance leases. For lessors, the classification as operating leases or finance leases according to IAS 17 is maintained in IFRS 16. As already explained, the reclassification of operating leases as finance leases takes place only if Bechtle acts both as the lessee and as the lessor under subleases.

IFRIC 23 Uncertainty over income tax treatments. Bechtle adopted IFRS 23 for the first time as of 1 January 2019. IFRIC 23 is applicable to taxable profit and tax loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments according to IAS 12. Such uncertainties arise when the application of the respective tax laws on a certain transaction is not clear and therefore depends on the interpretation of the tax authorities, which however was not known when the financial statements were prepared.

Bechtle only takes these uncertainties into consideration in the tax claims or liabilities accounted for if refund or payment of the respective tax amounts is probable. In this connection, it should be assumed that the tax authorities will make use of their right to audit all declared amounts and have full knowledge of all relevant information.

Should the facts or circumstances that formed the basis for the assessment of the uncertainty change or should new relevant information be received, the respective assessment needs to be reviewed and possibly adjusted.

The first-time adoption of IFRIC 23 did not have any effect on Bechtle's consolidated financial statements, as no such circumstances are on hand.

New/amended standards and interpretations not yet adopted. IASB and IFRS IC 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/IFRS IC. If endorsed later on, the EU directive may specify a different date for the mandatory adoption.

Pronouncement	Publication by IASB/IFRS IC	Endorsement	Effective date ¹
Published pronouncements not yet adopted			
Amendments to IFRS 3 Definition of a Business	22 October 2018	Open	1 January 2020
IFRS 17 Insurance Contracts	18 May 2017	Open	1 January 2021
Amendments to IAS 1 and IAS 8 Definition of Material	31 October 2018	29 November 2019	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	26 September 2019	15 January 2020	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	29 March 2018	29 November 2019	1 January 2020
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	31 January 2020	Open	1 January 2022

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


Currently, we do not expect these standards to have any significant impact on the accounting in the Bechtle Group.

CONSOLIDATION PRINCIPLES

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

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

SCOPE OF CONSOLIDATION

 See Appendix A, Subsidiaries, page 211 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 except for Codalis SA.

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
Bücker IT-Security GmbH	Hille, Germany	1 February 2019	Acquisition
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	Angelburg, Germany	1 February 2019	Acquisition
Alpha Solutions AG	St. Gallen, Switzerland	20 May 2019	Acquisition
Podan GmbH	Mörschwil, Switzerland	20 May 2019	Acquisition
EXE GmbH	Mönchengladbach, Germany	1 July 2019	Acquisition
INEO GmbH	Gleisdorf, Austria	1 August 2019	Acquisition
Abissa Informatique SA	Renens, Switzerland	4 November 2019	Acquisition
Abissa Informatique Genève SA	Petit-Lancy, Switzerland	4 November 2019	Acquisition
Codalis SA	Genève, Switzerland	11 November 2019	Acquisition
algaCom AG	Basel, Switzerland	29 November 2019	Acquisition
algaCom Argentina S.R.L	San Miguel De Tucumán, Argentina	29 November 2019	Acquisition

Acquisitions are recognised according to the purchase method.

Further disclosures concerning the companies acquired are presented in section IV. "Further Explanatory Notes on the Balance Sheet", (7) "Goodwill" and section VIII. "Acquisitions and Purchase Price Allocation".



See page 153 f
and 191 ff

CURRENCY TRANSLATION

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

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

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

	Currency	Closing rate		Average exchange rate	
		2019	2018	2019	2018
Switzerland	CHF	1.09	1.13	1.11	1.16
UK	GBP	0.85	0.90	0.88	0.88
USA	USD	1.12	1.15	1.12	1.18

For our subsidiary in Argentina, we apply the accounting for high-inflation countries by adjusting the financial statements of this subsidiary for the current period under consideration of the change in the general purchasing power of the local currency on the basis of the relevant price indices as of the reporting date. The effects on the consolidated earnings are not significant and are below €10 thousand.

ACCOUNTING POLICIES

Revenue recognition. The revenue comprises all income resulting from Bechtle's ordinary business operations from contracts with customers. The revenue is presented without value-added tax and other taxes collected from the customers and paid to the tax authorities.

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

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

Bechtle recognises revenue from customer contracts as follows: When **selling hardware and software**, the revenue is recognised when the performance obligation is satisfied. The performance obligation is satisfied when the customer obtains control of the goods. In Bechtle's business environment, the most significant indicators for the transfer of control are the purchase by the customer and the transfer of the ownership-related risks and rewards of the asset.

The recognition of the revenue takes place in the amount of the consideration that Bechtle expects to receive for these goods.

In our hardware selling business, Bechtle recognises the revenue as principal. Bechtle acts as the principal as it has the control over the determined claim to transfer of the goods before they are transferred to the customer. Bechtle obtains the control over the claim to transfer of the goods after concluding the contract with the customer but before the goods are transferred to the customer. The terms and conditions of the contract with the customer permit Bechtle to decide whether to ship directly from its own warehouse or via the vendor or distributor. If the shipment takes place directly via the manufacturer or distributor, the manufacturer or distributor acts on behalf of and for the account of Bechtle (drop shipping).

In our software licence selling business, Bechtle distinguishes between two types:

- **Direct business:** As an authorised sales partner, Bechtle sells software products that are delivered by software vendors to end customers. Bechtle's only obligation from these agreements consists of asking another company to grant the software licence to the end customer. Bechtle thus acts as an agent and recognises the income at the net amount withheld from the agency services.
- **Indirect business:** Bechtle acts as a value-added software reseller and performs consulting services in connection with the sale of the software licences to customers. This includes aspects of strategic and operational software procurement and consulting services with respect to the agreement details, compliance or customer-specific solutions. They are closely linked to the sale of the software products and are considered to be a material component of the performance obligation towards the customer. The software licences only yield a benefit in connection with the extensive consulting services. Therefore, the services cannot be distinguished in the context of the contract, and the consulting represents an implicit performance obligation. As Bechtle is primarily responsible for fulfilling this promise, Bechtle acts as the principal in these agreements. Apart from this, Bechtle can independently determine its selling prices within customary bandwidths. In its indirect business, Bechtle thus recognises the gross revenue. The cost of sales is reflected in the material costs.

Revenue from the **performance of IT services is recognised** over time, as the units rendered by Bechtle cannot be used otherwise and Bechtle is entitled to payment for the services already performed. The revenue is recognised on the basis of input-based methods to measure the progress of the performance. Until the invoice is issued to the customer, the revenue is presented in the contract assets.

Bechtle recognises the revenue from the performance of IT services as principal, as the group transfers the control over the service directly to its customers or makes it available directly to its customers.

Multiple-element contracts for the shipment of several products or the performance of several services need to be separated into individual performance obligations for each of which a separate income is to be determined and recognised upon fulfilment of the obligation towards the customer. At Bechtle, this especially concerns managed service contracts. The total transaction price of the combined contract is divided to the individual performance obligations on the basis of the pro-rata individual selling prices, i.e. the individual selling price of each element is put in relation to the total of the individual selling prices of the contractual performance obligations.

The evaluation whether the revenue needs to be recognised over time or at a point in time is performed separately for each performance obligation.

According to IFRS 15, start-up costs that arise in connection with the fulfilment of managed service contracts need to be capitalised and amortised over the contract term, provided they result in enhanced use of resources and are recoverable. In the 2019 fiscal year, these costs only played an insignificant role.

According to IFRS 15.91, sales commission in connection with contracts for managed services needs to be capitalised if the time of accrual does not coincide with recognition of the revenue. This would be the case if the sales commission were to be due upon conclusion of the contract. In the 2019 fiscal year, Bechtle again recognised sales commission on trading business and services as expenses at the time of delivery or performance, i.e. at the same time as the revenue recognition.



See Company,
page 32 f

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

Leases. Bechtle started applying IFRS 16 Leases on 1 January 2019.

Bechtle as lessee. All agreements in the Bechtle Group that represent leases or leases that are included in another agreement must therefore be measured at the present value of the lease payments when they are first accounted for at the time of provision. Variable lease payments are not taken into consideration in this context. The discounting takes place on the basis of Bechtle's incremental borrowing rate at the same time and in the same currency. On the assets side, a right-of-use asset is recognised for the underlying asset under property, plant and equipment as of the time of initial accounting. This right-of-use asset is depreciated according to schedule over the lease term. If no term is determined in an agreement or the agreement can be terminated on a monthly basis, a term of five years is used. Furthermore, extension and termination options contained in rental agreements and leases are taken into consideration in the measurement of the lease liability and thus included in the evaluation of the right-of-use asset, provided that the exercise of these options is reasonably certain. Bechtle does not account for a right-of-use asset and the corresponding lease liability for leases that are classified as short-term leases with a term of up to 12 months or as leases for low-value assets (up to €5 thousand).

At Bechtle AG, the application of IFRS 16 resulted in the capitalisation of right-of-use assets especially for rental property and leased company vehicles. Additionally, there are leases for office equipment, furniture, fixtures and fittings, job bicycles and customer equipment, which, however, are of minor significance.

As of the introduction of IFRS 16, the expenses for leases no longer affect the EBIT in the full amount in the income statement. Rather, only the expense from the depreciation of the capitalised right-of-use asset is recognised in EBIT; the interest expenses for the lease liability is posted to the financial earnings.

In the capital flow statement, the lease payments in the amount of the interest and repayment share are included in the cash flow from financing activities.

Bechtle as lessor. Bechtle AG also acts as a lessor. From this perspective, leases are classified as operating leases and finance leases. Payments from operating leases are recognised as income over the lease term through profit and loss.

If all material opportunities and risks associated with the ownership have passed to the lessee, the lease shall be recognised as a finance lease. In this context, a claim is accounted for from the finance lease in the amount of the net investment value from the lease. In this connection, Bechtle regularly engages in dealer leasing on the market and recognises revenue in the amount of the present value of future lease payments. On the other hand, expenses associated with the lease are recognised in the income statement, and the amount of the present value of future payments is accounted for as a lease liability.

Accounting method until 31 December 2018. Until 31 December 2018, Bechtle classified leases as operating leases and finance leases according to IAS 17, both from the lessee and from the lessor perspective. Payments from operating leases were recognised as expense over the lease term through profit and loss.

If, however, all material opportunities and risks associated with the ownership passed to the lessee, the lease was recognised as a finance lease. If Bechtle was the lessor in this case, a claim was accounted for from the finance lease in the amount of the net investment value from the lease.

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

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

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

Brands acquired in the context of company acquisitions are measured at the fair value of the brand right. Except for the brand purchased in the 2018 fiscal year, the useful life used to be 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 five to ten years.

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

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

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

For goodwill and other intangible assets with an unlimited useful life, an impairment test is performed at least once a year for the cash-generating unit that these assets are allocated to. In the case of intangible assets with limited useful lives and property, plant and equipment, an impairment test is performed if events or changes occur that suggest impairment. In the Bechtle Group, impairment tests are always conducted on the basis of the value in use determined by means of the discounted cash flow method. The basis for this is the current plan drawn up by the management for the next

three fiscal years. The planning assumptions are duly adjusted to the current state of knowledge based on internal and external information available. In the process, appropriate assumptions on macroeconomic trends and historical developments are taken into account. As a matter of principle, the expected growth rates in the relevant markets are used as the basis for the calculation of cash flows.

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

Property, plant and equipment. Property, plant and equipment are measured at cost less scheduled depreciation. Most of the property, plant and equipment consists of land and buildings. These assets are held by a limited number of companies. Within the scope of the preparation of the annual financial statements of these companies, the existence of any indications or changed circumstances which might render it impossible to recover the carrying amount of an asset is checked. 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	2–10 years
Furniture, fixtures and fittings	2–20 years
Vehicle fleet	2–7 years
Buildings	10–50 years

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

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

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

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

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

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

Contract assets are claims to consideration for goods or services that Bechtle transferred to a customer before he made a payment or before the conditions for issuing an invoice and recognising a receivable are on hand. With respect to possible impairment, contract assets – like trade receivables – are subject to the expected credit loss (ECL) model introduced according to IFRS 9.

A contract liability is the obligation to transfer goods or services to a customer for which the group has already received consideration from the customer (or an amount of the consideration is due). A contract liability is recognised when a customer pays the consideration before Bechtle fulfils its performance obligation by transferring goods or services to the customer. Contract liabilities are recognised as revenue when the performance is rendered under the contract. This especially applies to services invoiced in advance, maintenance agreements, warranty extensions and expansions and down payments received from third parties.

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

As a matter of principle, impairments of trade receivables are performed by means of allowance accounts. The decision as to whether a credit risk is to be taken into consideration through an allowance account or through a direct impairment of the receivable depends on the degree of reliability of the assessment of the risk situation. The portfolio managers are responsible for this assessment. Moreover, the general credit risk is accommodated under consideration of Euler-Hermes ratings and corresponding probabilities of default in the scope of the ECL model introduced according to IFRS 9.

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. As in the prior year, no securities were held as investments as of the reporting date.

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

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

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

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

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

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

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

Deferred income includes all deferred other operating earnings, as in the prior year. This especially affects marketing grants and other compensation from suppliers as well as rent income.

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

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

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

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

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

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

Subsequent measurement of financial assets:

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

Subsequent measurement of financial liabilities:

■ Pursuant to IFRS 9, financial liabilities are measured either at amortised cost or at the fair value. The change in value is recognised at fair value through profit or loss.

Equity instruments:

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

As of every balance sheet date, financial assets are tested for impairment. Pursuant to IFRS 9, a risk provision is recognised for this purpose on the basis of the expected credit losses (ECL model). The assessment whether future losses are expected is performed on the basis of a creditworthiness analysis of the accounts receivable with the help of Euler-Hermes ratings. Accordingly, expected valuation losses will henceforth be taken into consideration in addition to the losses that have already occurred. Once the reasons for the posted impairments no longer exist, the respective write-ups are applied. Due to the very short terms and the creditworthiness of our contracting partners, no impairment is determined according to the ECL model for financial assets in the form of cash and cash equivalents.



See page 177 ff

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".

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

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

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

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

DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

To determine whether an agreement constitutes a **lease**, it is necessary to assess whether the fulfilment of the contractual agreement depends on the use of a certain asset or certain assets and on whether the agreement grants the right to use the asset. Bechtle determines the lease term under consideration of the basic lease term that cannot be terminated as well as extension and termination options, provided it is reasonably certain that these options will be exercised in the future. In the case of an unlimited lease term in real-estate rental agreements, a useful life of five years is assumed. The assessment of leases on the lessor side largely takes place on the basis of the criteria of the useful life as specified in the standard as well as the present value of the lease payments at the beginning of the lease.

III. FURTHER EXPLANATORY NOTES ON THE INCOME STATEMENT

1 REVENUE

The revenue amounting to €5,374,453 thousand (prior year: €4,323,318 thousand) includes the considerations charged to customers for goods and services less rebates and discounts.

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

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

As a matter of principle and irrespective of the industry, all customers are commercial end customers and public-sector clients. In the fiscal year ended, the product groups that achieved the highest revenue were mobile computing, software, IT services and peripherals. With these product groups, Bechtle generated about 55 per cent of the total revenue (prior year: 54 per cent).

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



See page 186 ff

In the 2019 fiscal year, income amounting to €112,229 thousand (prior year: €93,764 thousand) was recognised for payments from previous periods.

Contract assets are claims to consideration for goods or services that Bechtle transferred to a customer before he made a payment or before the conditions for issuing an invoice and recognising a receivable are on hand. In the 2019 fiscal year, income amounting to €34,622 thousand was recognised for this.

In the reporting year, revenue amounting to €579,649 thousand (prior year: €456,688 thousand) was generated in the indirect licence business.

2 EXPENSE STRUCTURE

	€k					
	Cost of sales		Distribution costs		Administrative expenses	
	2019	2018	2019	2018	2019	2018
Material costs	4,187,371	3,359,051	0	0	0	0
Personnel and social expenses	336,886	255,924	243,580	206,032	153,955	128,704
Depreciation and amortisation	34,016	15,921	18,937	8,793	31,657	17,263
Other operating expenses	48,363	49,488	44,115	42,393	63,995	59,721
Total costs	4,606,636	3,680,384	306,632	257,218	249,607	205,688

The predominant portion of the material costs corresponds to the costs for commodities. Furthermore, costs from the indirect licence business in the amount of €546,188 thousand (prior year: €429,171 thousand) were posted under material costs. The material costs include net expenses of €465 thousand from exchange rate fluctuations (prior year: income of €499 thousand).

Other operating expenses include the following:

- Vehicle costs amounting to €24,210 thousand (prior year: €32,319 thousand)
- Expenses for office and building rent amounting to €14,589 thousand (prior year: €28,320 thousand)
- Communication costs amounting to €9,218 thousand (prior year: €8,489 thousand)
- Marketing costs amounting to €15,546 thousand (prior year: €12,755 thousand)
- Legal and consulting costs amounting to €18,121 thousand (prior year: €16,489 thousand)
- Impairment expenses amounting to €4,977 thousand (prior year: €2,819 thousand)
- Expenses from the immediate write-off of trade receivables amounting to €1,038 thousand (prior year: €1,035 thousand) and
- Other costs incurred within the scope of the ordinary course of business

3 OTHER OPERATING INCOME

	€k	
	2019	2018
Marketing allowances and other compensation from suppliers	19,816	12,138
Income from operating a photovoltaic system	214	243
Rental income	529	249
Others	9,233	2,423
Other operating income	29,792	15,053

Other operating income increased to €29,792 thousand (prior year: €15,053 thousand). Marketing allowances and other compensation from suppliers increased due to acquisitions. As in the prior years, the other operating income consists primarily of damages, insurance reimbursements and income from hedges as well as a negative different in the amount of €4,350 thousand from the capital consolidation.

4 FINANCIAL INCOME AND FINANCIAL EXPENSES

The financial income in the total amount of €1,229 thousand (prior year: €1,338 thousand) consists of interest income from call money and time deposits.

The financial expenses of €6,279 thousand (prior year: €3,177 thousand) include interest cost for loans and other financial liabilities. Especially due to the bond loan and the interest expenses as a result of the first-time adoption of IFRS 16, the financial expenses increased (€553 thousand).

