

# A strong bottom line



Your strong IT Partner.  
Today and Tomorrow.



## 5 YEARS IN FIGURES

		2006	2007	2008	2009	2010	Change in % 2010-2009
<b>Revenue</b>	th. euros	<b>1,220,138</b>	<b>1,383,453</b>	<b>1,431,462</b>	<b>1,379,307</b>	<b>1,722,919</b>	<b>+24.9</b>
IT system house & managed services	th. euros	816,998	885,772	927,530	919,956	1,151,119	+25.1
IT e-commerce	th. euros	403,140	497,681	503,932	459,351	571,800	+24.5
<b>EBITDA</b>	th. euros	<b>60,186</b>	<b>71,754</b>	<b>74,139</b>	<b>56,976</b>	<b>76,127</b>	<b>+33.6</b>
IT system house & managed services	th. euros	33,681	42,808	47,846	36,004	47,000	+30.5
IT e-commerce	th. euros	26,505	28,946	26,293	20,972	29,127	+38.9
<b>EBIT</b>	th. euros	<b>45,730</b>	<b>58,253</b>	<b>60,229</b>	<b>42,712</b>	<b>60,728</b>	<b>+42.2</b>
IT system house & managed services	th. euros	22,597	33,065	38,444	25,768	35,852	+39.1
IT e-commerce	th. euros	23,133	25,188	21,785	16,944	24,876	+46.8
<b>EBIT margin</b>	%	<b>3.7</b>	<b>4.2</b>	<b>4.2</b>	<b>3.1</b>	<b>3.5</b>	
IT system house & managed services	%	2.8	3.7	4.1	2.8	3.1	
IT e-commerce	%	5.7	5.1	4.3	3.7	4.4	
<b>EBT</b>	th. euros	<b>45,859</b>	<b>59,006</b>	<b>61,533</b>	<b>43,662</b>	<b>61,784</b>	<b>+41.5</b>
<b>EBT margin</b>	%	<b>3.8</b>	<b>4.3</b>	<b>4.3</b>	<b>3.2</b>	<b>3.6</b>	
<b>Earnings after taxes</b>	th. euros	<b>29,608</b>	<b>40,959</b>	<b>45,428</b>	<b>34,258</b>	<b>46,422</b>	<b>+35.5</b>
<b>Earnings per share</b>	euros	<b>1.39</b>	<b>1.93</b>	<b>2.14</b>	<b>1.64</b>	<b>2.21</b>	<b>+34.8</b>
<b>Cash flow from operating activities</b>	th. euros	<b>26,866</b>	<b>41,993</b>	<b>49,941</b>	<b>47,330<sup>3</sup></b>	<b>59,114</b>	<b>+24.9</b>
<b>Cash and cash equivalents<sup>1</sup></b>	th. euros	<b>36,710</b>	<b>52,300</b>	<b>77,638</b>	<b>94,977</b>	<b>129,750</b>	<b>+36.6</b>
<b>Equity ratio</b>	%	<b>59.2</b>	<b>61.2</b>	<b>62.8</b>	<b>64.3</b>	<b>56.8</b>	
<b>Number of employees as of 31.12.<sup>2</sup></b>		<b>3,888</b>	<b>4,250</b>	<b>4,405</b>	<b>4,354</b>	<b>4,766</b>	<b>+9.5</b>
IT system house & managed services		3,077	3,303	3,450	3,443	3,763	+9.3
IT e-commerce		811	947	955	911	1,003	+10.1



More important key figures can be found in the multi-year overview on pages 216-219

<sup>1</sup> Incl. time deposits and securities

<sup>2</sup> Full-time employees, trainees, and employees on parental leave or employees doing military or civilian service

<sup>3</sup> Figure adjusted

## REVIEW BY QUARTER 2010

		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	th. euros	354,758	374,977	426,881	566,303
EBITDA	th. euros	13,559	14,365	19,380	28,823
EBIT	th. euros	9,894	10,640	15,561	24,633
EBIT margin	%	2.8	2.8	3.6	4.3
EBT	th. euros	10,245	11,020	1,058	24,461
EBT margin	%	2.9	2.9	3.8	4.3
Earnings after taxes	th. euros	7,587	8,321	12,134	18,380

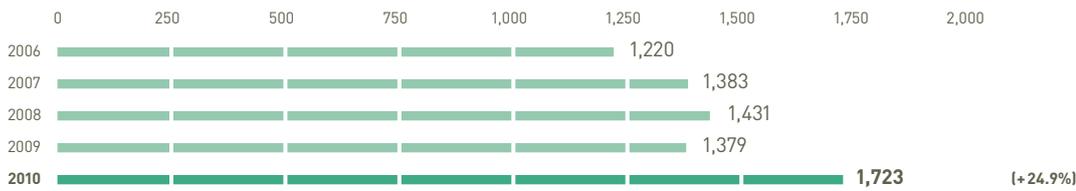


From 11 May 2011, you can find the latest figures for the first quarter of 2011 at [www.bechtle.com/reports](http://www.bechtle.com/reports)

## 5 YEARS IN BRIEF

### REVENUE

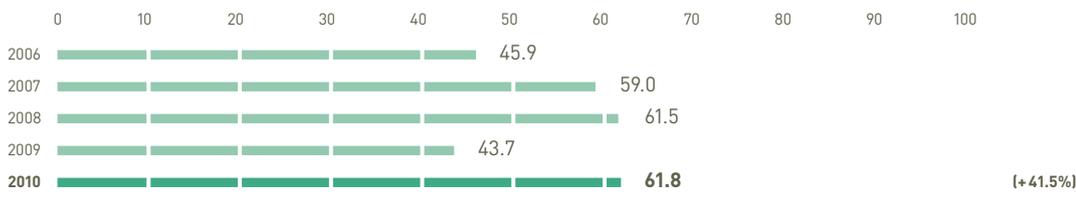
in million euros



For revenue performance see page 87

### EBT

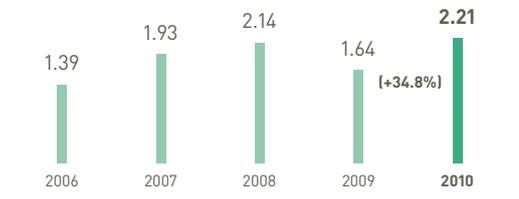
in million euros



For earnings position see page 90

### EPS

in euros



### DIVIDEND PER SHARE

in euros



\* Proposal to the Annual General Meeting



For EPS and dividend see pages 93 and 79

### REVENUE BY SEGMENTS

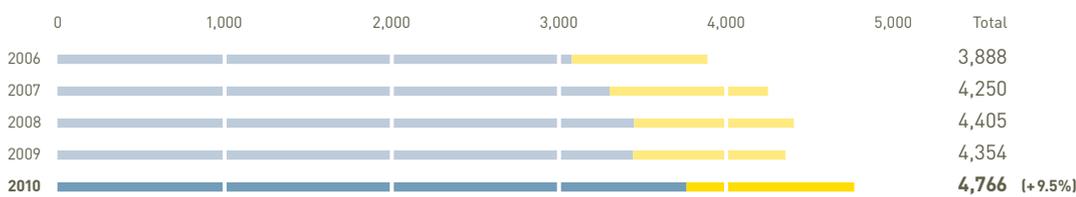
in million euros



For Segment reporting see page 93

### EMPLOYEES BY SEGMENTS

as of 31 December



For development of employee numbers see page 58

■ IT system house & managed services ■ IT e-commerce

2010 was a **record-breaking year** for Bechtle AG in many respects: the highest revenue, the **best earnings**, the greatest dividend, and the **largest international presence**. This is no mere coincidence, but the result of a business concept based on **strength**: a unique business model, excellent customer relationships, **a committed team**, noteworthy values, the world's strongest IT enterprises as partners, and **a vision** that is both ambitious and realistic.

**The special section from page 20** on explains the reasons for Bechtle's sustained success.

The other pages provide detailed information on Bechtle's activities in 2010 and on fields in which we made substantial progress. Read about **our strong bottom line** and rest assured that we will continue to use our strengths to your benefit in 2011.

**A STRONG BOTTOM LINE**

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## A STRONG BOTTOM LINE

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	Organisational structure Bechtle Group



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within the  
Annual Report



Cross reference  
to other printed  
works and other  
literature



Cross reference  
to in-depth infor-  
mation on the  
Internet



Reference  
to non-financial  
performance  
indicators

## JANUARY

**IBM honours Bechtle.** IBM honours the special efforts of Bechtle AG in the German medium-sized business segment with the Best-Seller Award 2009. Key factors included the company's growth and innovation. Moreover, IBM designated Bechtle Onsite Services as the best partner in the "Strategic Outsourcing Services" category.

## APRIL

**Expansion in e-commerce.** With a newly established subsidiary, Bechtle direct commences its business activities in Poland. Thus, the trading brand is now represented in twelve European countries. The location in Wrocław is the first in an Eastern European country. **Innovation for increased productivity.** Under the motto "Simplify your Time!", the Swiss Bechtle direct and Comsoft direct present hardware and software innovations for increased productivity at the in-house fair InfoBit 2010 in Zurich and Lausanne, Switzerland.

## FEBRUARY

**More customer proximity.** By establishing a new location in Dortmund, the largest city of the Ruhr area joins the dense location network of the Bechtle IT system houses. With Dortmund, the IT service and trading company Bechtle now has 13 of its more than 60 system houses in the economic champion state of North Rhine-Westphalia. **Successful in-house fair.** On three exhibition days, over 1,600 customers, manufacturers, and employees inform themselves at the 6th Bechtle Competence Centre Day in Neckarsulm, Germany about the latest IT developments and solutions, at some 50 stands and in more than 80 specialist presentations. **Joint annual kick-off.** More than 300 executives of the Bechtle Group participate in the traditional kick-off event for the new financial year. The motto of the strategy conference 2010 also sets the course for the entire year: networked operations, group-wide cooperation – Together worth more!

## MAY

**Acquisition in North Germany.** Bechtle AG acquires the system house group iits, which has four locations in North Germany. Established in 2002, the company supports the group in the IT infrastructure and solution business. iits is one of the five largest IT system houses in North Germany. **Awards from partners.** Bechtle receives the "Small Business Partner of the Year" award at the "Cisco Partner Summit 2010" in San Francisco, USA. At its 5th Hitachi Data Systems Channel Partner Forum, manufacturer Hitachi honours Bechtle AG with the "Platinum Partner of the Year" award.

## MARCH

**New market for Comsoft.** Comsoft direct commences operations in Belgium with a newly established company, thereby stepping up its international presence. The software management and software licensing specialist is now represented in five European countries. **mobile day celebrates premiere.** For the first time, Bechtle holds the "mobile day" at the company's headquarters in Neckarsulm, Germany. More than 100 customers visit 20 exhibition stands and attend numerous specialist presentations for information on the latest mobile computing trends. **Specialisation pays.** As a successful dealership partner, Bechtle receives HP's Preferred Partner Award 2009 in the specialisation category. As Preferred Partner Gold, the Bechtle Group offers highly specialised, custom-tailored solutions and addresses individual customer needs competently and flexibly.

## JUNE

**An expression of trust.** About 70 per cent of the issued capital are represented by the around 500 shareholders at the Annual General Meeting. The participants approve all agenda items and a dividend payment of 0.60 € per share. **Long-standing cooperation.** The Bosch Group labels Bechtle a "Preferred Supplier". The Bosch Group thus honours the trusting cooperation, from the customer perspective, which has already existed for two decades, confirming Bechtle's status as a reliable, competent, and efficient partner. **Chairman of the Executive Board.** The Supervisory Board appoints Dr. Thomas Olemotz, former Spokesman of the Executive Board, as Chairman of the Executive Board. Bechtle AG thus returns to the traditional organisation of the Executive Board with the first Chairman who is not a founder.

## JULY

**Comsoft wins.** Symantec presents the Swiss Comsoft direct with the Channel Partner Award in the "Small & Medium Business Partner" category. Symantec thus honours Comsoft's orientation as a strong partner with innovative solutions in the medium-sized business environment.

## OCTOBER

**CAD specialist joins the team.** Bechtle completes the takeover of Solidpro Informationssysteme GmbH in Langenau, Germany. The system house has been active in the field of design software since 1997 and has nine locations throughout Germany. **Flood of awards in autumn.** Bechtle receives several awards. VMware honours Bechtle as the Highest Invested Partner for the EMEA region. Bechtle receives another award from the manufacturer for the best "Solution Deal – End User Computing". Microsoft CEO Steve Ballmer personally hands over the virtualisation award for the most innovative project to the Bechtle IT system house Munich. Citrix presents Bechtle with an award in the "Most Certified Partner" category. Citrix also honours the recently acquired HTH with the award as "Best Networking Product Partner".

## AUGUST

**Next step in Austria.** Bechtle AG acquires HTH Consulting GmbH, headquartered in St. Pölten, thereby expanding its business activities in Austria. Established in 1999, the IT solution specialist HTH has excellent IT system integration expertise and is particularly specialised in virtualisation. **Continuous investor relations.** About 100 visitors participate in the annual Bechtle shareholder days in order to gain a personal impression of their company by means of presentations, tours, and informative meetings at the headquarters in Neckarsulm, Germany. **Firmly placed on the podium.** In a survey conducted by the two industry journals ChannelPartner and Computerwoche for the purpose of electing the most customer-friendly system house in the category with annual revenue of more than 250 million euros, Bechtle again secures the second place. The purpose of the survey was to determine how satisfied users are with their service provider.

## NOVEMBER

**More software competence in Europe.** Comsoft pushes ahead with its internationalisation strategy and establishes two new subsidiaries in Italy and Spain. Thus, the software specialist is now present in seven countries. **Chairman of the Supervisory Board honoured.** The Minister of Economy of Baden-Württemberg awards the state's economy medal to Gerhard Schick, Chairman of the Supervisory Board and co-founder of Bechtle AG, in recognition of the outstanding contribution to the regional economy.

## SEPTEMBER

**Increasing training ratio.** 87 trainees embark on their professional career at Bechtle. IT specialist for system integration, IT system support specialist, IT system technician, and IT wholesale and international trade specialist are among the most popular of the more than ten professions. **Annual report qualifies for silver medal.** Bechtle takes second place in the TecDAX category of the best annual report competition staged by "manager magazine".

## DECEMBER

**Year-end spurt at Bechtle logistics.** In December, 128,701 parcels are shipped. Thus, the central Bechtle logistics department shipped a total of 1,335,669 parcels in 2010, a new annual record.

## Dear Stockholders,

Surprising, phenomenal, magnificent, bursting with energy, and brilliant – these are just some of the attributes that analysts and journalists used in their comments on Bechtle's performance in 2010. Though Bechtle is rather reserved when it comes to excessive self-praise, I must admit that the Executive Board, too, was impressed by our figures. Especially the last quarter greatly surpassed our expectations. Of course the ongoing upward movement in the first nine months should have roused our suspicions. But no matter how optimistic we were, we never thought that the year-end business of 2010 would clearly outperform even the strongest prior-year quarter to date.

Most importantly, the figures presented in this report underline the importance of our employees – their determination, commitment, and skills. However, they also underline the significance of our customers, who, after a year of enormous economic difficulties, did not shy away from the responsibility to invest in the future. And this is exactly what I consider to be our way out of the crisis: not giving up, but acting with determination, acting resolutely, and taking initiative to shape the future!

At this point, I would like to express the appreciation of the entire Executive Board for the great commitment, motivation, and enthusiasm that our employees showed in the fiscal year ended. Once more, it is clearly evident that our company could not wish for a better team. We are proud of the excellent performance!

At the same time, we would like to thank our customers for their trust, their appreciation for our efficiency and down-to-earth approach, and their acknowledgement of our reliability. Shouldering responsibility for the IT of enterprises and public-sector clients is a formidable task. The decision to cooperate with a particular IT partner in this sensitive area of business processes is never an easy one, but requires a careful review of the strength, stability, efficiency, and soundness of the candidates. Plus, a good line of communication is vital, as ultimately, every partnership is based on trust.

Our revenue performance, the growing number of customers, and the acquisition of further market shares provide an impressive answer to the question whether we live up to these standards. The answer allows me to rest assured that we at Bechtle are on a very good path to sustainable success. I am sure that Bechtle has a great future ahead of it. In December of last year, I shared this conviction in a letter to our colleagues. I would like to draw attention to a statement from this letter that I considered to be especially relevant:

"In the world, there is no greater power than a determined person."

Now just imagine how much around 4,800 determined people can achieve together!

Our Vision 2020 has been a hot topic at Bechtle in recent weeks. Our annual strategy conference with all national and international executives of the Bechtle Group was dominated by our focus on our entrepreneurial targets – to reach a revenue level of 5 billion euros and an EBT margin of 5 per cent, generated by 10,000 employees. In the next two to three years, we will need to establish the necessary strategic and operational preconditions for the realisation of the Vision 2020.

Last year, we already worked intensively on this subject by investing heavily in the staff qualification and by expanding the offer of the Bechtle Academy. We also succeeded in extending the presence in e-commerce to new national markets and to gain even more strength in the IT system house & managed services segments by means of acquisitions in Northern Germany and Austria and by entering a niche in the field of CAD software. In the central subjects of our industry – most importantly virtualisation, networking solutions, IT security, and cloud computing – we stepped up our competencies and greatly increased the number of certifications. At division head level, we have enlarged our team considerably. In addition to more than 400 new jobs, there are more than 200 positions that still need to be staffed with qualified new employees. All of these were important steps that were made in the best fiscal year in our 27-year company history. These measures help us to progress on our ambitious path into the future.

In 2011, we will continue to build this future. This also applies literally, as this year we are going to expand the facilities of our group headquarters in Neckarsulm by almost 14,750 square feet. We have reached our limit both in our logistics centre and in the office building. Upon completion of these construction measures, we will have space for an additional 400 people at the Bechtle HQ alone. Along with the fact that we have been able to keep up the pace of the closing quarter in the current fiscal year, this positive news reflects our confidence that our success story will continue.

I am convinced that my fellow Executive Board members share my sentiments when I say: I love working for Bechtle and guiding the business into a successful future with determination! We are happy to have you, dear shareholders, by our side. Thank you!

Yours sincerely,



Dr. Thomas Olemotz  
Chairman of the Executive Board

**Dr. Thomas Olemotz**

Chairman of the Executive Board, responsible for controlling, finance, logistics & service, corporate communications, investor relations, IT, human resources and staff development, and legal.



**Jürgen Schäfer**  
responsible for the IT  
e-commerce segment.



**Michael Guschlbauer**  
responsible for the IT  
system house & managed  
services segment.



**Dr. Thomas Olemotz.** Born 1962, married, two 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.

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

**Michael Guschlbauer.** Born 1964, married, two children. After finishing his training as an office and communication electronics engineer, he first worked in various technical and project management positions and later in the field of sales. In 1994, he transferred to DeTeSystems (later: T-Systems), where he first served as sales representative and later in various management positions. Eventually, Michael Guschlbauer was put in charge of the Large Enterprises division, Sales & Service management, as a member of the Board of Management of T-Systems Business Services. In January 2008, he embarked on his career at Bechtle as division head 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.

## INTERVIEW WITH THE EXECUTIVE BOARD ON THE REALISATION OF THE VISION 2020

### Our Vision 2020:

#### Bechtle AG

- By 2020, we will have 10,000 employees and generate revenue of 5 billion euros and EBT margin of 5 per cent.

#### IT System House & Managed Services

- Leading IT partner for business customers and public-sector clients.
- Present throughout Germany, Austria and Switzerland.

#### IT E-Commerce

- Number 1 in Europe.
- Continuation of the internationalisation – even beyond Europe.

A vision drives, challenges, and motivates. For this to happen, it must of course be regarded as feasible. It can develop its full force if it is followed by a consistent strategy and a determined implementation. But what does this actually mean for the group and its segments? Dr. Thomas Olemotz, Michael Guschlbauer, and Jürgen Schäfer, Executive Board members of Bechtle AG, provide insight.

### Why does Bechtle need a vision?

**Dr. Thomas Olemotz.** Enterprises need an ambitious, courageous draft for the future. A vision is like the lodestar used for navigation at sea. It shows the way, the direction in which we want to navigate our ship. However, a vision does not do away with the necessity to think about the strategy and its implementation. Entrepreneurial visions are more than just business administration. They do not represent the exponentiation of the revenue, market share, and number of employees over a given number of years. Rather, they serve the purpose of aligning the strategy and the organisation of a business to a visionary picture of the future – and to continually review their effectiveness.

**What exactly do you mean by aligning the organisation to the Vision 2020?**

**Dr. Thomas Olemotz.** In our case, for instance, this involves taking into account so-called cross-sectional issues like staff development or the offers of the Bechtle Academy when making decisions. When defining the strategic orientation of Bechtle AG, it is important to keep an eye on the qualification of our employees. We must think of how our employees can acquire skills in various ways – even beyond conventional training. And it must be a matter of course to support executives in their responsibilities. For this purpose, Bechtle has special development programmes. Furthermore, we have launched initiatives to attract young people to Bechtle. One fine example is the Bechtle AZUB/IT campaign, whose purpose is to raise our training ratio to the two-digit range.

**Let's talk about your operations: What do you need to do today in order to reach the ambitious goals of the Vision 2020?**

**Michael Guschlbauer.** Most of all, we want to consistently use and further develop our strengths. Our strength in the IT system house & managed services is the proximity to our customers along with speed, flexibility, competence, and reliability. Combined with the experience and stability of a large, successful group, this makes us strong. These are the characteristics that compel our customers and bond them to us on a long-term basis. Naturally, the relationship that our employees establish with our customers plays a central role. The claim that Bechtle has “the best team” is more topical than ever.

**Which business fields do you consider to be those with the greatest potential?**

**Michael Guschlbauer.** Virtualisation, networking solutions, and software solutions play a key role. These are fields with high growth rates. Additionally, cloud computing is also gaining significance in the IT decisions of customers and is no longer limited to media reports. To meet this need, we have developed interesting cloud processes that help customers to gain a tangible benefit from the new technological possibilities.

### Are the conditions for sustainable growth met in IT e-commerce?

**Jürgen Schäfer.** Certainly. The secret of our success lies in the combination of online shop, catalogue, and – most importantly – our active sales staff. Though this may initially seem surprising, even e-commerce ultimately boils down to one thing: people business. Thus, the key factor in increasing our segment revenue to 2.5 billion euros by 2020 doubtlessly is our team of motivated and qualified employees. This is why we attach a lot of importance to excellent training and further qualification on the job. All of this serves the purpose of ensuring systematic promotion. Motivated employees are enthusiastic about their work and gain satisfaction from assisting customers in their IT procurement. In our business, personal contact and, further downstream, reliable logistics processes are what matters.

### What are the greatest challenges in your field of responsibility?

**Jürgen Schäfer.** Under strategic considerations, the increasing internationalisation even beyond Europe is one such challenge. The challenging aspect is not to implement Bechtle's strong concept, which has already proved successful in 13 countries, in new markets, but rather to maintain the quality at the excellent level that has been reached. The customers want to control their procurement processes efficiently. Therefore, they need a partner who is present in the countries in which they have subsidiaries and who operates just as reliably in those countries as in his original home market. Therefore, further internationalisation is a must. But never at the expense of our quality standard.

### What does this mean for this year?

**Jürgen Schäfer.** Specifically, this means that in 2011, we will enter Hungarian market with Bechtle direct, in addition to the Czech Republic. Our agenda also provides for the transition from the intercontinental expansion theory to a clear, practicable plan. Moreover, we want to increase the market penetration of ARP and Comsoft direct at the existing locations.

### Where do you feel the IT industry is headed?

**Dr. Thomas Olemotz.** The IT market has already undergone great changes, and this process is still under way in a highly dynamic manner. Just think of the current debate about topics like cloud computing, software as a service, or infrastructure as a service. Actually, these subjects increase the complexity and dynamism of our industry. In this process, the level of specialisation is also growing continually. Another important aspect is that the enterprise IT is no longer an unknown quantity. That might have been so until five years ago. Today, IT is a production factor, often even the drive – the core – of the business processes. Accordingly, we are operating in an interesting avenue and must ask how we can manage this situation in order to ensure long-term customer satisfaction.

**And what is the answer to this question?**

**Dr. Thomas Olemotz.** Above all, our organisation is perfectly suitable for the said development. Customers need an IT partner with great horizontal and vertical expertise. Individual businesses – and individual system houses – are simply incapable of providing such a spectrum with a good quality. As a group, however, Bechtle is capable of doing this. To use this strength in the best way possible, we have established processes for efficiently multiplying the existing expertise. In this, we are enjoying increasing success. Thus, we are able to maintain our position as the strong IT partner that the Bechtle brand promises to be.

**Has anything changed in the way that customers are approached?**

**Michael Guschlbauer.** To be successful as a solution provider in our industry, it is necessary to understand customers holistically. We are no longer interested merely in IT, but we want to know where the customers stand in their business: do they want to grow or do they mainly want to cut costs? What are their sales and purchasing structures, do their business activities take place at a national or international scale? And so on. Customers expect their IT service providers to offer a clear but highly customised service portfolio. One of our strengths is that a large number of certified specialists cover an enormous bandwidth. The fact that we are also a partner that is present on site makes for a matchless combination. Thus, we are close to our customers in two ways: geographically and in terms of scope.

**What are your priorities in the European trading business?**

**Jürgen Schäfer.** A top priority on my agenda is to control the energy flow of the three business models of ARP, Bechtle direct, and Comsoft direct in such a way that the quality of the cooperation is continually further optimised by way of best-practice sharing. In 2010, this was effectively demonstrated by the new customer acquisition. In this field, the exchange between the brands works excellently. Furthermore, we successfully cooperate with the system houses across segment borders. The trading business and the project business perfectly complement each other in many respects. We regard this as an impressive confirmation of the concept of our business model – namely the combination of trading and services. However, we still have room for improvement in this area. In the trading segment, for example, we continue to pursue the track of specialisation in particular product groups and subjects. Another goal of ours is to cover an even greater spectrum by means of a larger share of high-quality products that need explanation.

**What do you personally consider to be especially important in connection with the Vision 2020?**

**Jürgen Schäfer.** I have been with Bechtle for 22 years. When I look back, I can still observe the spirit and culture of the past. At the same time, however, the company has progressed enormously. This is something exciting to experience. Despite the number of years that have passed, I still am extremely happy here. I like the course we are pursuing. While we retain many positive aspects, we also welcome innovation and change. To me, our values are very important – they determine the culture that has my full approval. And though it might sound pathetic: I view my duties as a gift.

**Michael Guschlbauer.** I consider three aspects to be especially important. Firstly, to do simple things in a special way, in other words “workmanship” excellence in all disciplines – which is one of Bechtle’s “old” virtues anyway. Secondly, cooperation within the Bechtle Group. And thirdly, the most important aspect: a clear focus on our customers! I firmly believe in our team, and I know that we will be able to master all major challenges. My confidence is based on the motivation, the will to succeed, and the enthusiasm that are evident everywhere. These are the strengths that will give use the leading edge!

**Dr. Thomas Olemotz.** It is vital to retain Bechtle’s identity at the interface between the past and the future: identity as a kind of genetic code is always a legacy to a certain extent, i.e. it is shaped by the past and experience; on the other hand, a company’s identity must of course include the desire for innovation, further development, and necessary change. To remain successful, enterprises must be both willing and able to change. Bechtle impressively demonstrates how this is done.

## REPORT OF THE SUPERVISORY BOARD

**In the financial year 2010, the Supervisory Board of Bechtle AG intensively supervised the Executive Board and the company as usual, mainly focusing on measures to render Bechtle even more competitive. The Supervisory Board sincerely appreciates the professional efforts of the Executive Board and the employees in the past financial year.**

In 2010, the Supervisory Board meticulously performed all audit and controlling duties imposed on it by law and as required by the Articles of Incorporation. We regularly provided the Executive Board with advice concerning the administration of the group and closely monitored and coached the company's management and development. We were directly involved at an early stage in all decisions that were of material importance to the company or in which the Supervisory Board had a say by virtue of law or the Articles of Incorporation. In 2010, the consulting activities mainly focused on the group's strategic alignment, the acquisitions in the reporting period, and new staff development programmes to secure further growth. The collaboration was characterised by intensive, perpetually open dialogue.

The Executive Board regularly informed the Supervisory Board orally and in writing about all aspects significant to the company in a prompt and comprehensive manner. This particularly included the group's business performance, major investment projects and ongoing investments, the risk situation and the opportunity and risk management, and basic issues related to the corporate planning and strategy.

In addition to the personal contact with individual members of the Supervisory Board, the Executive Board informed the Supervisory Board as a whole about the development of incoming orders, revenue, contribution margin, fulfilment of business plans, earnings before taxes, and the employment situation of the group, segments, and individual subsidiaries on a monthly basis by means of written reports and analyses. Moreover, we intensively elaborated the past quarter and the short to medium-term perspectives at quarterly meetings.

Furthermore, the Supervisory Board actively examined the company. At its meetings, the Supervisory Board regularly looked into the business, revenue, and earnings performance of the group and its segments as well as the assets and financial position, the implementation of the strategy, and the risk situation on the basis of internal analyses. In 2010, special attention was also paid to the employee development, the training campaign initiated in the reporting period, and the staff development programmes. In the financial year 2010, we also actively monitored and updated the control and risk management system of Bechtle AG. The Chairman of the Supervisory Board and the first Vice-Chairman visited individual subsidiaries on site, thereby continuing to pursue the tried-and-tested approach that had already been used in prior years. In direct meetings with the directors, they gained a detailed overview of the companies' operations and information on orders and projects of special significance.



„Bechtle is efficiently positioned for the challenges of tomorrow.“

*Gerhard Schick*  
Chairman  
of the Supervisory Board

The independent auditing and monitoring measures taken by members of the Supervisory Board especially included the regular review of the income statements of individual subsidiaries, intensive screening for anomalies, a target/actual comparison of key performance indicators, and participation in strategy meetings, directors' conferences, and risk management sessions.

Thanks to the timely and detailed information received from the Executive Board and the independent audits, the Supervisory Board was able to comply fully with its monitoring and consulting duties. It was not necessary to review accounts and documents as defined in Section 111 (2) of the German Stock Corporation Act (AktG) beyond the scope of the audit of the annual financial statements.

## Meetings and Central Issues

In the reporting period, the Supervisory Board held four plenary sessions: on 28 January, 16 March (balance-sheet meeting for the annual financial statements 2009), 22 July, and 21 October. Extraordinary meetings did not need to be convened. Even between the meetings, the Spokesman of the Executive Board (later: Chairman of the Executive Board) promptly and comprehensively informed the Supervisory Board about any projects or aspects that were of special importance to the company's development or that were urgent. Where necessary, we adopted resolutions via circular procedure.

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, the Supervisory Board adopted the annual financial statements of the prior year, approved the consolidated financial statements of the prior year and the proposal for the appropriation of retained earnings, and released the business plan for 2010.

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

- Group planning for 2010
- Economic situation of the Bechtle Group
- Consistent continuation of the internationalisation in IT e-commerce by means of new national markets
- Due diligence of acquisition projects
- Strategic alignment for the purpose of securing further profitable growth in the medium and long run
- Control and risk management system

Additionally, the Supervisory Board examined the efficiency of its activities. The results showed that the decision-making workflows and processes in the Supervisory Board are efficient and target-oriented. The Supervisory Board is available to the Executive Board at all times in order to provide assistance.

## Committees

To fulfil its duties, the Supervisory Board formed three committees. The audit committee came together on 27 January, 1 and 15 March, 20 May, 21 July, 7 and 20 October, and 9 December. Additionally, it held telephone conferences on 11 May, 8 June, 11 August, and 11 November. In 2010, the committee dealt primarily with the quarterly and interim reports, preliminary audits of the annual and consolidated financial statements, and the review of the internal audit system and risk management system. The meetings also focused on the monitoring of the auditor's independence and the agreement of the audit fee. Moreover, the agenda included transactions subject to approval, such as acquisitions and long-term contracts, as well as corporate governance issues. Apart from the resolutions adopted at the meetings, the committee also adopted resolutions via circular procedure in special, urgent cases.

In 2010, the personnel committee came together at three meetings on 15 March, 21 July, and 14 September. The meetings mainly focused on the compensation system for the Executive Board, especially with respect to the requirements of the German Corporate Governance Code and the new provisions outlined in the Act on the Appropriateness of Management Board Compensation (VorstAG), which had come into force in the prior year.

As in previous years, the arbitration committee pursuant to Section 27 (3) of the German Co-Determination Act (MitbestG) did not need to be convened in 2010.

The chairmanship of the committees did not change in the reporting period: Dr. Jochen Wolf continued to chair the audit committee, and Gerhard Schick served as chairman of the personnel committee. At the plenary sessions, the Supervisory Board was informed in detail about the work of the committees.

The German Corporate Governance Code also recommends the formation of a nomination committee that is staffed exclusively with shareholder representatives and that proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. We did not form a nomination committee, as we do not consider such to be necessary in view of the board's current size and staffing.

### **Staffing of the Supervisory Board and Executive Board**

In the reporting period, the staffing of the Supervisory Board and of the Executive Board of Bechtle AG did not undergo any changes. On 16 June 2010, the Supervisory Board appointed Dr. Thomas Olemotz, the previous Spokesman of the Executive Board, as Chairman of the Executive Board.

### **Corporate Governance and Declaration of Conformity**

We intensively reviewed the set of rules of the German Corporate Governance Code. We took a closer look at the amendments in the version of 26 May 2010, especially the recommendations and advice on diversity in the Executive Board and in the Supervisory Board. To ensure compliance with the German Corporate Governance Code, we checked the implementation of the recommendations. In February 2011, the Supervisory Board and the Executive Board renewed the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). Deviations from the recommendations of the Government Commission are explained in detail in the Corporate Governance Report. All declarations of conformity and other documents concerning the corporate governance have been made permanently available to the shareholders on the Internet under [www.bechtle.com/corporate-governance](http://www.bechtle.com/corporate-governance).

### **Audit of the Annual and Consolidated Financial Statements for 2010**

The Annual General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, as auditor of the annual and consolidated financial statements for the financial year 2010. 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 financial year 2010, including the accounts and the risk management and early detection system, and awarded unqualified auditor's certificates. The consolidated financial statements of Bechtle AG have been prepared according to IFRS. The auditor has confirmed that these consolidated financial statements fulfil the conditions for exemption from the preparation of financial statements according to German law. 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 has confirmed that the installed systems are suitable.

The documents related to the financial statements, the proposal of the Executive Board for the appropriation of retained earnings, 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 also participated in the balance sheet meeting on 15 March 2011.

The auditor of the annual and consolidated financial statements has reported in detail on all material results of his audit and has comprehensively answered all questions of the Supervisory Board. Prior to the audit, the Supervisory Board had requested the auditor of the annual and consolidated financial statements, pursuant to Section 7.2.1 of the German Corporate Governance Code, to promptly inform the Chairman of the Supervisory Board of any disqualification or partiality issues that could arise during the audit. Pursuant to Section 7.2.3 of the German Corporate Governance Code, we also requested the auditor of the annual and consolidated financial statements to promptly report any material findings and events that are relevant to the duties of the Supervisory Board that could arise during the audit. We also agreed with the auditor of the annual and consolidated financial statements that he shall inform us or make a note in the audit reports if, during the audit, he should identify facts revealing any incorrectness of the declaration of the Executive Board and the Supervisory Board concerning the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

The Supervisory Board reviewed the independence of the auditor pursuant to Section 7.2.1 of the German Corporate Governance Code on its own responsibility and obtained a written declaration of independence from the auditor. The declaration renders an account of all professional, business-related, personal, financial, and other relationships between the auditor of the annual and consolidated financial statements and his boards and chief auditors on the one hand and the company and the members of its boards on the other hand.