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	
	2019	2018
Paid or due taxes		
Germany	49,928	40,797
Other countries	25,724	16,373
Deferred taxes		
from valuation differences in terms of time	-9,613	-944
from unused losses	-203	-125
Income taxes	65,836	56,101

In Germany, the statutory corporation tax rate for the assessment period 2019 was 15.0 per cent. Including the trade tax and solidarity surcharge, the tax encumbrance amounted to 29.7 per cent (prior year: 29.7 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 28.5 per cent (prior year: 28.4 per cent) on the profit before income taxes was as follows:

	€k	
	2019	2018
Earnings before taxes	236,320	193,242
Expected tax expense	67,409	54,964
Tax-free revenue	-138	-61
Tax rate change for deferred taxes	-4,006	36
Tax expense of earlier years	43	136
Tax income of earlier years	-107	-90
Non-deductible expenses	1,469	1,249
Allocation/addition deferred tax assets to loss carryforwards	-276	-725
Use of previously unrecorded loss carryforwards	-89	-89
Unrecognised deferred taxes on loss carryforwards for the current year	2,750	489
Devaluation of previously recognised deferred taxes on loss carryforwards	59	55
Deferred difference from the capital consolidation	-1,292	0
Earn-out components	14	31
Others	0	106
Actual tax expense	65,836	56,101

6 EARNINGS PER SHARE

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

	2019		2018
Earnings after taxes	€k	170,484	137,141
Average number of outstanding shares		42,000,000	42,000,000
Earnings per share	€	4.06	3.27

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

IV. FURTHER EXPLANATORY NOTES ON THE BALANCE SHEET

7 GOODWILL

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

Cash-generating unit	IT System House & Managed Services		Group
	E-Commerce	IT	
As of 01.01.2019	193,867	152,071	345,938
Adjustment to Stemmer GmbH	4,230	0	4,230
Acquisitions in the reporting period	43,815	0	43,815
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	9,471	0	9,471
Codalis SA	9,436	0	9,436
Alpha Solutions AG	7,997	0	7,997
Others	16,911	0	16,911
Currency translation differences	3,151	458	3,609
As of 31.12.2019	245,063	152,529	397,592



See page 191ff. for information on newly accrued goodwill

Like the previous impairment tests, the annual impairment test of the goodwill as of 30 September 2019 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 assets and liabilities of the cash-generating units, see page 186 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 2019, the cash-generating units had a weighted average cost of capital (WACC) of 6.4 per cent (prior year: 6.6 per cent) after taxes (WACC before taxes 6.7 per cent, prior year: 6.9 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 2020 and 2021 have been derived on the basis of the as-is data and the target data in accordance with the above-mentioned factors, and the cash flow for 2022 has been extrapolated with assumptions based on long-term growth rates of 1.9 per cent. Sensitivity analyses have revealed that even in the case of sub-



For information on the planning process and expectations, see Corporate Management, page 34 ff and Forecast Report, page 111 ff

stantially divergent key assumptions within a realistic framework, there would be no need for impairment of the goodwill. For example, there would be no need for impairment in the event of a reduction of the yearly free cash flow of the cash-generating units by more than 20.0 per cent each or an increase of the WACC to 10.0 per cent if the other input parameters remained unchanged.



See Appendices B
and C, Notes,
page 216 f

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

8 OTHER INTANGIBLE ASSETS

	31.12.2019	31.12.2018
Brands/licences	15,974	16,861
Customer bases	58,165	63,341
Acquired software	16,710	18,882
Internally developed software	12,013	13,617
Customer service agreements	16,441	8,419
Other intangible assets	119,303	121,120

ARP (carrying amount €3,947 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 GmbH will continue to constitute a key element of the Bechtle Group along with their respective brands and the legal protection of the brand can easily be perpetuated over an extended period. The Inmac WStore brand (carrying amount €8,927 thousand) has a useful life of ten years. The ARP and Inmac WStore brands are allocated to the cash-generating unit IT E-Commerce and the Modus brand to the cash-generating unit IT System House & Managed Services. In the fiscal year, an unscheduled depreciation of €1,486 thousand was applied to purchased software.

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 (prior year: 6.6 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 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 the scheduled amortisation of the Inmac WStore brand and currency translation differences.

	€k	
	2019	2018
Customer bases		
Carrying amount (31.12)	58,165	63,341
Remaining useful life (weighted average) (years)	7.5	8.6
Accumulated scheduled amortisation	13,558	5,755
Accumulated impairment as per IAS 36	0	0
Scheduled amortisation	8,395	3,711
Impairment according to IAS 36	0	0
Currency translation differences of accumulated amortisation	100	65

Inmac WStore SAS, which had been acquired in 2018, accounted for the greatest share of capitalised customer bases, totalling €50,353 thousand (prior year: €56,163 thousand). The remaining useful life of these amounts to about nine years. The depreciation of customer bases is mainly allocated to the cost of sales and distribution costs.

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



See Appendices B and C, Notes, page 216 f

9 PROPERTY, PLANT AND EQUIPMENT

	€k	
	31.12.2019	31.12.2018
Property and buildings	103,606	100,243
Other equipment, furniture, fixtures and fittings	51,502	49,445
Advance payments and construction in progress	9,488	3,165
Right-of-use assets	116,089	0
Property, plant and equipment	280,685	152,853

As of 31 December 2019, there were no contractual obligations for the purchase of property, plant and equipment.

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

Property, plant and equipment increased greatly due to the first-time adoption of IFRS 16. The rights of use from leasing contains right-of-use assets in the amount of €91,088 thousand resulting from land and buildings as well as right-of-use assets in the amount of €25,001 thousand resulting from other equipment, furniture, fixtures and fittings.



See X. Bechtle as Lessee page 202 f

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



See Appendices B and C, Notes, page 216 f

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	
	31.12.2019	31.12.2018
Liabilities	38,819	7,594
Property, plant and equipment	30,680	18,812
Other provisions	6,228	4,649
Pension provisions	3,363	3,535
Inventories	3,251	0
Loss carryforwards	725	928
Receivables	688	675
Other intangible assets	276	306
Others	479	483
	84,509	36,982
Netting	-80,595	-32,269
Deferred tax assets (net)	3,914	4,713

	€k	
	31.12.2019	31.12.2018
Property, plant and equipment	33,809	1,266
Other intangible assets	27,258	30,511
Receivables	19,935	15,494
Deferred income	15,151	10,339
Goodwill	12,521	14,567
Inventories	4,043	254
Other provisions	815	736
Others	243	209
	113,775	73,376
Netting	-80,595	-32,269
Deferred tax liabilities (net)	33,180	41,107

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 estimates 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 2018 and/or 2019 amounted to €252 thousand (prior year: €0). There were no netted deferred tax liabilities at these companies. 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 €10,046 thousand (prior year: €2,135 thousand) for corporation tax, €12,469 thousand (prior year: €7,363 thousand) for trade tax and €3,319 thousand (prior year: €1,190 thousand) for losses of companies abroad.

As in the prior year, as of 31 December 2019, 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 €28,421 thousand (prior year: €24,034 thousand).

Of the deferred taxes recognised in the balance sheet, a total of €1,698 thousand were added to the goodwill and €1,021 thousand were deducted from the equity (prior year: €19,963 thousand were added to the goodwill and €435 thousand were deducted from the equity) outside profit and loss. For details concerning the deferred taxes accounted for outside profit or loss, refer to chapter 16 Equity.

11 INVENTORIES

	€k	
	31.12.2019	31.12.2018
Commodities	294,726	287,839
Advance payments on inventories	1,050	369
Impairments	-10,202	-7,877
Inventories	285,574	280,331

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

As of 31 December 2019, the carrying amount of the impaired inventories amounted to €22,079 thousand (prior year: €19,078 thousand). Year on year, the impairment increased €2,325 thousand (prior year: €1,149 thousand).

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

12 TRADE RECEIVABLES

	€k			
	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Trade receivables, gross	875,608	38,148	763,875	27,863
Impairments	-13,285	0	-9,806	0
Trade receivables	862,323	38,148	754,069	27,863

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	Impairment IFRS 9	Neither overdue nor impaired	Overdue and not value adjusted				
						less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days
31.12.2019										
Trade receivables	862,323	4,571	-4,214	-9,071	653,050	166,394	27,956	9,766	8,969	4,902
31.12.2018										
Trade receivables	754,069	2,657	-2,389	-7,417	478,830	247,327	18,302	11,939	3,174	1,646

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, Bechtel suffered minor defaults of individual customers and customer groups. To hedge the general credit risk, reasonable provisions for bad debts are made on the basis of probabilities of default of a rating agency in the context of the ECL model. The probabilities of default and the gross carrying amounts per rating class are listed in the following chart:

Euler-Hermes rating classes	€k		
	Probability of default	Gross carrying amount 2019	Gross carrying amount 2018
01–05: Very high to medium creditworthiness	0.8%	772,070	692,672
06: Increased risk	4.0%	54,777	43,653
07: High risk	6.5%	27,965	12,793
08: Very high risk	10.0%	3,670	3,747
09: Not credit-worthy	18.0%	564	1,020

Rating class ten is not included in the table, as the receivables it contains are already taken into consideration in the individual impairments.

The impairment of trade receivables developed as follows:

	€k	
	2019	2018
Impairment situation as of 1 January	9,806	7,056
Exchange rate differences/consolidation	230	2,135 ¹
Use	173	109 ¹
Liquidations	1,367	2,095
Allocations (impairment expenses)	4,789	2,819
Impairment situation as of 31 December	13,285	9,806

¹ Previous year adjusted by acquisitions

Expenses from the immediate write-off of trade receivables amounted to €1,038 thousand (prior year: €1,035 thousand). As of the end of the year, income from payments received on written-off receivables amounted to €319 thousand (prior year: €20 thousand).

For the disclosures in accordance with IFRS 7, the trade receivables are, depending on their maturity, allocated to the classes "Current trade receivables" (€841,101 thousand) and "Non-current trade receivables" (€2,575 thousand), and to the classes "Current leasing receivables" (€21,222 thousand) and "Non-current leasing receivables" (€35,573 thousand).

13 TIME DEPOSITS AND SECURITIES

	€k			
	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Time deposits	0	0	5,543	0
Securities	0	0	0	0
Time deposits and securities	0	0	5,543	0

In the reporting period, the group received the pension funds that had been classified as capital investments in the time deposits in the prior year as cash and cash equivalents.

14 OTHER ASSETS

	€k			
	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Refunds and other receivables from suppliers	46,343	0	39,862	0
Contract assets ¹	34,622	0	0	0
Rental deposits	165	2,740	256	2,166
Unrealised gains from financial derivatives	356	0	312	0
Due from staff	334	88	304	39
Loan extended to a leasing company	311	0	51	311
Insurance refunds	124	71	45	69
Others	1,368	3	858	2
Total financial assets	83,623	2,902	41,688	2,587
Accrued income	16,260	3,185	22,284	3,602
Accrued income for customer maintenance agreements	16,763	642	13,451	582
VAT receivable	8,494	0	2,914	0
Social security claims	1,035	0	809	0
Advance payments	5	0	13	0
Receivables from other taxes	0	0	68	0
Total non-financial assets	42,557	3,827	39,539	4,184
Other assets	126,180	6,729	81,227	6,771

¹ In the 2019 fiscal year, contract assets were for the first time recorded under other assets. In the previous year, these were still included in the inventories to an insignificant extent.

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. Moreover, the other assets contain contract assets amounting to €34,622 thousand. In accordance with IFRS 9, a risk provision in the amount of €188 thousand was recognised for expected credit risks under consideration of the probabilities of default as calculated by rating agency.

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 €85,843 thousand (prior year: €43,601 thousand);
- "lendings" in the amount of €311 thousand (prior year: €362 thousand); and
- "financial derivatives" in the amount of €371 thousand (prior year: €312 thousand).

15 CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €272,197 thousand (prior year: €245,379 thousand) include cash at banks and on hand and short-term realisable time deposits with initial maturities of less than three months from the date of acquisition.

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

16 EQUITY

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.



See Consolidated
Statement of
Changes in Equity,
page 126

ISSUED CAPITAL

As was the case on 31 December 2018, the company’s share capital as of 31 December 2019 was divided into 42,000,000 fully paid-up ordinary shares of a calculated nominal value of €1.00 each. Each share has one vote.

Authorised and contingent capital. Pursuant to Article 4 (3) of the Articles of Incorporation of Bechtle AG, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company’s share capital by up to €14,000 thousand by issuing new bearer shares (authorised capital according to the resolution of the Annual General Meeting of 28 May 2019) until 11 June 2023.

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

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

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

CAPITAL RESERVES

The capital reserves primarily include the offering premium (agio) from capital increases and amounted to €124,228 thousand as of 31 December 2019 (prior year: €124,228 thousand).

RETAINED EARNINGS

Accrued profits. At the Annual General Meeting on 28 May 2019, a resolution was adopted to pay out a dividend of €1.00 per no-par share with dividend entitlement for the 2018 fiscal year (dividend total: €42,000 thousand). The dividend was paid out on 3 June 2019. In the prior year, a dividend total of €37,800 thousand had been paid out on 15 June 2018.

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 €50,400 thousand for the fiscal year 2019 for the payment of a normal dividend of €1.20 per no-par share with dividend entitlement.

Apart from the dividend paid out for the fiscal year 2018, the retained earnings in the reporting period also changed by the comprehensive income of €173,638 thousand, consisting of earnings after taxes (€170,484 thousand) and other comprehensive income (€3,154 thousand). Accordingly, the retained earnings amounted to €848,614 thousand as of 31 December 2019 (prior year: €716,976 thousand). Apart from the dividend payment, a change from the comprehensive income amounting to €143,721 thousand had taken place in the prior year.

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

€k

	31.12.2019			31.12.2018		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
	Actuarial gains and losses on pension provisions	-11,231	2,381	-8,850	-11,661	2,353
Non-realised gains and losses from securities	0	0	0	0	0	0
Non-realised gains and losses from financial derivatives	1,488	-6	1,482	1,697	-1	1,696
Currency translation differences on net investments in foreign operations	0	0	0	0	0	0
Hedging of net investments in foreign operations	-14,466	4,237	-10,229	-12,307	3,596	-8,711
Currency translation differences	26,144	0	26,144	21,716	0	21,716
Other comprehensive income	1,935	6,612	8,547	-555	5,948	5,393

€k

	01.01-31.12.2019			01.01-31.12.2018		
	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	430	28	458	1,692	-339	1,353
Items that will be reclassified to profit or loss in subsequent periods						
Non-realised gains and losses from securities	0	0	0	1	0	1
Gains and losses resulting from the current period	0	0	0	1	0	1
Reclassifications to profit and loss	0	0	0	0	0	0
Non-realised gains and losses from financial derivatives	-209	-5	-214	1,684	3	1,687
Gains and losses resulting from the current period	15	-5	10	1,721	3	1,724
Reclassifications to profit and loss	-224	0	-224	-37	0	-37
Currency translation differences on net investments in foreign operations	0	0	0	0	0	0
Gains and losses resulting from the current period	0	0	0	0	0	0
Reclassifications to profit and loss	0	0	0	0	0	0
Hedging of net investments in foreign operations	-2,159	641	-1,518	-766	228	-538
Gains and losses resulting from the current period	-2,159	641	-1,518	-766	228	-538
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	4,428	0	4,428	4,077	0	4,077
Other comprehensive income	2,490	664	3,154	6,688	-108	6,580

Thus, the other comprehensive income amounted to €3,154 thousand (prior year: €6,580 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 2018, the company did not hold any treasury shares as of 31 December 2019.

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 €1,014,842 thousand, Bechtle's equity as of 31 December 2019 reached a high value that represented a year-on-year improvement (€883,204 thousand). In the reporting period, the equity (+14.9 per cent) grew at a slower rate than the debt capital (+20.6 per cent), which is reflected in a lower equity ratio of 42.4 per cent (prior year: 43.6 per cent). The increase in debt capital resulted especially from the first-time adoption of IFRS 16 as well as the other liabilities and the inclusion of liabilities to personnel. In the reporting period, the existing loans were repaid according to schedule. The higher earnings after taxes resulted in a higher return on equity of 19.8 per cent (prior year: 18.1 per cent). The return on assets dropped slightly to 8.5 per cent (prior year: 9.1 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 2019, Bechtle had cash and cash equivalents as well as time deposits and securities amounting to €272,197 thousand (prior year: €250,922 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 €647,728 thousand as of 31 December 2019 (prior year: €580,794 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, contract liabilities and deferred income) on the equity and liabilities side.

As of 31 December 2019 and 31 December 2018, respectively, no fundamental changes had been made to the capital management goals, guidelines and procedures.

17 PENSION PROVISIONS

Except for the pension plans in Switzerland, in France and of Bechtle Onsite Services GmbH in Germany, the Bechtle Group has no defined benefit plans. As a matter of principle, these benefit commitments are presented under consideration of country-specific regulations (e.g. local law). The amount of the provision presented in the annual report of Bechtle AG represents the value of the pension obligation less the respective plan assets.

The main obligations from benefits plans exist in Switzerland. They account for 93.0 per cent (prior year: 97.3 per cent) of the group-wide pension obligation and 97.5 per cent (prior year: 97.2 per cent) of the corresponding plan assets.

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 €31,958 thousand (prior year: €25,916 thousand). The contributions to the statutory pension fund in France increased to €2,994 thousand (prior year: €1,498 thousand).

Pension plans Switzerland. 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. 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.

As a result of the acquisitions performed in Switzerland in the 2019 fiscal year, the pension obligations have also been 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 €2,329 thousand accrued in the course of the reporting period. Taking exchange rate differences amounting to plus €58 thousand into consideration, the actuarial losses recognised in retained earnings as of 31 December 2019 amounted to €8,183 thousand (prior year: €10,570 thousand), less deferred tax assets amounting to €1,688 thousand (prior year: €2,029 thousand).

In the reporting period, employer contributions exceeded the net pension expenses to be recognised by €400 thousand. This amount was posted to personnel expenses through profit or loss.

After factoring in the other exchange rate differences amounting to plus €655 thousand, the total net obligation and thus the pension provisions to be accounted for as of 31 December 2019 amounted to €21,096 thousand. As of 31 December 2019, this net obligation accounted for included the acquisitions in Switzerland with an amount of €5,659 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.

Pension plans Germany. 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 the fiscal year and 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. Any underfunding must be fully borne by Bechtle alone.

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.

Both due to the newly added obligations and the lower discount rate, the pension provision increased €4,277 thousand to €4,613 thousand as of 31 December 2019. In the course of the reporting period, actuarial losses amounting to €1,149 thousand accrued; thus, the actuarial losses recognised in retained earnings as of 31 December 2019 amounted to €2,240 thousand (prior year: €1,091 thousand), less deferred tax assets amounting to €665 thousand (prior year: €324 thousand).

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by €1,156 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.

Pension plans France. Previously, the obligations of the French subsidiaries in the Bechtle Group were presented under other provisions. In the 2019 fiscal year, these obligations were reclassified as pension provisions, as this reflects the character of those obligations more fittingly.

The legislator in France determines a minimum compensation that depends on the employee's seniority and compensation upon retirement due to old age. Moreover, requirements of the respective collective labour agreement may be applicable. The amount of the compensation mainly depends on the employee's seniority. An entitlement accrues from a seniority of ten years.

As of 31 December 2019, the pension provision amounted to €4,993 thousand. In the course of the reporting period, actuarial losses amounting to €808 thousand accrued; thus, the actuarial losses recognised in retained earnings as of 31 December 2019 amounted to €808 thousand, less deferred tax assets amounting to €28 thousand.

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by €250 thousand. This amount was recognised as a reduction of personnel expenses through profit or loss.

Net obligation group. In total, the pension obligations that were recognised as pension provision in the consolidated balance sheet as of 31 December 2019 amounted to €30,702 thousand (prior year: €16,301 thousand).

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

	€k	
	2019	2018
Present value of the defined benefit obligation 01.01	142,377	126,760
Current service cost (for pension entitlements in the reporting period)	6,366	4,260
Interest cost (for pension entitlements already acquired)	1,131	877
Employee contributions	3,346	2,890
Actuarial gains and losses		
based on demographic development	0	4,061
based on changes in financial assumptions	12,623	-3,779
based on experience	-1,625	-3,266
Curtailment	0	-89
Addition by acquisition	25,786	15,433
Disposal by divestments	0	0
Retirement benefits paid	-4,474	-8,426
Past service cost	-991	-1,271
Reclassification from other provisions	4,463	0
Exchange rate differences	6,144	4,927
Present value of the defined benefit obligation 31.12	195,146	142,377

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

	€k	
	2019	2018
Fair value of the plan assets 01.01	126,076	113,758
Interest income	1,009	782
Employee contributions	3,346	2,890
Employer contributions	4,781	4,286
Expenses/income from plan assets included in other comprehensive income	11,396	-1,391
Curtailment	0	-89
Addition by acquisition	16,578	10,120
Disposal by divestments	0	0
Retirement benefits paid	-4,383	-8,366
Administrative expenses	-293	-293
Reclassification from other provisions	500	0
Exchange rate differences	5,434	4,379
Fair value of the plan assets 31.12	164,444	126,076

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

	€k				
	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Present value of defined benefit obligation	195,146	142,377	126,760	131,813	108,166
Fair value of the plan assets	164,444	126,076	113,758	111,889	92,267
Net obligation	30,702	16,301	13,002	19,924	15,899
Pension provision accounted for	30,702	16,301	13,002	19,924	15,899

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

	€k	
	2019	2018
Current service cost (for pension entitlements in the reporting period)	6,366	4,260
Interest cost (for pension entitlements already acquired)	1,131	877
Interest income	-1,009	-782
Past service cost	-991	-1,271
Administrative expenses	293	293
Net pension expenses for benefit commitments	5,790	3,377

As of 31 December 2019 and as of 31 December 2018, respectively, the defined benefit plans and their actuarial measurement were based on the following parameters:

	Pension plans Switzerland		Pension plans Germany		Pension plans France	
	2019 ¹	2018	2019	2018	2019	2018
Discount rate and expected interest	0.2%	0.75%	0.9%	1.7%	0.9%	1.8%
Inflation rate	0.75%	0.75%	n/a	n/a	n/a	n/a
Salary increase (including inflation rate)	1.0%	1.0%	1.5%	1.6%	1.8%	1.8%
Pension increase	0.0%	0.0%	2.0%	2.0%	1.8%	1.8%
Retirement likelihood, mortality, invalidity	BVG 2015 Gen.	BVG 2015 Gen.	Heubeck guide 2018 G; retirement likelihood based on age and duration of service	Heubeck guide 2018 G; retirement likelihood based on age and duration of service	INSEE TVTD 2008 2010	INSEE TVTD 2008 2010
Likelihood of marriage	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	Heubeck guide 2018 G	Heubeck guide 2018 G	INSEE TVTD 2008 2010	INSEE TVTD 2008 2010
Earliest retirement age	Men aged 65 and women aged 64 100% (Switzerland)	Men aged 65 and women aged 64 100% (Switzerland)	100% at age 62 or 63 (depending on commitment)	100% at age 62 or 63 (depending on commitment)	Men and women at 65 years	Men and women at 65 years
Longevity bonus	None	None	None	None	None	None

¹ incl. acquisitions in Switzerland

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, which of the parameters have a material impact on the obligation was examined. 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.

	Pension plans Switzerland ¹		Pension plans Germany		Pension plans France	
Discount rate	+0.5%	-0.5%	+1.0%	-1.0%	+0.5%	-0.5%
	Obligation drops by 6.8% (8.1%)	Obligation rises by 7.9% (9.0%)	Obligation drops by 13.4% (12.2%)	Obligation rises by 17.2% (15.1%)	Obligation drops by 8.9%	Obligation rises by 10.0%
Expected interest	+0.5%	-0.5%				
	Obligation rises by 2.1% (3.0%)	Obligation drops by 2.1% (2.9%)				

¹ incl. acquisitions in Switzerland

In terms of the investment categories, the plan assets at group level are comprised as follows.

	31.12.2019	Valuation class (IFRS 13)
	Plan assets	
Obligations	16.1%	Level 1
Equity instruments	24.4%	Level 1
Real estate fund	21.6%	Level 1
Other assets	33.5%	Level 2
Liquidity	4.4%	Level 1

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

The average weighted duration is 16.7 years for those insured at the Swiss pension fund, 15.3 years for Bechtel Onsite Services GmbH and 18.0 years for the obligations in France.

The income from plan assets totalled €12,406 thousand in the reporting period (prior year: expense of €609 thousand).

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

	€k
	2019
Due within one year	8,448
Due in two to five years	33,745
Due in six to ten years	33,072
Net pension expenses for benefit commitments	75,265

For 2020, the actuarial opinions for the pension plans in Switzerland, Germany and France forecast employee contributions of €7,989 thousand to the defined benefit plans. The expected employer contributions to the plan assets amount to €5,346 thousand. As the plan assets are expected to increase to €163,916 thousand in the 2020 fiscal year, the expected net obligation is €35,986 thousand. The net pension expenses for benefit commitments are projected to amount to €8,452 thousand.

18 OTHER PROVISIONS

								€k
	01.01.2019	Currency translation and consolidation	Reclassification	Use	Reversal	Addition	Allocation from acquisition	31.12.2019
Guarantees and similar obligations	6,017	16	0	4,135	70	4,651	168	6,647
Personnel expenses	11,234	12	-4,993 ¹	1,968	428	4,199	670	8,726
Legal and consulting expenses	242	1	0	223	36	452	26	462
Investor relations	370	0	0	357	0	328	0	341
Others	2,351	4	0	460	129	4,896	48	6,710
Total other provisions	20,214	33	-4,993	7,143	663	14,526	912	22,886
Other non-current provisions	11,052	16	-4,993	92	234	4,332	0	10,081
Other current provisions	9,162	17	0	7,051	429	10,194	912	12,805

¹ Reclassification as pension provisions

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. **Miscellaneous provisions** primarily relate to provisions for anticipated losses, archiving and disposal costs, as well as contingent liabilities.

In the reporting period, €4,993 thousand were reclassified from other provisions to pension provisions, as this reflects the character of the obligation more fittingly.

19 FINANCIAL LIABILITIES

In the fiscal year, two loans totalling €6,125 thousand were raised for a term of ten years for real estate financing purposes.

Other financial liabilities included other current account debts amounting to €741 thousand (prior year: €593 thousand).

The company has credit lines of €39,722 thousand (prior year: €39,655 thousand), which can be used both for cash loans and for guarantee credits. As of the balance sheet date, €14,278 thousand (prior year: €6,722 thousand) of this amount were utilised for guarantee credits. These credit lines are not earmarked, and their issue is not subject to any conditions. Additionally, the company has pure guarantee credit lines amounting to €5,051 thousand (prior year: €5,109 thousand), €43 thousand (prior year: €204 thousand) of which had been utilised as of the balance sheet date. Apart from this, Bechtle has money market credit lines amounting to €70,000 thousand (prior year: €70,000 thousand), which, as in the prior year, had been utilised as of the balance sheet date. In total, the unused credit lines amounted to €100,452 thousand (prior year: €107,838 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 in the amount of €13 thousand (prior year: €40 thousand) have a residual term of more than one year.

As in the prior year, the trade payables are allocated as follows for the disclosures according to IFRS 7:

- “current trade payables” in the amount of €406,807 thousand (prior year: €372,338 thousand) and
- “non-current trade payables” in the amount of €13 thousand (prior year: €40 thousand).

21 OTHER LIABILITIES

	€k			
	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Leasing liabilities	36,147	87,270	-	-
Liabilities to employees	91,748	0	79,574	0
Liabilities to customers	17,511	40	11,366	20
Liabilities resulting from acquisitions	2,936	10,704	2,983	4,797
Customer bonus	5,842	0	2,516	0
Vehicle expenses	2,924	0	1,502	0
Rent and ancillary rental costs	939	5	741	36
Annual financial statement costs	868	0	715	0
Advertising	694	0	569	0
Interest	600	0	634	0
Telephone/Internet	394	0	397	0
Insurances	368	0	275	0
Travel expenses and expenditures	294	0	270	0
Transportation charges	239	0	161	0
Unrealised losses from financial derivatives	223	0	339	0
Others	5,268	0	4,247	0
Total financial liabilities	166,995	98,019	106,289	4,853
VAT liability	44,342	0	35,177	0
Wage and church tax	9,445	0	7,643	0
Social security contributions	9,125	0	9,287	0
Liabilities from other taxes	1,869	6	1,561	5
Total non-financial liabilities	64,781	6	53,668	5
Other liabilities	231,776	98,025	159,957	4,858

Liabilities to personnel mainly concern outstanding bonuses and employee commission.

The lease liabilities result from the first-time adoption of IFRS 16.

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 €127,734 thousand (prior year: €103,023 thousand);
- “non-current lease liabilities” in the amount of €87,270 thousand;
- “current lease liabilities” in the amount of €36,147 thousand;
- “liabilities resulting from acquisitions” in the amount of €13,640 thousand (prior year: €7,780 thousand);
- “financial derivatives” in the amount of €223 thousand (prior year: €339 thousand).



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22 CONTRACT LIABILITIES

Contract liabilities mainly consisted of customer down payments received and service agreements paid in advance in the amount of €124,722 thousand as of 31 December 2019 (prior year: €107,015 thousand).

	€k	
	31.12.2019	31.12.2018
Current contract liabilities	105,369	96,120
Non-current contract liabilities	19,353	10,895

23 DEFERRED INCOME

As of 31 December 2019, deferred income amounted to €24,180 thousand (prior year: €16,109 thousand), €1,481 thousand of which is non-current.

V. FURTHER EXPLANATORY NOTES ON THE CASH FLOW STATEMENT

The cash flow statement for the 2019 reporting period and the prior year was prepared in accordance with IAS 7 and reports the development of cash flows broken down by cash inflows and outflows from operating, investing and financing activities. The cash flow is determined using the indirect method.

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

24 CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the amount of €185,973 thousand (prior year: €140,525 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. Additionally, a negative difference from the capital consolidation is included in the reporting period. The operating cash flow improved considerably compared to the prior year.

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

25 CASH FLOW FROM INVESTING ACTIVITIES

In 2019, net cash used for investments in the amount of €72,122 thousand (prior year: €280,612 thousand) primarily consisted of payments for investments in intangible assets and property, plant and equipment as well as for the acquisition of companies. 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.

The payments made for acquisitions comprise the purchase price payments of €44,551 thousand (prior year: €260,950 thousand) for companies acquired in the reporting period as well as additional payments for contingent purchase price increases amounting to €1,983 thousand (prior year: €500 thousand) for companies acquired in prior years. Within the scope of these acquisitions, cash and cash equivalents worth €12,358 thousand were taken over (prior year: €28,737 thousand).



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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.



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Settlements of net investment hedges comprise payments from forward exchange contracts in connection with the hedging of the net investments in group companies whose local currency is not the euro. In the reporting period, this amount totalled –€2,158 thousand (prior year: –€766 thousand).

26 CASH FLOW FROM FINANCING ACTIVITIES

Factoring in the assumption and repayment of financial liabilities, dividend distributions and interest payments made, net cash used for financing activities amounted to €89,685 thousand (prior year: €221,367 thousand).

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. The cash outflow for leases amounted to €36,208 thousand. In addition, non-cash additions to the rights-of-use assets and lease liabilities were recognised in the amount of €48,040 thousand.

	Non-cash changes					31.12.2019
	31.12.2018	Cash flows	Acquisitions	Exchange rate effects	Changes in fair value	
Non-current financial liabilities	380,640	–6,766	0	0	0	373,874
Current financial liabilities	12,872	293	636	0	0	13,801
Total financial liabilities	393,512	–6,473	636	0	0	387,675

	Non-cash changes					31.12.2018
	31.12.2017	Cash flows	Acquisitions	Exchange rate effects	Changes in fair value	
Non-current financial liabilities	69,917	310,723	0	0	0	380,640
Current financial liabilities	58,930	–49,314	3,252	4	0	12,872
Total financial liabilities	128,847	261,409	3,252	4	0	393,512

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

INFORMATION ON FINANCIAL INSTRUMENTS BY CATEGORY

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

€k						
Class pursuant to IFRS 7	Measurement category according to IFRS 9	Carrying amount 31.12.2019	Fair value 31.12.2019	Carrying amount 31.12.2018	Fair value 31.12.2018	Level
Assets						
Non-current trade receivables	AC	2,575	2,591	2,638	2,616	3
Current trade receivables	AC	841,101	841,101	738,622	738,622	3
Non-current leasing receivables	AC	35,573	34,909	25,225	25,037	3
Current leasing receivables	AC	21,222	21,222	15,447	15,447	3
Time deposits						
Insurances	AC	0	0	5,543	5,543	3
Other financial assets	AC	85,843	85,843	43,601	43,601	3
Lendings	AC	311	311	362	361	3
Financial derivatives						
Derivatives accounted for as hedges	n. a.	15	15	9	9	2
Derivatives not accounted for as hedges	FVPL	356	356	303	303	2
Cash and cash equivalents	AC	272,197	272,197	245,379	245,379	1
Liabilities						
Loans	AC	387,675	424,719	393,512	418,714	2
Non-current trade payables	AC	13	13	40	39	3
Current trade payables	AC	406,807	406,807	372,338	372,338	3
Other financial liabilities	AC	127,734	127,734	103,023	103,023	3
Liabilities resulting from acquisitions	FVPL	13,640	13,640	7,780	7,780	3
Financial derivatives						
Derivatives accounted for as hedges	n. a.	0	0	8	8	2
Derivatives not accounted for as hedges	FVPL	223	223	331	331	2
Thereof aggregated according to valuation category pursuant to IFRS 9						
	AC	2,181,051	2,217,447	1,945,730	1,970,720	
	FVPL	14,219	14,219	8,414	8,414	

Abbreviations used for the measurement categories of IFRS 9:

AC = Acquisition costs

FVPL = Fair value through profit or loss

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

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

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

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

The cash flows of the **financial derivatives** accounted for as hedges will occur within a period of two months of the balance sheet date.

Liabilities resulting from acquisitions are conditional, additional purchase price payments (earn-outs) for acquisitions (IFRS 3.58). The fair value was determined with the help of the DCF method. Apart from the planned business development of the unit taken over, a discount rate that is appropriate for the period was used. The creditworthiness of the debtor Bechtle (IFRS 13.42ff) was taken into account via an overhead percentage method taking into account the amount, the probability of default and the recovery rate in the event of inability to pay. The difference between the fair value and the amount to be paid at maturity according to the contract is €329 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 by about 40 per cent; in the event of an increase to 110 per cent of the target achievement assumed at the acquisition, the liabilities would not increase. These liabilities will reach maturity in 2020 to 2022.

In the prior year, the **insurances** class had contained pension funds as capital investments. These time deposits had been made in the first quarter of 2014 and expired in the reporting period.

The fair value of **time deposits, loans** and **non-current trade receivables** and **non-current 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. In this context, material input factors that cannot be observed are the discount for the credit risk of the counterparty and the discount for the own non-performance risk. In the event of an increase (reduction) of the discount for the credit risk of the counterparty, the fair value of the non-current trade receivables would be €3 thousand lower (€3 thousand higher), and the non-current leasing receivables would be €38 thousand lower (€38 thousand higher). In the event of an increase (reduction) of the discount for the own credit risk, the fair value of the loans would be €26 thousand lower (€26 thousand higher).

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

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

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

Financial assets and liabilities in Level 3	01.01.2019	Total gains and losses			Additions	Compensation/settlement	Reclassification	31.12.2019
		Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income				
Liabilities resulting from acquisitions	7,780	117	210	0	8,515	-2,982	0	13,640

€k

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

€k

The €117 thousand (prior year: €105 thousand) posted as expenses under financial earnings were attributable to future payments accounted for as of 31 December 2019.