Following its own review of the annual financial statements, consolidated financial statements, management report, and group management report, the Supervisory Board agreed to the result of the audit conducted by the auditor. In the balance sheet meeting on 15 March 2011, following the recommendations of the audit committee we adopted the annual financial statements pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG) and approved the consolidated financial statements. Based on its own audit, the Supervisory Board agrees to the proposal of the Executive Board for the appropriation of retained earnings. We approve the management report and the group management report of the Executive Board and consider the proposal for the appropriation of retained earnings to be appropriate.

The management report of Bechtle AG and the group management report of the Bechtle Group do not contain any special disclosures pursuant to Section 171 (2) sentence 2 of the German Stock Corporation Act (AktG), Section 289 (4), and Section 315 (4) of the German Commercial Code (HGB) that would have required a statement or explanation of the Supervisory Board.

We believe that Bechtle AG has emerged stronger after the economically difficult year of 2009. In the reporting period, the company furnished proof of its ability to react quickly and flexibly to changing economic framework conditions and market requirements. In 2010, various employee qualification measures were taken in order to lay the foundations for future profitable growth. These measures as well as the Vision 2020 also reflect the long-term planning and effective strategic orientation, which are especially important to the Supervisory Board.

The Supervisory Board would like to express its thanks to the members of the Executive Board, the directors of the group companies, the division heads, and all employees for their successful work and outstanding commitment and its great appreciation for the excellent business performance of 2010.

On behalf of the Supervisory Board,



Gerhard Schick

Chairman

Neckarsulm, 15 March 2011

## Bechtle. Great IT.

Established 28 years ago as a one-man business, Bechtle is now one of the strongest IT partners in the German and European markets. Our success story is a great example of entrepreneurship, and our value proposition is great IT. Why is this?

The success of Bechtle is essentially based on a business model that develops and interlinks two areas in equal measure like no other company in our industry. In this regard, the combination of IT system houses and managed services on the one hand and IT e-commerce on the other hand is the obvious thing to do.



A partner of customers that is always up to date with respect to the latest developments of the market has a clear competitive edge. Moreover, the joint purchasing volume of 56,000 customers of close on 30 e-commerce companies and 60 IT system houses is greatly appreciated by suppliers.

What is special about this business model is that it only has winners: our customers, our shareholders, our employees, and our partners. All of them benefit from the great IT for which Bechtle stands.



## Closely interlinked: IT system house & managed services and IT e-commerce.

Nothing makes an enterprise stronger than having two pillars, each of which is strong and full of energy. With its segments, Bechtle has two such pillars and is progressing with giant leaps, year by year.

What is behind these two segments that complement each other in such a profitable way?

“IT system house” actually means 60 IT system houses in Germany, Austria, and Switzerland. Always located close to our customers, they offer everything they need to assist their customers in the field of IT, from IT strategy consulting to complete operation by managed services. The quality success model is also impressive in quantitative terms: 3,400 experienced employees, more than 200 certifications from all renowned manufacturers, and 19 training centres with 12,000 seminar dates a year.

Bechtle “IT e-commerce” is nothing less than one of Europe’s leading IT providers: 13 countries, 44,000 products from about 300 manufacturers, and 180,000 visitors with 4.1 million clicks a week in the online shops. In addition to quality and consulting, prices and speed are vital in this field. Bechtle takes care of both. Purchase orders received by 4:30 p.m. are shipped the same day. And since 40 per cent of all prices change every day, 4.7 million price data records are screened and evaluated every night. Thus, all customers enjoy great prices and even better performance – day in, day out.



More about  
the business activity  
is provided in the  
management report,  
page 43



## Shareholders love continuous growth.

When Bechtle AG went public 11 years ago, it could already look back on 17 years of continuous growth. The success story we looked on back then showed how the company had progressed from 1 to 800 employees and from 0 to 180 million euros revenue. Since then, the impressive performance has continued and accelerated: as of the end of 2010, our headcount had reached about 4,800, and our revenue more than 1.7 billion euros, along with record EBT of close on 62 million euros.



Since the IPO, our shareholders have benefited from a continually growing dividend that is not without reason. The performance of Bechtel AG is the result of our business model, an ambitious and earnings-oriented growth strategy, a highly motivated team, and an IT market that will continue to grow in the future. Moreover, a conservative financial policy has made Bechtel a very stable enterprise with an equity ratio of almost 60 per cent and liquidity of 130 million euros. All in all, this is fertile soil for strong, stable, and sustainable growth.



## Foresight and eye level strengthens customers and customer relationships.

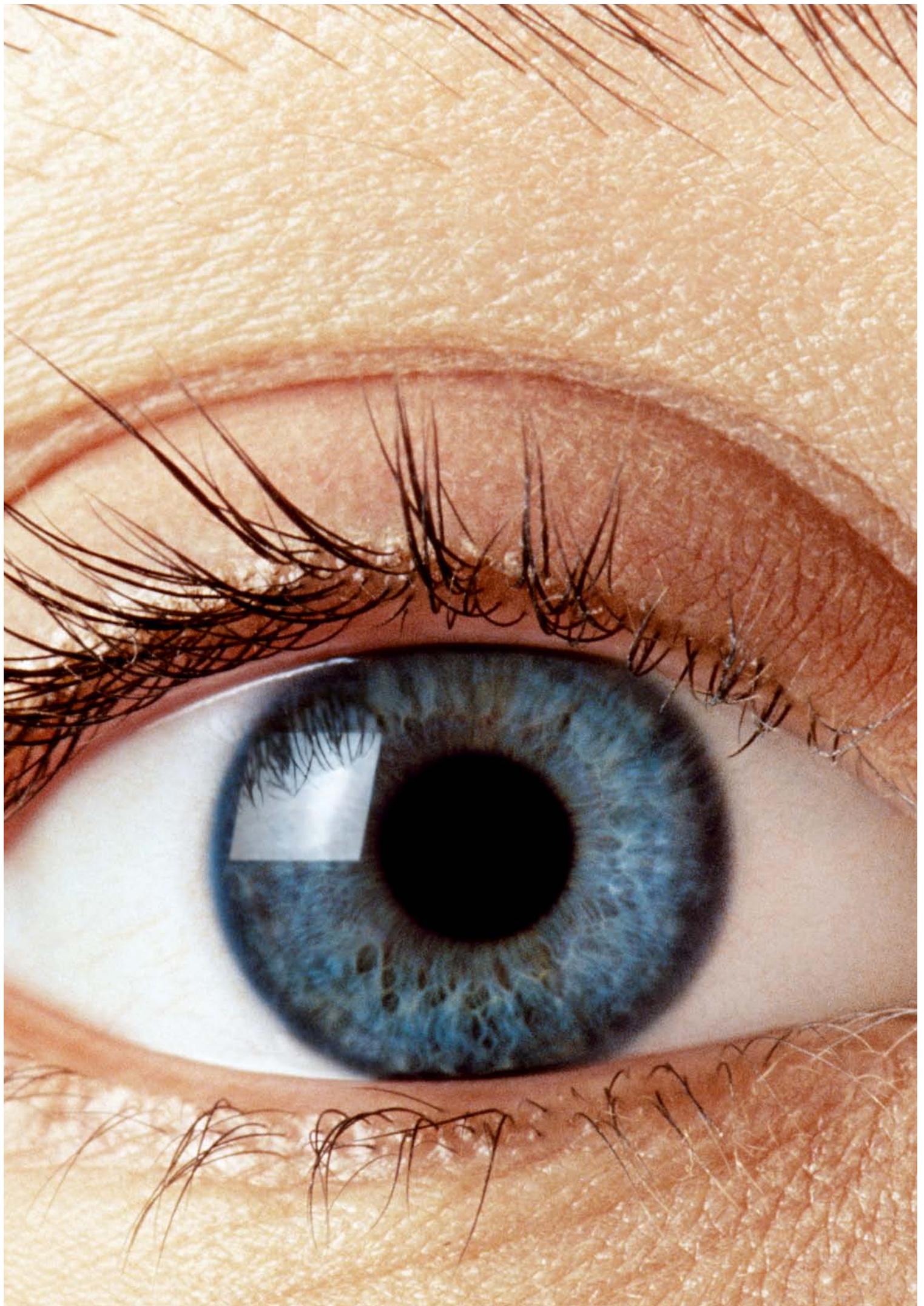
Employees and equity aside; without our customers, we would not be where we are today.

More than 56,000 customers represent a value that speaks for itself. Most of them are customers who we have been supplying or servicing for years – in most cases for many years. Most of them are medium-sized enterprises or public-sector clients – two demanding groups that attach great importance to how they are treated.

For example, we impressed Telegate AG with the professionalism and flexibility of our service concept; as a result, we now operate this company's client infrastructure, comprising more than 2,000 IT workstations at 20 locations, for an initial term of five years.

Or consider the Bosch Group, which honoured the collaboration of more than two decades with the "Preferred Supplier" status, a label that Bosch has awarded to fewer than 15 IT partners around the globe.

On balance, Bechtel contributes to the strength of its customers, in addition to which, more than 56,000 customers contribute to Bechtel's strength.



## Unbeatable together.

How do our customers – and our shareholders – benefit from the fact that today, Bechtle has almost 5,000 employees?

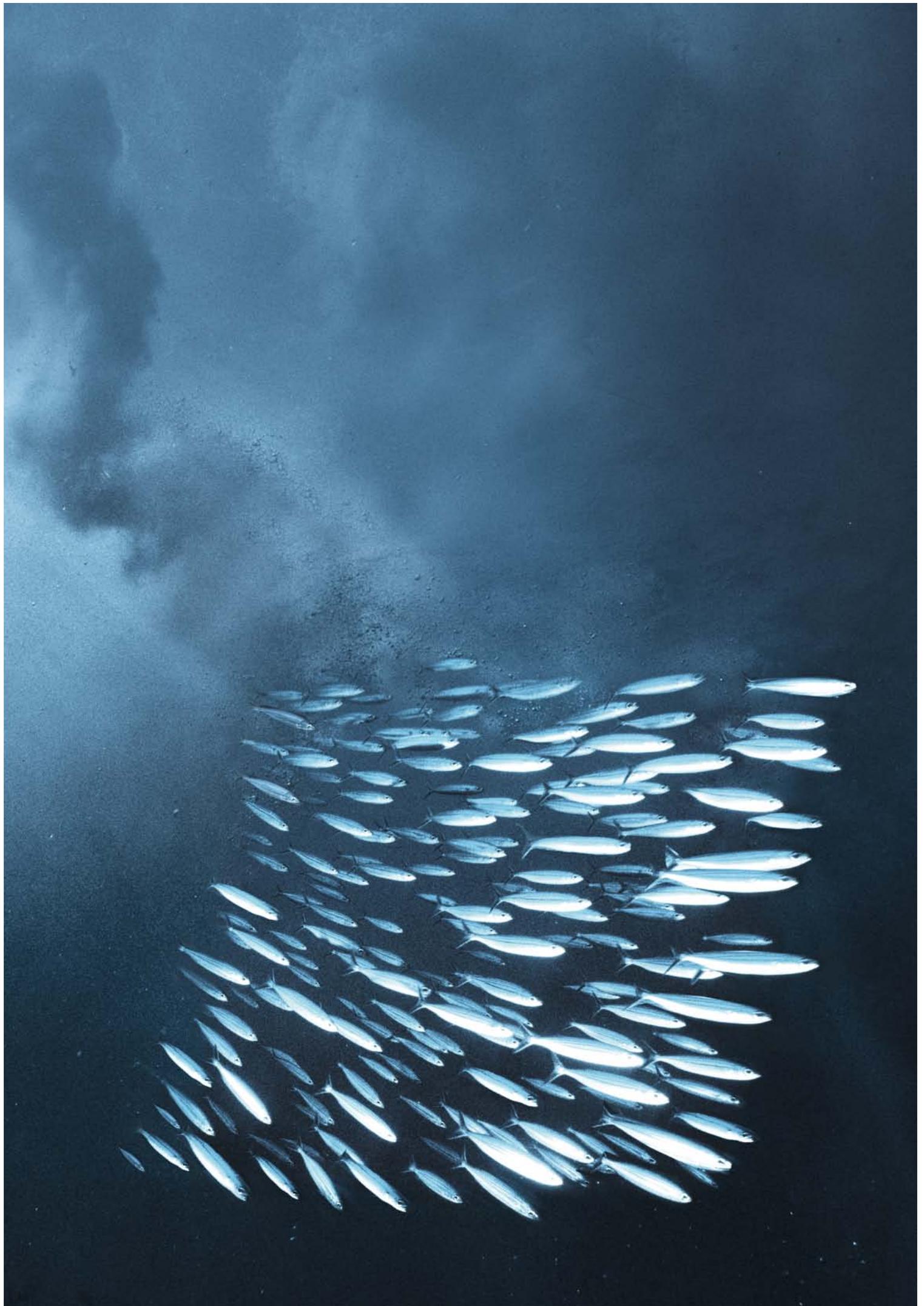
On the one hand, the right employee is available for every customer, every task, at every location, and at all times. If one is not enough, there is a second one or as many as necessary. Regional teams are available for various locations, and the specialists of the competence centres are available for special subjects. In short, a network of 5,000 brains is better than one comprising of 50 or even 500.

On the other hand, each individual employee in the Bechtle Group knows how to turn personal commitment and fun at work into success and customer satisfaction. Each individual employee follows an entrepreneurial approach for the benefit of his customers and his employer. And each individual employee sees himself as a service provider, consultant, project manager, procurer, supplier, operator, initiator, confidant, and expert.



More about our employees is presented in the Management Report, page 58

Together, such a team is fast, strong, and virtually unbeatable.



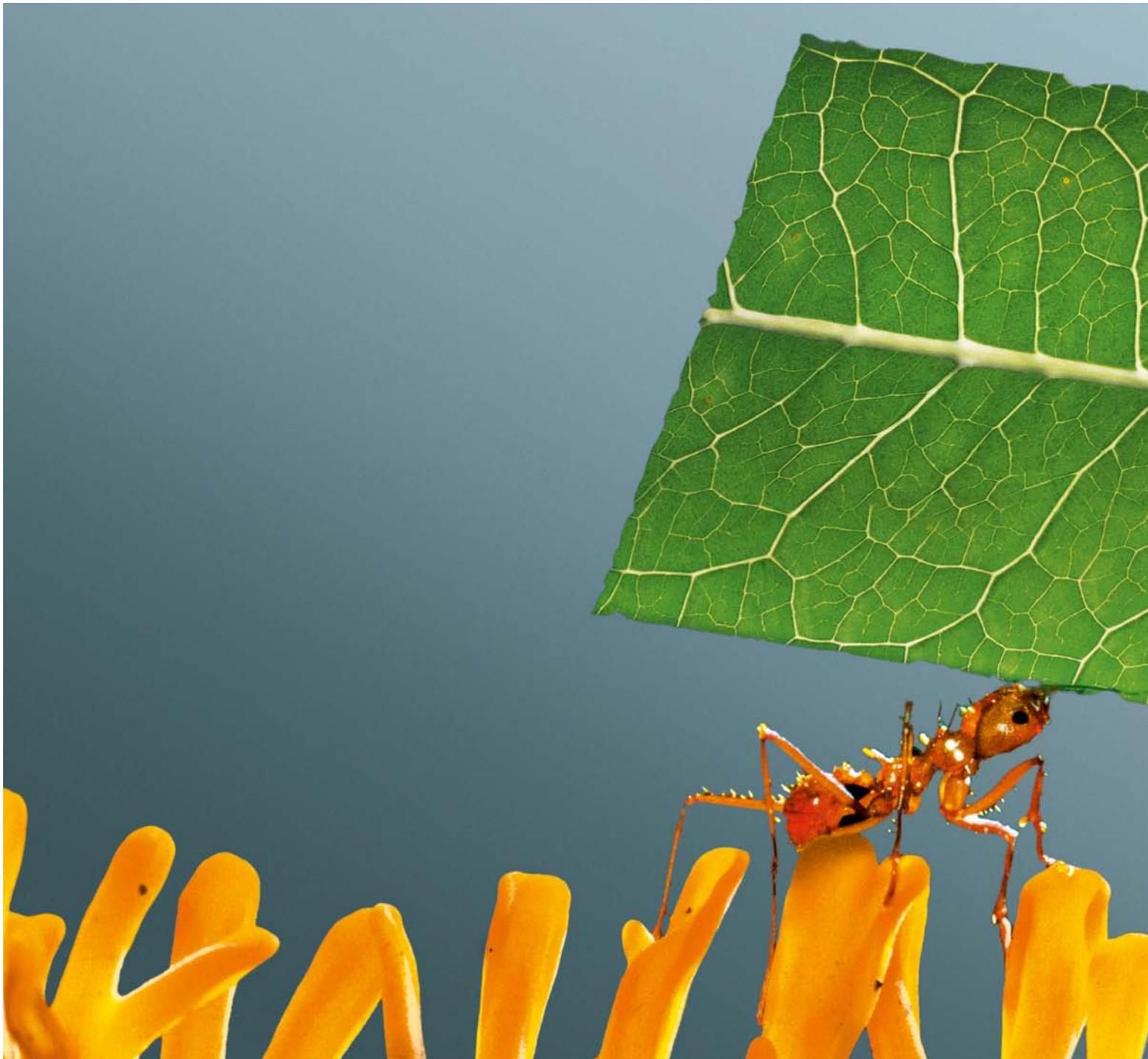
## Also important: strong partners.



An excerpt of our partner list is presented at [www.bechtle.com/partner-en](http://www.bechtle.com/partner-en)

Bechtle is not a manufacturer, but an expert in IT consulting, reselling and service. More than 300 partners from Acer to HP, from IBM to VMware have made Bechtle their premium or platinum partner. The list of our partners looks like a comprehensive who-is-who guide of the entire IT industry.

And in addition to a number of gold and silver component awards from Microsoft and our appointment as "Platinum Solution Advisor" by Citrix in 2010, we received the "Most Innovative Project" award from both of them jointly, the so-called "V-Alliance", in 2010.



In the Bechtle Group, more than 200 certifications of all leading manufacturers and, in most cases, the highest partner status are proof of our consulting quality as well as our technology and solution competence. Thus, Bechtle is as strong as its partners.



## Strong and in strong demand: our values.

Today, many might consider the importance that a future-oriented company like Bechtle attaches to values to be rather old-fashioned. In contrast, we view these values as our strength.

Our values are not only timeless, they will even become increasingly important in future. What is more, our customers and partners have often confirmed that our attitude, our conduct, and our approach have greatly contributed to their trust and satisfaction.

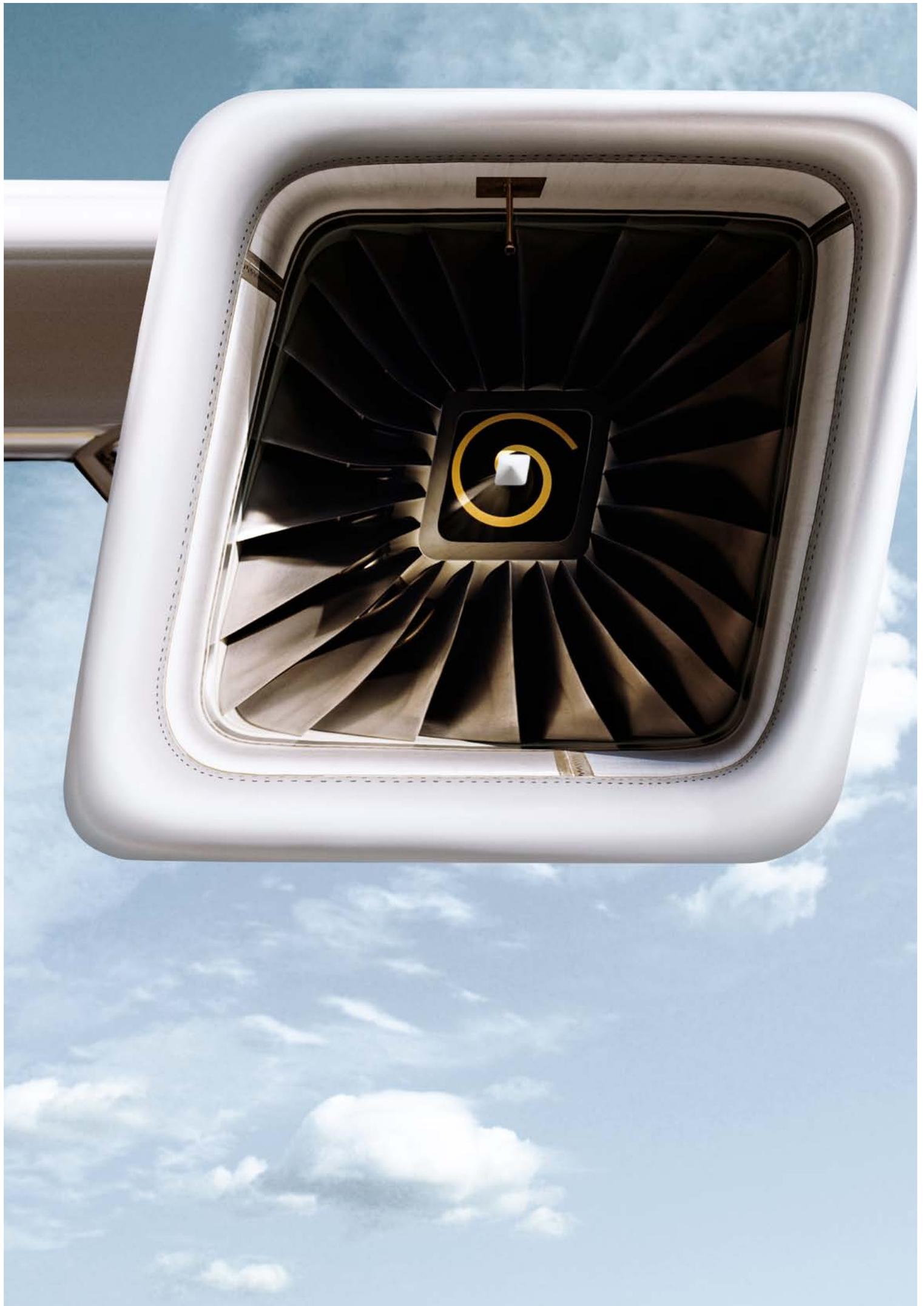
We are reliable. Our customers can rely on our values as well as on deadlines, promises, and willingness.

We are tenacious; not only when trying to convince and win a customer, but also throughout the entire business relationship in order to convince him time and again, and keep him as an enthusiastic customer.

Our enthusiasm is obvious. This characteristic helps us to have fun even when confronted with demanding tasks and challenging goals.

And last but not least, despite the great success that this business has enjoyed over many years, it still has its feet firmly on the ground. This is also evident from its traditional Swabian roots. And these values are here to stay as there is considerable demand for such reliability.





## Full speed ahead.

Strength needs goals. Bechtle has goals. By 2020, we want to generate revenues of 5 billion euros with 10,000 employees. With an EBT margin of 5 per cent.

We want to be present with a close-knit network throughout Germany, Austria, and Switzerland and be one of the leading IT partners for enterprise customers and public-sector clients.

In IT e-commerce, we want to be Europe's number 1 and expand our internationalisation even beyond Europe.

This is what our Vision 2020 states. This vision is both ambitious and realistic. Clearly defined goals, a strategy based on sustainability and customer satisfaction, the sum of the strengths that we described on the preceding pages, and our basic attitude "full speed ahead" will enable us to reach our goals. Possibly even before 2020.

# Group Management Report

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## COMPANY

### GROUP STRUCTURE

The organisational and management structure of Bechtle AG is tuned to the company's long-term strategy. All structural measures in the reporting period contributed directly or indirectly to the strategy implementation and mainly serve to improve market penetration and increase competitiveness. With its effective cross-segment logistics, increasingly efficient networking of the decentralised system house locations, and the pan-European focus in e-commerce, the Bechtle Group has established important organisational preconditions for profitable growth in the future.

### Legal Structure

The parent and holding company Bechtle AG, headquartered in Neckarsulm, Germany, is responsible for strategic business planning and central duties in the fields of controlling and finance, corporate communications and investor relations, IT computing centre, human resources, quality management, legal, and compliance. The Bechtle Academy is another group function that serves as the central training base for the employees and for staff development in the group. Particularly the purchasing, warehouse, product management, and catalogue production functions are organised under Bechtle Logistik & Service GmbH, which also belongs to the holding.



A chart of the organisational structure is available on page 230

#### HOLDING STRUCTURE OF BECHTLE AG



Under Bechtle AG, the group has implemented another level of holding companies in which the business fields and brands of the two reporting segments IT system house & managed services and IT e-commerce are bundled:

- Bechtle Systemhaus Holding AG, Neckarsulm, Germany, supervises all activities of the IT system houses in Germany and Austria;
- Bechtle Managed Services AG, Neckarsulm, Germany, bundles the outsourcing services;
- Bechtle Holding Schweiz AG, Rotkreuz, Switzerland, is responsible for all system house and e-commerce companies in Switzerland, the trading activities of the ARP companies, and the software licensing business of the Comsoft direct companies;
- Bechtle E-Commerce Holding AG, Neckarsulm, Germany, supervises the trading activities of the Bechtle direct companies.



See list of  
the subsidiaries  
in the Notes,  
page 207 ff

The legally independent subsidiaries are allocated to the said second holding level. Most of the German and Austrian companies are structured as "GmbH" or "GmbH & Co. KG", and most of the Swiss companies as "AG". The legal structure of the companies in other countries is similar to that of the "GmbH". Bechtle AG holds 100 per cent of the interests in all subsidiaries, either directly or by means of investment companies.

The objective of this two-level holding structure is to relieve the decentralised subsidiaries of the bulk of administrative and cross-company work and to represent a clear executive organisation. Moreover, competencies and resources are bundled in order to enable synergies and to achieve economies of scale in purchasing and logistics.

In the reporting period, the Executive Board adjusted the legal structure of the Bechtle Group. In Switzerland, the companies based in Berne, Carouge (Geneva), Crissier (Lausanne), Dübendorf (Zurich), and Reinach were consolidated under the umbrella of Bechtle Schweiz AG, headquartered in Rotkreuz. The main objective was to bundle the managed services activities of the Swiss companies and to ensure a uniform market image.

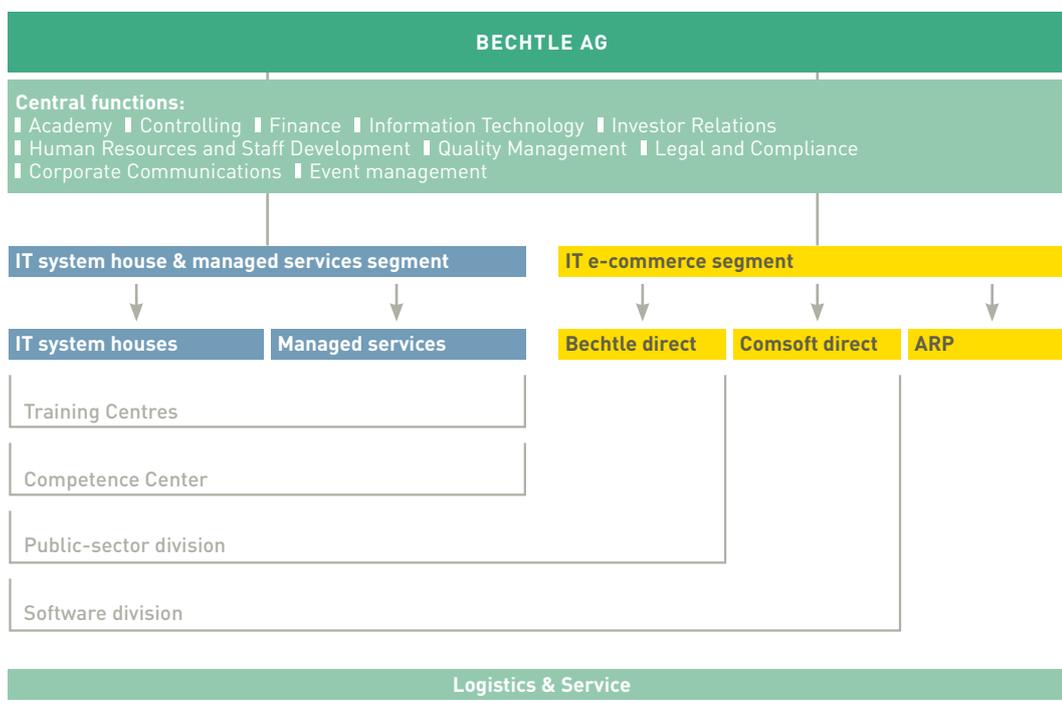
Additionally, Bechtle AG established a central software division in the financial year 2010 for the purpose of supporting the segments in technical and sales-related matters and to enable uniform project coordination at all locations within the group.

The presented strategic holding organisation provides Bechtle AG with the necessary structural preconditions for successful further development of the company. Nevertheless, the legal structure of the Bechtle Group does not yet fully reflect the company's management and executive structure. The executive structure is predominantly aligned with the needs of the operational business and the economic framework conditions of the markets. In the medium run, the legal structure is to be largely coordinated with the management structure.

## Management Structure

In the reporting period, the executive structures of Bechtle AG were further adapted to the size of the company and market requirements by means of the establishment of additional executive positions and the appointment of division heads. Apart from strengthening the competitive position in view of the still highly dynamic economic environment, this particularly served three purposes: firstly to intensify the collaboration between the locations in conjunction with a stronger support of the system houses by the central divisions, secondly to establish scalable, modular structures that are clearly aligned to the company's future growth areas, and thirdly to implement the executive organisation required for the further growth of Bechtle AG.

## MANAGEMENT STRUCTURE OF BECHTLE AG



The hierarchical separation of the strategic group management of the Executive Board from the leadership of the operational units remains the key characteristic of the management structure. In this way, Bechtle takes the greatly increased leadership responsibilities into account and ensures high efficiency in the steering and management of the group. The two business segments IT system house & managed services and IT e-commerce are not only marked by divergent internal structures and market requirements, they also apply different development strategies for their expansion.

In the IT system house & managed services segment, Bechtle exclusively covers Germany, Austria, and Switzerland with more than 60 locations. In contrast, in the IT e-commerce segment, the group is consistently expanding its positioning throughout Europe and was present in a total of 13 countries as of the beginning of 2011.

In both business segments, the operational units are headed by division heads. Apart from the cross-segmental divisions, the division heads of the IT system house & managed services segment are responsible for the activities of the Bechtle IT system houses in Germany, Switzerland, and Austria as well as for managed services. In the IT e-commerce segment, they control the trading business of the ARP and Bechtle direct brands and the software licensing business of the Comsoft direct companies.

The central logistics & service division is directly under the supervision of the Chairman of the Executive Board of Bechtle AG, as are the other central functions controlling and finance, corporate communications and investor relations, IT computing centre, human resources and staff development as well as legal.



A chart of the organisational structure is available on page 230

## Locations

The group headquarters of the Bechtle Group is located in Neckarsulm, Germany. Apart from Bechtle AG, the central units are also situated here. The finance department is located in Gaildorf, Germany.



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

In the consulting-intensive service business of the IT system house & managed services segment, on-site customer contacts are vital. For this reason, Bechtle has a dense network of IT system houses in more than 60 locations in Germany, Austria, and Switzerland. In this structure, the directors of the operating subsidiaries act in the capacity of independent entrepreneurs with a high level of personal responsibility in their local markets. In this context, a consistent performance-oriented compensation system supports and promotes the entrepreneurial activities of the directors.

In the reporting period, the group continued to expand its extensive market position in the IT system house & managed services segment in Germany, Austria, and Switzerland. By taking over the iits system house group with its four locations in North Germany, Bechtle has gained strength in such growth fields as the infrastructure and solution business. Furthermore, the system house activities in Austria have been expanded by means of the acquisition of HTH Consulting in St. Pölten. HTH is particularly specialised in system integration and virtualisation. By acquiring Solidpro Informationssysteme, based in Langenau, Germany, Bechtle has leveraged synergies with customers from development and design-intensive industries such as engineering, transport, and automotive. Most importantly, by entering the CAD market segment, the group has expanded its solution portfolio as one-stop provider – from the IT infrastructure to highly specialised CAD software.



See Notes, Acquisitions, page 194 ff

The wide geographic coverage achieved by the Bechtle Group requires the continuous monitoring of the efficiency and effectiveness of the location structure. In the financial year under review, Vienna-based Madras GmbH was merged into Bechtle GmbH, Vienna, Austria. Furthermore, the group combined the two companies NBI GmbH, Duisburg, Germany, and Bechtle GmbH & Co. KG, Oberhausen, Germany, to a joint location in Duisburg. As of the reporting date, the Bechtle Group has 48 IT system houses and more than 10 sales offices in 13 federal states in Germany. Bechtle AG has 10 system house locations in eight cantons in Switzerland and locations in Vienna and St. Pölten as well as additional sales bases in Graz and Innsbruck in Austria.

## SYSTEM HOUSE LOCATIONS OF BECHTLE AG



Under its Bechtle direct brand, Bechtle AG has IT e-commerce locations in 13 European countries. The growth potential and the socioeconomic framework conditions were among the reasons for the group's decision in April 2010 to enter the Polish market. With the launch of its own trading company in the Czech Republic in April 2011, Bechtle's e-commerce segment is now represented in two Eastern European countries.

In the reporting period, the group also expanded its software activities under the Comsoft brand. Following the market entry in Belgium in March 2010, Bechtle continued consistently to pursue its internationalisation strategy in this area by founding additional companies in Italy and Spain. Bechtle is present in eight European countries with Comsoft and in five with the trading brand ARP. Moreover, ARP operates a purchasing company in Taiwan.



"Strong positioning: e-commerce locations in 13 European countries."

*Diana Langer,*  
international project management

#### E-COMMERCE LOCATIONS OF BECHTLE AG



See list of the subsidiaries in the Notes, page 207 ff

Bechtel AG thus owns a total of some 80 operating companies and investments, which are listed in appendix A to the notes. The majority of the IT system houses and service and trading companies are located in Germany and Switzerland. The largest of the almost 70 locations in Europe is at the same time the location of the company headquarters in Neckarsulm, Germany, with more than 870 employees.

## BUSINESS ACTIVITY

IT has meanwhile become a production factor, often even the driver and core of the business processes of the enterprises. For a trading service provider like Bechtle, close customer contact is therefore vital for the company's success. Moreover, the business is becoming more international and technologically complex. The markets are subject to continuous change. Horizontal and vertical competence in all relevant subjects as well as know-how transfer and flexibility are decisive for a successful competitive positioning. The Bechtle Group has consistently aligned its business model and internal processes to this complexity and dynamism. As a result, the efficiency of the Bechtle Group impresses not only medium-sized business, but also more and more public-sector clients and large corporations operating on an international scale.

### Business Segments

Bechtle AG runs its operations under the two segments IT system house & managed services and IT e-commerce. In the IT system house & managed services segment, Bechtle provides customers with IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services, training, and complete IT operation. The IT e-commerce segment comprises the group's Internet, catalogue, and phone-based trading activities. With the ARP, Bechtle direct, and Comsoft direct brands, Bechtle is pursuing a multi-brand strategy in this segment.



Our multi-brand strategy

### Service Spectrum and Processes

**IT System House & Managed Services.** The Bechtle Group is a service and trading enterprise. Bechtle's service portfolio in the IT system house & managed services segment spans the entire IT value chain. The service portfolio is characterised by the fact that Bechtle is a "one-stop provider". The solutions offered are directly aligned to the needs and wishes of the customers. By means of the individual composition of an offer from various services in combination with hardware and software, Bechtle is capable of elaborating an individual solution for each and every customer. The product portfolio is subject to ongoing review and adaptation to market and customer requirements. In the reporting period, for example, Bechtle acquired the CAD system house Solidpro and is thus now able to offer the entire bandwidth of IT services to customers from development- and design-intensive industries such as engineering, transport, and automotive.



[www.solidpro.de](http://www.solidpro.de)

## BECHTLE IT SOLUTIONS

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Optimum qualification thanks to manufacturer certifications



More information about the specific Bechtle IT solutions is available in the Bechtle updates at [www.bechtle.com/customer-magazine-en](http://www.bechtle.com/customer-magazine-en)

In the IT solutions unit, more than 1,600 service team members, certified specialists, and system engineers offer customers expertise, advanced specialised competence, many years of IT project experience, and the ability to rapidly implement individual requirements. Bechtle has bundled specialist know-how in competence centres that are active throughout the country. More than 200 certifications of all renowned manufacturers guarantee premium qualification in Bechtle services. Bechtle IT solutions feature a fully integrated portfolio focusing on the following subjects:

**Client Management** The offer ranges from IT architecture consulting to client lifecycle management with automated processes from procurement to the rollout to the end of life. For example, Bechtle has certified specialists and rollout managers for the migration to Windows 7. Bechtle offers innovative print solution concepts based on full-service or click-price models.

**Server & Storage** These services comprise vendor-independent consulting, planning, and operation of virtualised server and storage systems by means of automated solutions. By means of energy efficiency consulting and the selection of a suitable infrastructure solution with respect to technological performance, power supply and cooling, active energy management, and efficient, scalable server and storage systems, Bechtle often enables its customers to cut energy costs substantially.

**Networking Solutions** The networking solutions unit comprises as main focus scalable solutions for LAN and unified communication infrastructures. From network analysis to network operation, certified Bechtle experts ensure high network infrastructure availability and efficiency. Together with leading manufacturers, Bechtle sells integrated collaboration concepts for conference solutions, IP communication, messaging, mobile applications, and telepresence.

**Virtualisation** Ranging from consulting to operation, Bechtle offers virtualisation solutions for servers, storage, clients, and applications. Based on conventional consolidation and optimisation in terms of availability, security, and management, Bechtle enables its customers to virtualise their data centres to the highest possible degree. The focus is on subjects like automation, service level agreements, process management, and self-services.

**IT Security** Bechtle has highly qualified IT security specialists that are also very competent in the design of secure LAN backbones and WANs. The certified IT security experts plan, implement, and supervise IT security infrastructures. Moreover, Bechtle offers consulting services and solutions for corporate data protection and IT security structures. Qualified data protection officers with practical experience, IT security officers, and legal experts take care of the consulting, design, and implementation in a competent and reliable manner.

**Business Applications** With several locations, Bechtle business applications is an important software and consulting partner for industrial enterprises. Business applications of Bechtle include solutions integrating Microsoft Dynamics, business intelligence, document management, groupware/Lotus Notes/Domino solutions, and CAD. In SolidWorks, Bechtle offers a wide range of tools for mechanical CAD, design assessment, product data management, design communication, and CAD productivity.

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By means of **Managed Services**, Bechtle assumes the responsibility for defined operating tasks related to the customers' IT. In this context, fine-tuned service level agreements ensure the availability of the IT infrastructure. Bechtle guarantees optimum operability of the IT systems over the entire lifecycle with remote operation or on-site supervision of servers, clients, printers, and networks on the basis of standardised operating concepts and comprehensive user services for the customer IT infrastructure. The technical solutions are complemented by individual financing models such as leasing.



[www.bechtle.com/managed-services-en](http://www.bechtle.com/managed-services-en)

**MANAGED SERVICES PORTFOLIO**

BECHTLE MANAGED SERVICES				
Installation Centre	Field Services	Service Desk	Remote Management	Onsite Services
↓	↓	↓	↓	↓
Rollout Services	Hardware Recovery	Single Point of Contact	24/7 Remote Monitoring	Outtasking, Outsourcing
Client Installation	IMAC Services	User Help Desk 1st & 2nd Level	2nd Level Remote Support	Expert Services
Server Installation	Filial Support	Expert Help Desk	Remote Services	Service & Transition Management

**Bechtle Installation Centre.** The installation centre offers all possibilities for the timely and competent realisation of customer requirements – from individual installations to nationwide rollouts at a rate of up to 1,000 systems a day.

**Bechtle Field Services.** In the field services segment, Bechtle offers a wide range of warranty and customer services that exceed the statutory warranty obligation. In order to ensure optimum deployment control for this service, all reports are centrally recorded on a 24/7 basis and forwarded to the approximately 300 engineers. This enables an on-site service with a maximum reaction time of two hours.

**Bechtle Remote Services.** A company's IT infrastructure must work smoothly. For this purpose, Bechtle offers modular solutions that can be combined optimally with the on-site services rendered at the customer's location. With its service desk, Bechtle serves as the central contact point, taking care of defect reports and service requests. Bechtle's remote management monitors and operates IT infrastructure systems in the fields of server and storage, LAN/WAN, firewall, and security. The objective of the continuous monitoring, documentation, and troubleshooting is to provide maximum availability of the IT infrastructure. The modular solution packages offer multi-tier service level agreements perfectly aligned to customer needs.

**Bechtle Onsite Services.** The Bechtle onsite services support the service teams at the customer on site on a permanent basis under outtasking and outsourcing agreements. The onsite services are rendered by local service provider teams that specialise in the requirements of the particular customer. Furthermore, the customer can outsource his entire IT and have the IT processes provided by Bechtle.



"Strong: the service portfolio of Bechtle managed services."

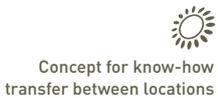
**Michael Sterker,**  
head of IT solutions & services,  
Darmstadt system house

**Bechtle Medium-Sized Business Concept.** Bechtle has developed the Bechtle medium-sized business concept (Bechtle Mittelstands-Konzept – BMK) especially for the needs of local medium-sized businesses. The growing dependence on IT is accompanied by a growing risk of major financial losses in the event of failures. Small and medium-sized companies often lack the resources needed to cover all specialised IT areas. At the same time, legal requirements are increasing due to the growing complexity of IT systems. The BMK addresses these challenges. With this offer, Bechtle shoulders the entire IT responsibility for companies with up to 200 PC workstations at a fixed monthly fee. At affordable costs, customers benefit from state-of-the-art technology and guaranteed professional, fail-safe IT operation.

**Competence Centres and Training Centres.** The competence centres constitute an important pillar of Bechtle’s service portfolio. The market has a greater demand for particular services. In order to be able to offer customers the latest expertise for these services, the Bechtle Group bundles this know-how in 13 competence centres. In their capacity as internal service units, these competence centres render services for all locations.

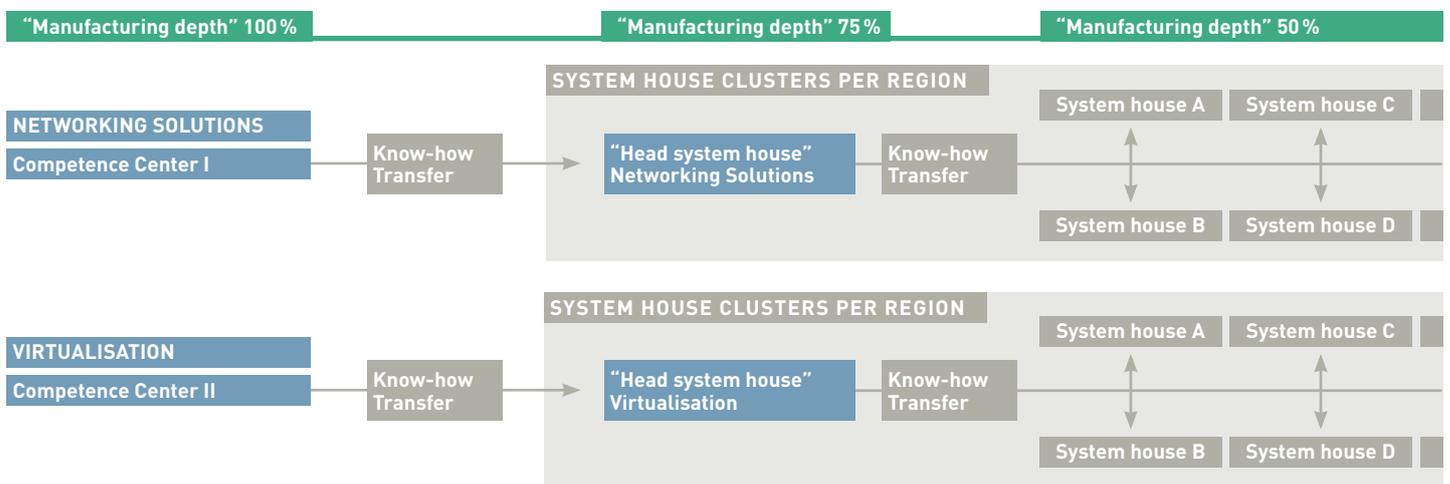


The custom-tailored seminar concept of the 19 Bechtle training centres in Germany is precisely aligned to the needs of the market. The offer covers a wide spectrum, with more than 10,000 seminar dates for 400 hot IT-related topics. For customers with several branches, this presence enables uniform training on site.



**Know-how Transfer between Locations.** Due to the increasing complexity and diversity in the field of IT, it is difficult for an individual system house to be skilled in all subjects in the required depth. In the financial year 2010, Bechtle therefore continued to work on the focusing of the key IT subjects and on the concept for the know-how transfer between the locations in order to remain successful in the regional competition. The objective is to ensure equitable provision of expertise in all projects and customer situations, regardless of the location of the respective system house. Starting from the competence centres in the IT system house & managed services segment, the future collaboration with the locations of the regional clusters is

KNOW-HOW TRANSFER BETWEEN LOCATIONS



therefore being reorganised. In the reporting period, the group started to do this in the field of networking solutions and virtualisation, two of a total of six key subjects. The system houses that are responsible for the projects invest in the sales and consulting quality of the individual subjects by intensifying the training of the employees, support other system houses in customer projects, and organise the successful knowledge transfer within a cluster.

**IT e-commerce.** In the IT e-commerce segment, Bechtle serves as competent dealer that covers all common IT areas with more than 44,000 items ranging from hardware to standard software to peripherals. While Bechtle direct concentrates more on conventional hardware of the market-leading vendors, the product portfolio of ARP also features innovative niche products. Furthermore, the group sells products under its own ARP® and Claxan® labels, thereby offering customers an inexpensive alternative to other known brands while maintaining the same quality standard.

The bios® shops are a special feature of Bechtle direct. This online procurement system is tailored to the needs of the customers and serves the purpose of reducing order and flow times, using framework agreements optimally throughout the entire company, managing IT stocks automatically, and thus saving time and money. More than 21,000 Bechtle customers throughout Europe have already substantially reduced their process costs associated with the procurement and management of IT products with the help of bios®. Today, more than 40 per cent of all trading orders of the Bechtle Group are already processed via bios® platforms. The services offered are not limited to the supply of hardware and software, but start with comprehensive consulting on products and solutions and the establishment of customised procurement concepts in the form of defined shopping baskets and framework agreements.

bios® customers benefit from the high flexibility in the product selection as well as from the standardisation, and can thus ensure the uniformity of their IT infrastructure in all purchase orders.

In the financial year 2010, the group completed the redesign of the bios® shops for public-sector clients. The new generation of this procurement platform consistently continues to pursue the customer-specific marketing principle. By means of a division in administration, health care, research & education, and church & welfare, the group makes greater allowance for the heterogeneous structure of the public sector. The individual federal and state authorities, municipalities, chambers, associations, and educational institutions thus have access to special terms of the manufacturers even without tenders and further negotiation.



bios® stands for Bechtle information & ordering system; for further information, see Glossary, page 220



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



More information on the bios® shops for public-sector clients is available in Bechtle update 3/2010, page 8 at [www.bechtle.com/customer-magazine-en](http://www.bechtle.com/customer-magazine-en)



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

In the highly process-controlled IT e-commerce segment, Bechtle has established lean workflows that are of great significance to the success of this segment. To a certain extent, the underlying processes are even part of the actual service. For example, many of the purchase orders in IT e-commerce are processed according to the fulfilment principle: Bechtle forwards incoming purchase orders directly to manufacturers or distributors, who then ship the goods to the customers in the name and for the account of Bechtle. Bechtle ensures the shipping quality – which is mainly determined by the speed – by means of agreements with partners and daily audits. By applying the fulfilment principle, Bechtle keeps its stock level low, thereby reducing the risk of devaluation of IT products, which are characterised by very short innovation cycles. Customers benefit from short delivery times: purchase orders received by 4:30 p.m. are usually shipped the same day and delivered the next.

Lean processes and efficient logistics give the company a competitive edge in the trading business. The centralisation of the product management, purchasing, and warehouse guarantees competitive prices and prompt availability. For all EU countries, these sub-areas are taken care of by Bechtle's Logistics & Service department in Neckarsulm, Germany. The activities of the Swiss system houses and of the ARP and Comsoft companies are controlled by the logistics centre in Rotkreuz.



Goods and pricing system, uniform product database, EPS, ability to ship across Europe, product information updated on a daily basis

Another key business process concerns the goods and pricing system and the uniform product database, which is accessed by all European subsidiaries. Every night, the European pricing system (EPS) developed by Bechtle loads more than 4.7 million items of pricing and availability information from IT manufacturers and distributors and calculates the respective national prices. Suppliers are primarily selected on the basis of the lowest price and the ability to ship immediately across Europe. Market-related product information is automatically updated online for the country-specific Web shops.



Product catalogues: sales channel and optimum addition to the online shop

Apart from the online shops, the product catalogues are the second important sales channel in Bechtle's trading business. The main catalogue of Bechtle direct is published twice a year in eight languages with a print run of 150,000 copies. The ARP catalogue is published three times a year in two languages with a print run of 100,000 copies. The catalogues feature detailed specifications, product images, and direct references to suitable accessories and thus represent the ideal supplement to the central online product database. Since the release of the first issue in 1988, the catalogues have developed into a recognised standard reference work in the industry.



A chart of the organisational structure is available on page 230

**Software Licensing.** In addition, during the course of the year, Bechtle AG also intensified its software licensing and management activities. The Comsoft direct companies, which operate in this area in seven countries, offer customers a vendor-independent, full-service solution portfolio for software licenses. Comsoft direct supplies enterprises with at least 250 PC workstations with custom-tailored software products, solutions, and services. The offer covers the entire software lifecycle, including consulting, sales, procurement, maintenance, and project management. This know-how is becoming increasingly important, as manufacturer licensing and pricing models are becoming more and more complex. This competence is increasingly demanded by customers, especially with respect to service-oriented architectures consisting of diverse software modules with countless licensing models. Comsoft direct selects the most suitable

licensing models from its extensive portfolio and enables customers to use their software applications as effectively and inexpensively as possible. The offer in this segment includes the analysis of the customers' licensing situation, in order to quickly achieve the optimum balance between illegal underlicensing and unnecessary, cost-intensive overlicensing.

The group uses bios® Asset – a modular, inexpensive IT asset management solution – for the professional inventory management of the hardware and software licences employed by customers. The program can access the available IT inventory information and provides comprehensive information on all hardware and software used in the company. Thus, complex processes aspects of the hardware lifecycle, such as purchase planning, financing, procurement, distribution, provision, maintenance, and disposal, can be mapped and continually optimised.



Professional inventory  
management with  
bios® Asset

## Research and Development

As a pure service and trading company, Bechtel is not involved in any research activities. Development activities are only conducted to a very limited extent, and principally for internal purposes. Due to the limited scope and the negligible economic significance of the development work, Bechtel does not report any R&D figures.

In the reporting period, the development work involved the maintenance and update of the Web pages. Programming work was also done for the two internally developed software solutions BELOS and structura dynamic. BELOS is a resource management application for planning and conducting events, training, and meetings. The software was prepared to meet internal needs and is marketed only to a limited extent. In structura dynamic, Bechtel offers a comprehensive overall package based on Microsoft Dynamics, which is specifically designed for medium-sized manufacturers. The tool also provides a wealth of functions and a high level of transparency for project management, resource and sales planning, production management, service and complaint handling, and notification and approval procedures. The software solutions are subject to regular maintenance and further development.

The online solutions of the existing Web shops of Bechtel direct and ARP were developed in-house by Bechtel in 1995. Since then, a team of programmers has taken care of the continuous maintenance, the further development of the e-commerce platform, and the implementation of new country sites, e.g. for the market launches in Poland and currently in the Czech Republic. In the reporting period, development services were also rendered for the company site [www.bechtle.com](http://www.bechtle.com) and the Web shop solutions that can be accessed under the respective country domains of Bechtel.

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

## Markets

Bechtle's core target group consists of medium-sized businesses. Bechtle defines the size of businesses according to the number of PC workstations. Local medium-sized businesses are customers with 20 to 50 PC workstations, regional medium-sized businesses are companies with 50 to 250 PC workstations, and upper medium-sized businesses are enterprises with 250 to 2,000 PC workstations. Apart from conventional medium-sized businesses, Bechtle also addresses larger enterprises and groups as well as public-sector clients with more than 2,000 PC workstations.

### INDUSTRY SEGMENTATION OF BECHTLE AG BY REVENUE

in per cent



Basically, Bechtle addresses the IT market irrespective of the industry. However, the special requirements of the tendering procedures of public-sector clients have resulted in a more clearly focused and specialised marketing approach to this customer group. As an internal service unit, the central public-sector division supports the decentralised system houses and the Bechtle direct companies in the processing of public invitations to tender.



See Locations,  
page 40 ff

Geographically, Bechtle's IT system house & managed services segment operates exclusively in Germany, Austria, and Switzerland. In the IT e-commerce segment, the Bechtle Group is currently active throughout Europe.

## Competitive Position

According to information of the Federal Statistical Office, more than 70,000 IT companies that differ greatly in terms of size, service spectrum, and specialisation offered their products and services in Germany in the 2010 reporting period. Most of these companies merely operate on a local scale and seldom exceed annual revenues of 5 million euros. According to the Federal Statistical Office, the group of medium-sized IT companies with annual revenues of approximately 50 to 250 million euros comprises about 100 companies. Only about 20 companies, including Bechtle, are on the list of larger system houses that are active in Germany.



[www.destatis.de](http://www.destatis.de)

In Germany, Bechtle enjoys an excellent market position. According to the professional media platform ChannelPartner, Bechtle ranks second among vendor-independent German system houses in terms of the domestic revenue and is far ahead of the lower-ranking companies. Competitive strength is even more important than revenue. According to a survey ChannelPartner conducted among German system houses for the purpose of identifying the most important competitors, Bechtle was the most frequently mentioned company.



See Systems and Instruments, page 57

In the annual customer-friendliness survey conducted by the industry journals ChannelPartner and Computerwoche, Bechtle AG ranked among the leading German system houses in 2010 in the category of companies with annual revenues of more than 250 million euros. During the three-week online survey, more than 2,000 projects were evaluated, including more than 900 Bechtle projects. Among other things, the questions focused on the quality of the offer of the selected system house. The quality of the project rollout was determined on the basis of statements regarding the project management, communication, reaction times, and competency. Adherence to deadlines, a good price/performance ratio, and the support after completion of the project (maintenance, training, etc.) also formed part of the basis for the rating.



Bechtle leads in fields like customer-friendliness, offer quality and project rollout quality

According to its own information, Bechtle is one of the market leaders in the system house business in Switzerland. In Austria Bechtle AG is present with two system house locations in Vienna and St. Pölten and sales offices in Graz and Innsbruck.



See Locations, page 41

Small and medium-sized companies still collectively account for the greatest market share in Germany, Austria, and Switzerland. In the reporting period, the intensified consolidation trend continued in the form of mergers and acquisitions, and large companies in particular expanded their market position.

In the IT e-commerce segment, the group considers its market position to be outstanding in Germany and Switzerland. In the other European countries, Bechtle occupies a stable market position, though this position still needs to be fortified in countries in which the market entry took place just recently.

## Environmental Protection

As a trading and service company, Bechtle AG is less affected by environmental protection requirements than manufacturing companies. Nevertheless, Bechtle is committed to environmental protection. As far as possible, the group endeavours to employ its resources responsibly. To underscore this commitment and, most importantly, to root it within the company, Bechtle AG plans to establish an environment management system according to ISO 14001 in the current financial year. In this way, the company will be able to systematically assess environmental influences and continuously improve the environmental situation. Currently, Bechtle is elaborating the quality policy, the quality programme, and the quality goals. The company plans to get the certification in summer 2011.



From summer 2011:  
environment management  
system in accordance with  
ISO 14001

The company does not offer any products containing hazardous or potentially hazardous substances that could endanger the environment or end users. Bechtle requires its suppliers to comply with the EU directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS) of March 2003. In addition to the agreement, all purchased components are regularly tested in order to ensure that they do not contain any hazardous substances. Bechtle ensures eco-friendly disposal of the products at the end of their lifecycle, thereby fulfilling its obligations under the German Electrical and Electronic Equipment Act (ElektroG). The company has been listed in the waste electrical equipment register (EAR) since 2005.

Bechtle attaches considerable importance to green IT. In future, companies that are not yet sufficiently sensitised to the subject of green IT must expect rising energy costs, higher charges, and – last but not least – negative media coverage. On the other hand, a professional approach to green IT provides the opportunity of taking on social responsibility and not only using environmental protection as a competitive advantage but also to benefit from lower operating costs. Today, many companies do not merely base their decisions on the best offer, but also analyse the cost of the entire lifecycle, which also includes the steadily rising energy costs. The employees are another important factor. Employee training contributes to the goal of effectively ensuring sensitivity to IT at the workplace and to the associated current energy costs. The company regards itself as a strategic partner for green IT. In addition to the high service quality and high availability of the systems, Bechtle's duties include providing flexible support of the customers' business processes.



Expanded service and  
product offer for more  
eco-friendly IT  
environments

The group is also responding to the growing need for low-consumption IT products and energy-efficient concepts with an expanded service and product offer of eco-friendlier and more efficient IT environments. From consulting to procurement to implementation, Bechtle covers all stages of the economic and ecological optimisation of IT infrastructures. Thus, computing centres are analysed for their energy consumption and possible savings potential. For example, savings can be achieved through server virtualisation and consolidation. Furthermore, Bechtle's current product offer features various energy-saving hardware and software products.

## CORPORATE MANAGEMENT

The Bechtle Group's strategy and corporate organisation are consistently aligned to the Vision 2020. This ambitious perspective of the future is more than a mere extrapolation of the current situation. As it moves on towards its goals, the group will continue to grow both organically and through further acquisitions. Apart from subjects like the development of new business fields and a future-oriented HR policy, the ongoing improvement of the management systems also contributes to the effective development of Bechtle in a dynamic market environment. Especially the instruments that were further developed in the reporting period support the continuous review of the sustainability of the strategy and executive organisation with a view to the achievement of the long-term growth and profitability goals.

### Objectives and Strategy

In the Vision 2020, the Executive Board of Bechtle AG has set itself very ambitious growth targets. By 2020, the group aims to generate total revenue of 5 billion euros with an EBT margin of 5 per cent and to double the workforce to 10,000. This goal requires an average revenue growth of 10 to 15 per cent per year along with an increase in profitability.

Bechtle plans to continue its organic growth by means of competent consulting, new technologies, high-quality services, and a needs-oriented hardware infrastructure and software portfolio as part of a customer solution. To this end, the company is making a concerted effort to expand its portfolio, partly using its own resources, partly in close coordination with key manufacturers.

Further growth is to be supported by means of attractive acquisitions or selective establishment of new companies. The acquisitions mainly target small to medium-sized businesses that strengthen the regional market position of the Bechtle Group in terms of customers and/or services. Therefore, the objectives are the addition of IT-specific expertise and the intensive processing of strategically important regional markets and customer groups for the purpose of gaining market shares. In the IT system house & managed services segment, the group's goal is to be present throughout Germany, Austria, and Switzerland by 2020 as the leading IT partner of the industry and of the public sector.

In the IT e-commerce segment, Bechtle pursues a consistent internationalisation approach on the basis of a multi-brand strategy. The company is already represented in a total of 13 European countries. The group will further expand its presence and assume a leading position in e-commerce in Europe by 2020. A key aspect of the strategy is to promote the growth in hardware and software trading even beyond Europe.

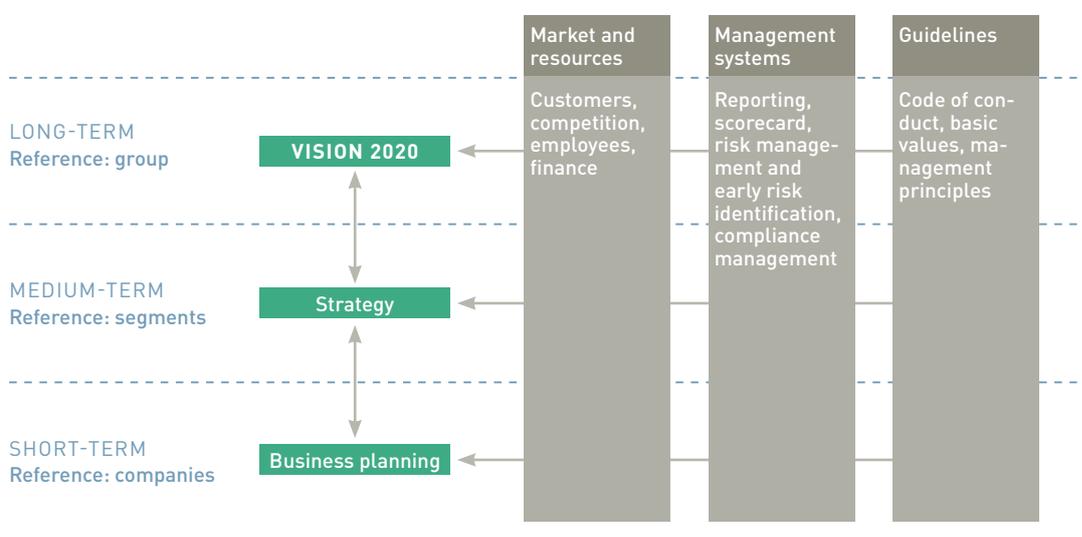


"Strong targets: our Vision 2020."

*Dr. Dieter Lang,*  
head of quality management

In view of the foreseeable shortage of specialists and executives in the entire IT industry, staff development is a critical success factor for the implementation of the strategy and the pursuit of the long-term growth targets. The objective is to provide innovative, solution-oriented, and efficient concepts for the customer IT by way of duly qualified personnel, thereby ensuring competitive positioning in an environment subject to constant change.

#### CORPORATE GOVERNANCE OF BECHTLE AG



Our basic values provide orientation in the management process

The basic values of Bechtle AG, which are rooted in the corporate philosophy, are a central part of the corporate culture. Together with the internal governance principles and the code of conduct, these values support the long-term strategic objectives. These formulated contents provide all employees with instructions on how to reach their goals and furnish orientation in the management process with respect to efficient, sustainable corporate governance and control.

### Systems and Instruments

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

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

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

At annual strategy conferences, the Executive Board presents measures and measurable milestones by means of which Bechtle strives to reach its long-term goals. The short-term management takes place by means of the annual focus planning, a strategy paper of the various companies, and individual planning meetings with the directors. Within the scope of the focus planning, the decision makers make an initial rough estimate of the development of key items of the income statement, such as the revenue, contribution margin, personnel expenses, EBT, impairment of goodwill, and headcount. The focus planning is done in the new planning and reporting system "DeltaMaster" and determines the benchmark for the detailed planning for the upcoming financial year. These contents are substantiated and backed by HR, service, and sales plans coordinated between the group controlling and the management. The ERP system automatically provides the data for this. The result of the individual process steps is fed into the IT system "Planos", which was especially developed for this purpose, within the scope of the overall operational planning. For reasons of data security, the "DeltaMaster" and "Planos" applications are operated separately on the system side. All individual planning elements collectively form the basis for the annual planning of the Bechtle Group.

The operational targets and duties derived from the individual meetings are communicated by the directors and division heads in the respective individual companies and divisions of both segments and form the basis for the individual performance targets of the employees. The development during the year is continuously analysed with the help of database-supported management instruments, which were further expanded and optimised in the reporting period. Thus, the management can promptly initiate suitable measures in the event of any deviations from the plan. The assessment takes place in the form of a benchmark test with the help of the Bechtle scorecard, which transforms various performance criteria into a performance ranking that is transparent for all companies and divisions. Additionally, the operational development of all IT e-commerce companies is captured and analysed in a special software tool called European Sales Cockpit (ESC).

In addition, to regularly assess the business performance – also compared to other locations – the group provides the operational units with detailed weekly and monthly reports with standardised profitability ratios for incoming orders, revenues, and contribution margins using the planning and reporting system "DeltaMaster". The information is automatically supplied by an SQL-based data warehouse that is directly fed by the SAP financial accounting module. Moreover, some of the subsidiaries have their own management system for the operational control of their sales activities. This system comprises effectiveness indicators and order and customer-related parameters that enable direct assessment of the business performance. Apart from the experience of the sales staff with respect to the customers' demand behaviour and investment appetite, the development of the purchase prices and of incoming orders are regarded as mission-specific early indicators for the due assessment of the business performance.

Within the scope of the management of the companies, cash flow-based indicators such as the working capital, cash-to-cash-cycle time, DSO, and DPO are used in addition to the direct business indicators. For instance, the development of the key factors affecting the cash flow is submitted to all directors with operating responsibility on a monthly basis in the form of a cash-flow cockpit with the respective internal benchmarks in order to forestall potential mistakes at an early stage.



"Strong internal reporting tools for efficient corporate management."

*Michaela Brokmann,  
group controlling*

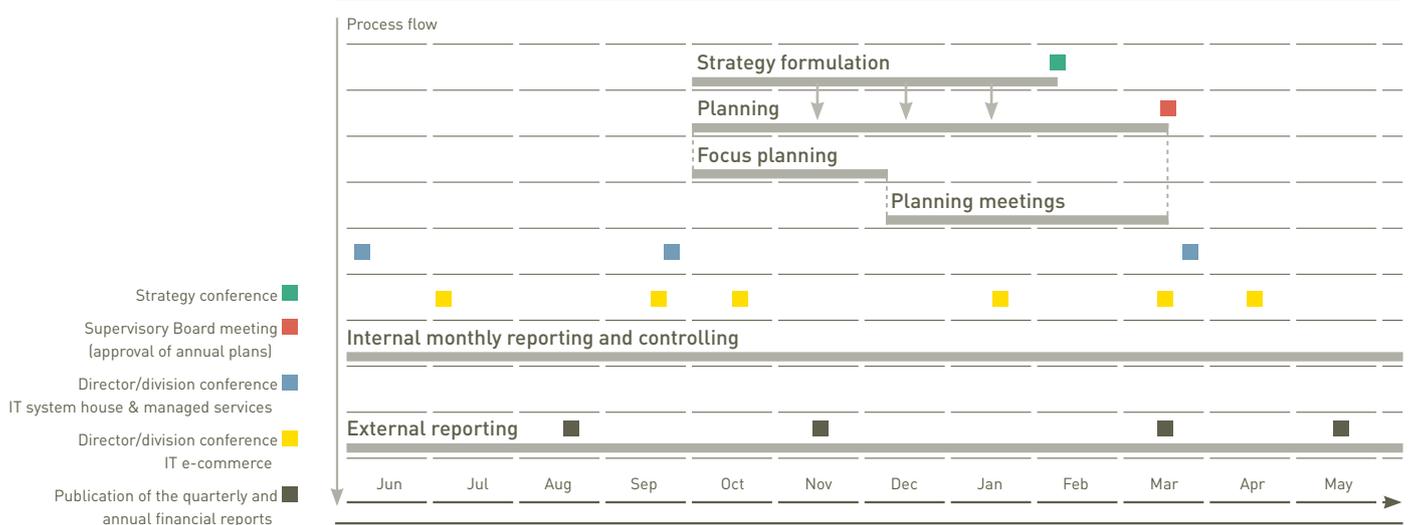


Besides central management information systems like “DeltaMaster”, “Planos”, and “ESC”, Bechtle AG uses two ERP (enterprise resource planning) systems, Navision Financials and SAP, for the resource-oriented management of its business processes. All accounting, controlling, and central logistics management processes are integrated in SAP. The optimum mapping of business processes and the standardisation of the utilised management instruments are key criteria for the design of the implemented IT. In this way, it is ensured that the leadership structure and the employed systems remain freely scalable to accommodate further growth of the company.

Monthly and quarterly financial statements that are made available to the executive staff for their respective fields of responsibility enable a comparison with the economic position in the past as well as with plan values in order to identify negative developments at an early stage. The Financials ERP system serves as an enterprise resource planning and sales information system at all locations. The two interlinked systems collect information pertaining to the sales success – such as the status of the sales process phases, the coordination of tasks in the sales team, billing and shipping of the goods, and the status of the receivables – and deliver relevant figures (such as the customer contact frequency, order total, contribution margin per sales rep and DSO).

At group level, the consolidated data for all operational units from the various reporting systems are used for the coordination of investment and financing decisions, early identification of target/actual variances, and initiation of suitable measures.

#### PLANNING AND REPORTING CALENDER OF BECHTLE AG



However, many mission-critical indicators cannot be quantified or can only be quantified indirectly. This includes factors such as the brand reputation, customer satisfaction, staff qualification, experience, motivation, and leadership qualities, as well as the corporate culture, which can only be described qualitatively, if at all.



Mission-critical qualitative indicators

To get a better picture of the reputation in the market, Bechtle's management takes advantage of customer surveys or studies and assessments of professional media, industry associations, and market research institutions. Among other things, the results of these studies are used within the scope of the strategic planning in order to ascertain the company's image in relation to competitors. The "customer satisfaction" factor is analysed in both company segments at regular intervals. The results serve as indicators for the quality of the customer loyalty and are used internally to coordinate sales activities.

Bechtle regards the results of the annual surveys conducted by the industry journals ChannelPartner and Computerwoche for the purpose of identifying Germany's most customer-friendly system house as a clear indicator of its successful customer retention. Of the more than 2,000 projects evaluated, more than 900 were Bechtle projects. In the category of the companies with revenues of more than 250 million euros, the interviewed users gave the group an average rating of 2.05 (prior year: 1.92), which thus reached a leading position in the overall ranking. Combined with target-oriented staff training, these analyses will help Bechtle to continue to provide customers with comprehensive, flexible, and competent consulting services in future. Personnel-related data like fluctuation and qualification details are used as internal key performance indicators. The aim is to systematically develop the employees in all fields of qualification and to increase the motivation in order to improve employee loyalty.



See Competitive Position, page 51



Training, employee motivation and staff development for successful customer retention

In addition to the largely operations-oriented management systems presented above, the Executive Board makes use of other systems in its business policy and strategy-related decisions, such as the systems used for quality management, environment management, compliance, risk management and early identification, and the internal audit system (IAS). Apart from the target/actual comparison of the purely financial management indicators, these systems also enable a review of the company's non-financial performance indicators . Against the background of continuous monitoring, management, and further development of the strategic goals, these organisational and system-based protective measures facilitate the coordination and consistent alignment of the activities of all areas in the group for the purpose of ensuring a sustainable development of the company.



Non-financial performance indicators can be reviewed

## EMPLOYEES

In 2010, Bechtle AG hired more than 400 new employees, thereby establishing an important foundation for future growth. However, the good economic development of the industry has not only improved the economic perspective of the companies in the reporting period, but has also intensified the quest for specialists. Against this backdrop, Bechtle successfully worked on subjects such as employer branding, personnel marketing, and recruitment initiatives. Moreover, by implementing special strategic staff development programmes, the company systematically invested in the promotion and qualification of its employees.