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

		Assets AC	Assets FVPL	Derivatives not accounted for as hedges	Liabilities AC	Liabilities FVPL	Total
Interest expenses		0	0	0	-6,279	0	-6,279
Income/expenses from shareholdings		0	0	0	0	0	0
Fair-value changes		0	0	133	0	-117	16
Impairment expenses		-3,610	0	0	0	0	-3,610
Income from appreciation		0	0	0	0	0	0
Gains/losses from currency translation		-265	0	0	-200	0	-465
Gains/losses from disposals		-1,038	0	0	0	0	-1,038
Other financial expenses and income		0	0	0	0	0	0
Net earnings	2019	-3,808	0	133	-6,479	-117	-10,271
Net earnings	2018	70	9	-379	-2,910	-105	-3,315

€k

Total interest income for financial assets corresponds to the values stated above. The total interest expense for financial liabilities amounted to €6,279 thousand (prior year: €3,180 thousand). The increased interest expenses for the liabilities largely resulted from the bond loan.

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:

	2019			2018		
	Gross liabilities	Gross assets	Net amount accounted for	Gross liabilities	Gross assets	Net amount accounted for
Financial assets						
Current trade receivables	21	862,344	862,323	315	754,384	754,069
Refunds and other receivables from suppliers	806	47,149	46,343	1,239	41,101	39,862
Financial liabilities						
Current trade payables	412,864	6,057	406,807	375,788	3,450	372,338
Current liabilities to customers	17,515	4	17,511	11,391	25	11,366

The trade receivables include liabilities to customers amounting to €21 thousand, and the liabilities to customers include receivables from customers amounting to €4 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 €6,057 thousand, and the receivables from suppliers contain liabilities in the amount of €806 thousand. Based on contractual agreements, Bechtle is entitled to net these items against each other. These items mainly comprise bonus proceeds that suppliers pay out to Bechtle or that Bechtle pays out to its customers. The year-on-year increase is related to the reporting date.

DISCLOSURES ON RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

Currency risk. Receivables, liabilities and cash and cash equivalents which are not transacted in the functional (local) currency used by the companies are exposed to currency risks from financial instruments. In the Bechtle Group, currency risks from financial instruments denominated in foreign currency arise from the inter-company trade and, to a small extent, trade with external suppliers and customers.

Hedges serve to protect against exchange rate risks affecting receivables and liabilities denominated in foreign currency. The Bechtle Group uses forward exchange contracts and currency swaps and currency options as hedges.

In the consolidated financial statements (EUR), exchange differences arose from the conversion of foreign currency financial statements of subsidiaries abroad. These differences are carried and recognised separately directly in equity. To compensate most of these currency translation differences outside profit or loss, and to hedge a net investment in a foreign operation (IAS 39, IFRIC 16), Bechtle took out a EUR/CHF forward exchange contract in the reporting period that covered the majority of these currency risks. Fluctuations in the EUR/CHF exchange rate can significantly affect the consolidated earnings as a considerable portion of the business is generated in Switzerland. At the end of the reporting period, the forward exchange contract concluded at the beginning of the reporting period for the sale of CHF 65 million resulted in a loss of €1,731 thousand that was recognised as other comprehensive income outside profit or loss (income tax effect: €514 thousand). In the prior year, the forward exchange contract that had been concluded for the sale of CHF 62 million at the end of 2018 had resulted in a gain of €793 thousand that had been recognised as other comprehensive income outside profit or loss (income tax effect: €235 thousand). Similarly, net assets in the UK were hedged against EUR/GBP exchange rate risks. The corresponding forward exchange contract (sale of GBP 7.4 million) generated a loss of €384 thousand that was recognised in other comprehensive income outside profit or loss (income tax effect: €114 thousand). In the prior year, GBP 5.0 million had been sold forward. In the prior year, the income from the hedge of the net assets that had been recognised as other comprehensive income had totalled €15 thousand (income tax effect: €4 thousand). Additionally, the net assets of the subsidiaries in the Czech Republic, Hungary and Poland have also been hedged. This resulted in a loss of €43 thousand (prior year: gain of €12 thousand) that was recognised in other comprehensive income and a corresponding income tax effect of €13 thousand (prior year: €3 thousand).

On the other hand, the consolidated equity underwent a positive effect in the amount of €4,417 thousand (prior year: positive effect of €4,077 thousand) from currency translation differences. These were largely caused by EUR/CHF conversion.

The gain that corresponds to the effective part of the currency hedges (€1,488 thousand) was recognised in other comprehensive income outside profit or loss, taking into account deferred taxes (€6 thousand). The share of the hedges whose associated liability has already been accounted for was posted through profit or loss.

Apart from the said individual cases, hedges with terms of up to two years and individual volumes of up to €2 million are regularly concluded for operational purposes within the ordinary course of business. The following table shows the volume of the hedges concluded in the respective fiscal years:

Currency pair		2019		2018	
		Purchase	Sale	Purchase	Sale
EUR/USD	USDk	120,098	57,431	127,794	64,041
EUR/CHF	CHFk	4	77,000	78,239	72,000
EUR/SEK	SEKk	10,043	9,500	116,173	15,500
EUR/NOK	NOKk	32,951	0	0	0
EUR/GBP	GBPk	1,316	11,311	11,095	9,688
EUR/PLN	PLNk	0	7,510	6,297	6,817
EUR/CZK	CZKk	6,500	26,303	11,800	14,372
EUR/HUF	HUFk	0	269,730	230,000	258,017
CHF/EUR	EURk	9,794	20,000	9,767	0
CHF/SEK	SEKk	1,317	0	16,187	9,469
CHF/USD	USDk	4,340	0	3,820	0
CHF/GBP	GBPk	775	0	1,807	0
CHF/NOK	NOKk	30,075	0	8,897	2,024

As of the balance sheet date, an obligation to buy USD 15,105 thousand, NOK 32,566 thousand, SEK 10,037 thousand and CHF 781 thousand (all net) as well as an obligation to sell GBP 907 thousand, CZK 309 thousand, HUF 3,144 thousand and PLN 84 thousand (all net) against EUR under these currency contracts that were measured through profit or loss. Further, obligations existed to buy €6,788 thousand, GBP 15 thousand and NOK 6,529 thousand (all net) against CHF. In the prior year, obligations had existed to buy USD 1,576 thousand and SEK 43,945 thousand and to sell GBP 144 thousand (all net) against euros as well as obligations to buy €3,337 thousand, GBP 1,615 thousand, NOK 1,953 thousand and SEK 101 thousand against CHF. The measurement resulted in gains of €393 thousand (prior year: €116 thousand).

The following sensitivity analysis illustrates the impact a decrease (or increase) in the euro exchange rate could have on consolidated earnings before taxes. The changes in the fair values of the financial assets and liabilities in foreign currency recognised as of the respective balance sheet date due to the changed exchange rate are taken into account. The hedges existing as of the balance sheet date are taken into consideration in the sensitivity analysis. Exchange-rate-related differences from the translation of financial statements into the reporting currency are not taken into account.

	€k			
	2019		2018	
Effects of a devaluation (or appreciation) of the euro by 10% against				
USD	+4,367	(-4,367)	+2,372	(-2,372)
CHF	-3,184	(+3,184)	-4,763	(+4,763)
NOK	+138	(-138)	+36	(-36)
SEK	+117	(-117)	+710	(-710)
HUF	-81	(+81)	-32	(+32)
CZK	-20	(+20)	-37	(+37)
GBP	+20	(-20)	+141	(-141)
DKK	-9	(+9)	0	0
PLN	-8	(+8)	+17	(-17)
AUD	+1	(-1)	0	0

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 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			
	2019		2018	
Effects of a devaluation (or appreciation) of the euro by 10% against				
CHF	+32,491	(-32,491)	+6,750	(-6,750)
GBP	+1,070	(-1,070)	+738	(-738)
PLN	+197	(-197)	+145	(-145)
HUF	+77	(-77)	+69	(-69)
CZK	+68	(-68)	+61	(-61)
USD	-37	(+37)	-153	(+153)


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. The interest rate risks of the Bechtle Group are centrally analysed, and the resulting measures are actively managed by the group's finance department. The procedure applied by the department is subject to regular audits as determined by the management.

Apart from this, the group has only a minimal position - and thus an insignificant interest rate risk - in variable-rate financial instruments, which are exposed to cash flow risks from a possible deterioration in interest rates. Moreover, there is an insignificant interest-rate risk for fixed-income financial instruments with fair value risk due to the fluctuation depending on the interest rates. The variable tranche of the bond loan raised in the prior year is subject to a minor interest-rate change risk, which is constantly monitored.


The sensitivity analysis was conducted for the Bechtle Group's cash and cash equivalents as of the balance sheet date, taking into account the relevant interest rates in the relevant currencies. A hypothetical decrease or increase in these interest rates from the beginning of the reporting period by 100 basis points or 1.0 per cent a year (assuming constant exchange rates) would have led to a decrease/increase in interest income by €2,347 thousand (prior year: €2,134 thousand).

Liquidity risk. The liquidity risk from financial instruments results from future interest payments and redemption payments for financial liabilities and from derivative financial instruments. The tables below show the non-discounted payment obligations for the relevant balance sheet items as of the balance sheet date and the prior year's balance sheet date in accordance with IFRS 7.

The liquidity risk is controlled and monitored on a weekly basis with the aid of a 14-day liquidity forecast.


For further disclosures on the liquidity, see page 107

	€k				
	Financial liabilities				
	Loans	Other current non-derivative liabilities	Trade payables	Leasing liabilities	Other financial liabilities
Carrying amount 31.12.2019	386,934	741	406,820	123,417	141,597
Cash flow 2020					
Interest	5,617	0	0	516	223
Repayment	13,078	741	406,807	36,147	130,897
Cash flow 2021					
Interest	5,341		0	367	108
Repayment	14,977		10	25,387	8,394
Cash flow 2022–2023					
Interest	8,972		0	455	48
Repayment	113,074		3	28,724	2,306
Cash flow 2024–2025					
Interest	7,389			388	
Repayment	137,741			33,159	
Cash flow 2026–2027					
Interest	3,785				
Repayment	7,090				
Cash flow 2028–2029					
Interest	1,853				
Repayment	100,974				


For information on the cash flows of the financial liabilities, see page 172

	€k			
	Financial liabilities			
	Loans	Other current non-deriva- tive liabilities	Trade payables	Other financial liabilities
Carrying amount 31.12.2018	392,919	593	372,378	110,803
Cash flow 2019				
Interest	5,762	0	0	0
Repayment	12,279	593	372,338	105,950
Cash flow 2020				
Interest	5,554		0	0
Repayment	12,045		32	56
Cash flow 2021–2022				
Interest	9,886		0	94
Repayment	38,617		8	4,797
Cash flow 2023–2024				
Interest	7,981			
Repayment	93,264			
Cash flow 2025–2026				
Interest	5,535			
Repayment	133,762			
Cash flow 2027–2028				
Interest	3,712			
Repayment	102,952			

The cash and cash equivalents are spread over 29 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 27 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 21 per cent of the group's cash and cash equivalents at large Swiss banks, which only offer a low statutory deposit guarantee.



For further disclosures on the risk management, see page 106 f

Credit risk. The carrying amounts of the financial assets correspond to the maximum credit risk. There are no hedges except for common liens for all trade receivables as well as country-specific deposit guarantee funds for all cash and cash equivalents and time deposits. Any credit risks identified in the financial assets are recognised in the form of impairments. Except for lenders in connection with buildings, Bechtle provides virtually none of its creditors with collateral.

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

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

To avoid risk concentrations, customer-specific credit lines are determined by means of ongoing creditworthiness checks.

VII. SEGMENT INFORMATION

Segment information is reported in accordance with IFRS 8 Operating Segments, as in the prior year.

The Bechtle Group is currently active in two business segments, the IT System House & Managed Services segment and the IT E-Commerce segment. The two segments differ in terms of the areas of activity involved as well as with regard to the processes applied for IT product trading purposes. The strategic alignment and expansion strategy pursued are also different.



Turnkey IT solution
provider with
customer-specific
combinations of
services, hardware
and software

In the **IT System House & Managed Services** segment, Bechtle's services cover the entire IT value change ranging from IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services and training to complete IT operation. Bechtle prepares individual offers involving a range of different services in combination with hardware and software, directly reflecting the needs and preferences of each and every customer. In this segment, Bechtle operates in Germany, Belgium, Austria and Switzerland, ensuring special customer proximity by means of its decentralised organisation with about 75 locations for wide geographic coverage.

The **IT E-Commerce** segment comprises the group's online shop and telesales trading activities. As an IT specialist with more than 50,000 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 and Inmac WStore brands are active in France only. In the Netherlands, Bechtle is also represented with the Buyitdirect brand. The Comsoft direct software licensing brand is present in four European countries. Since 1 January 2017, the activities of the Comsoft companies in Germany, Austria and Switzerland have been allocated to the IT System House & Managed services segment (previously IT E-Commerce).



Specialist dealer
with over 50,000 items,
multi-brand strategy

Bechtle Group companies are based primarily in Germany. Group companies exist abroad in Argentina, Austria, Belgium, the Czech Republic, France, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan, UK and the USA.

The administration and the strategic management of the individual companies are centralised primarily in Gaildorf and Neckarsulm, where the parent company Bechtle AG and the group's Executive Board are based.

As a general rule, the same reporting and valuation methods are applied for the segment information as for the Consolidated Financial Statements. A joint résumé of the business segments has not been drawn up.

The chief operating decision-maker (CODM) as defined in IFRS 8.7 is the Executive Board of Bechtle AG, which comprises the Chairman of the Executive Board, the Member of the Executive Board responsible for IT System House & Managed Services and the Member of the Executive Board responsible for IT E-Commerce. This CODM is responsible for the cross-departmental, group-wide monitoring and management of the group success and resource allocation. Strategic decisions concerning the allocation of resources to the two segments and the assessment of their earning power are made exclusively at Executive Board meetings of Bechtle AG in close coordination with the Supervisory Board. The Executive Board member responsible for IT System House & Managed Services and the Executive Board member responsible for IT E-Commerce serve individually as the segment managers (IFRS 8.9) for the respective business segment. In this capacity, they are in charge of the resource management and the assessment of the efficiency of the segments under their supervision. The segment manager also coaches the Executive Vice Presidents and Managing Directors in his segment. Vis-à-vis the CODM, the segment managers are responsible for their segments and maintain regular contact with the CODM, e.g. at Executive Board meetings, in order to report on and discuss the activities, results and plans of their segment.

The segment information presented below is based on the same indicators as those employed for the internal reporting and controlling system that are used above all by the group management/CODM for success evaluation and resource allocation purposes. It contains all income and expenses as well as the assets and liabilities of the central units/functions of the Bechtle Group in accordance with the relevant services provided or used in the two IT System House & Managed Services and IT E-Commerce segments. The earnings before interest and taxes and before acquisition-related amortisation represent the earnings-related key performance indicator for the segments. The amortisation from acquisitions relates to goodwill, customer bases, customer service agreements and brands resulting within the scope of acquisitions. Financial earnings are not consolidated as the segments are primarily funded via the central units where external interest expense and income are mainly incurred. For this reason, financial earnings and expenses are reported together as financial income merely at group level as shown below. This results in the earnings before taxes in the Bechtle Group and subsequently, taking into account the taxes at group level, the earnings after taxes in the Bechtle Group.

This results in asymmetric allocation (IFRS 8.27) insofar as the assets and liabilities reported for the segments include interest-bearing assets and liabilities as well as tax receivables and payables. In the case of symmetric allocation, segment assets and segment liabilities would be correspondingly lower and the earnings-related key performance indicator of the segments would include financial income, financial expenses and tax.

Transactions are only conducted between the two segments to an insignificant extent. They are accounted for at market prices and, for the purposes of completeness and transparency, are shown below explicitly in respect of revenue as well as receivables and payables. The consolidated revenue comprises the total revenue of both segments with parties outside the group. The same applies to the receivables and payables as well as the assets and liabilities of the two segments and of the Bechtle Group as a whole.

The investments, depreciation and amortisation reported relate to intangible assets as well as to property, plant and equipment.



For disclosures
on the composition
of the revenue,
see page 149

In the segment reporting by region (domestic or abroad), revenue is allocated to the country in which the subsidiary concerned has its registered office. From the perspective of the given subsidiary, revenue is generated exclusively in its own country. Only revenue via parties external to the group is reported. Accordingly, assets, liabilities and investments are allocated to the domestic market (Germany) or abroad on the basis of the location of the given company's registered office.

€k

By segments	2019			2018		
	IT System House & Managed Services	IT E-Commerce	Total group	IT System House & Managed Services	IT E-Commerce	Total group
Total segment revenue	3,527,428	1,896,382		2,938,055	1,424,033	
less intersegment revenue	-42,391	-6,966		-31,765	-7,005	
Revenue	3,485,037	1,889,416	5,374,453	2,906,290	1,417,028	4,323,318
Depreciation and amortisation	-53,208 ¹	-18,107	-71,315	-27,390 ²	-7,717	-35,107
Segment result	156,287	98,378	254,665	130,374	71,577	201,951
Depreciation and amortisation from acquisitions	-6,455	-6,840	-13,295	-4,290	-2,580	-6,870
Earnings before financial earnings and taxes	149,832	91,538	241,370	126,084	68,997	195,081
Financial earnings			-5,050			-1,839
Earnings before taxes			236,320			193,242
Income taxes			-65,836			-56,101
Earnings after taxes			170,484			137,141
Investments	67,576	28,445	96,021	46,460	10,166	56,626
Investments through acquisitions	62,152	0	62,152	31,331	194,857	226,188

¹ of which €1,486 thousand unscheduled depreciation on acquired software

² of which €1,175 thousand unscheduled depreciation of a building

Apart from the scheduled depreciation and amortisation, the IT System House & Managed Services segment applied an unscheduled amortisation in the amount of €1,486 thousand to purchased software. In the prior year, an unscheduled depreciation in the amount of €1,175 thousand had been applied to a building including the land. Apart from this, the non-cash items in the two segments in the reporting period and in the prior year were mainly limited to the usual movements within the course of the business operations (e.g. changes in trade receivables and trade payables).