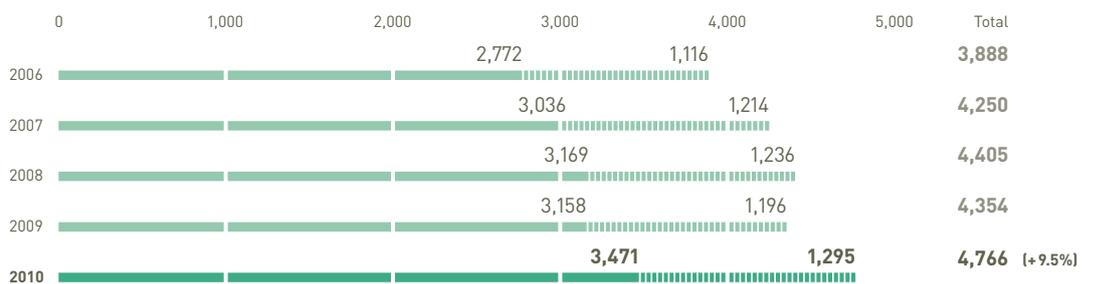
### Development of the Employee Numbers

As of 31 December 2010, the Bechtle Group had a total of 4,766 employees. Compared to the prior year with 4,354 employees, the total workforce increased by 412. On average, 4,496 employees worked for Bechtle during the reporting period (prior year: 4,396 employees). The increase in the number of employees in the group is the result of acquisitions and new recruitment.

As of the end of 2010, Bechtle had 3,471 employees in Germany. All in all, this means 313 people more than in the prior year (3,158 employees). The number of employees in other countries increased from 1,196 to 1,295.

#### REGIONAL DISTRIBUTION OF EMPLOYEES

as of 31 December



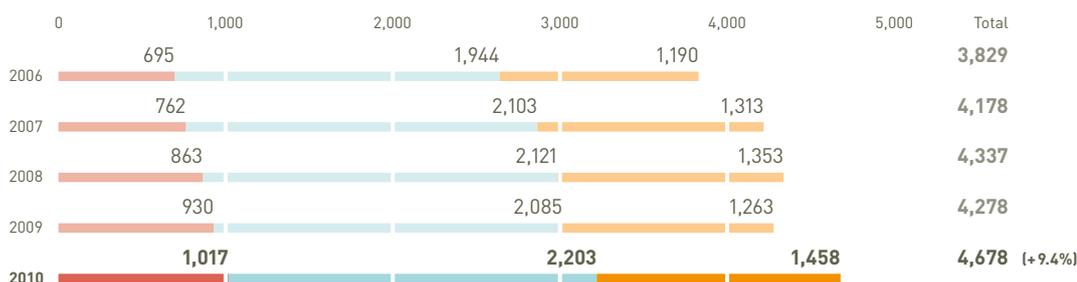
■ Domestic    ■■■■■ Abroad

The staff figures comprise all employees (except for temporary staff), including those on parental leave and those doing military or civilian service.

In terms of fields of activity, 1,017 employees worked in administration in the entire group as of 31 December 2010, 87 more than in the prior year. The service workforce increased by 118 to 2,203, and the sales team by 195 to 1,458.

## EMPLOYEES BY DIVISIONS

as of 31 December



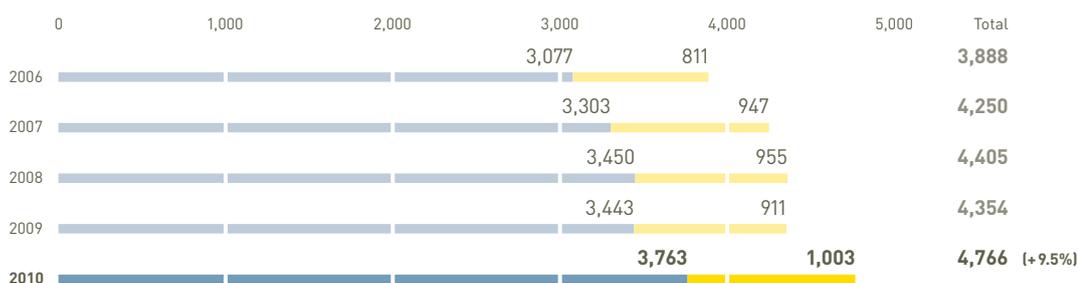
Administration Services Sales

For internal costing reasons, the staff information by segments does not take those on parental leave and those doing military or civilian service into consideration.

At segment level, the number of employees increased to 3,763 in the IT system house & managed services segment, compared to 3,443 in the prior year. The number of employees in the IT e-commerce segment amounted to 1,003 (prior year: 911). In the IT e-commerce segment, the growth in the number of employees was 10.1 per cent, slightly higher than the 9.3 per cent in the IT system house & managed services segment.

## EMPLOYEES BY SEGMENTS

as of 31 December



IT system house & managed services IT e-commerce

The staff figures comprise all employees (except for temporary staff), including those on parental leave and those doing military or civilian service.



"Strong: more than 9 per cent more employees."

Matthias Schlestein,  
HR advisor

## Personnel expenses and salary model

In 2010, the higher average number of employees resulted in higher expenditures for wages and salaries including social contributions by 9.5 per cent to 241.4 million euros (prior year: 220.4 million euros). Due the strong revenue performance, the personnel expense ratio dropped from 16.0 per cent to 14.0 per cent. The personnel intensity declined to 61.3 per cent (prior year: 64.2 per cent) in relation to the gross profit.

### PERSONNEL EXPENSES

	2010	2009	2008	2007	2006
Personnel and social expenses in million euros	241.4	220.4	217.7	203.3	192.6
Per employee in thousand euros *	54.7	50.9	51.6	50.3	50.5
Personnel expense ratio in per cent	14.0	16.0	15.2	14.7	15.8

\*Without employees on parental leave or in military/civilian service

The salary model of many 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. As a matter of principle, the performance-related compensation of directors is calculated on the basis of the achievement of the earnings and revenue targets defined at the beginning of the year.

## Training

Bechtle continuously puts a lot of emphasis on training young people, thereby securing its supply of qualified junior personnel. In 2010, the company offered training for 14 administrative and technical professions in the fields of information technology, systems electronics, and warehouse management. Furthermore, Bechtle trains students of the University of Cooperative Education (dual universities Baden-Württemberg), mainly in IT, business IT, business administration, and commerce.

With approximately 920 applications submitted for the 52 training positions that were posted for the group headquarters in Neckarsulm, Germany, for the following year, the interest in training at Bechtle remained on a level that was very high compared to the prior year. At the end of the reporting period, the company had a total of 306 young trainees (prior year: 289), including 42 junior team members abroad. Due to the large number of new employees hired, the ratio of trainees to full-time jobs fell slightly from 7.2 per cent to 7.0 per cent.

Bechtle considers needs-oriented training to be an important step towards making the business future-proof. Thus, in the 2010 reporting period, most of the successfully qualified trainees were offered permanent employment contracts. Bechtle plans to raise the training ratio in Germany from 8.5 per cent in the reporting period to around 12 per cent by 2012.



See Forecast Report,  
page 133

Compared to other companies in the industry, Bechtle boasts a high certification density. By means of vendor-certified employees, Bechtle always guarantees a high level of consulting quality and solution competence for its customers. In 2010, too, employee certification measures constituted a central part of the HR work.

The Bechtle Academy, which was established by the company in 1999, complements the individual training at the group locations, offering all employees a comprehensive programme ranging from ongoing training measures to the acquisition of special skills to interdisciplinary seminars. The monthly introductory events for new employees are also supervised by the Bechtle Academy. Since the fiscal year 2009, the activities of the Academy have been embedded in the newly established staff development department, whose main task consists of supporting the achievement of the Vision 2020 by means of suitable strategic staff development measures. For example, an initiative entitled "Take the lead at Bechtle" was launched for the first time in Bechtle's history in 2010: an executive development programme for all domestic and foreign directors of the Bechtle Group. Another programme launched in the same year was "Sales Force", a specialised training measure that focuses on the sales in the IT system house & managed services segment. The goal is to provide the sales force with the necessary expertise and suitable methods for competently presenting the company's comprehensive solution portfolio as well as the outsourcing and managed services to customers. In the fiscal year ended, Bechtle AG also laid the foundation for the promotion of junior executives. An international general management programme that is going to start in March 2011 is to develop junior personnel in order to increasingly recruit executive staff from the company's ranks.



See Forecast Report,  
page 133

In 2010, the Bechtle Academy conducted 381 events with a total of 4,599 participants (prior year: 324 events with a total of 3,393 participants), thereby making a significant contribution to the qualification of Bechtle's workforce. Apart from the regular introductory events for new employees, the events featured measures for professional development and seminars to promote social and leadership skills.

To further improve the quality of the training offers and upskill the employees, the group already introduced a new platform for the sales-oriented training portal iLearn in the IT e-commerce segment in 2009. The training offer of iLearn currently comprises more than 80 individual courses for IT products, processes, and sales guidelines in eight languages for newcomers and experienced sales representatives. The courses that are taken directly on the private workstations are also combined with classroom events of the Bechtle Academy and the so-called training roadmap at Bechtle direct. Currently, more than 680 members of the sales team at the European e-commerce locations of the Bechtle Group (Bechtle direct, ARP) benefit from iLearn. The objective of iLearn is to ensure uniform, up-to-date product knowledge at all locations, thereby further expanding the competitiveness of Bechtle in the pan-European trading business. The Web-based training portal was certified according to DIN/ISO 9001 in 2009 and submitted to a quality check in July 2010. The applied quality criteria were prepared by bit media e-Learning solution and the Technical University Munich within the scope of a project for developing benchmarks for e-learning platforms for learners in the private sector and in the field of secondary education. Didactic and content-related quality criteria were examined with regard to the target groups. The results showed that all key quality elements are accounted for in the Bechtle e-learning system.

## CORPORATE GOVERNANCE REPORT

The good corporate governance at Bechtle is founded on the effective and efficient collaboration between the Executive Board and the Supervisory Board. Moreover, the corporate policy of Bechtle AG is characterised by the protection of the interests of all stakeholders, reliable and continuous communication with the public, proper financial accounting and auditing, and responsible management of the risks and opportunities of entrepreneurial decisions.

The Executive Board and the Supervisory Board of Bechtle AG are fully committed to the Corporate Governance principles. For the members of both boards, the rules serve as important orientation standards for the responsible management and supervision of the company.



See Declaration of  
Conformity,  
page 73

The following Corporate Governance principles are of particular importance to the Executive Board and the Supervisory Board:

- Effective, constructive collaboration between the Executive Board and the Supervisory Board
- High transparency in accounting and financial communication
- Protection of shareholder interests
- Performance-oriented compensation for the Executive Board and executive staff

These principles have characterised the self-image and the effective value-oriented actions of the group's boards for many years.

Below, 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).

### Shareholders and Annual General Meeting

The Annual General Meeting is a central, internal decision-making organ of Bechtle AG through which the shareholders can make use of their rights and exercise their voting rights. By virtue of law, the shareholders are involved in fundamental decisions such as the election of the shareholder representatives in the Supervisory Board, amendments to the Articles of Incorporation, the appropriation of retained earnings, the issue or redemption of shares, or the appointment of the auditor of the annual financial statements.



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

Bechtle AG only has no-par common bearer shares in circulation. All shares have the same voting rights. To enable shareholders to safeguard their interests at the Annual General Meeting, the Executive Board appoints proxies on whom the shareholders can confer their voting rights, subject to their instructions. It is ensured that the proxies can be reached at all times during the Annual General Meeting. The agenda and the reports and documents required for the Annual General Meeting are made available to the shareholders in the Internet for review and download. The Articles of Incorporation of Bechtle AG do not provide for postal votes. The company considers the extensive proxy voting options to be sufficient for all shareholders to exercise their rights even without personally attending the Annual General Meeting.

Bechtle AG endeavours to organise the Annual General Meeting as efficiently as possible and not to extend it unduly. In this context, the company follows the provisions of the DCGK, according to which an ordinary annual general meeting should normally end after no more than four to six hours. All Annual General Meetings in recent years remained within this limit.

The Executive Board and the Supervisory Board of Bechtle AG still do not broadcast the entire Annual General Meeting over the Internet. In the opinion of the management, the organisational costs and the legal uncertainties would surpass the benefits for the company and its shareholders.

### **Collaboration between the Executive Board and the Supervisory Board**

The German Stock Corporation Act (AktG) provides for strict personal segregation of the management and the supervision of the business. The most important duties of the Supervisory Board include the counselling and supervision of the Executive Board in the management of the company. Therefore, the Supervisory Board is involved in all major corporate decisions on the basis of a set of Rules of Procedure and assists the Executive Board by providing advice.



See Report of the  
Supervisory Board,  
page 14 f

The Executive Board and the Supervisory Board of Bechtle AG closely collaborate for the benefit of the company. The Executive Board duly and comprehensively informs the Supervisory Board of all material issues of the business development, business planning, strategy, and potential risks and opportunities of the business performance as well as compliance-related subjects. 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 also obtains information about the company's situation and important business transactions in meetings with the Executive Board and Directors 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. At the beginning of each fiscal year, the Executive Board submits its plans to the Supervisory Board for approval. The Executive Board reports any deviations from previous plans and the reasons for such deviations to the Supervisory Board. Reports that the Executive Board conveys orally to the Supervisory Board are accompanied by the submission of written documents. 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 the Supervisory Board meetings in order to enable the members to duly prepare for the meetings. According to the Rules of Procedure, important business transactions are subject to the approval of the Supervisory Board.

## Executive Board

In the fiscal year 2010, the Executive Board comprised Dr. Thomas Olemotz, Michael Guschlbauer, and Jürgen Schäfer. Prior to 16 June, Dr. Thomas Olemotz served as Spokesman of the Executive Board. On 16 June, he was appointed Chairman of the Executive Board. In this capacity, he is responsible for controlling and finance, corporate communications, investor relations, central IT, logistics & service, human resources and staff development as well as legal. Michael Guschlbauer is responsible for the IT system house & managed services segment and quality management, and Jürgen Schäfer is in charge of the IT e-commerce business. The fields of compliance, risk management, business planning and strategic business development are the joint responsibility of the entire Executive Board.

Among other things, the Rules of Procedure govern the distribution of tasks and the collaboration within the Executive Board and with the Supervisory Board. The Rules of Procedure provide for an age limit of 65 years for members of the Executive Board.

The latest revision of the DCGK introduced a number of provisions on the subject of diversity, especially in connection with the due involvement of women. As a matter of principle, Bechtle AG is in favour of an increased involvement of women in executive and management positions. Currently, various executive functions at the company are already held by women, but there are no explicit provisions to ensure due consideration of women in line with the DCGK. Therefore, Bechtle AG does not yet consider the application of Sections 4.1.5 and 5.1.2 of the German Corporate Governance Code to be possible. Nevertheless, the company continues to take care to staff executive teams with members of both sexes.

## Executive Board Compensation

In the reporting period, the total compensation of the Executive Board members consisted of a fixed component and a variable, performance-related component with a short-term orientation. The performance-related component is mainly calculated on the basis of the EBT of the Bechtle Group and of the business segments in the reporting period and is aligned with the achievement of specific threshold values defined in plans for the fiscal year. The bonus is capped. As of 2010, the company had not made any pension commitments to the members of the Executive Board.

Under the Act on the Appropriateness of the Management Board Compensation (VorstAG), which came into effect in 2009, the legislator has implemented new requirements concerning the form of the Executive Board compensation (Section 87 [1] of the German Stock Corporation Act [AktG]). Among other things, the purpose of this act is to align the management board compensation of listed companies to an effective long-term corporate performance. The Supervisory Board and the personnel committee of Bechtle AG restructured the Executive Board compensation in early 2011 and adapted it to the requirements of the VorstAG and the recommendations of Section 4.2.3 [2] of the DCGK.

The Executive Board contracts, which were supplemented with a long-term agreement (four years) as of 1 January 2011, now provide for a variable compensation that serves as an effective long-term incentive. Thus, more than half of the total compensation of the Executive Board of Bechtle AG now consists of variable components based on the company's short and long-term economic success. The criteria for the assessment of these payments include the EBT, the revenue growth, the EBT margin, and a minimum return on equity. However, as in the past, no pension commitments will be made. Moreover, the Supervisory Board has not concluded any agreements between the company and members of the Executive Board in case of a change of control due to a takeover bid.

The Annual General Meeting of 16 June 2010 decided to extend the opting-out clause that has been in force since 2006. Thus, Bechtle AG is exempted from the legal requirement for individualised disclosure of the Executive Board compensation pursuant to Section 286 (5) of the German Commercial Code (HGB) until and including 2015 (Section 4.2.4 of the DCGK). In view of the relatively small number of three Executive Board members, the company is of the opinion that the disclosure of the total Executive Board compensation and the itemisation in fixed and variable components provide adequate transparency.

For the fiscal year 2010, the fixed compensation of the Executive Board amounted to 805 thousand euros (prior year: 768 thousand euros), and the variable components amounted to 1,101 thousand euros (prior year: 498 thousand euros). The total compensation amounted to 1,906 thousand euros (prior year: 1,266 thousand euros).

EXECUTIVE BOARD COMPENSATION	in euros	
	2010	2009
Fixed compensation	805,000	768,000
Variable compensation	1,101,000	498,000
<b>Total</b>	<b>1,906,000</b>	<b>1,266,000</b>

Depending on their position, Executive Board members were assigned vehicles for business and private use as fringe benefits.

The German Corporate Governance Code recommends limiting the severance of an Executive Board member in the event of premature termination of his activity without good cause to the compensation for two years (severance cap) or not to compensate more than the residual term of the contract (Section 4.2.3 [4] of the DCGK). The Supervisory Board of Bechtle AG endeavours to bind the Executive Board members to the company for as long as possible. The Supervisory Board of Bechtle AG does not consider a formal limitation by means of an agreement to be practicable. Thus, the legal provisions apply in this case. In the opinion of the Supervisory Board, the legal provisions adequately account for the mutual interests in the event of departure of an Executive Board member and therefore form an appropriate basis. The company intends to continue to use this approach. In the opinion of Bechtle AG, deviating from the recommendation of the DCGK serves the company's interests in this instance. However, to take the basic tenor of the recommendation into consideration, the company will, in the event of premature cancellation of an Executive Board contract by mutual consent, endeavour to conclude a severance agreement with the particular Executive Board member that complies with the principle of appropriateness.

## Supervisory Board

In line with the Articles of Incorporation, the Supervisory Board of Bechtle AG consists of 12 members. In accordance with the German Co-Determination Act (MitbestG), it consists of equal numbers of shareholder representatives and employee representatives. The Supervisory Board comprises four female members, various members have a special international background, and the overwhelming majority of the members are independent. As none of the Supervisory Board members has any business or personal relationship with the company or with the Executive Board, no conflicts of interest are expected. Some of the employee representatives are normal employees of the company.



See Notes, Supervisory Board members, page 212 f

In the reporting period, the Supervisory Board did not undergo any changes.

Gerhard Schick is the Chairman of the Supervisory Board. Moreover, he is chairman of the committee pursuant to Section 27 (3) of the MitbestG and chairman of the personnel committee. In his capacity as Chairman of the Supervisory Board, Gerhard Schick coordinates the duties of the Supervisory Board, chairs the meetings, and represents the concerns of the Supervisory Board in external dealings. Moreover, he regularly communicates with the Executive Board in order to intensively discuss matters concerning strategic alignment, business performance, and risk management. Uli Drautz is the Vice-Chairman of the Supervisory Board. Dr. Jochen Wolf serves as chairman of the audit committee. As doctor of economics, long-standing head of group controlling, administrative director, CFO, and director of an investment company, he has special skills and experience in the application of accounting principles and internal audit procedures (Section 100 [5] of the German Stock Corporation Act [AktG], Section 5.3.2 of the DCGK).

A nomination committee has not been formed. In this respect, Bechtle does not follow the recommendation of Section 5.3.3 of the DCGK. In view of the staffing of the Supervisory Board, the Supervisory Board does not consider the formation of such a committee to be necessary at present.

The Supervisory Board meetings are prepared by the shareholder and employee representatives separately. If necessary, the Supervisory Board holds meetings without the Executive Board. This was not the case in the reporting period.

In the past, the Supervisory Board of Bechtle AG agreed terms of office of less than five years for Executive Board members appointed for the first time. The company intends to continue to use this approach.

The Supervisory Board endeavours to fulfil its duties with due care. Therefore, the efficiency of its activity is checked extensively every three years on the basis of the guideline of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. The last survey, which was conducted in 2009, revealed that the Supervisory Board worked efficiently. Should the plenary session come to the conclusion that the efficiency has deteriorated, the efficiency audit will be conducted on an annual basis.

Concerning its future composition, the Supervisory Board has put down its goals in writing, under consideration of Section 5.4.1 of the DCGK. The Supervisory Board thus intends to reserve at least two Supervisory Board seats for persons who especially meet the criterion of internationality. The Supervisory Board does not see any necessity to fix the number of "independent" members. Currently, the large majority of Supervisory Board members fulfils the characteristic of "independence", as they do not exercise any consulting or board function for customers, suppliers, creditors, or other business partners of Bechtle AG. At the same time, the Supervisory Board believes that it may make sense to propose representatives of business partners as Supervisory Board members if their specific skills are more beneficial to the company than potential conflicts of interests could be detrimental. Currently, the Supervisory Board consists of 12 members, 4 of whom are women. In view of this size and composition, the Supervisory Board has decided not to set any fixed goals for the due consideration of women for the time being. The Rules of Procedure provide for an age limit of 70 for Supervisory Board candidates.

Presently, the goals set by the Supervisory Board have already been fulfilled. They will also be taken to consideration in future election proposals.

For its work, the Supervisory Board has issued Rules of Procedure. In particular, these Rules of Procedure govern the collaboration in the Supervisory Board.

According to the revised version of the DCGK of May 2010, the company is to duly support the Supervisory Board members in their autonomous participation in training measures (Section 5.4.1 [4] of the DCGK). Bechtle AG is of the opinion that the function of a Supervisory Board member involves a lot of responsibilities and duties. Therefore, it believes that anybody applying for such a function must have the necessary skills when joining the Supervisory Board and must, without being prompted to do so, participate in further training measures while serving on the Supervisory Board. In this context, the Supervisory Board members are duly supported by the company.

## Supervisory Board Compensation

The Annual General Meeting of 16 June 2010 adopted a resolution to adjust the Supervisory Board compensation, which came into effect on 29 July 2010 with the corresponding entry into the commercial register. Until the previous day, the compensation was calculated according to the regulations adopted by the Annual General Meeting on 13 June 2003. The adjustment was necessary due to the changed business volume and increased responsibility of the Supervisory Board members. The compensation is outlined in Article 11 of the Articles of Incorporation of Bechtle AG. Bechtle AG presents the compensation of Supervisory Board members in individualised form. The compensation structure takes the responsibility and scope of activity of the individual members into account. The chairmanship, vice-chairmanship, and committee activities as well as committee chairmanship are taken into consideration.



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

Contrary to the recommendation in Section 5.4.6 (2) of the DCGK, the compensation does not contain any performance-related component. In the company's opinion, the Supervisory Board's successful and responsible fulfilment of duties does not necessitate such a component.

### SUPERVISORY BOARD COMPENSATION

in euros

Name	Basic compensation	Chairman/ Vice-Chairman	Committee activity	Attendance fee	Total 2010	Total 2009
<b>Shareholder representatives</b>						
Kurt Dobitsch	22,137			750	22,887	20,000
Dr. Walter Jaeger	22,137			750	22,887	20,000
Gerhard Schick	22,137	32,822	14,103	2,750	71,812	52,500
Karin Schick	22,137			750	22,887	20,000
Klaus Winkler	22,137		5,641	2,250	30,028	25,000
Dr. Jochen Wolf	22,137	11,068	14,103	2,250	49,558	32,500
<b>Employee representatives</b>						
Udo Bettenhausen	22,137			750	22,887	20,000
Uli Drautz	22,137	11,068	11,282	2,750	47,238	40,000
Daniela Eberle	22,137		5,641	2,250	30,028	25,000
Jürgen Ergenzinger	22,137			750	22,887	20,000
Sonja Glaser-Reuss	22,137			750	22,887	20,000
Barbara Greyer	22,137			750	22,887	20,000

The Supervisory Board members have not been granted any loans or other declarations of liability. The same applies to the Executive Board members. During the reporting period, the company did not have any share option programmes or similar securities-oriented incentive systems.

## D&O Insurance

The Executive Board and the Supervisory Board are under the obligation to apply the principles of proper corporate management. 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. Notwithstanding the provision of Section 3.8 of the DCGK, no deductible was provided for in the reporting period, neither for the Executive Board nor for the Supervisory Board. For executive board contracts, a deductible of at least 10 per cent of the loss up to at least one and a half times the fixed annual compensation of the Executive Board member is required by law pursuant to Section 93 (2), sentence 3 of the German Stock Corporation Act (AktG). This provision was introduced by means of the Act on the Appropriateness of Management Board Compensation (VorstAG). In the reporting period, Bechtle made use of the transitional provision of Section 23 (1) of the Introductory Act to the Stock Corporation Act, according to which existing insurance contracts, in which the company has promised the Executive Board member in the employment contract to take out insurance without deductible, may be maintained without deductible. Within the scope of the extension of two Executive Board contracts and the agreement of a perennial assessment basis in early 2011, the Supervisory Board has adapted the D&O requirements for the Executive Board members to the new provisions of the AktG. Moreover, Section 3.8 (3) of the DCGK recommends a deductible for the D&O insurance of supervisory board members. Currently, Bechtle AG does not comply with this recommendation, as it does not believe that a reasonable deductible would contribute to an improved sense of responsibility and motivation of the Supervisory Board.

## Conflicts of Interest

The members of the Executive Board and of the Supervisory Board are committed to the interests of the company. In their decisions within the scope of their activity, they are not permitted to pursue personal interests or use business opportunities to which the company is entitled for themselves. The Executive Board members disclose any conflicts of interest to the Supervisory Board and inform the other members of the Executive Board without delay. In its report to the Annual General Meeting, the Supervisory Board provides information about any encountered conflicts of interest and their consequences.

During their activity for Bechtle, the Executive Board members are subject to a comprehensive non-compete clause. Any kind of sidelining, including the assumption of supervisory board mandates outside the group, is subject to the approval of the Supervisory Board. In the past fiscal year, the Supervisory Board and Executive Board members did not experience any conflicts of interest, e.g. due to a consulting or board function for customers, suppliers, creditors, or business partners. Detailed information on the existing mandates of the board members on supervisory boards and similar supervisory bodies is presented in the notes to this Annual Report.



See Notes,  
page 200 f and 212 f

## Transparency

To promote trust on the part of shareholders and the public, Bechtle engages in earnest, timely, and open dialogue with all shareholders and other target groups. For the Executive Board and the Supervisory Board, openness and transparency are key principles of conduct. To ensure equal treatment of all market players, all important capital market-relevant information is published simultaneously in German and English and made available on the company's website. Important dates, financial reports, press releases, and presentations are also made available to shareholders and other interested individuals on the company homepage. Moreover, Bechtle offers its shareholders the possibility of learning the latest details about the performance of the Bechtle share and important analyst and press opinions by means of a weekly report. Upon request, Bechtle sends potential investors publications such as annual and quarterly reports free of charge.



[www.bechtle.com/ir-en](http://www.bechtle.com/ir-en)

## Disclosures According to the German Securities Trading Act

Pursuant to Section 15a of the German Securities Trading Act (WpHG), individuals who are entrusted with executive duties and who are authorised to make material entrepreneurial decisions of the issuer as well as natural persons and legal entities closely affiliated with them must promptly disclose the purchase or sale of Bechtle shares if the transaction volume exceeds 5,000 euros within a calendar year. Bechtle publishes all transactions of this type at the website under Directors' Dealings and reports them to the German Federal Financial Supervisory Authority (BaFin).



[www.bechtle.com/directors-dealings](http://www.bechtle.com/directors-dealings)

In the reporting period, there were no transactions that had to be reported pursuant to Section 15a of the WpHG.

Pursuant to Section 26 (1) in conjunction with Section 21 (1) of the WpHG, Bechtle is also under the obligation to provide information about material changes in its shareholder structure as soon as an investor reaches, exceeds, or falls below 3, 5, 10, 15, 20, 25, 30, 50, or 75 per cent of the voting rights in the company by purchasing or selling shares or in any other way. Bechtle publishes this information after being notified by the shareholder according to the legal provisions.

In the fiscal year 2010, we received the following notification:

Pursuant to Sections 21 (1) and 24 of the German Securities Trading Act (WpHG) in conjunction with Section 32 (2) of the German Investment Act (InvG), Deutsche Bank AG London informed us on 2 December 2010 that on 30 November 2010, the share of voting rights of its subsidiary DWS Investment GmbH, Frankfurt/Main, Germany, in Bechtle AG, Neckarsulm, Germany, ISIN: DE0005158703, WKN: 515870, exceeded the threshold of 3 per cent of the voting rights and amounted to 3.047 per cent (corresponds to 639,900 voting rights) on this date.

## Shareholding of Board Members

The shareholding of Executive Board and Supervisory Board members of Bechtle AG is as follows:

### NUMBER OF BECHTLE AG SHARES – EXECUTIVE BOARD

	31.12.2010	31.12.2009
Dr. Thomas Olemotz	0	0
Michael Guschlbauer	0	0
Jürgen Schäfer	4,000	4,000

### NUMBER OF BECHTLE AG SHARES – SUPERVISORY BOARD

	31.12.2010	31.12.2009
<b>Shareholder representatives</b>		
Kurt Dobitsch	0	0
Dr. Walter Jaeger	0	0
Gerhard Schick	0	0
Karin Schick	7,208,287 <sup>1</sup>	7,208,287
Klaus Winkler	725	725
Dr. Jochen Wolf	3,916,507 <sup>2</sup>	3,916,507
<b>Employee representatives</b>		
Udo Bettenhausen	0	0
Uli Drautz	1,644	1,644
Daniela Eberle	0	0
Jürgen Ergenzinger	0	0
Sonja Glaser-Reuss	1,000	1,000
Barbara Greyer	0	0

<sup>1</sup> 815,272 shares for Schick GmbH, 340,115 for Amaury Krief

<sup>2</sup> For BWK 2. Vermögensverwaltungsgesellschaft mbH

## Accounting and Auditing of Annual Financial Statements

Bechtle prepares the consolidated financial statements and the interim reports according to the applicable rules of the International Financial Reporting Standards (IFRS) as applied in the EU and the annual financial statements of Bechtle AG according to the regulations of the German Commercial Code (HGB).

The annual and consolidated financial statements were again audited by the audit firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, Germany, which the Annual General Meeting had appointed as auditor for the fiscal year 2010.

Before submitting the election proposal, the audit firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft issued a declaration of independence pursuant to Section 7.2.1 (1) of the DCGK. According to this declaration, there are no business, personal, financial, or other relationships between the audit firm and the Bechtle Group, which could cast doubt on the auditors' independence. Moreover, 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 15 March 2011, and reports the results of his audit. Moreover, he provides additional information and answers questions of the Supervisory Board concerning the audit.

## Declaration of Conformity with the German Corporate Governance Code

On 28 February 2011, the Executive Board and the Supervisory Board renewed the Declaration of Conformity with the German Corporate Governance Code in its current form and made it permanently available to the shareholders on the company's website:



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

**Declaration of Conformity of the Executive Board and the Supervisory Board of Bechtle AG with the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).**

The following Declaration of Conformity refers to the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 18 July 2009 for the period from 5 February 2010 to 1 July 2010 and in the version of 26 May 2010 for the period from 2 July 2010 to the time of this Declaration.

The Executive Board and the Supervisory Board of Bechtle AG declare that since the last Declaration of Conformity on 5 February 2010, all recommendations of the "Government Commission on the German Corporate Governance Code" except for the following recommendations have been and will be complied with:

**D&O Insurance Deductible for the Executive Board and Supervisory Board** Since 1 January 2011, a deductible of at least 10 per cent of the loss up to at least one and a half times the fixed annual compensation of the respective Executive Board members is agreed for the D&O insurance for the Executive Board. Until the adjustment of the D&O insurance, the company made use of the statutory transitional provision. (Section 3.8 (2) of the DCGK)

No deductible has been agreed for the D&O insurance for the Supervisory Board. The company does not believe that a deductible would increase the sense of responsibility and motivation of the Supervisory Board. (Section 3.8 (3) of the DCGK)

**Diversity in the Composition of the Executive Board and Executive Functions** The Executive Board and executive functions of Bechtle AG are staffed exclusively on the basis of the qualifications of the applicants, regardless of their gender.

Currently, many executive functions at Bechtle AG are already staffed with women. However, as there are not yet any provisions to ensure the due consideration of women as specified in the DCGK, the company considers the application of Sections 4.1.5 and 5.1.2 of the DCGK to be impossible for the time being. Nevertheless, the company continues to take care to staff executive teams with members of both sexes. (Sections 4.1.5 and 5.1.2 of the DCGK)

**Long-Term Structure of the Executive Board Compensation** The employment contracts of the Executive Board members were amended as of 1 January 2011. They now contain a compensation structure that focuses on effective corporate performance. The various compensation components have a perennial assessment basis and also take negative developments into consideration. Prior to the amendment to the employment contracts, they did not have any perennial assessment basis and did not take negative developments into consideration in the determination of the variable compensation components. Nevertheless, the Supervisory Board regarded them as appropriate and as non-conducive to the assumption of unreasonable risks. (Section 4.2.3 [2] of the DCGK)

**Severance Cap in Executive Board Contracts** The Supervisory Board has not entered any agreement with the Executive Board members in case of premature termination of the board activity without good cause. Thus, the legal provisions apply in this case. In the opinion of the Supervisory Board, the legal provisions adequately account for the mutual interests in the event of departure of an Executive Board member and therefore form an appropriate basis. The company intends to continue to use this approach. (Section 4.2.3 [4] of the DCGK)

**Individualised Disclosure of the Executive Board Compensation** Bechtle AG publishes the Executive Board compensation in the corporate governance report, divided into non-performance-related and performance-related components. According to the Annual General Meeting resolution of 16 June 2010, this information is not presented in individualised form. This resolution remains valid until the Annual General Meeting that will decide about the granting of discharge for the fiscal year 2014, however, at the latest until 15 June 2015. In view of the relatively small number of three Executive Board members, the company is of the opinion that the disclosure of the total Executive Board compensation and the itemisation in fixed and variable components provide adequate transparency. (Section 4.2.4 of the DCGK)

**Establishment of a Nomination Committee** In view of the staffing of the Supervisory Board, the Supervisory Board does not see any need for the formation of a nomination committee that is staffed exclusively with shareholder representatives and that proposes suitable candidates to the Supervisory Board for its election proposals. (Section 5.3.3 of the DCGK)

**Composition of the Supervisory Board** Section 5.4.1 [2] and [3] of the revised version of the DCGK of 26 May 2010 introduced new recommendations according to which the supervisory board is to designate concrete goals for its composition in order to take the company-specific situation, the company's international activity, potential conflicts of interests, an age limit for supervisory board members, and the principle of diversity into consideration. In particular, these concrete goals are to provide for a due participation of female members. These goals are to be taken into consideration in proposals of the supervisory board to the responsible electoral bodies. The targets and the level of achievement are to be published in the corporate governance report.

In the past, the Supervisory Board of Bechtle AG had already set a fixed goal for the maximum age of its members at the time of election by the Annual General Meeting. Moreover, in its current composition, the Supervisory Board considers the requirements for the internationality and independence of its members to be fulfilled under consideration of the particularities of Bechtle AG (Section 5.4.1 [2] of the DCGK). In this regard, it thus complies with the recommendations of the DCGK. However, the Supervisory Board does not comply with the recommendation to specify concrete goals for the due participation of women. Given its current size and composition – the Supervisory Board consists of 12 members, 4 of whom are women – the Supervisory Board has decided not to set any fixed goals for the due consideration of women for the time being. (Section 5.4.1 [2] and [3] of the DCGK)

**Performance-Related Compensation of Supervisory Board Members** The compensation of the Supervisory Board members does not contain any performance-related component. Bechtle AG believes that all members of the Supervisory Board exercise their duties with maximum commitment and willingness and with a view to the company's long-term success. Therefore, the company does not consider a performance-related component to be necessary for responsible Supervisory Board work. For the time being, the company considers this approach to be appropriate. (Section 5.4.6 [2] of the DCGK)

Neckarsulm, 28 February 2011

Bechtle AG

On behalf of the Executive Board



Dr. Thomas Olemotz

On behalf of the Supervisory Board



Gerhard Schick

## SHARE

In 2010, the German share market was caught between a strong economic growth and the European debt crisis. As a result, all leading German indices gained in the reporting period. With a value increase of more than 55 per cent, the Bechtle share clearly outperformed all leading and industry indices in Germany. Apart from the share performance, the record earnings, the financial stability, and the proposal to pay out a higher dividend of 0.75 euros underline the trust that shareholders place in Bechtle.

### Stock Market



"Strong: the share performance in 2010."

*Julia Beutel,*  
media designer

The international stock markets continued to recover throughout 2010. The expansive monetary policy of the Fed, the good results of the financial institutions in the European bank stress test, strong German and Chinese economic data, positive corporate results, and a noticeable increase in M&A activities were some of the key factors of the stock market development. In the first half of 2010, the announcement of aggressive austerity measures due to the 750 billion euro rescue package for highly indebted euro countries, the weak US job market, and the more stringent monetary policy in China temporarily gave rise to fears of an impending slow-down of the global economy. From summer onwards, however, signs of a sustainably positive economic development and an effective protection of the European Monetary Union prevailed. As a result, the indices rose once more, reaching their highs in December 2010. Supported by the export-driven enterprises, the DAX gained 14 per cent in the course of the year, closing at 6,914 – just under the 7,000 mark – on the last trading day of the year. In 2010, the SDAX increased by almost 43 per cent, and the MDAX closed at 32 per cent higher than at the beginning of the year. The TecDAX started with the closing rate of 834 on 4 January, reached its low of 691 on 25 May, and closed at 851 on the last trading day of the year, a slight gain of 2 per cent. In 2010, the industry index DAXsubsector IT Services, in which Bechtle is also listed, increased by almost 22 per cent to 591.

### Share Performance

On 4 January 2010, the Bechtle share kicked off the new trading year with a closing price of 18.65 euros. On 27 January, the price of the share dropped to the annual low of 17.01 euros. Thereafter, the share was able to outperform the general trend and reached its interim high of 25.80 euros on 21 April. Subsequently, the Bechtle share receded slightly like the TecDAX and hovered at a level of about 23 euros from late April to late September. From early October onwards, the share experienced a major surge that culminated in a high of 30.65 euros on 22 December, thereby substantially surpassing the TecDAX and the industry index DAXsubsector IT Services. On the last trading day of the year, the Bechtle share closed at 28.99 euros. This means an overall increase of more than 55 per cent in the reporting period.

THE BECHTLE SHARE – PERFORMANCE FROM JANUARY 2010 TO FEBRUARY 2011

in euros



28.02.2011  
28.10€



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

THE BECHTLE SHARE – PERFORMANCE FROM 2005 TO 2010

in euros



31.12.2010  
28.99€

Compared to the prior year, the positive price development resulted in a higher market cap. At the end of the year, the market cap was 608.8 million euros, 214.2 million euros more than at the end of 2009. Measured on the basis of the free float, the market value of Bechtle was 286.3 million euros as of the reporting date, compared to 185.5 million euros in the prior year.

In the reporting period, the average daily stock exchange turnover of Bechtle shares amounted to 705.3 thousand euros, an increase of 30.6 per cent over the prior year. In terms of the quantity, this represents an average daily trading volume of 30,543 Bechtle shares (prior year: 37,129).

In the TecDAX ranking of Deutsche Börse, Bechtle ranked 18th in terms of market cap as of 31 December 2010, an improvement of six places compared to the prior year. However, due to the reduced liquidity of the share, Bechtle receded from the 28th place to the 31st place as far as the trading volume was concerned.

#### TRADING DATA OF THE BECHTLE SHARE

		2010	2009	2008
Annual opening price	€	18.65	13.28	27.86
Annual closing price	€	28.99	18.79	13.66
High	€	30.65	20.50	27.86
Low	€	17.01	11.02	9.64
Performance – absolute	€	+10.34	+5.51	-13.34
Performance – relative	%	+55.4	+41.5	-49.4
Market cap – total <sup>1</sup>	million euros	608.8	394.6	289.6
Free float market cap <sup>1</sup>	million euros	286.3	185.5	140.5
Average turnover/trading day <sup>2</sup>	shares	30,543	37,129	69,743
Average turnover/trading day <sup>2</sup>	€	705,260	538,189	1,228,978

Xetra closing price data

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

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

## Shareholder Structure



In the course of 2010, Bechtle's shareholder structure remained relatively constant. With her interest of 34.33 per cent, Karin Schick, the daughter of one of the company founders, is still the largest shareholder. This figure includes the shares of Schick GmbH, of which Karin Schick is a partner, and shares belonging to her underage son. Another 18.65 per cent are held by the investment company BWK GmbH, which had already invested in Bechtle prior to the public offering.

According to the standards of Deutsche Börse, the free float includes all shares of shareholders who hold less than 5 per cent of the issued capital. Shares held by the company itself are excluded. As of 31 December 2010, the free float amounted to 47.02 per cent, as in the prior year. These shares are held by a wide spectrum of domestic and international private and institutional investors.

In the reporting period, Bechtle received a voting right notification pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), informing the company that DWS Investment GmbH, based in Frankfurt/Main, Germany, increased its interest in Bechtle AG to 3.05 per cent in November 2010.



See Corporate Governance Report, page 71

## Dividend

Since its IPO in 2000, Bechtle has been pursuing a shareholder-friendly dividend policy focused on continuity. In the TecDAX, Bechtle remains one of the few companies that have continued to distribute profits to shareholders year after year since its IPO. Since dividend continuity is very important especially to the private shareholders of Bechtle AG, the shareholders are to duly participate in the company's success in this year, too. For the fiscal year 2010, the Executive Board and the Supervisory Board propose to the Annual General Meeting to distribute a dividend of 0.75 euros per share. This represents a dividend increase of 0.15 euros per share. This decision was made in view of the good liquidity of Bechtle AG and the record earnings in 2010.

As of 31 December 2010, the number of shares with dividend entitlement was 21,000,000. Thus, the sum to be distributed for the fiscal year 2010 amounts to 15.8 million euros. This equates to a dividend payout ratio of 33.9 per cent of the consolidated earnings after taxes and minority interest. In relation to the annual closing price, the dividend yield is 2.6 per cent (prior year: 3.2 per cent).



"Strong dividend policy: payment of 0.75 euros."

Thomas Althammer,  
director of ARP Austria

## Earnings per share

The improvement of the operating earnings was accompanied by a corresponding rise in the earnings per share (EPS), which amounted to 2.21 euros in the reporting period, 34.8 per cent more than in the prior year (1.64 euros). The EPS were calculated on the basis of an average of 21,000,000 shares in circulation in the reporting period.

### KEY PERFORMANCE INDICATORS

		2010	2009	2008
Shares with dividend entitlement <sup>1</sup>	shares	21,000,000	21,000,000	20,990,500
Earnings per share	€	2.21	1.64	2.14
Amount distributed	million euros	15.8 <sup>2</sup>	12.6	12.6
Cash dividend per share	€	0.75 <sup>2</sup>	0.60	0.60
Dividend yield <sup>1</sup>	%	2.6 <sup>2</sup>	3.2	4.4
Price/earnings ratio <sup>1</sup>		13.1	11.5	6.4

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

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

## Annual General Meeting

The Executive Board and the Supervisory Board welcomed more than 500 shareholders to the 10th Annual General Meeting of Bechtle AG, which took place on 16 June 2010 at the “Harmonie” concert and congress centre in Heilbronn, Germany. 70.73 per cent of the ordinary shares were represented. The voting results of the shareholders, which document the great trust placed in the management, contributed to the success of the event. The Executive Board and the Supervisory Board were granted discharge with 99.98 and 99.86 per cent of the votes. At the Annual General Meeting, the Supervisory Board appointed Dr. Thomas Olemotz, former Spokesman of the Executive Board, as Chairman of the Executive Board of Bechtle AG. Thus, Bechtle AG has returned to the traditional organisation of the executive body with the first Executive Board not chaired by a founder.

## Communication with the Capital Market

The way that analysts view a company has a major impact on the opinion of shareholders and investors. In 2010, a total of 10 institutions regularly reported on Bechtle in detailed surveys and topical brief analyses: Close Brothers Seydler, Commerzbank, Deutsche Bank, DZ Bank, Landesbank Baden-Württemberg, Merrill Lynch, Metzler, M.M.Warburg, and WestLB. In the reporting period, the Hamburg-based private bank Hauck & Aufhäuser assumed its research activity. In contrast, Close Brothers Seydler discontinued its share research activities at the turn of the year. Bechtle’s regular constructive dialogue with all institutions was enhanced by analyst visits to the headquarters, various conferences, and joint road shows. In the past fiscal year, most of the recommendations of the said banks were “buy” or “hold”.

The relationship with existing and potential investors continued to be very intensive in the reporting period 2010. In individual discussions, road shows, and investor conferences, Bechtle provided information about the company’s economic situation, business strategy, and outlook. Furthermore, interested investors made greater use of the option to inform themselves about Bechtle during personal meetings at group headquarters in Neckarsulm, Germany.

Last but not least, personal contact to private investors is an important element of the investor relations activities. Apart from the Annual General Meeting, Bechtle’s agenda in the fiscal year ended included the introduction of the group to private shareholders within the scope of the shareholder days, which were held for the sixth time. On three dates in August, September, and October, about 100 shareholders visited the company headquarters in Neckarsulm, Germany, for information on the company’s business and strategy orientation. Apart from offering presentations and tours, Bechtle AG uses this event to provide its shareholders with a more profound insight into the company, thereby enhancing the relationship with its shareholders.

The website of Bechtle AG ([www.bechtle.com](http://www.bechtle.com)) is an important and intensively used information platform for communication with shareholders and the capital market. The website is continuously developed by the company, and the contents are updated on a regular basis.



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



Shareholder days 2011:  
see Financial Calendar,  
page 227

## TAKEOVER-RELATED DISCLOSURES

The disclosures required pursuant to Section 315 (4) of the German Commercial Code (HGB) are presented below:

As of 31 December 2010, the company's subscribed capital amounted to a total of 21,000,000 euros. It is divided into 21,000,000 no-par bearer shares. The amount of the issued capital that is allocated to each share is 1.00 euro. All company shares are issued as ordinary no-par bearer shares. There are no different types of shares. Each share is associated with the same rights and obligations. Each share represents one vote at the Annual General Meeting. This does not apply to treasury shares held by the company, which do not bestow any rights upon the company.

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

The company is aware of the following direct or indirect capital interests exceeding ten per cent of the voting rights as of 31 December 2010:

- Karin Schick, Gaildorf, Germany: 28.82 per cent (direct)
- Karin Schick, Gaildorf, Germany: 5.50 per cent (indirect)
- BWK 2. Vermögensverwaltungsgesellschaft mbH, Stuttgart, Germany: 18.65 per cent (direct)
- BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart, Germany: 18.65 per cent (indirect)

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

There are no employee share ownership plans or similar schemes under which the employees hold an interest in the capital and do not exercise their control rights directly.

The appointment and dismissal of members of the Executive Board is governed by Sections 84ff of the German Stock Corporation Act (AktG). There are no deviating or supplementary regulations of the Articles of Incorporation. In the reporting period, the staffing of the Executive Board did not undergo any changes. In the reporting period, the company's Supervisory Board made use of the possibility outlined in Section 84 (2) of the German Stock Corporation Act (AktG), according to which a Chairman of the Executive Board can be appointed in case the Executive Board consists of several members, and appointed Dr. Thomas Olemotz as Chairman of the Executive Board on 16 June 2010.

Section 5.1.2 of the German Corporate Governance Code outlines further principles concerning the appointment of the Executive Board. According to these principles, the Supervisory Board is to ensure diversity in the composition of the Executive Board and in this regard to especially seek to ensure adequate representation of women. Furthermore, the Supervisory Board is to implement a long-term succession plan in collaboration with the Executive Board. In general, the maximum appointment term of five years should not be applied to initial appointments. In the case of contracts whose residual term is more than one year, re-appointment with simultaneous cancellation of the current appointment should only take place in the event of special circumstances. An age limit is to be set for members of the Executive Board. Bechtle AG complies with these recommendations. However, appointments to the Executive Board of Bechtle AG shall to be made exclusively on the basis of the applicants' qualifications regardless of their gender.



[www.bechtle.com/  
shareholder-structure](http://www.bechtle.com/shareholder-structure)



See Report of the  
Supervisory Board,  
page 17

The conditions for amendments to the Articles of Incorporation are mainly outlined in Sections 179 to 181 of the German Stock Corporation Act (AktG). Amendments to the Articles of Incorporation are subject to a resolution of the Annual General Meeting with a majority of at least three fourths of the issued capital represented during the adoption of the resolution. Amendments to the Articles of Incorporation only become effective upon entry in the Commercial Register at the domicile of Bechtle AG. The Articles of Incorporation may impose a capital majority that is different from the statutory provision (only a greater majority for changing the purpose of the company) as well as other requirements. The Articles of Incorporation of Bechtle AG do not contain any such provision. The Annual General Meeting may confer the authority to make amendments that merely concern the wording of the Articles of Incorporation on the Supervisory Board. At the company, this has been done by means of Article 10.4 of the Articles of Incorporation.

Pursuant to Sections 202ff of the German Stock Corporation Act (AktG), the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's issued capital by a total of up to 10,600,000 euros by issuing new bearer shares against cash contributions and/or contributions in kind until 15 June 2014 (authorised capital).

Subject to the approval of the Supervisory Board, the Executive Board decides on the exclusion of the subscription right and on details concerning the issue of the new shares. The subscription right may be excluded:

- for fractional amounts,
- in the case of capital increases against contributions in kind for the purpose of granting shares for the acquisition of companies or interests in companies,
- in the event of a capital increase against cash contribution, provided the total proportion of the issued capital allocated to the new shares for which the subscription right is excluded does not exceed 10 per cent of the issued capital at the time of the issue and the issue value is not considerably lower than the listed price. The shares (i) that are issued or sold during the term of this authorisation under exclusion of the subscription right in direct or analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (AktG) or (ii) that are issued or can be issued to service bonds with conversion and/or option rights shall be offset against this limit of 10 per cent of the issued capital, provided the bonds are issued after this authorisation comes into force in analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (AktG) under exclusion of the subscription right of the shareholders.
- in the event of a capital increase for the purpose of issuing employee shares, provided the total proportion of the issued capital allocated to the new shares for which the subscription right is excluded does not exceed 10 per cent of the issued capital at the time of the issue.

The purchase of treasury shares is only possible according to the provisions of Section 71(1) of the German Stock Corporation Act (AktG) in the event of one of the exceptional situations specified therein. Based on the resolution of the Annual General Meeting of 16 June 2010, the company is authorised to purchase treasury shares pursuant to Section 71(1) no. 8 of the German Stock Corporation Act (AktG). The authorisation came into force on 16 June 2010 and is valid until 15 June 2015. Treasury shares must be purchased

via the stock exchange or within the framework of a public bid by the company. The price the company pays per share may not exceed or be lower than the average closing price for the company's shares on the Xetra platform during the last five trading days prior to the purchase of treasury shares or, in the case of a public purchase bid, prior to the date of publication of the public purchase bid, by more than 10 per cent (without ancillary acquisition costs). The scope of the authorisation is limited to up to 10 per cent of the issued capital. Redemption is only permitted for the purposes specified in the resolution.

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

The company did not conclude any agreements with members of the Executive Board or employees that would apply in the case of a change of control due to a takeover bid.

## FRAMEWORK CONDITIONS

### MACROECONOMIC ENVIRONMENT



ec.europa.eu

In the reporting period, the economic performance in the euro area was surprisingly strong. After a minus of 4.1 per cent in the crisis year of 2009, the gross domestic product (GDP) in the euro area increased by 1.7 per cent in 2010. The growth was especially dynamic in the first half of the year, though it levelled off slightly on a high level from the third quarter onwards. The development of the investments in equipment is an important growth indicator, also for Bechtle. According to estimates of the European Commission, these grew by 4.9 per cent in 2010. With an increase of 1.0 per cent, government expenditure was slightly below average. The general positive economic development was however shared neither by Greece, nor Spain or Ireland, where Bechtle is present. In these two countries, GDP fell by 0.1 per cent and 0.2 per cent respectively. While investments in equipment dropped by 7.0 per cent in Ireland, this subsegment gained 3.0 per cent in Spain. Outside the euro area, especially Switzerland and Great Britain are interesting markets for Bechtle. The Swiss economy performed above average, recording GDP growth of 2.6 per cent, while the UK was slightly below the euro zone average with 1.4 per cent.

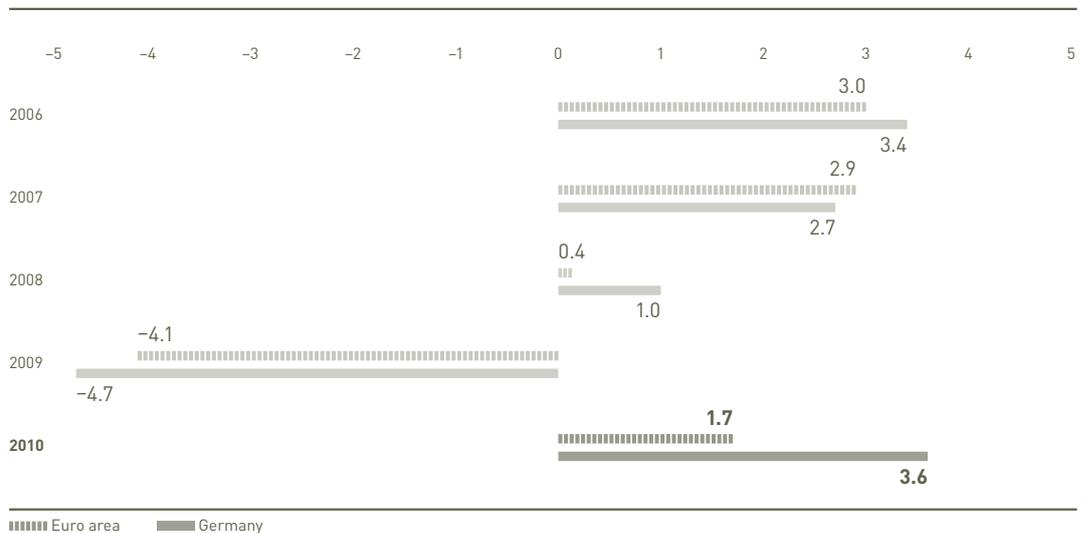


www.destatis.de

With its GDP growth of 3.6 per cent, the German economy, too, experienced an impressive upsurge in the reporting period. This was the highest growth since the reunification. In comparison, the prior year closed down 4.7 per cent. In the course of the year, Germany's economy developed almost as dynamically as in the euro area: after peaking in the second quarter, the economy slowed down slightly towards the end of the year. Throughout the year, the exports and investments in equipment were the main growth drivers. Thus, the latter increased by 10.9 per cent, following a slump of 22.6 per cent in 2009. With an increase of 2.3 per cent, government expenditure, too, developed in a positive direction.

#### GDP DEVELOPMENT

in per cent



## INDUSTRY

In the reporting period, the IT industry in the EU also underwent a considerable increase. According to information of the European Information Technology Observatory (EITO), the IT industry achieved growth of 2.8 per cent. Surprisingly, the hardware business that had slumped in the prior year served as a growth driver, gaining 7.2 per cent. Software trading increased by 0.9 per cent. In most of the larger IT markets in the EU, the hardware business performed above average. The Netherlands achieved a growth of 8.3 per cent, and France 8.7 per cent. The growth amounted to 11.3 per cent in Great Britain and 12.5 per cent in Spain. Italy remained under average at 4.7 per cent. The Swiss market, which is significant to Bechtle, was not as dynamic as the EU countries. The overall IT market grew by 1.8 per cent, and hardware revenues by 2.5 per cent. Software increased by 1.3 per cent and IT services by 1.5 per cent. At 6.0 per cent, the outsourcing services performed much better than the other services.

In 2010, the German IT market grew by 3.0 per cent, which is slightly above the European average. At 5.1 per cent, the IT hardware segment was the growth driver in this field, too. The software business gained 3.5 per cent. IT services grew by 1.7 per cent, a development that was mainly driven by the subsegment of outsourcing services, which recorded a growth of 3.2 per cent.



[www.bitkom.org/en](http://www.bitkom.org/en)

## OVERALL ASSESSMENT

The year 2010 came as a positive surprise to all observers. At the beginning of the year, nobody had expected such a level of dynamism and intensity. Thus, all forecasts – both for the macroeconomy and for the IT market – had to be corrected upwards on a number of occasions in the course of the year. However, while the dynamism of the macroeconomy slackened during the year, the IT market – in terms of the mood of the businesses – managed to improve from quarter to quarter. The high hardware revenues were especially surprising, since in prior years, this figure had always lagged behind the performance of the areas of software and services. Bechtle AG was able to profit from this upward trend considerably more than the competition. In this context, the farsighted HR decisions taken by Bechtle in the crisis year of 2009 by mainly resorting to short-time work proved to be beneficial. Against the background of an enlivening economy in the reporting period, the company seamlessly followed up on the successful performance of 2008, making use of growth opportunities in the best way possible.

Besides the macroeconomic development and the upsurge that was evident in almost all Bechtle markets, there were no other significant events outside the Bechtle Group in the past financial year that had a tangible impact on the business performance.

## EARNINGS, ASSETS, AND FINANCIAL POSITION

### EARNINGS POSITION

Bechtle AG can look back on a very successful fiscal year with new record results. Naturally, the company benefited from the favourable economic framework conditions and the high demand in the IT industry. Moreover, the remarkable success is the result of continuous strategic investments in the long-term business development. In Germany and abroad, the profitable growth was borne by both segments alike.

#### Order position

Most of the contractual relationships for the sale of goods and services that Bechtle enters into continue to be of a short-term nature. The IT e-commerce segment is characterised almost entirely by the conclusion of pure trading deals with very short order and delivery times, while some project transactions in the IT system house & managed services segment may take up to six months. With terms of up to five years, outsourcing operating or framework agreements may run for much longer periods.

Due to the current business structure, incoming orders are largely reflected in the revenue during a fiscal year. In the reporting period, incoming orders amounted to approximately 1.78 billion euros, more than 25 per cent more than in the prior year (1.42 billion euros). Organically, the incoming order volume was about 24 per cent above the prior year, with an increase of almost 40 per cent in the fourth quarter. Both segments contributed to the increase in incoming orders compared to the prior year. The figure amounted to 1.22 billion euros (prior year: 0.95 billion euros) in the IT system house & managed services segment, around 28 per cent more than in the prior year, and to 0.56 billion euros (prior year: 0.47 billion euros) in the IT e-commerce segment, about 19 per cent more than in the prior year. The order backlog in the IT system house & managed services segment is almost two months, more than ten days more than in the prior year. In IT e-commerce, it is still only a few days.

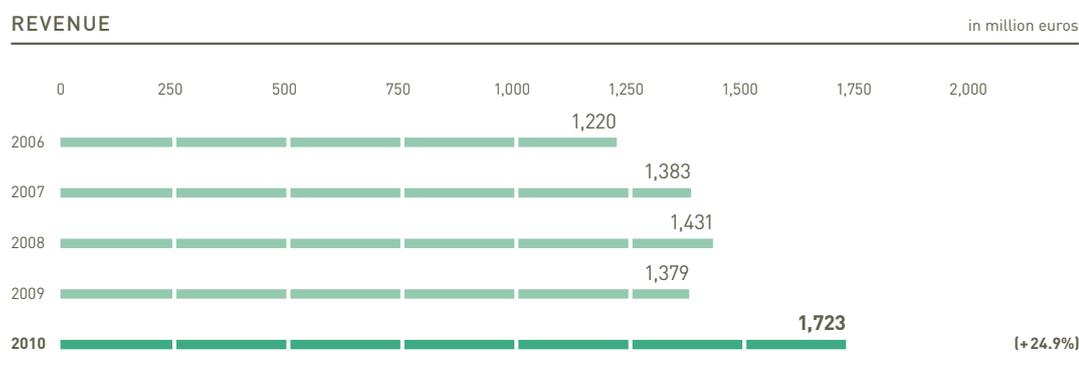
The managed services area, which takes over the IT operating responsibility for the customer, is characterised by long-term contractual relationships. However, separate figures are not published for this business area.

In the fiscal year under review, the large orders of the Federal Office for Information Management and Information Technology of the Bundeswehr and of Dataport, the information and communication technology service provider of the states of Schleswig-Holstein, Hamburg, and Bremen, were continued. These contracts are of great significance to the group, as their respective revenue volumes are in the high two-digit million range over a period of up to six years. In the fiscal year ended, these two orders accounted for approximately 65 million euros (prior year: 17 million euros) of the revenue.

As of the end of the year, the order backlog was worth approximately 194 million euros, compared to about 139 million euros in the prior year. Of the total order backlog, the IT system house & managed services segment accounted for about 185 million euros (prior year: 120 million euros), and the IT e-commerce segment for about 9 million euros (prior year: 19 million euros).

## Revenue performance

In the fiscal year 2010, the group generated total revenues of 1.72 billion euros, a new record.



Revenues increased by 24.9 per cent from 1,379.3 million euros in the prior year to 1,722.9 million euros in the reporting period. Most of this growth (22.8 per cent) was organic.

In the reporting period, the main drivers of organic growth were especially the German system houses and the foreign e-commerce companies, which gained about 26 per cent, respectively. In this context, especially investments made in previous years in the expansion and further qualification of the sales teams in both segments played a noticeable role. Due to the ongoing improvement of the economic framework conditions in the course of the year, the company's performance in the second half of 2010 was even more dynamic than in the first two quarters.

This development can also be seen from an examination of the individual quarters. The seasonality of Bechtle's business during the year and the great importance of the fourth quarter remained unchanged. Thus, a revenue increase was evident throughout the entire year. However, the contributions of the first and second quarters to the annual revenue each receded by about 2 percentage points, while the two subsequent quarters gained about 1.5 to 3 percentage points. Rather than an intensified seasonality, this reflects the improvement of the economic performance in the course of the year. Therefore, the revenue of the fourth quarter, which amounted to 566.3 million euros, 36.6 per cent more than the comparable previous record quarter of 2009, is especially noteworthy.



"Strong: this year's record revenue."

*Esther Manga,*  
marketing software unit Microsoft

## REVENUE PERFORMANCE

in million euros

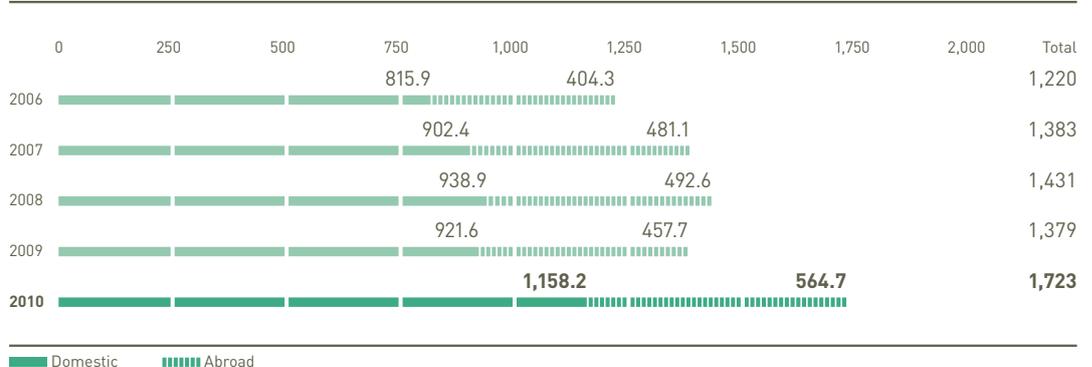
	Q1		Q2		Q3		Q4	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	354.8	318.9	375.0	322.6	426.9	323.3	566.3	414.5
% of total annual revenues	20.6	23.1	21.8	23.4	24.8	23.4	32.9	30.1

In view of the greatly increased revenue along with a disproportionately low rise in the average number of employees, Bechtle achieved a substantial productivity boost in the group in 2010. Based on an average number of 4,137 full-time employees (prior year: 4,058), the revenue per employee amounted to 416 thousand euros, compared to 340 thousand euros in the prior year.

Germany remains the most important market for Bechtle, a fact that gained further momentum in the past reporting period. The domestic revenue passed the one billion euro mark for the first time, reaching 1,158.2 million euros (prior year: 921.6 million euros), a share of 67.2 per cent (prior year: 66.8 per cent) of the total revenue. The international revenue of 564.7 million euros (prior year: 457.7 million euros) accounted for 32.8 per cent (prior year: 33.2 per cent). Thus, compared to the prior year, the revenue distribution shifted slightly in favour of the domestic market. This development also shows that the demand in Germany benefited more from the general economic recovery than the demand in other countries.

## REGIONAL REVENUE DISTRIBUTION

in million euros



In line with the undamped investment mood in the industry, the public-sector division also continued to perform well in 2010. Thus, the group's revenues with public-sector clients increased by 28.2 per cent to 488.3 million euros (prior year: 380.9 million euros). Accordingly, the revenues in this customer segment accounted for 28.3 per cent of the total revenue (prior year: 27.6 per cent).

## Cost and earnings performance

**Cost of sales.** In the reporting period, the increase of the group revenue by 24.9 per cent also resulted in a rise in gross earnings by 18.5 per cent to 236.5 million euros (prior year: 199.5 million euros). As the cost of sales increased by 26.0 per cent, thereby slightly overtaking the revenue growth, the gross margin declined from 14.5 per cent to 13.7 per cent. The slightly above-average rise in the cost of sales was mainly triggered by the substantial increase in the share of large-volume projects with lower trade margins and a greater demand for hardware and software in the reporting period. Another factor that contributed to this development was the continued margin pressure in the industry.

### COST OF SALES/GROSS PROFIT

in million euros

	2010	2009	2008	2007	2006
Cost of sales	1,486.4	1,179.8	1,213.3	1,188.1	1,046.6
Gross profit	236.5	199.5	218.1	195.3	173.6
Gross margin in %	13.7	14.5	15.2	14.1	14.2

**Distribution costs and administrative expenses.** In 2010, distribution costs amounted to 99.0 million euros, 12.6 per cent more than in the prior year (87.9 million euros). This was due to the higher average number of employees, the higher commission payments, and the intensified sales and marketing activities, especially in the newly entered national markets. In connection with the strong revenue growth, the distribution cost ratio dropped from 6.4 per cent to 5.7 per cent. Administrative expenses increased by 9.8 million euros or 12.9 per cent to 86.0 million euros (prior year: 76.2 million euros). The higher expenses were also caused by the higher average number of employees in the field of administration. The ratio receded to 5.0 per cent (prior year: 5.5 per cent).



See  
Locations,  
page 41

Other operating income climbed from 7.3 million euros to 9.3 million euros. This was mainly caused by the higher income from exchange rate fluctuations and some higher marketing grants and other compensations of suppliers in connection with the strong operating performance.

### DISTRIBUTION COSTS/ADMINISTRATIVE EXPENSES

in million euros

	2010	2009	2008	2007	2006
Distribution costs	99.0	87.9	90.5	81.4	73.7
Distribution costs ratio in %	5.7	6.4	6.3	5.9	6.0
Administrative expenses	86.0	76.2	75.7	67.2	62.7
Administrative expenses ratio in %	5.0	5.5	5.3	4.9	5.1

**Marketing expenses.** The marketing expenses of Bechtel AG are part of the distribution costs, except for the expenses for the Bechtel catalogue, which are allocated to the cost of sales. Broken down by segments, the marketing expenses in the reporting period amounted to 1.8 million euros in IT e-commerce (prior year: 1.7 million euros) and 2.0 million euros in IT system house & managed services (prior year: 1.5 million euros).

As a trading company, Bechtle sells third-party products in the IT e-commerce segment. As is usual in this sector, marketing expenses are mostly balanced by income in the form of vendor incentives. In the IT system house & managed services segment, too, many of the marketing campaigns are supported by the vendors. Thus, the said expenses only have a minor impact on the company's earning position.



See Business Activity,  
IT E-Commerce,  
page 48

The catalogues of ARP and Bechtle direct are among the most important marketing instruments in IT e-commerce. They are published three and two times a year with a print run of 100,000 and 150,000 copies, respectively, in up to thirteen country versions. The catalogues are centrally prepared for all countries. The other marketing campaigns in this segment mainly involve product advertising via mailing campaigns and the weekly dispatch of printed product information. Bechtle also engages in online advertising. The individual international subsidiaries are largely free in their choice of marketing measures in order to take the specific needs of the respective countries into consideration. The main focus is on online marketing in some areas and on printed publications in other cases.



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

In the IT system house & managed services segment, the system houses autonomously conduct marketing campaigns in their individual target regions. Thus, numerous customer events, IT forums, and in-house fairs took place in the reporting period. The IT system houses get support from the central event management of Bechtle AG and from corporate communications.



[www.bechtle.com/  
customer-magazine-en](http://www.bechtle.com/customer-magazine-en)

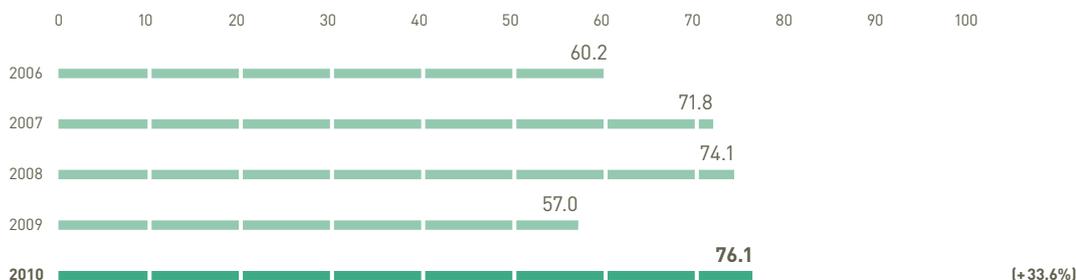
With respect to key strategic subjects, the holding also supports the competence centres and the central divisions managed services, public sector, and software with accompanying marketing activities. All campaigns mainly serve the presentation of Bechtle's product and service portfolio and customer bonding. Key elements of the central marketing campaigns include the customer journal "Bechtle update" and the Bechtle Competence Centre Day (CC Day). "Bechtle update" is published four times a year and reports about the latest events in the company and successful projects and presents the locations of the Bechtle Group. At the annual CC Day, Bechtle presents the entire bandwidth of its range of services to customers and to its own employees at company headquarters in Neckarsulm. In the reporting period, about 1,600 customers, manufacturers, and employees visited the 6th CC Day.

Bechtle usually does not participate in professional trade shows with its own booths, but in cooperation with vendors or partners at their booths. For example, in the reporting period Bechtle attended for the first time the "Cisco Expo", which was held in the O<sub>2</sub> World Arena in Berlin, Germany, in December 2010.

**Earnings situation.** Compared to the revenue performance, the earnings before interest, taxes, depreciation, and amortisation (EBITDA) increased at a higher rate of 33.6 per cent to 76.1 million euros (prior year: 57.0 million euros). The EBITDA margin increased from 4.1 per cent to 4.4 per cent.

## EBITDA

in million euros



Depreciation and amortisation amounted to 15.4 million euros in 2010, 1.1 million euros or 8.0 per cent more than in the prior year (14.3 million euros). As usual, software and property, plant and equipment accounted for the bulk of this amount, totalling 11.4 million euros (prior year: 10.1 million euros). The property, plant and equipment mostly consisted of the company's own IT and office equipment. Moreover, depreciation of property, plant and equipment included tenant installations and assets used by customers under long-term maintenance agreements.