€k

By segments	2019			2018		
	IT System House & Managed Services	IT E-Commerce	Total group	IT System House & Managed Services	IT E-Commerce	Total group
Total segment assets	1,544,126	865,560		1,221,625	813,094	
less intersegment receivables	-14,202	-817		-5,726	-1,829	
Assets	1,529,924	864,743	2,394,667	1,215,899	811,265	2,027,164
Total segment liabilities	934,723	460,121		744,968	406,547	
less intersegment liabilities	-817	-14,202		-1,829	-5,726	
Liabilities	933,906	445,919	1,379,825	743,139	400,821	1,143,960

€k

By regions	2019			2018		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
Revenue	3,336,529	2,037,924	5,374,453	2,854,859	1,468,459	4,323,318
Investments	75,134	20,887	96,021	49,845	6,781	56,626
Investments through acquisitions	26,273	35,879	62,152	10,341	215,847	226,188

Of the consolidated revenue generated abroad, France accounted for €695,582 thousand (prior year: €355,441 thousand), Switzerland for €378,630 thousand (prior year: €333,519 thousand) and the Netherlands for €347,419 thousand (prior year: €305,006 thousand). The revenue increase in France was mainly the result of the acquisition in the prior year. The rest is split between the other countries, namely Austria, Belgium, the Czech Republic, Hungary, Ireland, Italy, Poland, Portugal, Spain and the United Kingdom, each of which contributed less than 10 per cent to the consolidated revenue of the Bechtle Group.

€k

By regions	2019			2018		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
Assets	1,389,162	1,005,505	2,394,667	1,142,011	885,153	2,027,164
Thereof non-current assets	422,297	424,074	846,371	323,492	335,766	659,258
Liabilities	957,205	422,620	1,379,825	827,418	316,542	1,143,960

The non-current assets reported here encompass property, plant and equipment as well as intangibles (including goodwill). Of the non-current assets held abroad, Switzerland accounted for €145,797 thousand (prior year 99,983 thousand) and France for €213,666 thousand (prior year: €198,165 thousand). The rest is split between the remaining countries Austria, Belgium, the Czech Republic, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, each of which held less than 5 per cent of the non-current assets of the Bechtle Group.

Both in the reporting period and in the prior year, no single customer generated more than 10 per cent of the revenue of the Bechtle Group (IFRS 8.34).



See page 204 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 2019 fiscal year, Bechtle acquired 100 per cent of the interests in the following companies (except for Codalis SA, of which it acquired 75 per cent of the interests):

Company	Headquarters	Date of initial consolidation	Acquisition
Bücker IT-Security GmbH	Hille, Germany	1 February 2019	Acquisition
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	Angelburg, Germany	1 February 2019	Acquisition
Alpha Solutions AG	St. Gallen, Switzerland	20 May 2019	Acquisition
Podan GmbH	Mörschwil, Switzerland	20 May 2019	Acquisition
EXE GmbH	Mönchengladbach, Germany	1 July 2019	Acquisition
INEO GmbH	Gleisdorf, Austria	1 August 2019	Acquisition
Abissa Informatique SA	Renens, Switzerland	4 November 2019	Acquisition
Abissa Informatique Genève SA	Petit-Lancy, Switzerland	4 November 2019	Acquisition
Codalis SA	Genève, Switzerland	11 November 2019	Acquisition
algaCom AG	Basel, Switzerland	29 November 2019	Acquisition
algaCom Argentina S.R.L.	San Miguel De Tucumán, Argentina	29 November 2019	Acquisition

The information required for the transactions will be presented together.

The acquisitions were recognised in the balance sheet as of the balance sheet date.

By means of the acquisition of Bücker IT-Security GmbH, Bechtle has expanded its base with an IT security specialist. Bücker IT-Security GmbH has been active in the German IT market for more than 26 years and has gained a foothold in the growing security market as a specialist, particularly for medium-sized companies and public institutions throughout Germany. Moreover, Bücker boasts excellent manufacturer relationships as well as loyal customers across multiple sectors.

By purchasing Coffee GmbH Computerlösungen für Fertigung und Entwicklung, Bechtle has acquired a certified partner for SOLIDWORKS and SolidCAM that also covers the vendors' entire product spectrum. Bechtle has thus strengthened its market positioning in the field of product development solutions, especially in 3D CAD. The service spectrum of Coffee GmbH Computerlösungen für Fertigung und Entwicklung comprises consulting and implementation as well as support including remote maintenance and training.

By acquiring partial business operations of IBM Business & Technology Services GmbH and IBM Customer Support Services GmbH, Bechtle is expanding its base in the field of managed services. In the course of the asset deal and the associated takeover of more than 300 employees, the long-standing partnership between the two companies has further widened. Under the agreement, Bechtle takes over infrastructure solutions on behalf of IBM Germany, thereby expanding its activities in the field of managed services. The newly gained employees perform services for customers in the fields of design, consulting, operation of applications and data centre services. In the context of the takeover, the purchase price amounts to the tangible assets taken over. Moreover, the seller has undertaken to have certain services performed by Bechtle, and the respective compensation has been agreed.

The acquisition of Alpha Solutions AG, Bechtle represents a continuation of Bechtle's expansion of its service business in Switzerland in the field of ERP and CRM projects as well as cloud solutions. As of the acquisition date 20 May 2019, the company acquired all interests in Podan GmbH. Podan GmbH holds 80 per cent of the shares in the operationally active Alpha Solutions AG. Under the same purchase contract, the remaining 20 per cent in Alpha Solutions AG were also purchased, so that Bechtle directly and indirectly purchased 100 per cent of the interests. The range of customer mainly includes Swiss companies from the food, process, plant engineering, wholesale and hospital industries.

Thanks to the acquisition of EXE GmbH, Bechtle has deepened its base with a specialist for ECM and CRM solutions. Founded in 1999, the company is specialised in the optimisation of the business processes of medium-sized and group companies, associations and public institutions. The service spectrum ranges from consulting and introduction of CRM/DMS software systems to individual application development and after-sales support.

Bechtle has strengthened its competitive position as an IT solution provider and service provider in the Austrian market. by acquiring the IT service provider INEO GmbH. The company is fully integrated in the Bechtle IT system house Austria, which in turn greatly increases the market presence through the addition of further IT specialists. The team of INEO GmbH has extensive know-how in the fields of IT services and managed services, thereby supplementing the main competencies of the system house.

Acquisition of the two IT system houses Abissa Informatique SA and Abissa Informatique Genève SA has allowed Bechtle to expand its base in the French-speaking regions of Switzerland. Abissa is positioned as an IT partner for the digitisation of companies in Romandie. The service portfolio comprises consulting, software engineering, integration of IT infrastructure and outsourcing solutions.

By means of the acquisition of the IT system house Codalis SA, Bechtle supplements the managed services, cloud and mobility activities in western Switzerland with highly qualified IT engineers and technicians. Codalis SA has a clear customer focus on medium-sized and large companies in the French-speaking parts of Switzerland. Apart from IT consulting, the offering also includes a wide

range of IT infrastructure services. Within the scope of the acquisition of 75 per cent of the interests in Codalis SA, the minority shareholders were granted a put option and Bechtle a corresponding call option with regard to the remaining 25 per cent. In view of the details of the existing put/call options, the company was already fully integrated upon initial consolidation. The purchase price liability resulting from the exercise of the options was recognised under other non-current liabilities.

Bechtle's acquisition of algaCom AG and algaCom Argentina S. R. L. provides it with an IT service provider specialised in collaboration as well as identity and access management. Founded in 1997, the company has locations in Basel, Wien and Tucumàn, Argentina, and boasts a broad customer base of internationally active businesses from the industry and public administration. By means of the acquisition, Bechtle intends to get stronger in the field of cloud-based software solutions.

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€13,755 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 (€3,471 thousand) were recognised.

Under consideration of the acquired total net assets (€9,251 thousand), the capital consolidation resulted in a total difference of €43,815 thousand that is presented as goodwill and allocated to the IT System House & Managed Services segment. 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. Moreover, the capital consolidation resulted in a negative difference in the amount of €4,350 thousand since the market value of the acquired assets was greater than the purchase price. The difference is recorded in the other operating income.

Under consideration of the cash and cash equivalents taken over, the acquisition costs of the companies purchased in 2019 (€53,066 thousand) resulted in a cash outflow in the amount of €32,193 thousand. The purchase contracts of five acquisitions contain conditional purchase price liabilities amounting to a total of €8,690 thousand, which will only result in an outflow in the event of 100 per cent achievement of certain performance indicators. The fair value at the time of the acquisition was €8,515 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 of acquisitions
Non-current assets	
Goodwill	43,815
Other intangible assets	14,596
Property, plant and equipment	3,741
Deferred taxes	1,478
Other assets	95
Total non-current assets	63,725
Current assets	
Inventories	1,785
Trade receivables	7,131
Other assets	7,306
Cash and cash equivalents	12,358
Total current assets	28,580
Total assets	92,305
Non-current liabilities	
Other provisions	8,326
Deferred taxes	3,555
Other liabilities	1,017
Total non-current liabilities	12,898
Current liabilities	
Trade payables	4,664
Income tax payables	256
Other provisions and liabilities	12,068
Deferred income	9,353
Total current liabilities	26,341
Total liabilities	39,239
Total assets	
- Total liabilities	
= Acquisition costs	53,066

In the course of the acquisitions, an insignificant amount of transaction costs was incurred and recognised in administration expenses.

Due to the direct integration of the acquired INEO GmbH and of the acquired partial business operations in existing companies of the Bechtle Group, the revenue and earnings contributions are merely presented in aggregated form for the remaining companies. Since the acquisition, the companies have contributed a total of €43.2 million to the revenue and €1.8 million to the earnings after tax. 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 €5,404 million, and earnings after taxes would have amounted to €172.9 million (IFRS 3.B64qii).

Apart from the companies and partial business operations acquired in the 2019 fiscal year, an adjustment of the initial consolidation of the business combination was performed within the 12-month period for Stemmer GmbH, which had been acquired as of 1 December 2018.

	€k		
	Stemmer GmbH	Adjustment	Stemmer GmbH NEU
Non-current assets			
Goodwill	7,004	4,230	11,234
Other intangible assets	3,037	0	3,037
Property, plant and equipment	300	0	300
Deferred taxes	0	763	763
Other assets	0	0	0
Total non-current assets	10,341	4,993	15,334
Current assets			
Inventories	6,392	-474	5,918
Trade receivables	11,855	0	11,855
Other assets	11,735	-8,225	3,510
Cash and cash equivalents	575	0	575
Total current assets	30,557	-8,699	21,858
Total assets	40,898	-3,706	37,192
Non-current liabilities			
Other provisions	0	0	0
Deferred taxes	856	0	856
Total non-current liabilities	856	0	856
Current liabilities			
Trade payables	7,878	0	7,878
Income tax payables	36	0	36
Other provisions and liabilities	5,439	3,628	9,067
Deferred income	9,501	-6,334	3,167
Total current liabilities	22,854	-2,706	20,148
Total liabilities	23,710	-2,706	21,004
Total assets - Total liabilities = Acquisition costs	17,188	-1,000	16,188

Furthermore, the consideration that Bechtle had originally accounted for on a conditional basis in connection with the acquisition of Stemmer GmbH was derecognised against the goodwill accounted for, as the respective earnings figure could not be reached.

Acquisitions after the reporting date. As of 2 January 2020, the company acquired a partial business operation of Ivizi B.V., Maastricht, Netherlands. By means of this transaction, Bechtle has further expanded its competencies in the field of mobility. The specialist is a certified Apple Premium Reseller and an authorised Apple Premium Service Provider. The asset deal of Ivizi B.V. and the planned transfer of 19 employees will provide Bechtle with qualified experts. The employees to be taken over are to be integrated as an Apple Centre of Excellence in Bechtle's B2B segment. The acquisition costs (€500 thousand) resulted in an outflow of cash and cash equivalents. The purchase agreement does not provide for any conditional purchase price payments.

As of 1 January 2020, the company also purchased all interests in Wide Technology Partners AG, Baar, Switzerland. Established on the market in 2006, the company is a recognised solution provider in the fields of networking, data centre, voice and security with a focus on Cisco products. By means of the acquisition of Wide Technology Partners AG (20 employees), Bechtle has gained a certified specialist whose core competencies include managed services with Cisco solutions. The acquisition costs (CHF 1,250 thousand) resulted in an outflow of cash and cash equivalents in the amount of CHF 850 thousand. The company purchase agreement for the acquisition of shares provides for two conditional purchase price payments of CHF 200 thousand each.

Due to the short time passed, the identification/measurement of the assets acquired, of the liabilities assumed and of the consideration paid is not yet available. Provisional figures concerning the acquisitions performed in the 2020 fiscal year are expected to become available by the interim report as of 30 June 2020.

The purchase contract for the acquisition of DPS Software GmbH, headquartered in Leinfelden-Echterdingen, was signed on 28 February 2020. Additionally, the CAD/CAM specialist has 14 sales offices in Germany, three locations in Austria and another two in Switzerland. Founded in 1997, the company currently has 213 employees. The solution provider, which has operated on the market for 23 years, supports the core processes of customers for all tasks and phases of the product lifecycle. The software, consulting and service offering is based on standard products of the software vendors Dassault Systèmes and SolidCAM as well as on custom modules and solutions. The portfolio comprises consulting, implementation, support and training.

Pending the closing accounts that will be available at the end of March, the provisional purchase price is about €46,000 thousand. Moreover, the acquisition is subject to the approval of the cartel authority.

IX. DISCLOSURES ON THE EXECUTIVE BOARD AND SUPERVISORY BOARD

MEMBERS OF THE EXECUTIVE BOARD

Dr. Thomas Olemotz, Chairman of the Executive Board

Place of residence: Heilbronn, Germany

Member of the Executive Board responsible for Logistics & Service, Finance, Controlling and Risk Management, Human Resources and Staff Development, IT, Corporate Communication and Investor Relations, Mergers & Acquisitions, Legal and Compliance as well as Digital Business Services

■ Chairman of the Supervisory Board

of AMARAS AG, Monheim an der Ruhr, Germany

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

of Bechtle Financial Services AG, Berlin, Germany

of MODUS Consult GmbH (formerly MODUS Consult AG), Gütersloh, Germany (until 3 December 2019)

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: Asperg, Germany

Board member responsible for IT System House & Managed Services, Quality Management

■ Member of the Executive Board

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

■ Member of the Supervisory Board

of PP 2000 Business Integration AG, Stuttgart, Germany

■ Vice-Chairman of the Supervisory Board

of Bechtle Financial Services AG, Berlin, Germany

Jürgen Schäfer

Place of residence: Heilbronn, Germany

Executive Board member responsible for IT E-Commerce

■ Member of the Executive Board

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of "Förderkreis der Hochschule Heilbronn e.V."

■ Chairman of the Supervisory Board

of Gustav-Berger-Stiftung, Heilbronn, Germany

■ Member of the Supervisory Board

of RIXIUS AG, Mannheim, Germany

NUMBER OF SHARES IN BECHTLE AG

	31.12.2019	31.12.2018
Dr. Thomas Olemotz	1,000	750
Michael Guschlbauer	0	0
Jürgen Schäfer	8,000	8,000

COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

In the 2019 fiscal year, the fixed compensation of the Executive Board that was paid out amounted to €3,320 thousand (prior year: €2,820 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 expenses. 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 2012 fiscal year, the compensation of the Executive Board of Bechtle AG was supplemented with a long-term incentive component (long-term bonus plan), and in the 2014 fiscal year, 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 periods from 2018 to 2020. 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 2018 to 2020 in the 2018 fiscal year; tranche for 2019 to 2021 in the 2019 fiscal year) must be specified in the "Benefits granted" table. In this context, the target value as of the date of commitment shall be specified, regardless of the fact that the commitment depends on the achievement of the defined targets and the payment will only be due in the fiscal year after the end of the three-year term. The multi-year components whose plan term ended in the reporting period must be specified in the allocation table according to the German Corporate Governance Code (DCGK) and the total compensation table according to Section 314 (1) no. 6 of the German Commercial Code (HGB), namely in the form of the actually achieved figure that is due for payment in the subsequent year (tranche for 2016 to 2018 in the 2018 fiscal year and tranche for 2017 to 2019 in the 2019 fiscal year (in each case organic growth)).

The compensation of the members of the Executive Board for the 2019 fiscal year 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 Board member responsible for IT E-Commerce		Total compensation	
	2019	2018	2019	2018	2019	2018	2019	2018
Executive Board compensation								
Non-performance-based compensation								
Fixed annual salary	2,000	1,500	750	750	500	500	3,250	2,750
Fringe benefits	19	18	39	39	12	13	70	70
Total	2,019	1,518	789	789	512	513	3,320	2,820
Performance-based compensation								
Bonus	740	740	370	370	245	245	1,355	1,355
Special bonus ¹	0	250	0	100	0	100	0	450
Total	740	990	370	470	245	345	1,355	1,805
Compensation in the form of a long-term incentive								
Commitments 2017 (tranche 2017 to 2019)	608	0	184	0	148	0	940	0
Commitments 2016 (tranche 2016 to 2018)	0	496	0	184	0	148	0	828
Total	608	496	184	184	148	148	940	828
Final total	3,367	3,004	1,343	1,443	905	1,006	5,615	5,453

¹ At its own discretion, the Supervisory Board may grant a special bonus.

The long-term bonus plan is recognised in the provisions on a pro-rata basis. For this, €1,322 thousand (prior year: €946 thousand) was recognised as expense in the financial statements. The value of the obligation for the compensation in the form of a long-term in-centive amounted to €2,777 thousand as of 31 December 2019 (prior year: €1,841 thousand).

The benefits granted to the members of the Executive Board for the 2019 fiscal year were distributed as follows:

€k

Benefits granted	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007				Michael Guschlbauer Board member responsible for IT System House & Managed Services, Quality Management from 01.01.2009				Jürgen Schäfer Board member responsible for IT E-Commerce from 01.01.2009			
	Minimum 2019	Maximum 2019	2019	2018	Minimum 2019	Maximum 2019	2019	2018	Minimum 2019	Maximum 2019	2019	2018
Non-performance-based compensation												
Fixed annual salary	2,000	2,000	2,000	1,500	750	750	750	750	500	500	500	500
Fringe benefits	19	19	19	18	39	39	39	39	12	12	12	13
Total			2,019	1,518			789	789			512	513
Performance-based compensation												
Special bonus ¹	0		0	250	0		0	100	0		0	100
Bonus	0	740	740	740	0	370	370	370	0	245	245	245
Total one-year variable compensation			740	990			370	470			245	345
Non-current bonus plan												
Commitments 2018 (tranche 2018 to 2020)	0	0	0	760	0	0	0	380	0	0	0	255
Commitments 2019 (tranche 2019 to 2021)	0	760	760	0	0	380	380	0	0	255	255	0
Total multi-year variable compensation			760	760			380	380			255	255
Total compensation			3,519	3,268			1,539	1,639			1,012	1,113

¹ At its own discretion, the Supervisory Board may grant a special bonus.