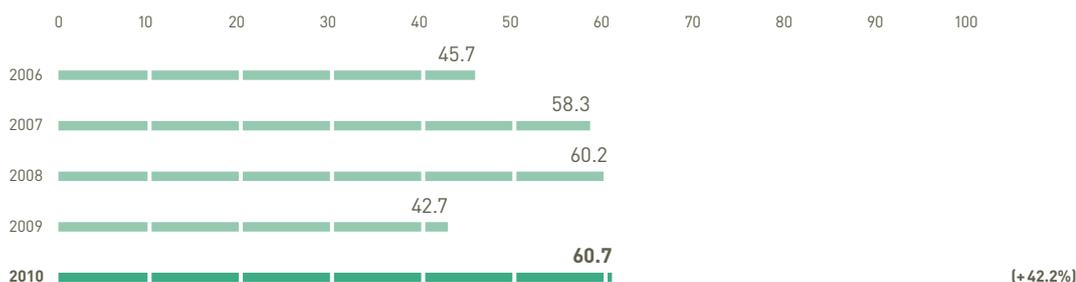
Customer bases and customer service agreements accounted for other amortisation amounting to 3.8 million euros. Despite the takeovers performed in the reporting period, the amortisation for customer bases and customer service agreements was thus lower than in the prior year (4.2 million euros). This was because due to amendment of the amortisation period from ten to five years, a substantial portion of the customer bases of earlier acquisitions had already been fully amortised in the course of the reporting period.

At 0.9 per cent, the depreciation and amortisation rate more or less remained at the prior-year level (1.0 per cent) and was rather insignificant compared to the other expense items. For 2010, the impairment test of the goodwill again did not reveal any need for impairment.

Earnings before interest and taxes (EBIT) increased by 42.2 per cent to 60.7 million euros (prior year: 42.7 million euros).

## EBIT

in million euros



See Locations,  
page 40



See Fair Value,  
page 101



"Very strong: +42.2 per cent in EBIT."

*Theresa Peters,*  
sales back office ITZ Essen

Bechtle AG was able to increase its financial earnings, i.e. the balance of the financial expenses and the financial income, to 1.1 million euros (prior year: 1.0 million euros) despite declining money market interest rates. This was mainly due to the increased time deposits and securities of the group in the reporting period.

Earnings before taxes (EBT) surged by 41.5 per cent to 61.8 million euros (prior year: 43.7 million euros). In 2010, this indicator, which the group considers to be especially important for controlling purposes, moved up by 18.1 million euros. In the reporting period, the earnings of the Bechtle Group thus reached a new record. In line with the economic development and the excellent demand, the earnings situation also improved in the course of year. In the fourth quarter alone, Bechtle AG experienced a contribution to earnings of 39.6 per cent, which, at 24.5 million euros, was an impressive 5.6 million euros higher than the prior-year quarter, which had already been very strong (18.8 million euros).



Climbing significantly up to 3.6 per cent (prior year: 3.2 per cent), the EBT margin in the reporting period remained on a level above the industry average.



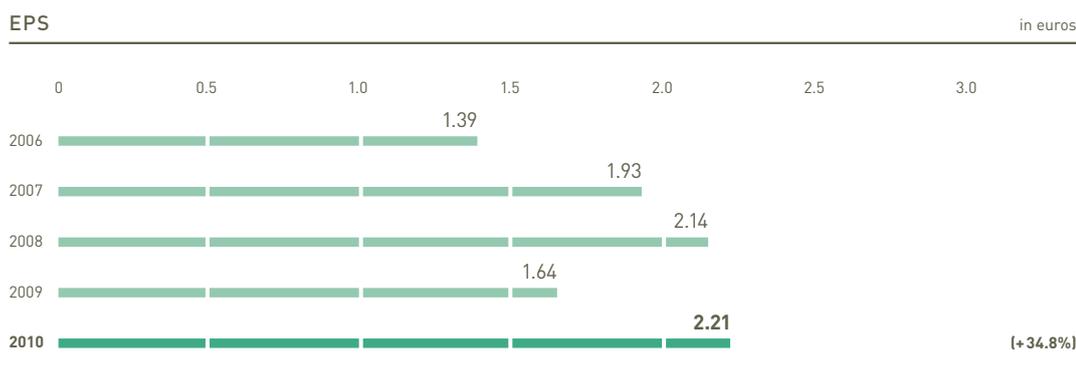
See Annual Report 2009,  
page 71 and Notes,  
Income Taxes,  
page 148 f

In the reporting period, income tax expenses increased at a disproportionately high rate of 63.4 per cent to 15.4 million euros (prior year: 9.4 million euros). The tax rate amounted to 24.9 per cent, compared to 21.5 per cent in the prior year. This was mainly due to the capitalisation of deferred tax assets from the prior year.

Earnings after tax amounted to 46.4 million euros, 35.5 per cent more than in the prior year (34.3 million euros). Earnings per share (EPS) increased by 34.8 per cent to 2.21 euros (prior year: 1.64 euros). The reason for the slightly higher increase in EPS compared to the earnings after tax was the lower number of average shares in 2009 due to the treasury shares held by the company.



See Annual Report 2009,  
page 159 f



The individual financial statements of Bechtle AG form the basis for the appropriation of retained earnings and thus for the distribution of dividends. The reported annual profit was 20.6 million euros (prior year: 17.7 million euros). After adding 4.8 million euros to the reserves (prior year: 5.3 million euros), the retained earnings for 2010 amounted to 15.8 million euros (prior year 12.6 million euros). The Executive Board proposes to the Supervisory Board to distribute the retained earnings to the shareholders and to submit a proposal for payment of a dividend of 0.75 euros per share to the Annual General Meeting. The dividend per share thus increases by 0.15 euros. At the time of preparation of the report on 3 March 2011, the number of shares entitled to dividends was, as previously, 21,000,000.



See Dividend,  
page 79

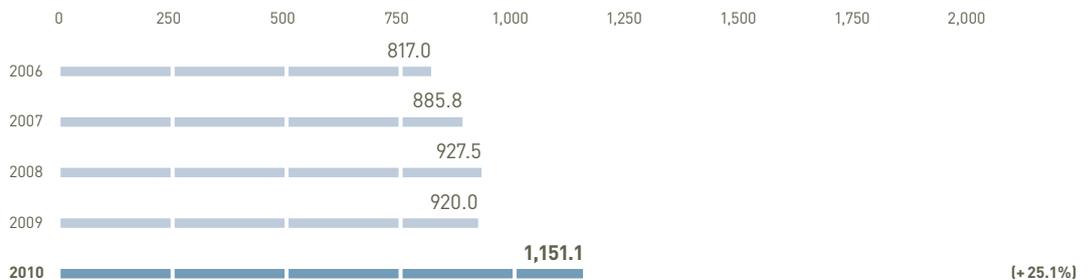
## Segment report

The activities of the Bechtle Group are associated with the two segments IT system house & managed services and IT e-commerce. This split reflects the main pillars of the business model, which combines the vendor-independent centralised direct sale of IT products (IT e-commerce) with the decentralised provision of services (IT system house & managed services).

**IT system house & managed services.** Bechtle's revenues in the IT system house & managed services segment clearly surpassed the one billion euro mark. In 2010, the segment generated revenues of 1,151.1 million euros (prior year: 920.0 million euros). This means an increase of 25.1 per cent or 231.2 million euros. This segment benefited greatly from the economic development. Especially the hardware-driven revenues increased at a disproportionately high rate. Moreover, the good competitive position of Bechtle AG and the continuous staff qualification measures yielded a positive effect. In total, the IT system house & managed services segment accounted for 66.8 per cent of the group revenues (prior year: 66.7 per cent).

## SEGMENT REVENUE IT SYSTEM HOUSE &amp; MANAGED SERVICES

in million euros



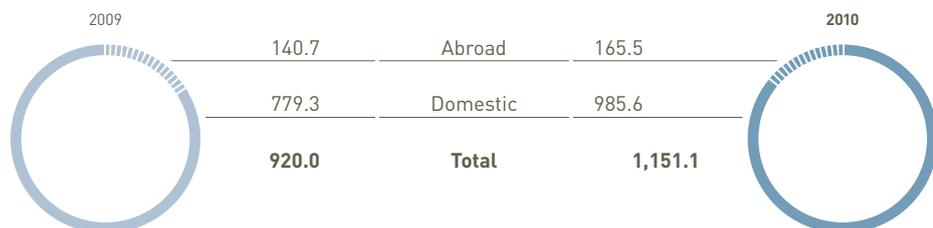
In the reporting period, the company again increased its productivity in the IT system house & managed services segment. Apart from the said further qualification of the employees, process efficiency improvements also played a role. In the fiscal year, based on an average number of 3,243 full-time employees (prior year: 3,178 employees), the revenue per employee increased by 22.6 per cent to 355 thousand euros (prior year: 289 thousand euros).

In the region comprising Germany, Austria, and Switzerland, the domestic system houses exhibited the highest growth dynamics, accounting for 985.6 million euros or 85.6 per cent of the segment revenue (prior year: 779.3 million euros or 84.7 per cent).

In 2010, the Swiss and Austrian system houses increased their revenue by a total of 17.7 per cent to 165.5 million euros (prior year: 140.7 million euros). Thus, their share in the segment revenue declined from 15.3 per cent to 14.4 per cent.

## REVENUE DISTRIBUTION IN THE SYSTEM HOUSE &amp; MANAGED SERVICES SEGMENT

in million euros

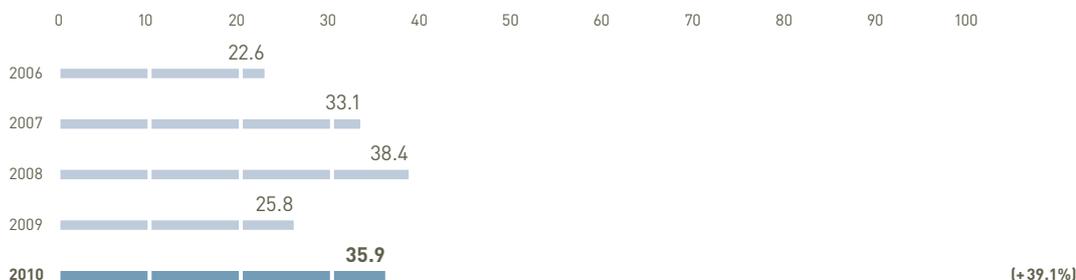


Organically, the revenue in this segment amounted to 1,121.6 million euros, 21.9 per cent more than in the prior year. The system house companies acquired in Germany and Austria in the reporting period were included in the consolidated financial statements with a pro-rata revenue volume of 29.6 million euros.

In 2010, the EBIT in the IT system house & managed services segment increased by 39.1 per cent to 35.9 million euros (prior year: 25.8 million euros). Thus, the prior-year figure was greatly exceeded. This was mainly due to the absolute increase in gross earnings and the disproportionately low development of the personnel expenses.

## EBIT IN THE IT SYSTEM HOUSE &amp; MANAGED SERVICES SEGMENT

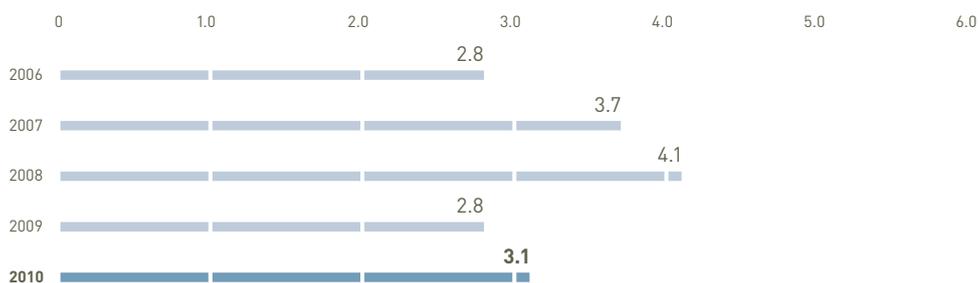
in million euros



Accordingly, the EBIT margin improved from 2.8 per cent to 3.1 per cent. This positive development mainly reflects the efficient employee capacity utilisation in the IT system house & managed services segment and the associated productivity increase in the fiscal year ended.

## EBIT MARGIN IN THE IT SYSTEM HOUSE &amp; MANAGED SERVICES SEGMENT

in per cent



**IT e-commerce.** In the fiscal year 2010, the IT e-commerce segment of the Bechtle Group clearly surpassed the half a billion euro mark. The revenue in this segment was based entirely on organic growth and increased by 24.5 per cent to 571.8 million euros (prior year: 459.4 million euros). In this context, especially the recruitment of new sales staff in the international subsidiaries, their efficient integration in the business processes, and the various qualification measures in the reporting period proved to be very effective. Following a good start into the year, the trading segment impressively stepped up its dynamics in the last two quarters.

## IT E-COMMERCE SEGMENT REVENUE

in million euros



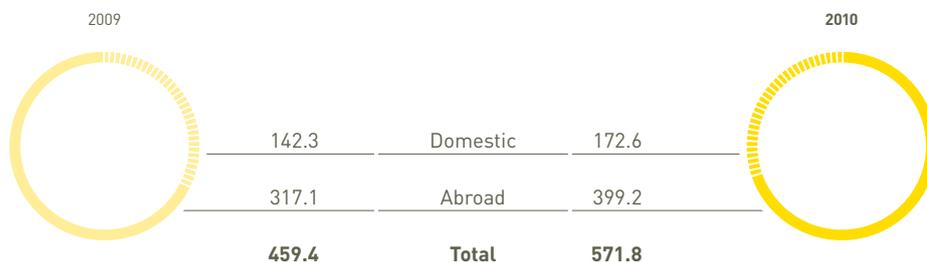
The share of the trading business in the total revenue amounted to 33.2 per cent, almost the same as in the prior year (33.3 per cent).

In 2010, Bechtle had an average of 894 full-time employees in the IT e-commerce segment (prior year: 880). In the past year, the revenue per employee increased to 640 thousand euros (prior year: 522 thousand euros). Thanks to the said new recruitments and qualification measures, the successful growth in IT e-commerce progressed substantially.

Owing to the internationalisation strategy, the foreign share of IT e-commerce is on the rise. In the reporting period, the revenues of the foreign companies amounted to 399.2 million euros, 25.9 per cent more than in the prior year (317.1 million euros). The share in the segment revenue thus amounted to 69.8 per cent (prior year: 69.0 per cent). The domestic trading companies underwent a growth of 21.3 per cent and contributed 172.6 million euros (prior year: 142.3 million euros), a share of 30.2 per cent (prior year: 31.0 per cent) of the segment revenue.

## REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT

in million euros

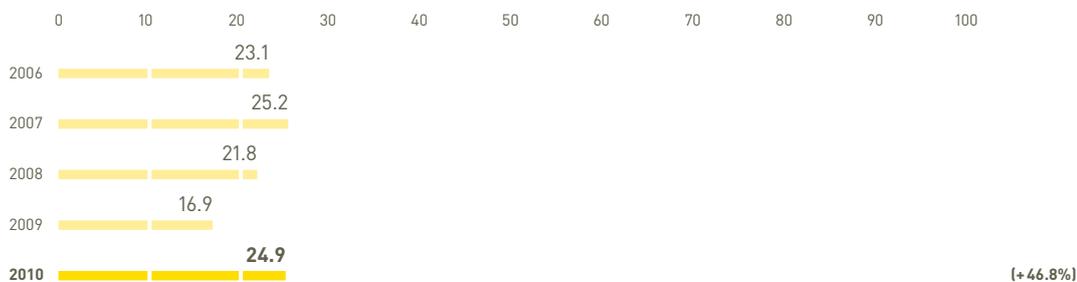


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Locations,  
page 41

In the IT e-commerce segment, the general economic recovery continued to be clearly evident in the reporting period. In this segment, Bechtle greatly benefited from the industry's willingness to invest, achieving EBIT of 24.9 million euros, 46.8 per cent more than in the prior year (16.9 million euros). The earnings were reduced by start-up costs of several new subsidiaries in this segment.

## EBIT IN THE IT E-COMMERCE SEGMENT

in million euros



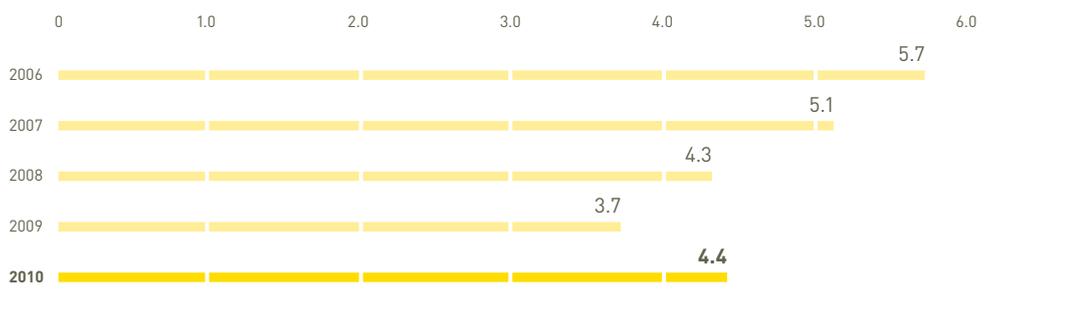
"Strong: +46.8 per cent in EBIT in the IT e-commerce segment."

*Edyta Serwa,*  
sales Bechtle direct Poland

Despite the investments made in the reporting period, the EBIT margin in the trading segment improved greatly and amounted to 4.4 per cent, compared to 3.7 per cent in 2009. In the medium term, IT e-commerce continues to target a margin of 5 per cent.

## EBIT MARGIN IN THE IT E-COMMERCE SEGMENT

in per cent



## ASSETS POSITION

The record year 2010 not only resulted in a significant increase in goodwill, but also in a major balance sheet extension at Bechtle AG. Nevertheless, the balance sheet structure remains stable – all major figures and key indicators remain excellent. The excellent equity ratio of 56.8 per cent and a return on equity of 14.2 per cent furnish impressive evidence of this fact.



Concerning the assets position of the segments, see Notes, page 193

As a result of the higher business volume, the balance sheet total of the Bechtle Group increased substantially in the reporting period. As of the closing date 31 December 2010, it amounted to 653.7 million euros, 25.6 per cent more than in the prior year.

### CONDENSED BALANCE SHEET

in million euros

	2010	2009	2008	2007	2006
<b>Assets</b>					
Non-current assets	206.3	164.5	157.0	145.6	143.0
Current assets	447.5	356.1	339.1	305.9	275.2
<b>Equity and liabilities</b>					
Equity	371.5	335.0	311.4	276.5	249.2
Non-current liabilities	46.7	32.3	31.0	23.8	28.1
Current liabilities	235.5	153.4	153.7	151.2	143.4
<b>Balance sheet total</b>	<b>653.7</b>	<b>520.7</b>	<b>496.1</b>	<b>451.4</b>	<b>420.8</b>

On the assets side, non-current assets amounted to 206.3 million euros, 41.7 million euros more than in the prior year. Increasing by 27.7 million euros, time deposits and securities experienced the greatest change. During the course of the year, Bechtle greatly expanded these investments with terms of more than 12 months, in view of their more attractive yield. As a result of the acquisitions during the reporting period, goodwill increased by 9.4 million euros to 115.8 million euros. Against this background, other intangible assets also increased by 2.8 million euros to 17.7 million euros, and property, plant and equipment by 1.4 million euros to 29.2 million euros. At Bechtle, investments are largely constant and mainly concern replacements and expansions. In the reporting period, they amounted to 11.8 million euros, slightly less than in the prior year (14.0 million euros), which had been affected by the new buildings in Gaildorf and Solingen, Germany. Thus, the investment ratio dropped to 26.4 per cent (prior year: 32.7 per cent).

The capitalisation ratio remained at 31.6 per cent. The coverage of the non-current assets by the equity receded from 203.6 per cent in the prior year to 180.1 per cent in the reporting period, a value that is still good.

Current assets amounted to 447.5 million euros, 91.3 million euros more than in the prior year. In this item, trade receivables were particularly effective, growing by 65.1 million euros to 249.0 million euros. The increase was mainly fuelled by the greatly increased business volume in 2010 and particularly by the highly dynamic year-end business. Thanks to the determined receivables management of Bechtle AG, the DSO could be further reduced to 35.3 days (prior year: 36.2 days), despite the much higher volume. By 31 December, inventories had increased by 15.7 million euros to 75.1 million euros. This was due to the many orders received towards the end of the fiscal year, which pushed up the stock levels accordingly. Nevertheless, the ratio of inventories to revenues increased only insignificantly from 4.3 per cent to 4.4 per cent. The value indicates that Bechtle only ties up a small amount of capital in the form of stock on hand. Moreover, the majority of the inventories are linked directly to projects and are prefinanced on behalf of the customer. Due to deferrals for maintenance agreements of Solidpro, other assets increased by 2.7 million euros. The balance sheet item cash and cash equivalents increased by 9.0 million euros to 85.5 million euros.

Liquidity, including short and long-term time deposits and securities, increased by 36.6 per cent from 95.0 million euros to 129.8 million euros.

Inflation did not have any major impact on the assets. The balance sheet items are mostly calculated in euros, and the inflation rates in the reporting period remained on a low level in the key markets. In the reporting period, the assets increased by 9.8 million euros due to currency translation differences recognised outside profit or loss and the hedging of net investments of foreign operations due to the stronger Swiss franc.

In the business of Bechtle AG, which does not intensively involve property, plant and equipment, the ROCE (return on capital employed) is mainly characterised by the development of current assets and liabilities on the one hand and the earnings performance on the other. In previous years, Bechtle's ROCE remained largely stable at around 20 per cent. The only exception was the prior year with 15.7 per cent. In the reporting period, it amounted to 21.0 per cent, thus returning to the usual level. This was due to the substantial increase in earnings (42.2 per cent) compared to an only moderate rise in the average capital employed (6.0 per cent).

#### ROCE/CAPITAL EMPLOYED

in per cent/in million euros

	2010	2009	2008	2007	2006
ROCE	21.0	15.7	22.7	23.4	19.7
Capital Employed	288.6	272.2	264.9	249.5	231.6

The working capital underwent an absolute increase compared to the prior year but a decrease from 26.8 per cent to 25.0 per cent in relation to the balance sheet total. Though trade receivables and inventories surged, this was partly compensated by an increase in trade payables and prepayments received in the deferrals as of the end of the year.

## WORKING CAPITAL

in million euros

	2010	2009	2008	2007	2006
Working Capital	163.4	139.5	142.5	134.9	121.4
In % of the balance sheet total	25.0	26.8	28.7	29.9	28.9

On the liabilities side, current liabilities increased by 82.1 million euros to 235.5 million euros (prior year: 153.4 million euros). With an increase of 49.6 million euros, trade payables underwent the greatest absolute change. As of the reporting date, this item amounted to 129.1 million euros, a result closely associated with the record revenue. Other liabilities totalled 64.6 million euros, 22.2 million euros more than in the prior year. Personnel liabilities were one of the reasons for this increase, as the positive business performance also resulted in higher performance-related compensation components of the employees in the reporting period. VAT liabilities increased by about 7 million euros. Current financial liabilities increased by 2.3 million euros to 4.8 million euros. This was due to a loan raised for the purpose of financing an acquisition and common supplier loans. Accruals and deferrals increased from 19.6 million euros to 25.3 million euros, especially because of the increase in prepayments.

As of the reporting date, non-current liabilities amounted to 46.7 million euros, 14.4 million euros more than in the prior year. Due to a loan raised for the purpose of financing an acquisition, the non-current financial liabilities of the Bechtle increased by 5.7 million euros to 12.3 million euros. Pension provisions mainly concern the Swiss companies. These provisions increased by 4.6 million euros, amounting to 13.2 million euros as of 31 December 2010. The increase was exchange-rate-related on the one hand and on the other hand resulted from changed calculation parameters. The share of non-current liabilities in the balance sheet total increased from 6.2 per cent to 7.1 per cent.

As of the closing date, there were no contingencies toward special-purpose entities not included in the consolidated financial statements and no investment obligations.

In the reporting period, the equity increased by 10.9 per cent from 335.0 million euros to 371.5 million euros. The increase was the result of the higher retained earnings. Due to the considerable balance sheet extension, the equity ratio in the reporting period dropped from 64.3 per cent to 56.8 per cent. Due to the higher earnings after tax, the return on equity raised to 14.2 per cent.

## RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

in per cent

	2010	2009	2008	2007	2006
Return on equity	14.2	11.3	16.9	16.9	12.9
Return on assets	8.7	7.4	10.7	10.3	8.0

Because of the balance sheet extension, the debt coefficient of the Bechtle Group increased to 0.76 in the reporting period, compared to 0.55 in the prior year. As the liquidity situation continued to be outstanding, the net indebtedness resulted in a negative value of 112.7 million euros (prior year: minus 85.8 million euros).

Due to the increased earnings in the reporting period, the return on assets (ROA), a key performance indicator that reflects the return on the total assets employed, improved from 7.4 per cent to 8.7 per cent.



"Perpetually strong equity ratio of 56.8 per cent."

Markus Furkert,  
head of address management

## Fair value

On principle, the fair value of the current assets corresponds to the carrying amount. This applies to the other intangible assets with a limited useful life, the property, plant and equipment, the trade receivables, the income tax receivables, the other assets, the time deposits and securities, and the deferred taxes within the scope of the non-current assets. On principle, the goodwill and the brands presented under the other intangible assets are not carried at fair value. Rather, the carrying amounts are assessed by means of annual impairment tests on the basis of the values in use, which are determined using a discounted cash flow method. As the values in use greatly exceed the carrying amounts, these assets are not subject to any impairment. It is not possible to quantify the amounts in which goodwill and brand-forming factors or intangible assets that are not accounted for are responsible for the excess. The carrying value of the non-current and current liabilities also basically corresponded to the fair value.

## Intangible assets

The assets of a company not only consist of quantifiable elements, but also of elements that can only be described in qualitative terms. The employees of Bechtle AG are doubtlessly among the most important assets. The group reports on this subject in a separate chapter.



Qualitative asset:  
employees and close  
supplier relationships

Moreover, the supplier relationships in both business segments are highly significant to the company's success. Bechtle collaborates with more than 300 vendors and about 600 distributors across Europe. Based on a close supplier relationship, Bechtle is able to offer its customers a comprehensive spectrum with transparent market prices and quick availability. Usually, ordered goods are delivered directly from the vendor or distributor to the customer within 24 hours in the form of fulfilment solutions.



See Business Activity,  
IT E-Commerce,  
page 47 f

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

Especially in the consulting-intensive service business, customer relationships are the key to success. Respectability, reliability, and continuity are indispensable determinants of customer relationships, particularly in dealings with medium-sized customers. Bechtle has been active in the IT market for almost 30 years and has concentrated on medium-sized customers as the core segment from the outset. Therefore, the company not only has a grown customer base, but is also able to use its long-standing experience to quickly establish a successful business relationship with new customers.

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



Broad market acceptance and  
market penetration

## FINANCIAL POSITION

In 2010, Bechtle AG further expanded its financial flexibility and independence. The comfortable funding and solid capital structure are important preconditions for future organic growth and acquisitions. Moreover, this economic strength forms the basis for the ongoing development of the product and service portfolio.

### Financial management principles and objectives

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



See Notes,  
page 154 ff and 184 ff

As a matter of principle, Bechtle uses derivative financial instruments exclusively for hedging its operating activities. In the reporting period, these were currency futures, interest swaps, and currency swaps. The hedging of the group currency euro represents a key subject of the financial management. The company endeavours to use instruments that protect the equity in euros and that do not have any effect on profit or loss in the income statement. Hedging measures are primarily taken for Swiss francs and pounds sterling, as asset items and cash flows outside the euro area are held and generated primarily in these two currencies.



See Opportunities and  
Risk Report, Finance,  
page 122

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 was only conducted with investment-grade debtors.

### Cash flow statement

Compared to the prior year, the operating cash inflow increased by 11.8 million euros to 59.1 million euros (prior year: 47.3 million euros). Nevertheless, the EBT increase of 18.1 million euros did not fully compensate the rise in working capital due to the positive business performance.



See Assets Position,  
page 99

The higher capital tie-up was reflected in the development of the inventories and receivables under the net assets. The cash outflow from the build-up of inventories increased from 7.3 million euros to 14.2 million euros. Due to the increase in trade receivables, the group recorded a cash outflow of 53.3 million euros, while in the prior year, the reduction of trade receivables had resulted in a cash inflow of 5.2 million euros.

The cash inflow from the accumulation of trade payables was 40.0 million euros (prior year: cash outflow of 3.9 million euros). The changes in other non-cash income and expenses underwent an increase of 3.3 million euros (prior year: reduction of 0.5 million euros), a result of the increase in the provisions and impairments. Under other net assets, Bechtle recorded an increase of 19.5 million euros (prior year: 0.8 million euros), which primarily resulted from the rise in other liabilities due to upcoming commission and VAT payments.

The cash outflow from investment activities increased substantially from 30.3 million euros to 47.6 million euros. Of this amount, 31.0 million euros (prior year: 18.0 million euros) were spent on time deposits and securities for the purpose of reducing the high balance of cash and cash equivalents and optimising financial earnings. On the other hand, the cash inflow from the sale of time deposits and securities amounted to 6.8 million euros (prior year: 43 thousand euros). Investments in intangible assets and property, plant and equipment amounted to 12.2 million euros, a figure close to that of the prior year (13.6 million euros). In the reporting period, the cash outflow for acquisitions totalled 5.9 million euros, compared to 0.6 million euros in 2009. Moreover, the group recorded a cash outflow of 7.5 million euros (prior year: 0.7 million euros) to hedge assets held in foreign currency.

In 2010, the negative cash flow from financing activities dropped to 7.2 million euros, compared to 17.8 million euros in the prior year. The assumption of financial liabilities with an inflow of 12.0 million euros (prior year: 3.9 million euros) and the lower repayment of these with an outflow of 6.0 million euros (prior year: 10.3 million euros) had a mitigating effect on this item.

As of the end of the reporting period, cash and cash equivalents increased by 9.0 million euros to 85.5 million euros (prior year: 76.5 million euros).

The free cash flow went up from 34.4 million euros to 41.8 million euros. In connection with the higher cash flow from operating activities, the free cash flow amount was primarily affected by the acquisition strategy of Bechtle AG in the reporting period.

CASH FLOW	in million euros				
	2010	2009	2008	2007	2006
Cash flow from					
Operating activities	59.1	47.3	49.9	42.0	26.9
Investing activities	-47.6	-30.3	-18.1	-9.5	-19.3
Financing activities	-7.2	-17.8	-10.1	-16.1	-18.3
Cash and cash equivalents	85.5	76.5	77.3	52.3	36.7
Free Cash flow	41.8	34.4	28.3	25.8	5.7

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



See Notes,  
page 194 ff



"Strong free cash flow of  
41.8 million euros."

Anne Langens,  
technical management of the  
competence centre virtualisation



See Notes,  
page 156 and 179 f



See Notes,  
Operating Leases,  
page 202

At Bechtle AG, off-balance-sheet financing instruments primarily concern operating leases. Details are presented in the Notes to the Consolidated Financial Statements. To optimise the balance sheet and financing structures, Bechtle also performs individual factoring transactions with a relatively low volume.

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

## STRATEGIC FINANCING MEASURES

In the reporting period under review, the current business, and necessary replacement investments were financed with cash and cash equivalents and the current operating cash flow. The funds required for the acquisitions in the fiscal year ended were covered partly by the available cash and partly by assuming financial liabilities. As there were no major investment projects, no strategically significant financing measures, such as capital increases or the issue of bonds, were necessary.



"Strong: sufficient funds available for further growth."

*Martin Meyer,*  
head of e-procurement

The company has a relatively high equity ratio of 56.8 per cent. This provides evidence of a financing strategy that is based on the policy of maintaining maximum independence from outside creditors. However, the financing strategy provides for continuous monitoring and, if necessary, optimisation of the capital structure. To improve the leverage and thus the efficiency of the capital structure, in the reporting period under review, e.g. current and non-current financial liabilities were increased from 9.2 million euros to 17.1 million euros and amount as of the reporting date to 2.6 per cent of the balance sheet total (prior year: 1.8 per cent). Similarly, the stable equity ratio also forms the basis for a higher borrowing potential and financial flexibility, especially in order to make use of acquisition opportunities that arise at short notice. Apart from non-current time deposits and securities worth 30.7 million euros, Bechtle therefore keeps 99.1 million euros, i.e. the major part of its funds, in the form of cash as well as time deposits and securities that are available at short notice.

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

## ACCOUNTING JUDGEMENTS AND ESTIMATES

Except as presented below, no options were exercised and no balance-sheet-related arrangements were made during the fiscal year which, if exercised or arranged differently, would have had a material effect on the earnings, assets, and financial position.



See Notes,  
page 157 f

Information about the effect of estimates, assumptions, and judgments made especially in connection with the valuation of the property, plant and equipment, intangible assets, goodwill, doubtful debts, pension liabilities, provisions, contingencies, and tax expenses is presented in the chapter "Estimates, Judgements, and Assumptions" in the Notes to the Consolidated Financial Statements.

A past decision that was significant for the balance sheet concerned the construction of the new company headquarters. In the fiscal year 2002, Bechtle concluded a lease for the central logistics and administration building in Neckarsulm. Alternatively, the building could have been purchased. In this case, the acquisition costs of about 31 million euros for the building would have had to be entered in the balance sheet as an asset under property, plant and equipment, which would have increased the non-current assets and the capitalisation ratio in the subsequent fiscal years. Depending on the financing mode, the assets and financial position could have been affected substantially. Debt financing would have increased the long-term debts, and the resulting balance extension would have reduced the equity ratio. The use of cash and cash equivalents for financing purposes would have resulted in a reduction of the financial flexibility. The construction of the annexe in Neckarsulm was also financed with a leasing scheme that does not have any effect on the balance sheet. Therefore, the total volume amounts to 38 million euros.

A significant number of subsidiaries of the Bechtle Group are active and domiciled in Switzerland and keep their accounts in local currency (Swiss francs). To hedge the EUR/CHF exchange rate risk with respect to the net assets of these Swiss subsidiaries, Bechtle makes use of financial hedging instruments, such as currency futures. Apart from economic hedging, the objective is to achieve a compensation of the translation differences resulting from the translation of the financial statements of foreign subsidiaries in foreign currency, which are to be recognised directly in equity in the consolidated financial statements (euros). For this purpose, Bechtle qualifies and designates this hedge for hedge accounting measures in accordance with IAS 39 and recognises gains or losses from the hedge – to the extent that the hedge provides effective protection – outside profit or loss under other earnings. Without such a designated hedge accounting measure, all gains and losses from the hedge would have to be recognised in the EBT through profit or loss.

In connection with the accounting of provisions for pensions, Bechtle does not enter the actuarial gains and losses according to the so-called corridor method (IAS 19.92), but always in their full amount in the period in which they accrue directly in the equity, outside profit or loss, according to IAS 19.93A. Thus, all actuarial losses that accrued until the balance sheet date have been fully recorded and presented in the equity. Had the corridor method been used, only a certain part of the actuarial gains and losses would have been entered in the respective reporting period and recognised through profit or loss.

At the time of addition of financial assets or financial liabilities, there is a one-time option to measure the asset or liability at fair value through profit and loss (IAS 39.9). So far, Bechtle has not made use of this option and measures granted loans and receivables at amortised cost and financial assets available for sale at fair value outside profit or loss. So far, the use of the option for measurement at fair value through profit or loss would not have resulted in any major changes in the valuations.

## OPPORTUNITIES AND RISK REPORT

The principles of value-oriented, responsible and sustainable corporate governance include the exploitation of business opportunities and the proactive control of the risks involved. At Bechtle, the early identification, assessment, and monitoring of risks as well as the active management of opportunities within the scope of the company's development are part of the measures taken to secure long-term profitable growth.

### RISK AND OPPORTUNITY MANAGEMENT

#### Basic Understanding

In the Bechtle Group, risk management and opportunity management are, naturally, closely interlinked. An "opportunity" is a potential event or trend that is favourable for the company or a potential positive variance from a planned scenario. The internal opportunity management of Bechtle AG is mainly derived from the strategy of the business segments and their goals. The group's Executive Board and the operational management in the individual business segments and holding companies, i.e. the division heads and directors, are directly responsible for the early and continuous identification, assessment, and control of opportunities. Thus, 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 company's market and competitive position and critical success factors for the company's performance. From this, the potential for concrete opportunities is derived for the individual business segments and discussed at planning meetings between the Executive Board and the executives with operating responsibility, and suitable targets are agreed in order to exploit this potential.



See  
Objectives and Strategy,  
page 53



See  
chart Corporate Governance,  
page 54

The possibility that an event could have a negative effect on the business and thus on the company's future is referred to as "risk". Thus, a risk is the danger of not being able to achieve goals or successfully implement strategies. This comprises all internal or external events, actions, or omissions that constitute a potential threat to the company's success or existence. The definition of risk is not limited to negative developments or events, but also expressly includes the failure to use or the insufficient use of positive development possibilities.

At Bechtle AG, “risk management” is defined as the entirety of all organisational arrangements and measures to identify and manage entrepreneurial risks. The main objective of the risk management is the due identification of material and existential risks, their assessment, and the initiation of suitable measures within the framework of risk control, thereby minimising or averting possible harmful consequences of the occurrence of the risk for the company. Efficient risk management ensures that personnel and resources are deployed in such a way that the attainment of company goals is supported in the best way possible.

However, the risk management does not intend to avoid all risks. To successfully exploit opportunities, a company must deliberately take risks in the course of its business activity. However, it is important to limit risks to an acceptable degree and to control them in the best way possible. This degree is governed by the risk policy and risk strategy that is tuned to the company’s overriding basic orientation. At Bechtle AG, the risk strategy is based on the corporate culture, the corporate guidelines, and the company’s strategic goals, which govern everyday operations and serve as an orientation aid for all decisions in various ways. The key elements of these basic cultural definitions are rooted in Bechtle’s corporate philosophy, code of conduct, and management principles.

Within the scope of the Vision 2020, the goal of Bechtle AG is to be present throughout Germany, Austria, and Switzerland and to become the leading IT partner of corporate customers and public-sector clients in the IT system house & managed services segment. In the IT e-commerce segment, the group wants to become the market leader in Europe and pursues internationalisation beyond European borders in the next stage. The targeted profitable growth will inevitably be accompanied by business risks. The risk policy of Bechtle AG must take this into account.

## Organisation

The risk management organisation forms the institutional framework for the risk management. It coaches the management processes in the company with respect to the risk aspect. 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. 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 insight gained from periodic analyses and statistics supports an effective risk management in the individual subsidiaries. Thus, the directors (risk owners) of the group companies 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.



See  
chart Holding  
Organisation,  
page 37



See  
Systems and Instruments,  
page 55 ff

The risk management organisation mainly takes care of two functions:

■ **Process-independent monitoring.** This comprises the review of the operability of all processes. The Internal Audit department is an important part of the process-independent monitoring. It audits business operations retroactively for compliance and suitability. The activities of the Internal Audit department are based on the provisions of Section 91 (2) of the German Stock Corporation Act (AktG). At Bechtle AG, the tasks of the Internal Audit department are continuously performed during the review of the monthly financial statements and at other times by the group accounting. The suitability of the early risk identification system set up by the Executive Board and the effectiveness of individual risk control measures and of the accounting-related internal audit system are reviewed by the auditors within the scope of the audit of the annual financial statements and during the year by the company management.

■ **Early warning and monitoring system.** The structure of the systems is geared towards the strategic and operational threats and ensures the operability of the risk management and other corporate processes. Early warning systems are instruments that assist the company in identifying risks and opportunities in good time. In connection with the identification of latent risks, special attention is paid to early indicators. "Monitoring" means the continuous review of the effectiveness, adequacy, and efficiency of the measures and of the needed audit structures with respect to the identified risks.



See Collaboration  
between the Executive Board  
and the Supervisory Board,  
page 64 f

Within the scope of the risk management, effective communication of important tasks and contents across hierarchy levels is vital for the interlinking with the business operations. In this connection, board and team work is an important instrument for the organisation and control of the needed information flow. At the top management level, this is done at Supervisory Board and Executive Board meetings and risk management sessions. At the management level, especially division head meetings, director conferences, strategy conferences, and planning and individual meetings with the Executive Board are held in order to meet this need.

## Group Accounting

According to Section 315 (2) no. 5 of the German Commercial Code (HGB), the group management report of capital market-oriented companies must describe the key properties of the internal audit and risk management system with respect to the group accounting process, which also includes the accounting processes of the companies included in the consolidated financial statements. In this connection, Bechtle uses the definition of the Institute of Public Auditors in Germany, Düsseldorf. According to this definition, the internal audit system comprises the principles, procedures, and measures introduced by the management, which serve the organisational implementation of management decisions (i) to protect the effectiveness and efficiency of the business activity (this includes the protection of the assets and the prevention or discovery of financial losses), (ii) to ensure the correctness and reliability of the internal and external accounting, and (iii) to comply with regulations relevant to the company.



Institute of  
Public Auditors  
in Germany:  
[www.idw.de](http://www.idw.de)

Concerning the accounting processes of the included companies and the group accounting process, the following structures and processes are implemented at Bechtle AG:

The Executive Board bears the overall responsibility for the internal audit system with respect to the accounting processes of the included companies and the group accounting process at Bechtle. All companies and strategic business segments included in the consolidated financial statements are integrated by means of a clearly defined leadership and reporting organisation. The principles, the structural and process organisation, and the processes of the group accounting-related internal audit system are outlined in group-wide policies and organisational instructions that are adjusted to the latest external and internal developments at regular intervals. Regarding the accounting processes of the included companies and the group accounting process, the management regards features of the internal audit system that could considerably affect the consolidated balance sheet and the overall statement of the consolidated financial statements including the group management report as important. This applies especially to the following elements:

- Identification of material risk fields and audit areas that are relevant to the group accounting process
- Monitoring audits to check the group accounting process and their results at the level of the group's Executive Board, at the level of the strategic segments, and at the level of the companies included in the consolidated financial statements
- Preventive audit measures in the group's financial management and accounting and of the companies included in the consolidated financial statements, of the strategic segments, and in operational, performance-oriented company processes, which generate important information for the preparation of the consolidated financial statements and the group management report, including functional separation and predefined approval processes in relevant areas
- Measures to ensure due IT-based processing of group accounting-related matters and data
- Measures to monitor the group accounting-related internal audit system, especially by the Internal Audit department

## Risk Identification and Assessment

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

The risk assessment form, whose purpose is to summarise possible risks as comprehensively as possible, serves as the basis for the risk assessment: each risk is assessed for probability of occurrence and expected damage amount (risk potential) and positioned in a risk matrix indicating the significance (A, B, and C risks). The assessment reveals how probable the occurrence of the risk is for the underlying risk potential. The result is a consolidated 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.



"Strong: the internal audit and risk management system."

*Martin Knappenberger,  
head of legal department*

## Risk Control

The company responds to identified risks on a case-specific 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
- Risk limitation: Minimisation of the probability of occurrence
- Risk compensation: The risk is borne by the company and economically compensated by an offsetting transaction
- Risk transfer: Transfer of the risk to another (insurance) company
- Assumption of the risk: No countermeasures taken

## Risk Reporting and Documentation

Several times a year, the management of Bechtle AG holds risk management sessions whose contents are subject to ongoing review and further development. In addition to the risk management session of Bechtle AG, separate sessions at which the risks are explicitly discussed and continuously reassessed with the responsible individuals are held for each segment and executive division. The Chairman of the Executive Board and the Chairman of the Supervisory Board participate in all these sessions. The responsible division heads 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. In addition to the standard reporting and assessment of risks at these sessions, there is an arrangement for ad-hoc reporting of critical issues to the responsible bodies (audit committee, Supervisory Board) and other individuals involved in the risk management process.

## OPPORTUNITIES

### Market and Competition

For Bechtle AG as a company in the IT industry, a positive general economic development presents opportunities for successful growth. However, even in an environment marked by macroeconomic stagnation or decline, Bechtle can benefit from the consolidation of the competitor landscape and expand its relative market share under its own steam. Therefore, the group intensively examines strategic market and competition analyses, deriving concrete growth options for its future development. Naturally, the examination also focuses on industry and technology trends that have a direct impact on the company's profitable growth.



See Competitive Position,  
page 51

The IT market is characterised by an intensive innovative drive and short product cycles. Due to the advancing technologisation, the significance of information technology is on the rise – both in the private sphere and in the industrial environment. Therefore, even markets that are considered to be saturated, such as the countries in Western Europe, continue to have a large and further increasing growth potential. Owing to the complexity of the IT, especially high-quality services will gain in significance. Bechtle's product and service portfolio covers all current and presently foreseeable needs of industrial customers. Thanks to the group's structural and strategic positioning, the preconditions for exploiting the resulting growth potentials are thus on hand.

For several years, the system house market – especially in German-speaking regions – has been undergoing a period of intense consolidation, which Bechtle is actively using. Thanks to its solid financial resources and good reputation, the company has been able to perform more about 40 acquisitions since its IPO, thereby continually strengthening its market position. In view of the progressive thinning of the industry and Bechtle's persistently excellent assets position and funding, the company will have further opportunity to continue to fortify its competitive position, for example by means of acquisitions or by expanding the product and service spectrum. In the reporting period, too, Bechtle made use of this opportunity and acquired a total of three companies: two German system houses and one Austrian system house.



See Assets Position,  
page 99 f

The Bechtle Group holds a leading competitive position. Thanks to its decentralised structure, it is able to act quickly and flexibly to increase the regional market exploitation. Additionally, the company's financial strength forms the basis for taking advantage of the competitors' weaknesses in a determined manner. The strategic focus in the reporting period centred on new opportunities in connection with the expansion of the relative market share in the individual regions.

The Bechtle Group is benefiting from additional opportunities from the halting improvement of the credit supply and the partly inadequate funding of many medium-sized businesses. The need of customers to save costs in the short run is fuelling demand for innovative IT concepts and services. At the same time, the demands on information technology are rising, as in the long run, only companies that regard IT as a production factor and that successfully transform the IT into a value-creating business division will be able to gain a lasting competitive edge.



See  
Forecast Report,  
page 129

In the coming years, the IT e-commerce segment is expected to grow above average, especially also in view of the Vision 2020. Besides the planned development at the existing locations, the opportunities in this segment mainly relate to the further internationalisation of the business on the basis of a multi-brand strategy. The necessary systems and processes have been continuously improved over the past years and form a reliable platform for further growth. In the reporting year, the group opened a subsidiary in Poland, thereby carrying the Bechtle direct brand to Eastern Europe. Bechtle also prepared the market entry to the Czech Republic in the reporting period and establishes its own subsidiary in Prague in April 2011. In the reporting period, the Comsoft brand – the specialist in software licensing and management – was launched in three additional European countries: Belgium, Italy, and Spain. Thus, Comsoft is represented in seven European countries besides Germany. For all three trading brands, further expansion steps are planned for Europe in 2011. Other attractive growth markets for the Bechtle direct brand are Latin America in the medium run and Asia in the long run.



See  
Locations,  
page 40 f

Under the buzzword “green IT”, the issue of climate protection has already become a well-established factor in the IT industry. To meet the requirements for eco-friendly IT and to exploit the resulting opportunities, Bechtle has introduced an innovative range of low-emission, energy-saving products. In the service sector, Bechtle offers customer-specific solutions that also contribute to energy savings in the IT infrastructure, for example through server consolidation or virtualisation of applications.



See  
Environmental Protection,  
page 52

## Customers



See  
chart Industry Segmentation,  
page 50

In the IT system house & managed services segment, Bechtle processes the German-speaking regional markets with a dense network of system houses. Due to the widely diversified customer structure, the effect of unique industry-specific economic trends and special investment-related framework conditions on the company is relatively small. Moreover, Bechtle’s long-standing presence in this segment represents a high market entry barrier for potential competitors. The strong competitive position in the medium-sized business segment enables Bechtle to expand its market leadership in this area and to align its own business model on a cross-industry level.

Bechtle also markets its services in the public sector, a business field in which the company has consistently expanded its activities in recent years. Apart from the basic opportunity associated with the expansion of the customer portfolio and the achievable higher business volume, the focus on the needs of public-sector clients and the consideration of the special aspects of the contract award practice in this segment offers another opportunity: the investment behaviour of this customer group is less susceptible to economic trends and is often even anti-cyclical.

In the IT e-commerce segment, the company is active with the ARP, Bechtle direct, and Comsoft direct brands in selected European countries. In this segment, Bechtle sees besides a wider customer approach an increased customer bonding through the use of bios® shops as an opportunity for future growth.



See  
Business Activity,  
IT E-Commerce,  
page 47

Apart from Bechtle direct, which focuses on enterprise customers, Bechtle ÖA direct serves as a platform for public-sector clients. In this field, too, the anti-cyclical investment behaviour of public-sector clients and the above-average growth rates that Bechtle achieved in this customer segment in recent years provide the opportunities already addressed above.

## Manufacturers and Distributors

Bechtle AG maintains close partnerships with all major suppliers and manufacturers of the IT industry. For example, the company cooperates with IBM in the field of outsourcing. The intensive collaboration with partner companies enables Bechtle to offer technologically suitable solutions for the growing bandwidth of customer requirements. Bechtle is improving its own growth opportunities especially by means of a more extensive range of individual service solutions for enterprise customers and public-sector clients. Moreover, Bechtle AG is one of the largest HP partners in Europe. In its partnerships with key suppliers and manufacturers, the overwhelming majority of the group's certifications have the highest partner status.



[www.bechtle.com/  
partner-en](http://www.bechtle.com/partner-en)

To support the collaboration, Bechtle has additionally appointed Vendor Integrated Product Managers (VIPM) for strategic manufacturers, who promote the interests of the manufacturer and of Bechtle alike. For example, information of the manufacturers can be forwarded to the responsible procurement, sales, and service staff in the company without delay in a centralised and target-oriented manner. This enables Bechtle to ensure that from the customer perspective, its offer reflects the state of the art at all times, which increases the quality of the sales activities, and enables customers benefit immediately from innovative product promotions of the manufacturers. On the other hand, the Bechtle product catalogues, for example, have for many years been a sales channel with a high multiplier effect for manufacturers and distributors.



See  
Business Activity,  
IT E-Commerce,  
page 48

Additional synergies are achieved through the standardisation of logistics processes and synchronisation of the ERP systems between Bechtle and the partners. This not only makes for a wider product offer and increasing availability of the goods, but also increases the attractiveness of Bechtle for other distributors and manufacturers.

## Service Range



See  
Bechtle IT Solutions,  
page 44

Enterprise customers increasingly 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, maintenance, and financing business, Bechtle is well prepared to benefit from this trend. Furthermore, Bechtle has duly positioned itself by means of acquisitions, strategic alliances, and competence centres especially tuned to the needs and trends of the market and has fortified its position with qualified staff.

In connection with the procurement and operation of the IT, many companies want to make use of any possible savings potential. Existing corporate processes are being reviewed, and innovative IT management models like outsourcing are gaining significance. The outsourcing of the IT or parts of it enables companies to redistribute costs and reduce the capital tied up in the form of IT investments. Due to the increasing relevance of IT to all corporate processes and a measure of uncertainty on the part of customers because of the various system houses – including some renowned companies – that have gone bankrupt, many outsourcing customers are examining the reliability of their partners. This directly influences the choice of service providers, the prices, and how and from whom external services are procured. In future, the expanded range of outsourcing solutions and managed services could yield attractive growth opportunities for Bechtle as an economically stable, reliable partner with an excellent reputation. Customer relationships in this so-called operation business are usually of a long-term nature, which facilitates business performance planning. Moreover, the projects promise higher margins than the orders in the conventional trading business.



More information on cloud  
computing is available in  
Bechtle update 4/2010,  
page 21 f  
at [www.bechtle.com/customer-magazine-en](http://www.bechtle.com/customer-magazine-en)

Last year, a different type of procurement and operation of IT infrastructures and their applications in companies entered the industry under the name “cloud computing”. In cloud computing, processing performance, storage, applications, and IT services are supplied in real time via data networks. In this context, the price of the individual services is determined by actual usage. The IT industry is convinced that the business field of cloud computing holds great potential for growth, though it presents entirely new challenges especially for medium-sized providers of software and IT services. Thus, apart from products and services, entire business models, sales strategies, and consulting services will need to be adapted to the new technology. In future, the role of service providers in the IT market will consist of introducing cloud computing to the companies. System houses can do this by offering their own cloud services or by serving as intermediate dealers that form a link between the large cloud providers and the user companies. Bechtle is active in the cloud computing market both in cooperation with renowned partners and with its own range of solutions. In this connection, the Bechtle system houses offer an extensive portfolio of virtualisation and server technologies, infrastructure solutions, and security-relevant applications, thereby creating the needed customer-specific conditions for the procurement and operation of the IT from the “cloud”. In addi-

tion, the group offers its customers consulting and integration services for cloud computing, as the specific services often need to be integrated in and networked with existing systems. According to a study that the Experton Group conducted for BITKOM, the cloud computing revenue in Germany will increase from 1.9 billion euros in 2011 to 8.2 billion euros in 2015. This means an average revenue growth of 48 per cent per year. Thus, five years from now, this technology will account for about 10 per cent of the total IT expenditure.



[www.bitkom.org/en](http://www.bitkom.org/en)

In view of the restrictive lending practices to medium-sized industrial enterprises that persisted in the reporting period, especially IT system houses with a technological one-stop solution package and a wider range of financing services have a certain competitive advantage. Particularly in times of economic tension, leasing models can facilitate the roll-out of important IT projects despite shrinking budgets. This financing alternative also promotes long-term customer loyalty and the recruitment of new customers.

### Company Organisation

By consistently aligning the company structure to the strategy, an important precondition has been established for exploiting of the opportunities resulting from the market developments described. The extensive geographic presence with about 60 locations in Germany and Switzerland and two locations in Austria enable Bechtle to address local medium-sized businesses on site via the regional system houses and – from the perspective of the Bechtle Group as a whole – to attract businesses and corporations that operate on a nationwide scale and that prefer a large IT service provider as a reliable partner. Despite the great significance of decentralised responsibility and decision-making structures, the Bechtle Group benefits from its size in the field of centralised administrative tasks and bundled purchasing and logistics processes by using corresponding economies of scale. Additionally, competence centres, specialised product management teams, and segment heads bundle expertise that is made available centrally to all locations.



See Management Structure, page 39

Thanks to the attained market position and the combination of centralised and decentralised structural elements, Bechtle is ready to actively exploit new market opportunities. In the public-sector division, for example, Bechtle has pooled the competencies and experience for this special market segment. This organised interaction between central support and a decentralised market approach by the system houses also yields improved opportunities for growth in this market – a proven basic principle that Bechtle also applies in the newly created software division and in the organisation of the managed services division.



“Strong: the business model of Bechtle AG.”

*Patrick Pulver,*  
head of Comsoft direct

## Personnel

Bechtle attaches great importance to long-term bonding of employees to the company, high motivation, and a corporate culture with a positive influence. The applied management style is a key condition for a good atmosphere in the company. The company's management takes the lead in living the basic values rooted in the corporate philosophy and creates an open atmosphere of mutual trust. This includes short communication routes and open exchange between the divisions, locations, and hierarchy levels. This is important in order to make existing expertise usable and to duly take both the strategic and the operational viewpoint into consideration when making decisions.



See  
Forecast Report,  
page 133

Preparing for an impending shortage of experts is another challenge that Bechtle is facing. However, a lack of qualified staff could also represent opportunities, for example if the company could train a sufficient number of experts internally and bind employees to the company on a long-term basis. Thus, Bechtle plans to raise the training ratio in Germany to about 12 per cent by 2012. Furthermore, Bechtle regularly invests in the training of existing staff members. The Bechtle Academy, which was established in 1999, constitutes an important element in the mounting competition for future employees. The staff development department has been complementing the activities of the Bechtle Academy for about two years. At the same time, the Academy represents a proven organisational platform for the systematic implementation of staff development measures. In 2010, the Academy and staff development initiated a number of new programmes for specialists and executives. For example, under the motto "Take the lead at Bechtle", Bechtle AG launched a staff development measure for directors of the Bechtle Group and the "Sales Force" programme, a training measure for sales staff and service providers.



See  
Employees,  
page 61

## RISKS

The management believes that the risks described below could have a considerable negative effect on the company's earnings, assets, and financial position, on the share price, and on its reputation. Nevertheless, this list does not include all risks to which the Bechtle Group is exposed. Other risks that are not yet known or risks that are currently considered to be of little significance could also impair the company's performance.

### Macroeconomy and Industry

Bechtle AG sells IT products in 13 European countries and offers IT services in Germany, Austria, and Switzerland. Though the business greatly depends especially on the domestic market, the development of the European economy as a whole has a decisive effect on Bechtle's growth, as foreign markets account for about one third of the group's revenue.

In the reporting period, the economy in most European countries recovered considerably. Especially in Germany, the crisis mood of the prior year virtually evaporated. It cannot be said with certainty whether this growth will go on in 2011. A stagnating or, even worse, a declining economic trend, which is theoretically possible, could be associated with risks for the assets, earnings, and financial position of the Bechtle Group.

Bechtle operates in a highly competitive and technologically short-lived market. Both the IT trading segment and the IT service segment are characterised by competition in terms of pricing, product quality, and service quality. Thus, Bechtle is confronted with mounting price and margin pressure, partly weakening demands, and growth cycles that are highly susceptible to economic trends. Furthermore, the IT market is still undergoing a period of intensified consolidation, which may culminate in stronger individual competitors and changed market shares. The company's earnings position mainly depends on the extent to which Bechtle can exploit the industry consolidation to achieve above-average growth as well as on the effectiveness and, most importantly, on the efficiency with which the group succeeds in fulfilling the customers' growing need for smarter IT solutions.

Among other things, Bechtle counters market risks by strengthening business areas with above-average growth potential, such as managed services. With its outsourcing services, this business field not only offers attractive growth perspectives, it also reduces Bechtle's susceptibility to short-term economic trends by means of longer contract terms.



See  
Service Spectrum and  
Processes,  
page 45

To further reinforce the market position of Bechtle AG in Europe, the company continually enters new national markets in the IT e-commerce segment. In this context, Bechtle is confronted with political, economic, and legal risks in the respective target countries. Furthermore, the establishment of new trading companies requires concerted efforts in the field of sales, which are not always successful. The revenues and earnings could be impaired by start-up costs for the establishment and personnel as well as investments in country-specific sales and marketing activities. Moreover, there is a risk that the selected measures could later be found to lack sustainability or fail to gain the expected market acceptance. Bechtle AG endeavours to limit such risks and risks resulting from the legal, economic, or company-specific framework conditions by means of extensive analyses and audits before entering a market, uniform investment controlling for all e-commerce companies, and successive know-how transfer from previous market launches. Moreover, the market entry strategy provides for the hiring of suitable professionals and executives who have detailed knowledge of the local market and of the other framework conditions. Therefore, executive positions in new subsidiaries are usually staffed with local managers who are first subjected to an intensive training programme in Germany.

## Business Activity



See  
Personnel Expenses,  
page 60

**Cost Structure.** The cost structure of Bechtle AG is characterised by a high proportion of personnel expenses whose adjustment lags behind a changed capacity utilisation. In economically weak phases, Bechtle can only reduce functional costs to a certain extent in the medium term without any major impairments of the occupation situation. Furthermore, measures affecting personnel expenses must always take the existing or possible future personnel risk (lack of qualified staff) into consideration.

**Procurement.** Bechtle AG meets the risks in the supply markets with selective supplier management and a manufacturer-oriented organisation of Vendor Integrated Product Managers (VIPM) which also ensures close interaction of the group logistics processes with manufacturers and distributors. However, the effectiveness of these measures is limited with respect to the development of the international supply markets. For example, should the price slump in the industry be above average due to the aggravated competitive situation and continue over an extended period, this could greatly affect the group's profitability.

Bechtle buys its products from all renowned IT manufacturers and distributors. Across Europe, the company cooperates with about 300 manufacturers and more than 600 distributors. Should a partner be unable to supply goods, Bechtle can always offer comparable alternative products at short notice. In terms of its economic situation and existence, the group does not depend on any single supplier. However, the product portfolio of Bechtle AG does put special emphasis on Hewlett-Packard products.

Developments in the IT market point to growing competitive pressure as well as price and margin pressure among manufacturers. Thus, despite the trend that has been going on for many years, manufacturers have enforced price increases in some areas in the reporting period. Bechtle is not always able to pass on such price increases to customers to the full extent. Therefore, especially long-term contracts and projects pose a risk to the group's earnings position. Moreover, due to the margin pressure on the manufacturer side, manufacturers may step up their conditions for paying bonuses, reduce bonuses in general, or increasingly pay in kind (e.g. in the form of free training for employees). Depending on the degree of the change, such a development could affect the earnings position of Bechtle AG.

Bechtle minimises storage risks and reduces the capital tie-up by continuously improving its procurement, flow, and sales processes. The principle is to procure goods only shortly before they are shipped to the customer or to engage distributors as fulfilment partners. As the ordered goods are often shipped to the customer directly by the manufacturer or distributor, the company can save process and storage costs.



See  
Business Activity,  
IT E-Commerce,  
page 48

In order to avoid supply bottlenecks due to the short-term storage, the procurement processes are closely interlinked with the manufacturer and distributor systems. This ensures high availability and quick delivery to the customer. By means of the group-wide volume bundling through central procurement and logistics processes, Bechtle also achieves project-related benefits and economies of scale.

**Service Range.** In the managed services segment, long-term contracts account for the lion's share of the business. The fixed price guarantee commonly agreed for such projects can affect the margin generated due to changes of the cost basis during the term. Moreover, such contracts contain specific requirements with regards to the project flow and compliance with legal regulations. Failure to meet these criteria could lead to damage claims or termination of the contract. Furthermore, in its capacity as general contractor, Bechtle bears the risk of contractual fines due to missed deadlines, unforeseeable developments at the project sites, deficient services of subcontractors, and possible logistical difficulties.

**Customers.** Though individual companies of the Bechtle Group are somewhat dependent on a limited number of customers, the group as a whole has a very large customer base. Thus, Bechtle's existence does not depend on any single customer. Although there is a certain concentration of default risks on individual key accounts, the occurrence of these risks would not endanger the group. What is more, the diversity of industries that our customers belong to spreads the risk of dependence on individual industry trends. Bechtle meets the potential solvency risk of customers by means of careful examinations before establishing business relationships and by means of consistent debt collection management.



See  
Markets,  
page 50

**IT.** Basic IT risks emerge from the use of computer-based databases and the deployment of ERP, controlling, and accounting systems. For example, a goods availability risk could arise if the operability of IT systems necessary for smooth order handling is no longer guaranteed. This could happen due to hardware failures, operating errors, or defects in electronic data processing devices.

The probability and extent of damage from viruses and hackers is difficult to estimate. The intrusion of unauthorised parties in the IT system could result in a confidentiality risk. Bechtle employs encryption and authentication technologies as well as firewalls to protect confidential information transmitted electronically. Despite high-level protective mechanisms and security standards, there is a danger that internal and confidential information could be used illegally.



"Strong central IT: effective backup measures at all levels."

*Tina Müller,*  
*online publishing*

For the Bechtle Group, backups are a top priority. The central computing centre in Neckarsulm, Germany, which is responsible for ensuring the operability of all IT systems, has therefore developed a bundle of backup measures at various levels that prevent the failure of technical IT systems or at least minimise its probability. As far as we can discern, Bechtle is not exposed to any integrity risk from incorrect processing, loss of data, or faulty storage of data.

Among other things, Bechtle protects the IT systems by means of firewalls and strict security regulations. The IT system availability reflects the state of the art. Additionally, Bechtle protects the operations by means of redundantly designed data lines. At all locations, the network connection takes place via backup lines. For the stability of the IT e-commerce systems, Bechtle always employs several providers with mutual backup function. All material production systems are redundant and subject to high-availability agreements with the manufacturers. Moreover, the systems are protected by a UPS and an emergency power generator.

**Personnel.** Training, motivation, and commitment of the employees are key success factors of the Bechtle Group. Therefore, loss of expertise due to above-average fluctuation of qualified personnel and a lack of qualification and performance orientation on the part of the employees are among the major personnel risks. Furthermore, in the fast-growing business fields, there is a risk that the demand for qualified personnel cannot be met sufficiently. For this reason, Bechtle is not only eager to sign qualified specialists and executive personnel for the company and integrate them successfully, but most importantly to bind them to the company permanently. Henceforth, Bechtle will invest even more in the training of young people. By 2012, the training ratio in Germany is to reach about 12 per cent.



See  
Training,  
page 60 ff

Due to the ongoing consolidation in the IT market, there is not yet any general shortage of well-qualified sales staff. On the other hand, in individual competence areas it is far more difficult to replace highly qualified IT specialists, which may mean a risk for the operational business flow. However, in the industry Bechtle is regarded as an attractive, reliable employer, which can be seen due to the large number of qualified and experienced applicants. Apart from creating a positive work environment, HR work focuses on operational training and promotion of junior management staff by means of internal development programmes.

**Liability.** In the trading business, Bechtle assumes the standard liability and provides contractual warranty for supplied hardware according to its General Terms and Conditions. However, in this regard, Bechtle only passes on the manufacturers' warranty. The risk of warranty claims being asserted by customers against Bechtle without recourse to the manufacturer is low. Bechtle has taken out insurance or formed adequate balance-sheet provisions in case customers need to be granted warranty extensions or expansions. In the service and project business, especially in the case of managed services contracts, Bechtle always endeavours to agree standard limitations of liability under consideration of the purpose of the contract in order to minimise liability risks. A D&O insurance pursuant to statutory regulations covers any liability claims resulting from mismanagement. The scope of the general insurance cover is checked regularly and adapted if necessary. Thus, negative financial effects of insurable risks on the business are excluded or at least limited.



See  
D&O Insurance,  
page 70

## Finance

**Financial Instruments.** Currency, interest, 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 swaps, and interest swaps.

The financial risk management is characterised by the 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.

**Foreign Currencies.** Currency risks exist especially in areas in which receivables, debts, funds, and planned transactions exist or will accrue in currencies other than the local currency of the parent company. The foreign currency risk is mainly limited to Swiss francs, as a considerable portion of the international business is generated in Switzerland. Except for Switzerland, the United Kingdom, and Poland, the procurement mainly takes place in euro countries and in euros. In individual cases, goods are purchased in US dollars. The Bechtle Group uses currency futures in Swiss francs and pounds sterling in order to hedge the currency risk. The hedging of foreign currencies pertains to the payment flows generated in Switzerland and the United Kingdom and to the assets held by the national subsidiaries. Currency futures are used in individual cases to hedge the currency risk associated with the US dollar when purchasing goods in US dollars or when customers pay in US dollars.



See  
Notes, Currency Risk,  
page 186 ff



See  
Cash Flow Statement,  
page 102 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 as an integral part of the group accounting. In view of the existing financial position of the Bechtle Group as of the end of the year with cash and securities worth 129.8 million euros (prior year: 95.0 million euros) and a positive cash flow from operating activities amounting to 59.1 million euros (prior year: 47.3 million euros), liquidity risks are unlikely. Moreover, Bechtle AG has authorised capital of up to 10.6 million euros (prior year: 10.6 million euros), which can be used to increase the equity base if necessary.

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



"Strong: Bechtle's proactive receivables management."

*Tim Eckert,*  
head of group accounting &  
treasury

**Receivables.** A year after the economic crisis, the solvency of business customers continues to play an important role in the examination of the future risk situation. Bechtle could be exposed to bad debt losses because customers may be unable to meet their payment obligations in due time or in their entirety due to inadequate funding possibilities. Detailed monitoring of customer relationships including ongoing solvency checks and proactive debt management help to 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 restricting investments to first-class institutions. Bechtle AG reduces credit risks by exclusively executing transactions with banks with an excellent degree of creditworthiness and within the scope of defined limits. Payment transactions, too, are only handled via banks whose creditworthiness is beyond doubt.



See Assets Position,  
page 100 and  
Notes, Interest Rate Risk,  
page 188 f

**Interest.** As a matter of principle, financial assets and debts with terms of more than one year involve an interest rate risk. In the financial year ended, Bechtle increased its long-term financial liabilities. The interest rate risks of the Bechtle Group are centrally analysed, and the resulting measures are actively managed by the group's finance department. The procedure applied by the department is subject to regular auditing as determined by the management. The risk of interest rate fluctuations of loans with variable interest rates is eliminated by means of interest rate swaps.

## Others



See  
Locations,  
page 40

**Acquisitions.** Since its IPO in 2000, Bechtle AG has acquired about 40 companies. Takeovers are an essential part of the corporate strategy, which is designed with long-term profitable growth in mind. Bechtle intends to further strengthen and expand its market position by means of specific acquisitions. At the same time, however, the decision to purchase a company and integrate it into the group always involves an entrepreneurial risk. It is always possible that the expectations placed on the acquired company may not fully materialise. Bechtle addresses this risk by conducting extensive due diligence audits in advance. The preparation, implementation, and audit of acquisitions take place in line with defined competence arrangements

and approval processes. Moreover, Bechtle has many years of experience in integrating companies. The company has established the structures and processes that are necessary for this and pursues a post-merger concept that meets the group's needs in connection with the integration of newly acquired companies in the best possible way.

The rapid corporate growth of Bechtle in recent years also involves risks. On the one hand, the newly acquired companies tie up management resources during the integration phase. On the other hand, the rapid growth necessitates the continuous expansion and adaptation of the organisation and management structures to the changed framework conditions. For this purpose, Bechtle has continually developed and strengthened the respective resources in the company and key positions in the management. However, these risks are balanced by considerable entrepreneurial opportunities for further development of the group.

**Environmental Protection.** The group's portfolio is limited to the provision of IT services and the sale of hardware and software. Bechtle does not engage in technological R&D or production activities. Therefore, the company is largely unaffected by environmental risks and risks resulting from changed environmental legislation.

**Taxes.** The group operates in 13 European countries and is therefore subject to various tax regulations. Changes in the tax legislation could result in higher tax expenses and higher tax payments. Furthermore, the changed framework conditions could affect the tax receivables and liabilities as well as the company's deferred tax assets and liabilities. The group has a central tax department that ensures compliance with the domestic tax legislation and regulations. In other countries, external consultants are engaged.

**Compliance.** The amount of business with public-sector clients and government-controlled companies further increased in the fiscal year under review. Accordingly, Bechtle is increasingly involved in projects financed by government authorities and organisations. To accommodate the changing business structure and to minimise the risk of potential misconduct towards all business partners as far as possible, Bechtle AG implemented a code of conduct in the financial year 2010. The purpose of this code 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. To prevent potential misconduct of the employees in the handling of confidential data within the scope of the public-sector orders, Bechtle AG and the responsible individuals in the company underwent security screening by the Federal Ministry of Economics and Technology. Since then, Bechtle has been party to a non-disclosure agreement with the federal government. Thus, the company has established the basis for handling public-sector projects subject to non-disclosure in line with customer expectations.

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

At present, the company is not involved in any legal disputes that could have a negative effect on the consolidated earnings. Bechtle AG will form provisions for legal disputes for all future legal disputes in connection with the group's business if liabilities are likely to result and the amount of the liabilities can be determined with reasonable certainty.

## OVERALL RISK ASSESSMENT

The evaluation of the group's overall risk situation is the result of the consolidated examination of all major compound and individual risks. The management is of the opinion that the presented risks are limited and manageable. The company boasts a solid financial basis, with an above-average equity ratio of 56.8 per cent (prior year: 64.3 per cent) and a comfortable liquidity situation.