The allocation granted to the members of the Executive Board for the 2019 fiscal year was distributed as follows:

€k

Inflows	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007		Michael Guschlbauer Board member responsible for IT System House & Managed Services, Quality Management from 01.01.2009		Jürgen Schäfer Board member responsible for IT E-Commerce from 01.01.2009	
	2019	2018	2019	2018	2019	2018
Non-performance-based compensation						
Fixed annual salary	2,000	1,500	750	750	500	500
Fringe benefits	19	18	39	39	12	13
Total	2,019	1,518	789	789	512	513
Performance-based compensation						
Bonus	740	740	370	370	245	245
Special bonus	0	250	0	100	0	100
Total one-year variable compensation	740	990	370	470	245	345
Long term bonus plan						
Commitments 2017 (tranche 2017 to 2019)	608	0	184	0	148	0
Commitments 2016 (tranche 2016 to 2018)	0	496	0	184	0	148
Total multi-year variable compensation	608	496	184	184	148	148
Total compensation	3,367	3,004	1,343	1,443	905	1,006

MEMBERS OF THE SUPERVISORY BOARD AND THEIR COMPENSATION

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

						€k	
Name	Basic compensation	Chairman/ vice-chairman	Committee activity	Attendance fee	Total 2019	Total 2018	
Shareholder representatives							
Kurt Dobitsch	30		8	7	45	46	
Dr. Lars Grünert	30			3	33	18	
Prof. Dr. Thomas Hess	30		8	7	45	41	
Dr. Matthias Metz					0	54	
Elke Reichart	30			4	34	35	
Sandra Stegmann	30		8	7	45	40	
Klaus Winkler	30	68	16	10	124	70	
Dr. Jochen Wolf					0	33	
Employee representatives							
Uli Drautz	30	15	16	10	71	72	
Daniela Eberle	30		8	7	45	46	
Barbara Greyer (until 30.11.2019)	27			4	31	33	
Martin Meyer					0	15	
Anastasia Polidoros (from 19.12.2019)	1				1	0	
Anton Samija	30			4	34	20	
Volker Strohfeld	30			4	34	34	
Michael Unser	30			4	34	33	
Total	358	83	64	71	576	590	



For further disclosures on the Supervisory Board, see page 62 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 218 f

X. OTHER DISCLOSURES

BECHTLE AS LESSEE

As a lessee, Bechtle accounts for leases for the following agreement types:

- Buildings
- Motor vehicles
- Job bicycles (head lease and sublease)
- Furniture, fixtures and fittings
- Office equipment
- Customer equipment (head lease and sublease)

For the agreement types buildings, motor vehicles, office machines and furniture, fixtures and fittings, right-of-use assets are accounted for and depreciated over the individual useful life. The useful life is directly based on the period determined in the agreement. The normal period for buildings ranges from two to ten years. Motor vehicle leasing agreements have a general term of two to three years. The agreement periods for furniture, fixtures and fittings are one to five years.

In the agreement types job bicycles and customer equipment, Bechtle acts both as lessee and as lessor in the context of finance leases. For this, no right-of-use assets are capitalised, but a lease receivable is recognised against the business partner. The lease receivable is measured on the basis of the present value of the lease payments and is repaid over the term. The following figure shows the right-of-use assets accounted for, which are allocated to the individual assets:

	€k	
	31.12.2019	01.01.2019
Assets with assigned right-of-use	91,088	83,857
Buildings	738	357
Furniture, fixtures and fittings	24,263	15,564
Vehicle fleet		

The depreciation amounts for the right-of-use assets that are attributable to the reporting period are presented in the following table:

	€k
	2019
Depreciation and amortisation on right-of-use assets	18,495
Buildings	221
Furniture, fixtures and fittings	12,381
Vehicle fleet	

In the field of buildings, Bechtle mainly rents offices, storage space and parking places. Motor vehicle leases are concluded especially for the sales department.

Extension and cancellation options were taken into consideration upon recognition and measurement of the lease liabilities if Bechtle was reasonably certain that these options would be exercised in the future. Thus, the depreciation takes place over the contractually agreed lease term or, if Bechtle exercises its lease extension option, over the contractually agreed lease term plus the period of the lease extension option. Lease liabilities in the amount of €36,147 thousand were recognised under other current liabilities and €87,270 thousand under other non-current liabilities.

BECHTLE AS LESSOR

Operating leases. 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 respective minimum lease payments from these agreements are as follows:

	€k	
	2019	2018
Due within one year	8,392	4,211
Due in one to two years	5,984	2,656
Due in two to three years	3,927	1,276
Due in three to four years	2,430	323
Due in four to five years	577	130
Due after five years	1	279
Minimum lease payments	21,311	8,875

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. The refinancing of the financing transactions takes place in the form of forfeiting (non-recourse factoring) via various external refinancing partners. For agreements newly concluded in the 2019 fiscal year, non-guaranteed residual values exist in the amount of €3,003 thousand (prior year: €4,988 thousand).

As of the closing date, the trade receivables contained leasing receivables amounting to €56,795 thousand (prior year: €29,095 thousand). The undiscounted lease payments that are due on a yearly basis are as follows:

	€k	
	2019	2018
Due within one year	21,692	12,011
Due in one to two years	16,526	
Due in two to three years	10,915	17,816
Due in three to four years	7,112	
Due in four to five years	1,223	
Due after five years	361	0
Minimum lease payments	57,829	29,827

The lease payments presented in the 2019 fiscal year also take receivables from finance leases according to IFRS 16 into consideration, which had been classified as operating leases according to IAS 17. These receivables total €6,711 thousand. In these agreement constellations, Bechtel acts both as the lessee and as the lessor. Under the new standard, the classification of the agreement as lessee changes from operating lease to finance lease. For this reason, the agreement as lessor also needs to be reclassified. As Bechtel fully sublets the leased asset to the customer for the same period, IFRS 16 requires the sublease to be classified as finance lease.

The interest share of the lease payments in the amount of €1,034 thousand corresponds to the not yet realised financial income. According to IFRS 9, a risk provision for expected credit risk was recognised for receivables from finance leases in the amount of €832 thousand. The capital gain in the reporting period 2019 amounted to €33 thousand.

EMPLOYEES

The personnel and social expenses were as follows:

	€k	
	2019	2018
Wages and salaries	614,702	498,037
Social security contributions and expenses for pension schemes and support	119,719	92,623
Personnel and social expenses	734,421	590,660

Personnel and social expenses (wages and salaries) include severance pay amounting to €3,909 thousand (prior year: €866 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:

	31.12.2019	31.12.2018	2019	2018
Full-time and part-time employees without absentees	10,526	9,130	10,031	8,316
Trainees without absentees	697	641	623	544
Absent employees	264	234	245	223
Temporary staff	348	374	366	361
Total	11,835	10,379	11,265	9,444

The average number of full-time and part-time employees listed above includes 117 (prior year: 110) 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:

	31.12.2019	31.12.2018	2019	2018
IT System House & Managed Services	9,097	7,772	8,542	7,285
Domestic	7,774	6,744	7,412	6,290
Abroad	1,323	1,028	1,130	995
IT E-Commerce	2,390	2,233	2,357	1,798
Domestic	650	629	663	586
Abroad	1,740	1,604	1,694	1,212

The employee numbers (without employees in absentia and without temporary staff) break down by functional areas as follows:

	31.12.2019	31.12.2018	2019	2018
Services	5,440	4,452	5,065	4,169
Sales	3,171	2,951	3,114	2,658
Administration	2,612	2,368	2,475	2,033
Total	11,223	9,771	10,654	8,860

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 2019 and 2018 fiscal years for services rendered by the auditor of the Consolidated Financial Statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for Bechtle AG and its subsidiaries:

	€k	
	2019	2018
Final auditing	741	521
Other attestation services	18	0
Other services	10	42
Auditor's fee	769	563

The fees for audits include the fees for the audit of the annual and Consolidated Financial Statements. The fees for other services comprise permissible non-audit services in connection with the first-time adoption of new accounting standards.

RELATED-PARTY RELATIONSHIPS



See page 211 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.

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 €573 thousand in the reporting period (prior year: €523 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
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	Angelburg, Germany
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
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 GmbH	Gütersloh, Germany

Company	Location
Bechtle GmbH	Hamburg, Germany
Bechtle Mobility GmbH	Hamburg, Germany
HanseVision GmbH	Hamburg, Germany
Bechtle GmbH	Hannover, Germany
ARP Europe GmbH	Heilbronn, Germany
Bücker IT-Security GmbH	Hille, 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	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 direct Public Sector GmbH	Neckarsulm, Germany
Bechtle Onsite Services GmbH	Neckarsulm, Germany
Bechtle Systemhaus Holding AG	Neckarsulm, Germany
Bechtle-Comsoft GmbH	Neckarsulm, Germany
HN Bechtle Verwaltungs-GmbH	Neckarsulm, Germany
Bechtle GmbH	Nürnberg, Germany

Company	Location
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen, Germany
Bechtle Verwaltungs-GmbH	Ober-Mörlen, Germany
PSB IT-Service GmbH	Ober-Mörlen, Germany
Bechtle GmbH	Offenburg, Germany
Stemmer GmbH	Olching, Germany
Bechtle GmbH	Radolfzell (Lake Constance), Germany
Bechtle GmbH & Co. KG	Regensburg, Germany
REG Bechtle Verwaltungs-GmbH	Regensburg, Germany
Bechtle GmbH & Co. KG	Rottenburg (Neckar), Germany
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar), Germany
Bechtle GmbH	Solingen, Germany
Bechtle GmbH	Stuttgart, Germany
PP 2000 Business Integration AG	Stuttgart, Germany
Bechtle GmbH	Ulm, Germany
HCV Data Management GmbH	Walluf, Germany
Solid Line Aktiengesellschaft	Walluf, Germany
Bechtle GmbH	Weimar, Germany
Bechtle Remarketing GmbH	Wesel, Germany
Bechtle GmbH	Würselen, Germany
Bechtle GmbH	Würzburg, Germany

XI. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Neckarsulm, 3 March 2020

Bechtle AG
Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

SUBSIDIARIES OF BECHTLE AG

as of 31 December 2019 (Appendix A to the Notes)

58. SUBSIDIARIES – GERMANY

Company	Location
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	Angelburg
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 Finanz- & Marketingservices GmbH	Gaildorf
MODUS Consult GmbH	Gütersloh
Bechtle GmbH	Hamburg
Bechtle Mobility GmbH	Hamburg
HanseVision GmbH	Hamburg
Bechtle GmbH	Hannover
ARP Europe GmbH	Heilbronn
Bücker IT-Security GmbH	Hille
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)
EXE GmbH	Mönchengladbach
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 direct Public Sector GmbH	Neckarsulm
Bechtle Onsite Services GmbH	Neckarsulm
Bechtle Systemhaus Holding AG	Neckarsulm
Bechtle-Comsoft GmbH	Neckarsulm
Bechtle GmbH	Nürnberg
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen
PSB IT-Service GmbH	Ober-Mörlen
Bechtle GmbH	Offenburg
Stemmer GmbH	Olching
Bechtle GmbH	Radolfzell (Lake Constance)
Bechtle GmbH & Co. KG	Regensburg
Bechtle GmbH & Co. KG	Rottenburg (Neckar)
Bechtle GmbH	Solingen
Bechtle GmbH	Stuttgart
PP 2000 Business Integration AG	Stuttgart
Bechtle GmbH	Ulm
HCV Data Management GmbH	Walluf
Solid Line Aktiengesellschaft	Walluf
Bechtle GmbH	Weimar
Bechtle Remarketing GmbH	Wesel
Bechtle GmbH	Würselen
Bechtle GmbH	Würzburg

Non-operating companies

Company	Location
Bechtle Verwaltungs-GmbH	Bielefeld
Bechtle Verwaltungs-GmbH	Bonn
Bechtle Verwaltungs-GmbH	Chemnitz
DA Bechtle Verwaltungs-GmbH	Darmstadt
BO Bechtle Verwaltungs-GmbH	Duisburg
FH Bechtle Verwaltungs-GmbH	Friedrichshafen
Bechtle Data Verwaltungs-GmbH	Gaildorf
Bechtle GmbH	Gaildorf
Bechtle Kapitalbeteiligungs-Verwaltungs-GmbH	Gaildorf
intelligent IT solutions Beteiligungs-GmbH	Gaildorf
MH Bechtle Verwaltungs-GmbH	Gaildorf
MS Mikro Software Gesellschaft für Systemanalyse und Engineering mbH	Gaildorf
OCR Datensysteme GmbH	Gaildorf
KA Bechtle Verwaltungs-GmbH	Karlsruhe
MA Bechtle Verwaltungs-GmbH	Mannheim
Bechtle Verwaltungs-GmbH	Münster
Bechtle Field Services GmbH & Co. KG	Neckarsulm
Bechtle Field Services Verwaltungs-GmbH	Neckarsulm
Bechtle Hosting & Operations Verwaltungs-GmbH	Neckarsulm
HN Bechtle Verwaltungs-GmbH	Neckarsulm
Bechtle Verwaltungs-GmbH	Ober-Mörlen
REG Bechtle Verwaltungs-GmbH	Regensburg
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar)

59. SUBSIDIARIES – WORLDWIDE

Company	Country	Location
algaCom Argentina S.R.L.	Argentina	San Miguel De Tucumán
smartpoint IT consulting GmbH	Austria	Linz
Bechtle direct GmbH	Austria	Traun
Bechtle GmbH	Austria	Wien
Bechtle Management GmbH	Austria	Wien
planetsoftware GmbH	Austria	Wien
ARP GmbH	Austria	Wiener Neudorf
ARP NV	Belgium	Neerpelt
Bechtle Brussels NV	Belgium	Neerpelt
Bechtle Central Support NV	Belgium	Neerpelt
Bechtle direct NV	Belgium	Neerpelt
Bechtle Management BVBA	Belgium	Neerpelt
Bechtle direct s.r.o.	Czech Republic	Prag
ARP SASU	France	Molsheim
Bechtle direct SAS	France	Molsheim
Bechtle Management E.u.r.l.	France	Molsheim
Bechtle Comsoft SAS	France	Molsheim
Inmac WStore SAS	France	Roissy-en-France
WStore Europe SAS	France	Roissy-en-France
Bechtle direct Kft.	Hungary	Budapest
Bechtle direct Limited	Ireland	Dublin
Bechtle direct S.r.l.	Italy	Bozen
Bechtle direct B.V.	Netherlands	Eindhoven
Bechtle Holding B.V.	Netherlands	Eindhoven
Buyitdirect.com N.V.	Netherlands	Hoofddorp
ARP Nederland B.V.	Netherlands	Maastricht
Bechtle Group NL Public B.V.	Netherlands	Maastricht
Bechtle Management B.V.	Netherlands	Maastricht

Company	Country	Location
Bechtle direct Polska Sp. z o.o.	Poland	Breslau
Bechtle direct Portugal Unipessoal Lda	Portugal	Aveiro
Bechtle direct S.L.U.	Spain	Madrid
Comsoft direct S.L.U.	Spain	Madrid
Acommit AG	Switzerland	Horgen
Podan GmbH	Switzerland	Mörschwil
Bechtle direct AG	Switzerland	Morges
EvoluSys SA	Switzerland	Morges
Abissa informatique Genève SA	Switzerland	Petit-Lancy
Codalis SA	Switzerland	Plan-les-Ouates
Abissa informatique SA	Switzerland	Renens
Acommit Group AG	Switzerland	Rotkreuz
ARP Europe AG	Switzerland	Rotkreuz
ARP Schweiz AG	Switzerland	Rotkreuz
Bechtle Holding Schweiz AG	Switzerland	Rotkreuz
Bechtle Logistics & Service AG	Switzerland	Rotkreuz
Bechtle Management AG	Switzerland	Rotkreuz
Bechtle Steffen Schweiz AG	Switzerland	Rotkreuz
Comsoft direct AG	Switzerland	Rotkreuz
Alpha Solutions AG	Switzerland	St. Gallen
Solid Solutions AG	Switzerland	Zürich
ARP Datacon Ltd.	Taiwan R.O.C.	Taipei Hsien
Bechtle direct Ltd.	United Kingdom	Chippenham
Steffen Informatik Inc.	U.S.A.	Hackensack/New Jersey

60. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

From 1 January to 31 December 2019 (Appendix B to the Notes)

	Costs of purchase							As of 31.12.2019
	As of 01.01.2019	Change current period	Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfer/ restructure	
Goodwill	345,938	4,230	43,815	0	3,609	0	0	397,592
Other intangible assets								
Brands/licences	17,204	0	0	0	143	0	0	17,347
Customer bases	69,096	0	3,150	0	169	692	0	71,723
Acquired software	45,350	0	24	6,956	29	6,170	0	46,189
Internally developed software	22,890	0	0	2,722	0	858	0	24,754
Customer service agreements	18,323	0	11,422	276	257	1,880	0	28,398
Non-compete agreements	0	0	0	0	0	0	0	0
	172,863	0	14,596	9,954	598	9,600	0	188,411
Property, plant and equipment								
Property and buildings	118,939	0	0	4,857	0	0	2,042	125,838
Other equipment, furniture, fixtures and fittings	136,500	0	1,024	24,657	1,175	17,865	135	145,626
Advance payments and construction in progress	3,165	0	0	8,513	0	13	-2,177	9,488
Right-of-use assets	0	99,778	2,717	48,040	5	3,354	0	147,186
	258,604	99,778	3,741	86,067	1,180	21,232	0	428,138
	777,405	104,008	62,152	96,021	5,387	30,832	0	1,014,141

From 1 January to 31 December 2018 (Appendix C to the Notes)

	Costs of purchase							As of 31.12.2018
	As of 01.01.2018		Change in scope of consolidation	Additions	Currency translation differences	Disposals	Transfer/ restructure	
Goodwill	193,538		149,300	0	3,100	0	0	345,938
Other intangible assets								
Brands/licences	6,765		10,300	0	139	0	0	17,204
Customer bases	8,801		61,626	0	169	1,500	0	69,096
Acquired software	37,002		1,269	8,225	32	1,178	0	45,350
Internally developed software	17,498		18	5,374	0	0	0	22,890
Customer service agreements	16,111		2,340	147	168	443	0	18,323
Non-compete agreements	0		0	0	0	0	0	0
	86,177		75,553	13,746	508	3,121	0	172,863
Property, plant and equipment								
Property and buildings	102,632		0	14,464	0	0	1,843	118,939
Other equipment, furniture, fixtures and fittings	115,352		1,335	25,573	672	6,764	332	136,500
Advance payments and construction in progress	3,359		0	2,843	28	890	-2,175	3,165
	221,343		1,335	42,880	700	7,654	0	258,604
	501,058		226,188	56,626	4,308	10,775	0	777,405

€k

Cumulative depreciations and amortisations						Carrying amount		
As of 01.01.2019	Change in scope of consolidation	Additions	Depreciation/ amortisation according to IAS 36	Currency translation differences	Disposals	As of 31.12.2019	As of 31.12.2019	As of 31.12.2018
0	0	0	0	0	0	0	397,592	345,938
343	0	1,030	0	0	0	1,373	15,974	16,861
5,755	0	8,395	0	100	692	13,558	58,165	63,341
26,468	0	7,563	1,486	27	6,065	29,479	16,710	18,882
9,273	0	4,326	0	0	858	12,741	12,013	13,617
9,904	0	3,870	0	63	1,880	11,957	16,441	8,419
0	0	0	0	0	0	0	0	0
51,743	0	25,184	1,486	190	9,495	69,108	119,303	121,120
18,696	0	3,536	0	0	0	22,232	103,606	100,243
87,055	0	22,776	0	643	16,350	94,124	51,502	49,445
0	0	0	0	0	0	0	9,488	3,165
0	0	31,628	0	6	537	31,097	116,089	0
105,751	0	57,940	0	649	16,887	147,453	280,685	152,853
157,494	0	83,124	1,486	839	26,382	216,561	797,580	619,911

€k

Cumulative depreciations and amortisations						Carrying amount		
As of 01.01.2018	Change in scope of consolidation	Additions	Depreciation/ amortisation according to IAS 36	Currency translation differences	Disposals	As of 31.12.2018	As of 31.12.2018	As of 31.12.2017
0	0	0	0	0	0	0	345,938	193,538
0	0	343	0	0	0	343	16,861	6,765
3,479	0	3,711	0	65	1,500	5,755	63,341	5,322
20,225	0	7,378	0	32	1,167	26,468	18,882	16,777
6,250	0	3,023	0	0	0	9,273	13,617	11,248
7,502	0	2,816	0	29	443	9,904	8,419	8,609
0	0	0	0	0	0	0	0	0
37,456	0	17,271	0	126	3,110	51,743	121,120	48,721
14,206	0	3,315	1,175	0	0	18,696	100,243	88,426
72,272	0	20,216	0	594	6,027	87,055	49,445	43,080
0	0	0	0	0	0	0	3,165	3,359
86,478	0	23,531	1,175	594	6,027	105,751	152,853	134,865
123,934	0	40,802	1,175	720	9,137	157,494	619,911	377,124

SUPERVISORY BOARD MEMBERS

(Appendix D to the Notes)

61. SUPERVISORY BOARD MEMBERS – SHAREHOLDER REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Kurt Dobitsch	Since 20 May 1999	Businessman	<p>Chairman of the Supervisory Board</p> <ul style="list-style-type: none"> ■ United Internet AG, Montabaur, Germany Thereof mandates affiliated with the group: <ul style="list-style-type: none"> ■ 1&1 Telecommunication SE, Montabaur, Germany (Member, Vice-Chairman) ■ 1&1 Mail & Media Application SE, Montabaur, Germany (Member) ■ Drillisch AG, Maintal, Germany (Member) ■ Drillisch online AG, Maintal, Germany (Member) (until 17 July 2018) ■ 1&1 IONOS Holding SE, Montabaur (Member) (since March 2019) <p>Chairman of the Supervisory Board</p> <ul style="list-style-type: none"> ■ Nemetschek SE, Munich, Germany Thereof mandates affiliated with the group: <ul style="list-style-type: none"> ■ Graphisoft S.E., Budapest, Hungary (Member of the Board of Directors) ■ Vectorworks Inc., Columbia, U.S.A. (Member of the Board of Directors) <p>Member of the Supervisory Board</p> <ul style="list-style-type: none"> ■ Singhammer IT Consulting AG, Munich, Germany
Dr. Lars Grünert	Since 12 June 2018	Chief Financial Officer of TRUMPF GmbH + Co. KG	
Prof. Dr. Thomas Hess	Since 20 June 2012	Institute director of LMU Munich	
Elke Reichart	Since 4 December 2017	Chief Digital Officer of TUI Group	
Sandra Stegmann	Since 9 June 2016	Consultant at Egon Zehnder	
Klaus Winkler Chairman of the Supervisory Board	20 May 1999 until 30 November 2013 Since 12 June 2018	Chairman of the Advisory Board of Heller GmbH	<p>Chairman of the Advisory Board</p> <ul style="list-style-type: none"> ■ DIEFFENBACHER GmbH, Maschinen- und Anlagenbau, Eppingen <p>Member of the Advisory Board</p> <ul style="list-style-type: none"> ■ Kapp GmbH & Co. KG, Coburg <p>Member of the Supervisory Board</p> <ul style="list-style-type: none"> ■ VOLLMER WERKE Maschinenfabrik GmbH, Biberach

62. SUPERVISORY BOARD MEMBERS – EMPLOYEE REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Uli Drautz Vice-Chairman of the Supervisory Board	Since 15 October 2003	Executive employee	Member of the Supervisory Board <ul style="list-style-type: none"> ■ AMARAS AG, Monheim am Rhein, Germany ■ Bechtle E-Commerce Holding AG, Neckarsulm, Germany ■ Bechtle Systemhaus Holding AG, Neckarsulm, Germany ■ Bechtle Managed Services AG, Neckarsulm, Germany ■ SolidLine Aktiengesellschaft, Walluf, Germany ■ PP 2000 Business Integration AG, Stuttgart, Germany ■ Bechtle Financial Services AG, Berlin, Germany ■ MODUS Consult GmbH (formerly MODUS Consult AG), Gütersloh, Germany (until 3 December 2019)
Daniela Eberle	Since 15 October 2003	Employee	
Barbara Greyer	Since 15 October 2003 until 30 November 2019	Union Secretary ver.di, State District Baden-Württemberg	
Anastasia Polidoros	Since 19 December 2019	State District Department Secretary of the ver.di Labor Union in Hesse	
Anton Samija	Since 12 June 2018	Software VIPM	
Volker Strohfeld	Since 18 June 2013	IT service engineer	
Michael Unser	Since 18 June 2013	First Authorised Representative of IG Metall Heilbronn-Neckarsulm	Member of the Supervisory Board <ul style="list-style-type: none"> ■ ThyssenKrupp IS, Essen, Germany (until 31 December 2019) ■ ThyssenKrupp SY, Essen, Germany

63. COMMITTEES OF THE SUPERVISORY BOARD

as of 31 December 2019

Audit committee	Personnel committee	Conciliation committee
Klaus Winkler (Chairman) Kurt Dobitsch Uli Drautz Daniela Eberle Sandra Stegmann	Klaus Winkler (Chairman) Uli Drautz Prof. Dr. Thomas Hess	Klaus Winkler (Chairman) Uli Drautz Michael Unser

INDEPENDENT AUDITOR'S REPORT

To Bechtle AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Opinions. We have audited the consolidated financial statements of Bechtle AG, Neckarsulm, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2019, and the notes to the consolidated financial statements, including the recognition and measurement principles presented therein. In addition, we have audited the group management report of Bechtle AG for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the information contained in the corporate governance report in the group management report or the content of the group statement on corporate governance, which was published on the Company's website and referred to in the aforementioned section of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the corporate governance report in the group management report or the group statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions. We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In

addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. REVENUE RECOGNITION

Reasons why the matter was determined to be a key audit matter. The revenue of Bechtle AG is generated from the supply of various IT products and the performance of services on various delivery routes. Due to the variety of complex contractual arrangements for the supply and, in some cases, brokering of software licenses as well as the provision of other integrated service components, there is an elevated risk of error with regard to the due and proper recognition of revenue in the correct period, particularly in terms of the classification of Bechtle AG as principal or agent.

Auditor's response. In our audit procedures, we distinguished Bechtle AG's revenue based on the type of revenue (delivery of IT products, performance of services) and the related internal processes, and tested the significant internal controls for the correct recognition of revenue. In addition, we assessed whether the Bechtle AG accounting policies provide a suitable basis for preparing consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). For the delivery of IT products and the performance of services, we obtained evidence in the form of customer contracts, shipping documents and acceptance records, in particular for those revenue transactions that took place shortly before or after the reporting date. In addition, we performed analytical procedures using, among other things, relationship and correlation analyses. In assessing the contract analysis performed by the executive directors in connection with the supply of software licenses, we evaluated in particular whether, based on a sample, the advisory services rendered by Bechtle AG in addition to the supply of software licenses are an integral component of service obligation and Bechtle AG is operating as principal in trading operations with software licenses.

Furthermore, we assessed the information provided by Bechtle AG on revenue recognition in sections II. and III. (1) of the notes to the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the recognition of revenue.

Reference to related disclosures. Bechtle AG has presented the related accounting policies for revenue recognition in section II. of the notes to the consolidated financial statements.

2. ACCOUNTING FOR GOODWILL

Reasons why the matter was determined to be a key audit matter. The goodwill presented in the consolidated financial statements of Bechtle AG stems from the acquisition of subsidiaries and is a significant item of the statement of financial position. The management board of Bechtle AG performs an annual impairment test of goodwill in accordance with IAS 36 for the two cash-generating units (CGUs) "IT System House & Managed Services" and "IT E-Commerce." The assumptions made by the management board, particularly with regard to the realization of the forecast cash flows, depend to a very large extent on the development of demand as well as the development of the IT market as a whole. In light of the high degree of judgment exercised during measurement and the complexity of the calculation methods and the related significant risk of material misstatement in the consolidated financial statements, we identified the annual impairment test as a key audit matter.

We verified the mathematical accuracy of the discounted cash flow method used. We reviewed the assumptions underlying the management board's future cash flow forecast on the basis of, among other things, the general IT market trend, the planned company growth and the profitability of Bechtle AG to date. We also reviewed the planning accuracy of the management board by comparing past forecasts with the Group's actual business performance. The assumptions made by the management board are consistent with our expectations as regards future cash flows.

We consulted with our valuation specialists in assessing the measurement model used. We tested the measurement assumptions underlying the calculations using independent market indicators and a peer group. We also performed audit procedures with regard to the sensitivity analysis carried out by the management board. In this connection we analyzed to what extent potential changes in the key measurement assumptions would lead to impairment of goodwill. Our audit procedures established that the inputs used are within the permitted range. In addition, we assessed the information provided by Bechtle AG in the notes to the consolidated financial statements on the measurement of goodwill in sections II. and IV. (7) in terms of the requirements under IAS 36. Our audit procedures did not give rise to any objections.

Reference to related disclosures. The measurement basis and the calculation methods underlying the calculations as well as the related use of judgment and sensitivity analyses are presented in sections II. and IV. (7) of the notes to the consolidated financial statements.

3. CLASSIFICATION OF LEASES

Reasons why the matter was determined to be a key audit matter. The leases with customers where Bechtle AG is the lessor are based on individual lease contracts with some complex contractual arrangements and various service components. The management board examines each lease using the criteria of IFRS 16 to assess who beneficial ownership is attributable to and thus whether it is a finance or operating lease. In light of the use of judgment in assessing these criteria, the individual contractual arrangements and the various service components, there is an increased risk of error with regard to the classification and thus recognition of leases. Furthermore, the first-time application of IFRS 16 in 2019 fiscal year was of relevance for our audit as it required the group-wide assessment of contracts where Bechtle is the lessee in relation to the new accounting criteria.

Auditor's response. We examined the economic substance of the leases with customers where Bechtle AG is the lessor based on the specific contractual provisions. We examined the management board's classification of selected leases in terms of whether the criteria are met for their classification as a finance or an operating lease in line with IFRS 16. In this context, we verified the arithmetical accuracy of the calculation of the present value of the minimum lease payments and analyzed whether that value corresponds to the fair value of the leased assets. We assessed the contractual arrangements in terms of whether there are any indications that the leased asset is of a specialized nature such that it can only be used by the lessee or whether the lessee has been given a bargain purchase option. We compared the term of the lease and the estimated useful life of the leased asset and analyzed whether the lease term covers the major part of the economic life of the asset. With respect to the first-time application of IFRS 16, we obtained an understanding of the processes and systems implemented by Bechtle AG in response to the new standard. In this context we checked the calculation of the right-of-use assets recognized and the lease liabilities reported using the assumptions made by the management board and the contractual basis.

Furthermore, we assessed the information provided by Bechtle AG on leases and the impact of first-time application of IFRS 16 in sections II. and X. of the notes to the consolidated financial statements. Our audit procedures did not lead to any reservations regarding the classification and recognition of leases.

Reference to related disclosures. Bechtle AG has presented the accounting policies for the classification of leases as well as the effects from the transition to IFRS 16 in section II. and X. of the notes to the consolidated financial statements.

OTHER INFORMATION

The supervisory board is responsible for the report of the supervisory board pursuant to Sec. 171 (2) AktG. In all other respects, the executive directors are responsible for the other information. Other information comprises the corporate governance report in the group management report and the group statement on corporate governance, which was published on the Company's website and referred to in the aforementioned section of the group management report. Furthermore, the other information comprises the group non-financial statement pursuant to Sec. 315b HGB as well as the following components designated for the annual report: the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB, of which we obtained a version prior to issuing this auditor's report, and the sections "Overview of the Bechtle Group," "To our shareholders," (including the report of the supervisory board pursuant to Sec. 171 (2) AktG contained therein), as well as "Multi-year Overview Bechtle."

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides;
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Art. 10 of the EU Audit Regulation. We were elected as group auditor by the shareholder meeting on 28 May 2019. We were engaged by the supervisory board on 6 June 2019. We have been the group auditor of Bechtle AG without interruption since fiscal year 2000.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement. The German Public Auditor responsible for the engagement is Michael Heller.

Heilbronn, 4 March 2020

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft

Heller

Wirtschaftsprüfer

(German Public Auditor)

Riekert

Wirtschaftsprüfer

(German Public Auditor)



RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the earnings, asset and financial position of the group, and the Management Report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group,

Neckarsulm, 3 March 2020

Bechtle AG
The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

64. MULTI-YEAR OVERVIEW BECHTLE GROUP

		2011	2012	2013	2014	2015	2016	2017	2018	2019	Change in % 2019-2018
Regions											
Revenue	€k	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	5,374,453	24.3
Domestic	€k	1,315,185	1,433,869	1,570,816	1,775,409	1,957,610	2,171,691	2,512,262	2,854,859	3,336,529	16.9
of total revenue	%	65.9	68.4	69.1	68.8	69.1	70.2	70.4	66.0	62.1	
Abroad	€k	679,696	662,966	702,669	805,039	873,693	921,888	1,057,862	1,468,459	2,037,924	38.8
Segments											
Revenue	€k	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	5,374,453	24.3
IT System House & Managed Services	€k	1,315,669	1,394,455	1,535,316	1,727,073	1,889,494	2,174,893	2,516,872	2,906,290	3,485,037	19.9
of total revenue	%	66.0	66.5	67.5	66.9	66.7	70.3	70.5	67.2	64.8	
IT E-Commerce	€k	679,212	702,380	738,169	853,375	941,809	918,686	1,053,252	1,417,028	1,889,416	33.3
EBIT	€k	86,403	80,265	91,048	108,498	129,484	144,083	164,252	195,081	241,370	23.7
IT System House & Managed Services	€k	49,891	44,320	56,185	68,907	80,293	96,589	114,501	126,084	149,832	18.8
EBIT margin	%	3.8	3.2	3.7	4.0	4.2	4.4	4.5	4.3	4.3	
IT E-Commerce	€k	36,512	35,945	34,863	39,591	49,191	47,494	49,751	68,997	91,538	32.7
EBIT margin	%	5.4	5.1	4.7	4.6	5.2	5.2	4.7	4.9	4.8	
Income Statement											
Revenue	€k	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	3,570,124	4,323,318	5,374,453	24.3
Cost of sales	€k	1,697,185	1,778,139	1,926,639	2,189,493	2,393,989	2,610,514	3,026,329	3,680,384	4,606,636	25.2
Gross earnings	€k	297,696	318,696	346,846	390,955	437,314	483,065	543,795	642,934	767,817	19.4
Distribution costs	€k	127,145	145,405	151,546	166,556	182,806	196,285	215,989	257,218	306,632	19.2
Administrative expenses	€k	93,671	104,300	110,483	124,001	138,415	153,037	173,396	205,688	249,607	21.4
Other operating income	€k	9,523	11,274	12,663	15,819	21,319	10,430	9,842	15,053	29,792	97.9
Operating earnings (EBIT)	€k	86,403	80,265	91,048	108,498	129,484	144,083	164,252	195,081	241,370	23.7
Financial income	€k	1,776	2,026	1,560	1,944	2,607	3,512	1,133	1,338	1,229	-8.1
Financial expenditure	€k	1,890	3,290	3,300	3,057	2,687	2,495	2,581	3,177	6,279	97.6
Earnings before taxes (EBT)	€k	86,289	79,001	89,308	107,385	129,404	145,100	162,804	193,242	236,320	22.3
Income taxes	€k	23,566	22,643	25,911	31,191	36,527	41,729	48,242	56,101	65,836	17.4
Earnings after taxes (EAT)	€k	62,723	56,358	63,397	76,194	92,877	103,371	114,562	137,141	170,484	24.3
Material costs	€k	1,520,407	1,584,912	1,726,409	1,971,664	2,160,011	2,350,799	2,748,121	3,359,051	4,187,371	24.7
Revenue less material costs	€k	483,997	523,197	559,739	624,603	692,611	753,120	831,845	979,320	1,216,874	24.3
Personnel expenses	€k	294,649	326,590	348,848	388,764	423,040	459,377	507,712	590,660	734,421	24.3
Depreciation and amortisation (on property, plant and equipment and other intangible assets without goodwill)	€k	18,361	21,748	22,493	23,753	26,436	27,715	31,930	41,977	84,610	101.6
EBITDA	€k	104,764	102,013	113,541	132,251	155,920	171,798	196,182	237,058	325,980	37.5
Financial earnings	€k	-114	-1,264	-1,740	-1,113	-80	1,017	-1,448	-1,839	-5,050	174.6

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Change in % 2019-2018	
Balance Sheet (selected items)											
Assets											
Non-current assets	€k	279,525	296,139	299,212	321,940	344,401	368,231	415,196	659,258	846,371	28.4
Goodwill	€k	135,648	137,483	139,885	144,499	166,398	193,521	193,538	345,938	397,592	14.9
Other intangible assets	€k	22,348	20,991	19,293	19,980	29,161	35,338	48,721	121,120	119,303	-1.5
Property, plant and equipment	€k	79,645	94,537	99,747	104,224	101,870	111,666	134,865	152,853	280,685	83.6
Trade receivables	€k	975	2,243	1,547	19,774	22,020	12,436	30,235	27,863	38,148	36.9
Deferred taxes	€k	7,720	6,489	4,131	3,722	4,425	4,798	4,004	4,713	3,914	-17.0
Other assets	€k	2,356	2,224	2,513	2,676	3,495	3,467	3,833	6,771	6,729	-0.6
Capital investment and securities	€k	30,700	32,059	32,012	27,008	16,999	7,005	0	0	0	
Current assets	€k	521,778	547,859	611,136	694,650	806,036	901,107	1,028,188	1,367,906	1,548,296	13.2
Inventories	€k	91,190	90,065	107,638	131,165	150,415	180,652	211,319	280,331	285,574	1.9
Trade receivables	€k	286,773	307,348	345,195	387,828	406,167	502,270	581,919	754,069	862,323	14.4
Other assets	€k	31,955	35,423	33,181	45,469	58,738	61,562	58,783	81,227	126,180	55.3
Capital investment and securities	€k	16,219	35,888	18,255	22,272	24,894	15,361	12,444	5,543	0	-100.0
Cash and cash equivalents	€k	94,569	78,208	105,838	106,720	164,767	140,415	162,383	245,379	272,197	10.9
Equity and liabilities											
Equity	€k	421,597	459,584	501,565	553,996	620,651	694,103	777,283	883,204	1,014,842	14.9
Issued capital	€k	21,000	21,000	21,000	21,000	21,000	21,000	42,000	42,000	42,000	0.0
Capital reserve	€k	145,228	145,228	145,228	145,228	145,228	145,228	124,228	124,228	124,228	0.0
Retained earnings	€k	255,369	293,356	335,337	387,768	454,423	527,875	611,055	716,976	848,614	18.4
Non-current liabilities	€k	94,004	96,644	90,787	95,878	119,196	117,959	127,267	464,893	566,709	21.9
Pension provisions	€k	11,873	9,260	6,382	11,990	15,899	19,924	13,002	16,301	30,702	88.3
Other provisions	€k	1,182	2,139	2,307	4,836	5,978	6,719	7,190	11,052	10,081	-8.8
Financial liabilities	€k	57,280	61,142	53,625	47,522	56,393	51,744	69,917	380,640	373,874	-1.8
Deferred taxes	€k	14,094	14,905	15,128	17,266	20,927	20,570	21,069	41,107	33,180	-19.3
Other liabilities	€k	1,216	296	538	2,652	7,293	5,874	2,292	4,858	98,025	
Contract liabilities	€k	-	-	-	-	-	-	-	10,895 ¹	19,353	77.6
Deferred income	€k	8,359	8,902	12,369	11,343	12,346	12,981	13,701	0 ¹	1,481	
Current liabilities	€k	285,702	287,770	317,996	366,716	410,590	457,276	538,834	679,067	813,116	19.7
Other provisions	€k	5,643	5,241	5,774	6,239	6,416	6,657	7,129	9,162	12,805	39.8
Financial liabilities	€k	9,002	12,567	10,546	12,711	9,627	9,745	58,930	12,872	13,801	7.2
Trade payables	€k	148,799	145,964	170,518	178,644	204,067	242,120	237,160	372,338	406,807	9.3
Tax payables	€k	8,735	6,906	6,519	6,418	8,176	7,676	10,733	12,509	19,859	58.8
Other liabilities	€k	72,237	74,963	79,941	95,695	104,052	115,314	131,118	159,957	231,776	44.9
Contract liabilities	€k	-	-	-	-	-	-	-	96,120	105,369	9.6
Deferred income	€k	41,286	42,129	44,698	67,009	78,252	75,764	93,764	16,109	22,699	40.9
Balance sheet total	€k	801,303	843,998	910,348	1,016,590	1,150,437	1,269,338	1,443,384	2,027,164	2,394,667	18.1
Cash flow and investments											
Cash flow from operating activities	€k	55,782	56,669	73,098	55,965	115,945	53,363	54,261	140,525	185,973	32.3
Cash flow from investing activities	€k	-45,282	-56,031	-10,201	-25,853	-34,480	-41,404	-62,675	-280,612	-72,122	-74.3
Cash flow from financing activities	€k	-2,246	-17,282	-35,002	-29,973	-25,668	-36,318	33,578	221,367	-89,685	-140.5
Cash and cash equivalents incl. time deposits and securities	€k	141,488	146,155	156,105	156,000	206,660	162,781	174,827	250,922	272,197	8.5
Free cash flow	€k	12,159	19,485	43,123	29,252	78,590	-7,049	-24,129	-147,185	109,517	-174.4
Investments (in property, plant and equipment and other intangible assets without goodwill)	€k	61,120	32,015	23,091	24,102	21,779	39,604	66,866	56,626	47,981	-15.3
Investment ratio (= Investments/Average property, plant and equipment + other intangible assets without goodwill)	%	82.12	29.44	19.69	20.11	17.07	28.49	40.45	24.75	17.20	

¹ Figure adjusted

	2011	2012	2013	2014	2015	2016	2017	2018	2019	Change in % 2019–2018	
Key figures of the share¹											
Closing price	€	26.20	30.65	49.47	65.98	88.06	98.82	69.52	67.85	125.20	84.5
Annual high	€	34.35	35.10	50.95	65.98	92.64	104.55	72.71	89.90	127.60	41.9
Annual low	€	23.48	25.50	30.07	49.33	64.49	73.70	46.50	63.85	62.30	-2.4
Weighted average shares	th. shares	21,000	21,000	21,000	21,000	21,000	21,000	30,263	42,000	42,000	0.0
Market capitalisation (31.12)	€k	550,200	643,650	1,038,870	1,385,580	1,849,260	2,075,220	2,919,840	2,849,700	5,258,400	84.5
Average turnover/trading day ²	shares	51,873	42,143	34,201	41,281	46,580	30,515	45,637	101,037	106,634	5.5
Average turnover/trading day ²	€	1,460,183	1,281,620	1,364,142	2,452,888	3,452,399	2,789,577	3,604,891	7,668,425	9,980,675	30.2
Cash dividend per share	€	1.00	1.00	1.10	1.20	1.40	1.50	0.90	1.00	1.20 ³	20.0
Dividend amount distributed	€k	21,000	21,000	23,100	25,200	29,400	31,500	37,800	42,000	50,400 ³	20.0
Pay out ratio	%	33.5	37.3	36.4	33.1	31.7	30.5	33.0	30.6	29.6 ³	
Dividend yield (31.12)	%	3.8	3.3	2.2	1.8	1.6	1.5	1.3	1.5	1.0 ³	
Enterprise value (EV)	€k	607,239	723,670	1,084,064	1,449,430	1,877,757	2,137,406	3,032,716	3,178,949	5,734,381	80.4
Earnings per share	€	2.99	2.68	3.02	3.63	4.42	4.92	2.73	3.27	4.06	24.3
Cash flow per share	€	2.66	2.70	3.48	2.67	5.52	2.54	1.29	3.35	4.43	32.3
Net asset value per share (= Equity/Weighted average shares)	€	20.08	21.88	23.88	26.38	29.55	33.05	25.68	21.03	24.16	14.9
Market capitalisation to revenue		0.3	0.3	0.5	0.5	0.7	0.7	0.8	0.7	1.0	48.4
Price earning ratio (P/E)		8.8	11.4	16.4	18.2	19.9	20.1	25.5	20.8	30.8	48.4
EV/EBITDA		5.8	7.1	9.5	11.0	12.0	12.4	15.5	13.4	17.6	31.2
EV/EBIT		7.0	9.0	11.9	13.4	14.5	14.8	18.5	16.3	23.8	45.8
EV/EBT		7.0	9.2	12.1	13.5	14.5	14.7	18.6	16.5	24.3	47.5
EV/EAT		9.7	12.8	17.1	19.0	20.2	20.7	26.5	23.2	33.6	45.1
EV/Revenue		0.3	0.3	0.5	0.6	0.7	0.7	0.8	0.7	1.1	45.1
Personnel											
Employees (31.12)		5,479	5,970	6,219	6,572	7,205	7,667	8,353	10,005	11,487	14.8
Domestic		4,065	4,550	4,743	4,996	5,633	5,956	6,483	7,373	8,424	14.3
Abroad		1,414	1,420	1,476	1,576	1,572	1,711	1,870	2,632	3,063	16.4
IT System House & Managed Services		4,305	4,754	4,953	5,164	5,766	6,212	6,853	7,772	9,097	17.0
IT E-Commerce		1,174	1,216	1,266	1,408	1,439	1,455	1,500	2,233	2,390	7.0
Trainees (incl. absentees)		356	428	473	455	473	500	553	648	703	8.5
Employees (annual average)		5,146	5,780	6,072	6,421	6,924	7,428	7,968	9,083	10,899	20.0
Full-time employees (Annual average)		4,753	5,315	5,542	5,872	6,376	6,855	7,276 ⁴	8,316	10,031	20.6
IT System House & Managed Services		3,727	4,191	4,415	4,647	5,055	5,550	5,921 ⁴	6,640	7,810	17.6
IT E-Commerce		1,026	1,124	1,127	1,225	1,321	1,305	1,355	1,676	2,221	32.5
Personnel expenditure ratio	%	14.8	15.6	15.3	15.1	14.9	14.8	14.2	13.7	13.7	
Personnel expenses to gross profit	%	60.9	62.4	62.3	62.2	61.1	61.0	61.0	60.3	60.4	

¹ XETRA share prices² All German stock exchanges³ Proposal to the Annual General Meeting⁴ Adjusted figure due to new definition of the term "absent"

		2011	2012	2013	2014	2015	2016	2017	2018	2019	Change in % 2019-2018
Efficiency ratios											
Contribution margin	%	24.3	25.0	24.6	24.2	24.5	24.3	23.3	22.7	22.6	
Gross margin	%	14.9	15.2	15.3	15.2	15.4	15.6	15.2	14.9	14.3	
EBITDA margin	%	5.3	4.9	5.0	5.1	5.5	5.6	5.5	5.5	6.1	
EBIT margin	%	4.3	3.8	4.0	4.2	4.6	4.7	4.6	4.5	4.5	
EBT margin	%	4.3	3.8	3.9	4.2	4.6	4.7	4.6	4.5	4.4	
EAT margin	%	3.1	2.7	2.8	3.0	3.3	3.3	3.2	3.2	3.2	
Revenue per employee	€k	419.7	394.5	410.2	439.4	444.1	451.3	490.7 ⁴	519.9	535.8	3.1
IT System House & Managed Services	€k	353.0	332.7	347.7	371.7	373.8	391.9	425.1 ⁴	437.7	446.2	1.9
IT E-Commerce	€k	662.0	624.9	655.0	696.6	713.0	704.0	777.3	845.5	850.7	0.6
EBIT per employees	€k	18.2	15.1	16.4	18.5	20.3	21.0	22.6 ⁴	23.5	24.1	2.6
Return on equity (EAT/Average annual equity)	%	17.3	13.7	14.2	15.6	17.2	17.1	16.9	18.1	19.8	
Return on total assets (EAT/Average annual total assets)	%	9.8	7.9	8.2	8.9	9.5	9.6	9.6	9.1	8.5	
ROA (= EBIT/Average annual total assets)	%	13.1	10.6	11.3	12.2	12.9	13.1	13.4	12.6	11.5	
ROE (= EBIT/Average annual equity)	%	23.8	19.6	20.4	22.2	23.9	24.0	24.4	25.8	28.1	
ROCE (= EBIT/Capital Employed)	%	25.2	19.6	20.6	22.3	23.7	24.0	22.3	20.6	18.7	
Balance sheet ratios											
Capitalisation ratio of non-current assets (= non-current assets/total assets)	%	34.9	35.1	32.9	31.7	29.9	29.0	28.8	32.5	35.3	
Working intensity of current assets (= current assets/total assets)	%	65.1	64.9	67.1	68.3	70.1	71.0	71.2	67.5	64.7	
Equity ratio	%	52.6	54.5	55.1	54.5	53.9	54.7	53.9	43.6	42.4	
Total liabilities to total assets	%	47.4	45.5	44.9	45.5	46.1	45.3	46.1	56.4	57.6	
Asset structure (= non-current/current assets)	%	53.6	54.1	49.0	46.3	42.7	40.9	40.4	48.2	54.7	
Capital structure (= equity/liabilities)	%	111.0	119.6	122.7	119.8	117.2	120.7	116.7	77.2	73.5	
Financial ratios											
Net debt	€k	-75,206	-72,446	-91,934	-95,767	-140,640	-101,292	-45,980	142,590	115,478	-19.0
Debt ratio		0.90	0.84	0.82	0.84	0.85	0.83	0.86	1.30	1.36	5.0
Working Capital	€k	189,881	211,595	234,624	291,326	294,872	375,645	492,865	580,794	647,728	11.5
Working Capital to revenue	%	9.5	10.1	10.3	11.3	10.4	12.1	13.8	13.4	12.1	
Working Capital to annual total asset	%	23.7	25.1	25.8	28.7	25.6	29.6	34.1	28.7	27.0	
Capital employed	€k	342,244	410,023	442,050	486,403	546,404	600,997	738,029	948,346	1,288,671	35.9
Capital employed to annual total asset	%	42.7	48.6	48.6	47.8	47.5	47.3	51.1	46.8	53.8	
Capital employed to revenue	%	17.2	19.6	19.4	18.8	19.3	19.4	20.7	21.9	24.0	
Structural analysis ratios											
Revenue to inventory		21.9	23.3	21.1	19.7	18.8	17.1	16.9	15.4	18.8	22.0
Revenue to average net trade receivables		10.2	9.8	9.7	9.5	9.1	9.2	9.1	8.8	8.4	-4.8
Revenue to average total assets		3.0	2.8	2.8	2.9	2.8	2.8	2.9	2.8	2.6	-6.4
DSO		35.8	37.3	37.6	38.3	39.9	39.7	40.2	41.3	43.4	5.1

GLOSSARY

Artificial intelligence (AI). Subset of IT that deals with the automation of intelligent behaviour and machine learning.

Augmented reality. Computer-aided perception or rendering that expands the real world with virtual aspects.

AZUBIT. Training initiative consisting of various blocks that complement each other.

Bond loan. Long-term large-scale loan similar to a bond

Business intelligence. Generic term for the IT-based access to information as well as IT-based analysis and processing of this information. The objective is to gain insight that can form the basis for better operational or strategic decisions with a view to the corporate goals.

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.

Corporate social responsibility. Social responsibility of companies through sustainable operations.

CRM. Customer relationship management.

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.

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.

ECM. Enterprise content management – comprises the technology to capture, manage, store, keep, and provide analogue and digital content in companies.

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.

GITA. Global IT Alliance – international network of selected IT companies around the globe.

GRI standards. Guidelines for the preparation of sustainability reports of large corporations, small and medium-sized businesses, governments and NGOs.

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).

Internet of Things. Networking of individual machines and components with the Internet or a network, thereby enabling them to communicate intelligently with each other and make decisions.

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 at Bechtle.

Modern workplace. Central digital work platform that delivers information, tools and services regardless of the location.

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.

Non-financial group report. Statutory component of the sustainability report (Act Implementing the CSR Directive).

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.

Subscription-based IT service model. Subscription and consumption-based IT services.

Treasury. An area that is concerned with the use and investment of financial resources. This area is also responsible for hedging financial risks, which can go far beyond the hedging of interest rate risks or exchange rate risks.

Virtualisation. Abstraction of physical resources. The individual systems are provided with a complete virtual computer with all hardware components. Software virtualisation can be used to simulate an operating system or an application. This makes it possible to execute applications locally without installing them.

Working capital. Inventories plus trade receivables less trade payables and deferrals.

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LIST OF ABBREVIATIONS

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



For further comments
see Glossary,
page 234 ff

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FINANCIAL CALENDAR

ACCOUNTS PRESS CONFERENCE/ANALYSTS' CONFERENCE

Thursday, 19 March 2020

QUARTERLY STATEMENT 1ST QUARTER 2020 (31 MARCH)

Friday, 8 May 2020

ANNUAL GENERAL MEETING

Wednesday, 27 May 2020, 10.00 a.m.

Konzert- und Kongresszentrum Harmonie, Heilbronn

HALF-YEAR FINANCIAL REPORT 2020 (30 JUNE)

Wednesday, 12 August 2020

QUARTERLY STATEMENT 3RD QUARTER 2020 (30 SEPTEMBER)

Wednesday, 11 November 2020

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

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