Third-party ratings are another important indicator for the overall risk assessment. Apart from the company's own internal risk assessment, Bechtle's credit rating and aggregate default risk are regularly appraised and monitored by banks and rating agencies. All institutions are of the opinion that Bechtle's probability of default is very low: 0.07 to 0.30 per cent (based on the customary one-year term). This corresponds to the credit ratings of the rating agencies Bürgel and Creditreform for Bechtle AG (Bürgel solvency index: 1.3 and Creditreform 1.0 solvency index: 107 and Creditreform 2.0 solvency index: 105 in February 2011). On the Standard & Poor's rating scale, which is widely used in financial markets worldwide, these probabilities of default correspond to a rating of A- to BBB+. On the bank-independent six-level IFD (Initiative Finanzstandort Deutschland) rating scale, Bechtle has a rating of I, which is the best level (probability of default up to 0.3 per cent per year). A deterioration of the rating could result in higher capital costs and have a negative impact on the business activities.

To date, the creditworthiness of Bechtle AG has not been appraised 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 company revenues and profitability due to other regulatory risks. All in all, Bechtle AG is not aware of any risks that could jeopardise the continued existence of the company either alone or in combination with other risks. The Executive Board is convinced that it will be able to make use of future challenges and opportunities without taking undue risk.

## SUPPLEMENTARY REPORT

### IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Bechtle AG did not experience any special events after the reporting date 31 December 2010 that would have affected the company's earnings, assets, and financial position.

For statements concerning the situation on the reporting date, see Forecast Report.



See  
Forecast Report,  
page 132 f

## FORECAST REPORT

The rate of innovation in the IT sector will remain high in future. As a result, the demands on enterprise IT organisation are set to increase and continue developing dynamically, too. In view of this, the demand for innovative IT services and smart solutions is expected to show consistent positive development. Based on an increase of the business volume under its own steam and by means of acquisitions, Bechtle has been growing faster than the overall market and has continually expanded its market share for many years. The Group has been able to manoeuvre into an ideal position for attaining its long-term growth targets.

### FRAMEWORK CONDITIONS

According to forecasts of the European commission, the economy in the euro area will sustain its growth over the next two years. The GDP is expected to grow by 1.6 per cent in 2011 and by 1.8 per cent in 2012. Within the Bechtle markets in the euro area, the picture for 2011 is rather mixed. In Portugal, experts predict a decline of 1.0 per cent. Spain has started recovering and is expected to gain 0.8 per cent in 2011, while Ireland is expected to gain 0.9 per cent. In the other countries in which Bechtle is present, the growth mostly corresponds to the average in the euro area. Outside the euro area, Great Britain will exhibit above-average performance of 2.0 per cent. As estimated by Eurostat, Switzerland is expected to grow by 1.8 per cent. The Commission expects investments in equipment to grow by 5.0 per cent in the euro area in 2011. Here, the gap between the individual countries is even wider. Figures range from minus 3.4 per cent in Portugal and minus 3.2 per cent in Ireland to an extraordinary plus 10.3 per cent in Germany, the investment leader.

In the next two years, the growth in Germany is expected to slow down slightly at a high level. According to European Commission forecast, it is expected to amount to 2.4 per cent in 2011 and 2.0 per cent in 2012. Investments in equipment will continue to be the growth driver. As mentioned earlier, these investments are expected to increase by 10.3 per cent in 2011 and by 8.2 per cent in 2012. Although government expenditure is predicted to be somewhat weaker, a growth of 1.0 per cent is expected for 2011 and of 0.9 per cent for 2012.

For 2011, noticeable growth is also expected in the IT industry. According to the market research institute EITO, the IT market in the EU is forecast to grow by 3.9 per cent in 2011. All three segments – hardware, software, and services – are expected to provide almost equal contributions to this growth. In the area of hardware, growth is predicted to be especially strong for workstations and mobile computers. However, the future hardware business in the larger IT markets of the EU will not be able to maintain the high growth rates seen during the reporting period, some of which reached the two-digit level. The figures range from about 2 per cent in the Netherlands and Spain to about 5 per cent in France and Germany. The IT market in Switzerland is expected to grow by 3.2 per cent. Here too, the growth contributions are evenly distributed over the subsegments.

The industry association BITKOM predicts above-average growth of 4.3 per cent for the German IT market in 2011. With a plus of 5.6 per cent, hardware will again contribute the biggest portion to this development. In this segment, business portable PCs are expected to account for the greatest growth of 9.0 per cent, followed by workstations with 8.0 per cent. The software business will increase by 4.5 per cent, and services by 3.5 per cent. For 2012, BITKOM expects a growth of the German IT market of 4.4 per cent. At 5.1 per cent, hardware will continue to be the segment with the greatest momentum, closely followed by software with 4.9 per cent. The service business is expected to gain another 3.8 per cent.

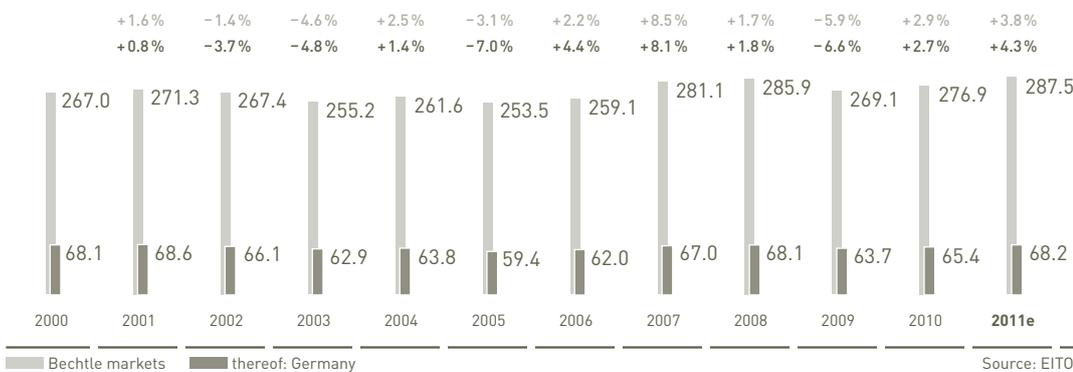


"Good framework conditions for continued strong growth."

Rita Gomes,  
translator

IT EXPENDITURE IN THE BECHTLE MARKETS 2000–2011

in billion euros



With respect to the economic situation predicted in the relevant national markets for the future, the Bechtle Group does not expect any major impact on the demand trend due to changes in legal framework conditions, the development of currency exchange rates, or the implementation of environmental policy measures.

## PERFORMANCE OF THE GROUP

### Products and Markets

Due to the ongoing consolidation, the European IT market is likely to remain very dynamic. These concentration phenomena will increase competition and result in rising price and margin pressure in the industry. Despite this development, Bechtle AG believes that it will be able to expand its market share at a disproportionately high rate due to its financial strength and competitive position.



See  
IT Solutions,  
page 44

To take technological trends in the field of IT into account and to meet growing customer requirements, Bechtle is busy developing and establishing a high-quality product and service portfolio. In this context, the expansion of the range of special IT solutions plays a key role in the IT system house & managed services segment. In view of budgetary constraints and the currently intensive focus on cost saving potential in IT, new service and consulting concepts and individual project solutions are expected to contribute to more efficient business processes at customers and allow Bechtle to develop growth-oriented business fields. Concepts like cloud computing and software as a service (SaaS), whose purpose is to make IT costs more scalable and flexible, will greatly accelerate this development especially in the next two years. In the coming years, Bechtle will consistently further develop the business of the system houses by effectively concentrating its services and sales activities on the hot subjects of client management, server & storage, networking solutions, virtualisation, IT security, and business applications.



[www.bitkom.org/en](http://www.bitkom.org/en)

The most important IT trends according to a survey conducted by BITKOM in the ITC industry

2010	2011
1. Cloud computing & virtualisation	1. Cloud computing
2. Mobile internet	2. Mobile applications
3. IT security	3. IT security
4. E-energy	4. Social media in organisations
5. Enterprise 2.0	5. Virtualisation

Furthermore, the product and service offering and the market presence are to be expanded in future through selective acquisitions.

To a certain extent, the high rate of innovation in the IT industry, which is driven by the technological progress, is unlikely to slacken off regardless of the macroeconomic situation. Bechtle is therefore continuously intensifying its close collaboration with external partners, such as suppliers and manufacturers, in the field of procurement and logistics. Especially through the partner programme "SPARC", which was initiated back in 2009, Bechtle hopes to continue to improve the interlinking with manufacturers and distributors throughout Europe. The goal is to develop collaboration synergies by means of uniform international purchasing conditions, product specifications, and marketing measures. Multinational enterprises thus benefit from the advantages of central logistics, and Bechtle is able to guarantee the supply of identical IT

products at fixed conditions across national borders. Especially the close contacts with manufacturers enable Bechtle to offer customers state-of-the-art solutions and products at all times.

In the IT e-commerce segment, the Bechtle Group strives to become the market leader in Europe and plans to expand its presence by establishing additional subsidiaries in Europe and, in the medium term, on other continents. Thus, Bechtle direct is present with a new subsidiary in the Czech Republic since April 2011. The market research institute EITO estimates the Czech IT market volume for 2011 at about 3.4 billion euros and the growth at almost 5 per cent. Investments in hardware account for 1.6 million euros, about half of this amount. Plans for the next market launch are already under way. Bechtle plans to gain a foothold in Hungary in the first quarter of 2012. The group expects the new e-commerce companies to pass the break-even point in the third year after market entry. In the medium run, the ARP and Comsoft brands are to enter the countries in which Bechtle direct is already present.

In addition, the group plans a significant expansion of the software product range in the IT e-commerce segment under the Comsoft direct brand starting from the second half of 2011. The new online shop to be established for this purpose will be developed into a customer-specific procurement and information portal in the B2B software area. In this way, more attention will be paid to the increasing significance of the software business throughout the group.

## Key Performance Indicators

**Revenue.** Bechtle believes that in general, it will outperform the IT market as a whole in the coming two years, generating more revenue in both segments than in the reporting period. In view of the widespread price decline in the industry, this will require an above-average increase in product sales. In the IT e-commerce segment, the streamlined profile of the ARP, Bechtle direct, and Comsoft direct brands, progressive expansion in Europe, and focused sales activities are to contribute to this growth. This goal is also supported by means of a wider and, most importantly, a better portfolio of managed services, continuous expansion of the activities in the public-sector and software divisions, and concentration on fast-growing business fields in the system house segment. In its Vision 2020, Bechtle targets revenues of 5 billion euros, which means an average annual growth of 10 to 15 per cent.

Due to the advancing internationalisation of the business and the increasing number of IT e-commerce companies, the regional distribution of revenues in the following years will continue to shift towards foreign countries within the scope of the planned development. Among the foreign subsidiaries, Switzerland will continue to account for an above-average share of the group revenue.

Both the IT system house & managed services segment and IT e-commerce will contribute to the growth of the Bechtle Group. However, in the years to come, IT e-commerce is again expected to be more dynamic than the IT system house & managed services segment. In the long run, this is associated with the expectation that both segments will contribute the same amount to the group's total revenue. Structural shifts between the segments will also play a role in future revenue performance. Thus, the group's objective is to increasingly relocate standardised hardware procurement processes from the IT system house & managed services segment to the IT e-commerce segment, where the associated processes can be implemented more cost-efficiently.

**Costs.** For Bechtle AG as a trading service provider, personnel expenses are of central importance with respect to the business management. Personnel expenses constitute the largest expense block, accounting for approximately 70 per cent in the sales and administrative functions. Due to Bechtle's consulting-intensive business model, flexible adjustment of the personnel expenses, e.g. during temporary economic downturns, is only possible to a limited extent. In the field of sales, the expenses are also highly correlated with the revenue performance. For this year and next, the management expects a further increase in the absolute expenditure for the sales and administration areas to a level of about 6 to 7 per cent of the revenue, respectively.

**Earnings.** Though record earnings were generated in the fiscal year ended, the Executive Board expects a further improvement of the earnings situation of Bechtle AG in the next two years. Bechtle endeavours to continually optimise its service efficiency, and thereby enhance its earning power. Overall, the Executive Board is confident that in future, Bechtle AG will be able to further expand its EBT margin, which is already above the industry average. The target EBT margin remains at 5 per cent for both segments.



For the development of key performance indicators, see multi-year overview, page 216

Bechtle AG plans to continue to share its entrepreneurial success with its shareholders in the form of an attractive dividend. In recent years, about 30 per cent of the consolidated earnings after taxes were distributed. The current dividend proposal for the fiscal year 2010 of 0.75 euros per share represents a ratio of about 34 per cent. This underscores the reliability of the shareholder-oriented distribution policy of Bechtle AG and reflects the company's excellent liquidity and profitability. There are no plans for fundamental changes to the company's dividend policy.

## Assets and Financial Position

**Liquidity.** Bechtle AG has a solid balance sheet structure and comfortable liquidity. This financial strength is an important precondition that enables Bechtle to continuously grow under its own steam and respond flexibly to market requirements. Above all, the high liquidity provides a competitive advantage, and also in growth phases. The financial position and thus the stability of the IT partner is an increasingly important key decision-making criterion for customers too, especially in connection with the award of long-term

projects. Therefore, Bechtle will continue to attach special importance to cash management. The positive development of the key performance indicators is proof of the company's successful liquidity management. The company intends to press ahead with this in future. In addition to the liquidity of approximately 130 million euros, Bechtle AG has a substantial borrowing potential. Combined with the continued positive development of the operating cash flow, Bechtle thus has adequate resources for attaining its goals and financing future growth without any difficulties.

**Financing.** The financial earnings, i.e. the balance of the interest income and interest expenses, depend on the development of the interest rate levels on the financial markets, despite the positive development of the cash and cash equivalents on hand. Currently, the company does not expect the year 2011 to bring any noticeable improvement of the conditions for deposits. However, the financial earnings should remain more or less on par with prior-year levels. As in the past, smaller acquisitions can be financed from the current cash flow and available liquidity resources or by. Also, it is possible to raise debt capital as in the reporting period. The takeover of larger companies could result in a more drastic cash outflow, though in such a case, financing with debt capital would be more likely. This, in turn, could affect the current financing structure of Bechtle AG, with the possibility of a negative financial balance. Moreover, Bechtle could resort to the equity financing options according to the adopted Annual General Meeting resolutions. Until June 2014, the Executive Board is authorised to increase the issued capital by issuing up to 10.6 million shares against cash or contributions in kind.

Provided that no major takeovers take place in the next two years, the balance sheet structure will not undergo any significant changes.

**Investments.** The business of Bechtle AG, which comprises IT product trading and IT services, does not require high investments. In recent years, Bechtle's investment ratio largely remained constant. Over the next two years, any investments required for attaining the growth targets will not necessitate any major change of the normalised investment ratio of about 30.0 per cent.

Even without taking possible acquisitions into consideration, the planned investments in property, plant and equipment and in intangible assets in 2011 and 2012 will exceed the level of the prior years. One of the investment highlights of Bechtle AG will involve the capacity expansion of the logistics centre in Neckarsulm, Germany, by more than 8,000 square metres. In the course of the construction measures, the company will substantially improve efficiency by means of smart, IT-supported logistics processes. Thus, Bechtle will implement a new warehouse management system and use innovative handling technology. Moreover, the company plans to erect a new administration building at the headquarters in Neckarsulm, Germany. The new office building will measure 6,500 square metres, offering space for an additional 300 to 400 employees. Furthermore, normal replacement investments are planned for this year. At about 12 million euros, these will more or less correspond to the depreciation. Additionally, unscheduled investments may be necessary due to acquisitions.



"Strong: the planned investments in the expansion of our logistics centre."

*Anna Merkel,  
warehouse logistics specialist*



Environment  
management system in  
accordance with  
ISO 14001 planned

For many years, Bechtle AG has been encouraging the responsible use of resources. To underscore this commitment and, most importantly, to integrate it more firmly in the company, Bechtle AG plans to establish an environmental management system according to ISO 14001 in this fiscal year. In this way, it will be possible to systematically assess environmental influences and continuously improve the environmental situation. Bechtle is currently elaborating an appropriate quality programme that will, among other things, govern the principles and goals for the group's future environmental policy. The company plans to get the certification in summer 2011.

## OVERALL ASSESSMENT

As of early 2011, the macroeconomic situation remains positive. The ifo indicator of the economic climate in the euro area underwent a notable increase, climbing above its long-term average for the first time since the end of 2007. Especially the current economic situation, but also the expectations for the next six months are assessed more positively than in the fourth quarter of 2010. In Germany, too, the ifo business climate index continued to rise in January and February, thus following up on last year's positive development. The assessment of the current situation is the best since December 2006, and the business expectations for the next six months have even reached the highest level since the reunification.



[www.cesifo-group.de](http://www.cesifo-group.de)

### IFO BUSINESS CLIMATE INDEX FOR GERMAN INDUSTRY AND TRADE



In early 2011, a positive mood also prevailed in the IT industry. The ifo index for IT service providers increased in January and February, and is now at 41, the highest level since September 2007. The current situation received in February a rating of 42, a value that was better than in the previous month. At the beginning of the year, the outlook for the next six months increased considerably. The index climbed from 32 in December to 41 in January, the highest level since July 2007, and could maintain the high level in February.

In view of the ongoing good economic situation, the improved mood indicators, and the strength and stability of the group, the Executive Board expects the business performance of Bechtle AG over the next two years to be positive and above the industry average. With the various strategic measures taken in recent years, the management has established an effective basis for long-term continuation of Bechtle's profitable growth.

Acquisitions will remain an integral part of the growth strategy in all business fields. In IT e-commerce, however, the Executive Board mainly targets organic growth and plans to enter Hungary and other national markets in the next two years. In the IT system house & managed services segment, though, selective acquisitions will supplement the regional positioning and competence profile of Bechtle AG in a meaningful way.

Certification and training measures in the group will continue to play an important role. With an expanded qualification offer and the international general management programme for junior executives that was launched in the 2011 fiscal year, Bechtle plans to continue recruiting more specialists and executives from its own ranks. Provided that Bechtle AG continues to develop positively in the next two years, the group will increase its headcount and invest substantial amounts in the training of young people. In this connection, Bechtle AG intends to expand the proportion of trainees from currently about 8 per cent in Germany to approximately 12 per cent by 2012.



"Bright prospects for a strong Bechtle."

*Jean-Paul Bierens,  
director of Bechtle direct  
Netherlands*

# Consolidated Financial Statements

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## CONSOLIDATED INCOME STATEMENT

from 1 January to 31 December 2010 (2009)

		in th. euros	
	Notes	2010	2009
Revenue	1	1,722,919	1,379,307
Cost of sales	2	1,486,440	1,179,770
<b>Gross profit</b>		<b>236,479</b>	<b>199,537</b>
Distribution costs	2	99,015	87,944
Administrative expenses	2	86,001	76,171
Other operating income	3	9,265	7,290
<b>Operating earnings</b>		<b>60,728</b>	<b>42,712</b>
Financial income	4	1,727	1,503
Financial expenses	4	671	553
<b>Earnings before taxes</b>		<b>61,784</b>	<b>43,662</b>
Income taxes	5	15,362	9,404
<b>Earnings after taxes (attributable to shareholders of Bechtle AG)</b>		<b>46,422</b>	<b>34,258</b>
<b>Net earnings per share (basic and diluted) in euros</b>	<b>6</b>	<b>2.21</b>	<b>1.64</b>
<b>Weighted average shares outstanding (basic and diluted) in thousand</b>		<b>21,000</b>	<b>20,853</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

from 1 January to 31 December 2010 (2009)

		in th. euros	
	Notes	2010	2009
<b>Earnings after taxes</b>		<b>46,422</b>	<b>34,258</b>
<b>Other comprehensive income</b>			
Actuarial gains and losses on pension provisions		-4,908	423
Income tax effects		613	33
Unrealised gains and losses on securities		-62	121
Income tax effects		25	-30
Unrealised gains and losses on financial derivatives		150	-20
Income tax effects		-45	16
Currency translation differences of net investments in foreign operations		-5	846
Income tax effects		0	-66
Hedging of net investments in foreign operations		-7,520	-665
Income tax effects		2,189	194
Currency translation difference		12,263	-721
<b>Total other comprehensive income</b>	<b>16</b>	<b>2,700</b>	<b>131</b>
of which income tax effects		2,782	147
<b>Total comprehensive income (attributable to shareholders of Bechtle AG)</b>		<b>49,122</b>	<b>34,389</b>

## CONSOLIDATED BALANCE SHEET

as of 31 December 2010 (31 December 2009)

ASSETS		in th. euros	
	Notes	31.12.2010	31.12.2009
<b>Non-current assets</b>			
Goodwill	7	115,835	106,395
Other intangible assets	8	17,698	14,932
Property, plant and equipment	9	29,162	27,740
Trade receivables	12	231	145
Income tax receivables		156	171
Deferred taxes	10	10,652	9,874
Other assets	14	1,870	2,253
Time deposits and securities	13	30,654	3,000
<b>Total non-current assets</b>		<b>206,258</b>	<b>164,510</b>
<b>Current assets</b>			
Inventories	11	75,056	59,322
Trade receivables	12	249,046	183,979
Income tax receivables		2,380	1,656
Other assets	14	21,880	19,221
Time deposits and securities	13	13,619	15,510
Cash and cash equivalents	15	85,477	76,467
<b>Total current assets</b>		<b>447,458</b>	<b>356,155</b>
<b>Total assets</b>		<b>653,716</b>	<b>520,665</b>

## EQUITY AND LIABILITIES

in th. euros

	Notes	31.12.2010	31.12.2009
<b>Equity</b>			
Issued capital		21,000	21,000
Capital reserves		145,228	145,228
Retained earnings		205,255	168,733
<b>Total equity</b>	<b>16</b>	<b>371,483</b>	<b>334,961</b>
<b>Non-current liabilities</b>			
Pension provisions	17	13,227	8,631
Other provisions	18	810	232
Financial liabilities	19	12,266	6,604
Trade payables	20	0	97
Deferred taxes	10	13,209	11,598
Other liabilities	21	650	302
Deferred income	22	6,565	4,820
<b>Total non-current liabilities</b>		<b>46,727</b>	<b>32,284</b>
<b>Current liabilities</b>			
Other provisions	18	5,338	3,959
Financial liabilities	19	4,812	2,561
Trade payables	20	129,060	79,460
Tax payables		6,337	5,455
Other liabilities	21	64,624	42,381
Deferred income	22	25,335	19,604
<b>Total current liabilities</b>		<b>235,506</b>	<b>153,420</b>
<b>Total equity and liabilities</b>		<b>653,716</b>	<b>520,665</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

from 1 January to 31 December 2010 (2009)

in th. euros

	Issued capital	Capital reserves	Retained earnings			Treasury shares	Total equity (attributable to shareholders of Bechtle AG)
			Accrued profits	Changes in Equity outside profit of loss	Total		
<b>Equity as of 1 January 2009</b>	<b>21,200</b>	<b>143,454</b>	<b>153,775</b>	<b>-4,733</b>	<b>149,042</b>	<b>-2,247</b>	<b>311,449</b>
Distribution of profits for 2008			-12,445		-12,445		-12,445
Earnings after taxes			34,258		34,258		34,258
Other comprehensive income				131	131		131
Total comprehensive income	0	0	34,258	131	34,389	0	34,389
Acquisition of treasury shares						-2,946	-2,946
Disposal of treasury shares		1,574				2,940	4,514
Retirement of treasury shares	-200	200	-2,253		-2,253	2,253	0
<b>Equity as of 31 December 2009</b>	<b>21,000</b>	<b>145,228</b>	<b>173,335</b>	<b>-4,602</b>	<b>168,733</b>	<b>0</b>	<b>334,961</b>
<b>Equity as of 1 January 2010</b>	<b>21,000</b>	<b>145,228</b>	<b>173,335</b>	<b>-4,602</b>	<b>168,733</b>	<b>0</b>	<b>334,961</b>
Distribution of profits for 2009			-12,600		-12,600		-12,600
Earnings after taxes			46,422		46,422		46,422
Other comprehensive income				2,700	2,700		2,700
Total comprehensive income	0	0	46,422	2,700	49,122	0	49,122
Acquisition of treasury shares							0
Disposal of treasury shares							0
Retirement of treasury shares							0
<b>Equity as of 31 December 2010</b>	<b>21,000</b>	<b>145,228</b>	<b>207,157</b>	<b>-1,902</b>	<b>205,255</b>	<b>0</b>	<b>371,483</b>



See also further explanatory notes on equity in section IV. no. 16, page 169

**CONSOLIDATED CASH FLOW STATEMENT**

from 1 January to 31 December 2010 (2009)

		in th. euros	
	Notes	2010	2009
<b>Operating activities</b>			
<b>Earnings before taxes</b>		<b>61,784</b>	<b>43,662</b>
Adjustment for non-cash expenses and income			
Financial earnings		-1,056	-950
Depreciation and amortisation of intangible assets and property, plant and equipment		15,399	14,264
Gain/loss on disposal of intangible assets and property, plant and equipment		-9	-17
Other non-cash expenses and income		3,308	-542
Changes in net assets			
Changes in inventories		-14,215	-7,276
Changes in trade receivables		-53,302	5,206
Changes in trade payables		40,002	-3,939
Changes in accruals and deferrals		451	9,534
Changes in other net assets		19,520	803
Income taxes paid		-12,768	-13,415
<b>Cash flow from operating activities</b>	<b>23</b>	<b>59,114</b>	<b>47,330</b>
<b>Investing activity</b>			
Cash paid for the acquisition of consolidated companies less cash acquired		-5,898	-635
Cash received from the sale of consolidated companies		520	1,000
Cash paid for investments in intangible assets and property, plant and equipment		-12,223	-13,644
Cash received from the sale of intangible assets and property, plant and equipment		238	386
Cash paid for the acquisition of time deposits and securities		-31,000	-17,977
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets		6,777	43
Settlement of net investment hedges		-7,520	-665
Interest payments received		1,481	1,200
<b>Cash flow from investing activities</b>	<b>24</b>	<b>-47,625</b>	<b>-30,292</b>
<b>Financing activities</b>			
Cash paid for the payment of financial liabilities		-6,006	-10,290
Cash received from the acceptance of financial liabilities		12,046	3,869
Dividends paid		-12,600	-12,445
Cash paid for the purchase of treasury shares		0	-2,946
Cash received from the sale of treasury shares		0	4,514
Interest paid		-613	-474
<b>Cash flow from financing activities</b>	<b>25</b>	<b>-7,173</b>	<b>-17,772</b>
Exchange-rate-related changes in cash and cash equivalents		4,694	-99
<b>Changes in cash and cash equivalents</b>		<b>9,010</b>	<b>-833</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>76,467</b>	<b>77,300</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>85,477</b>	<b>76,467</b>



The prior-year presentation has been adjusted; see section II. "Adjustment of the Prior-Year Presentation", page 141

## NOTES

### I. GENERAL DISCLOSURES

Bechtle AG, Bechtle Platz 1, D-74172 Neckarsulm, Germany, is a joint stock corporation under German law. Through its subsidiaries, Bechtle AG operates IT system houses in Germany, Austria, and Switzerland and, as a one-stop provider of IT e-commerce solutions, provides corporate customers in 13 European countries with a comprehensive range of services and solutions from various vendors.

Bechtle has been quoted at the Frankfurt Stock Exchange (Prime Standard) since 2000 and listed in the TecDAX technology index since 2004. The company's shares are traded at all German stock exchanges.

The Consolidated Financial Statements of Bechtle AG for the fiscal year 2010 were released for publication on 3 March 2011 by the Executive Board (IAS 10.17).

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 is published on the company's Web site.

## II. SUMMARY OF KEY PRINCIPLES OF ACCOUNTING AND CONSOLIDATION

### Basis of Preparation

The parent company Bechtle AG is a listed company and as such required under Section 315a of the German Commercial Code (HGB) to prepare its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the EU. All International Financial Reporting Standards whose adoption is mandatory for the fiscal year 2010 have been adopted. The International Financial Reporting Standards adopted ahead of time are listed in the disclosures on the new accounting standards. Furthermore, the disclosures required pursuant to Section 315a (1) of the HGB are presented in the Notes.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for securities and derivative 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 has been prepared according to the function of expense method. The Consolidated Financial Statements are presented in euros and rounded to the nearest thousand (thousand euros). Any deviations are explicitly indicated.

### Adjustment of the Prior-Year Presentation

In the cash flow statement, the item "Settlement of net investment hedges" has been added to the presentation of the cash flow from investing activities. In the prior-year report, payments of 665 thousand euros, which had been included in the item "Change in other net assets", were duly adjusted.

## New Accounting Pronouncements

**New/Amended Standards and Interpretations Adopted for the First Time** In the reporting period, Bechtle adopted the new and revised standards and interpretations of the following new accounting pronouncements, which had been published by the IASB/IFRIC and endorsed by the EU, for the first time. The effective dates specified for the mandatory adoption also originate from the respective EU directive:

Pronouncement	Publication by IASB/IFRIC	Endorsement	Effective date <sup>1</sup>
<b>Pronouncements to be adopted for the first time in the current fiscal year</b>			
Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement	31 July 2008	15 September 2009	1 July 2009
Amendments to IFRS 1 Additional exceptions for first-time adopters	23 July 2009	23 June 2010	1 January 2010
Amendment to IFRS 2 Share-based Payment	18 June 2009	23 March 2010	1 January 2010
IFRIC 17 Distributions of Non-cash Assets to Owners	27 November 2008	26 November 2009	1 November 2009
IFRIC 18 Transfer of Assets from Customers	29 January 2009	27 November 2009	1 November 2009
Amendments to IFRS: Improvements to International Financial Reporting Standards (IASB 2009)	16 April 2009	23 March 2010	1 January 2010
<b>Voluntary adoption of pronouncements ahead of time</b>			
IAS 24 (Revised) Related Party Disclosures and Consequential Amendment to IFRS 8 Operating Segments	4 November 2009	19 July 2010	1 January 2011
Amendment to IAS 32 Financial Instruments: Presentation	8 October 2009	23 December 2009	1 February 2010
Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters and Consequential Amendment to IFRS 7 Financial Instruments: Disclosures	28 January 2010	30 June 2010	1 July 2010
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	15 November 2009	19 July 2010	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and Consequential Amendment to IFRS 1 “First-time Adoption of IFRS”	26 November 2009	23 July 2010	1 July 2010

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

**Eligible Hedged Items – Amendments to IAS 39 Financial Instruments: Recognition and Measurement.**

The amendments supplement the regulations concerning the designation of inflation risk as a hedged item and the designation of hedging transactions to hedge a one-sided risk. It is made clear that it is permissible to designate only a portion of the changes of the fair value or of the cash flow fluctuations of a financial instrument as hedged item. As Bechtle does not have such hedging relationships, the adoption of the amended standard did not have any effects.

**Amendments to IFRS 1 Additional Exceptions for First-time Adopters.** The amended standard grants companies from the oil and gas industry and first-time IFRS adopters additional exceptions for the retrospective adoption of all standards and interpretations applicable on the date of the first IFRS-compliant annual financial statements. Accordingly, these amendments did not have any effect on Bechtle.

**Amendment to IFRS 2 Share-based Payment.** The amendment concerns the treatment of share-based payment transactions containing treasury equity instruments or equity instruments of a company of the same group. In the course of the amendments, IFRIC 8 and IFRIC 11 are integrated in IFRS 2. As Bechtle does not have any share-based payment transactions, the adoption of the amended standard did not have any effects.

**IFRIC 17 Distributions of Non-cash Assets to Owners.** This interpretation governs the accounting for the distribution of non-cash assets to owners. In particular, this interpretation governs the time of recognition of the dividend obligation and its measurement. The difference between the dividend paid and the carrying amount of the disposed assets shall be recognised through profit or loss. As Bechtle has not distributed and does not plan to distribute non-cash assets, this interpretation did not have any effects.

**IFRIC 18 Transfer of Assets from Customers.** The interpretation governs the accounting for assets that a company receives from customers in order to grant these access to a supply of goods, such as electricity, gas, or water, or services. While the new provisions are particularly relevant for entities in the utility sector, it also applies to other industries, e.g. within the scope of the outsourcing of IT processes, if the customer transfers existing property, plant and equipment to the provider of the outsourced activities. As such transactions did not take place – though in view of Bechtle's capacity as provider, the possibility of such cannot be excluded categorically – this interpretation did not affect these Consolidated Financial Statements.

**Amendments to IFRS: Improvements to International Financial Reporting Standards (IASB 2009).** Within the framework of the annual amendment procedure, amendments of a minor scope and urgency are collected and issued once a year in a single omnibus standard. The amendments primarily concern the elimination of inconsistencies between various standards and fuzzy formulations. This second published omnibus standard of the annual update procedure contains amendments to various standards and two interpretations as well as associated adoption guidelines. These are both accounting-relevant amendments and terminological or editorial amendments. For Bechtle, these updates did not result in any effects or changes to the assets, financial, and earnings position.

**IAS 24 (Revised) Related Party Disclosures and Consequential Amendment to IFRS 8 Operating Segments.**

The main purpose of the revision is to make the standard more comprehensible and clearer, thereby ensuring uniform application in practice. Especially the definition of related entities and persons was clarified, and a simplified regulation was introduced for companies substantially controlled by the public sector. To ensure coherence of the IFRS, a necessary consequential amendment was made to IFRS 8. At Bechtle, the adoption of this revision and consequential amendment did not result in any effects or changes.

**Amendment to IAS 32 Financial Instruments: Presentation.** The amendment concerns the presentation of subscription rights granted in a foreign currency for a fixed number of treasury shares. These subscription rights will henceforth be presented as equity instruments, not as financial liabilities as previously. As Bechtle does not grant any subscription rights for treasury shares, the adoption of the amended standard did not have any effects.

**Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters and Consequential Amendment to IFRS 7 Financial Instruments: Disclosures.** The amendments allow first-time IFRS adopters to use the transitional provisions for IFRS 7. These provisions provide exemption from the obligation to specify comparative information for the required disclosures in the first year of the adoption. Accordingly, these amendments did not have any effect on Bechtle.

**Amendments to IFRIC 14 Prepayments of Minimum Funding Requirements.** The purpose of the amendments is to eliminate unintended consequences of IFRIC 14 in the treatment of contribution prepayments in cases subject to minimum funding requirements. In the case of a minimum funding requirement for a defined benefit plan, the amendments now provide for recognition of such prepayments as assets, as is also the case with other prepayments. Bechtle does not have any pension plan surplus, corresponding assets, or contribution prepayments of the said type. Therefore, the adoption of these amendments did not have any effects.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and Consequential Amendment to IFRS 1 First-time Adoption of IFRS.** This interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. As Bechtle has not repaid and does not plan to repay financial liabilities with equity instruments, the application of this interpretation did not have any effects.

**New/Amended Standards and Interpretations Not Yet Adopted.** IASB and IFRIC have released further standards and interpretations whose adoption is not yet mandatory (“effective date”) or that have not yet been endorsed by the EU. Where the endorsement has yet to take place, the date for the mandatory adoption is derived from the respective pronouncements of IASB/IFRIC. If endorsed later on, the EU directive may specify a different date for the mandatory adoption:

Pronouncement	Publication by IASB/IFRIC	Endorsement	Effective date <sup>1</sup>
<b>Published Pronouncements Not Yet Adopted</b>			
Amendments to IAS 12 Deferred Taxes	20 December 2010	open	1 January 2012
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	20 December 2010	open	1 July 2011
Amendments to IFRS 7 Financial Instruments: Disclosures	7 October 2010	open	1 July 2011
IFRS 9 Financial Instruments	12 November 2009, 28 October 2010	open	1 January 2013
Amendments to IFRS: Improvements to International Financial Reporting Standards (IASB 2010)	6 May 2010	18 February 2011	1 July 2010 – 1 January 2011

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

**Amendments to IAS 12 Deferred Taxes.** These amendments contain a partial clarification of the treatment of temporary tax differences in connection with the use of the fair value model of IAS 40. For the often difficult assessment as to whether existing differences in property held as financial investment will be reversed through use or through sale, the amendments now determine that as a matter of principle, sale is to be presumed. Bechtle does not hold any property as financial investment and does not intend to do so in the foreseeable future. Therefore, Bechtle does not expect any effects from the adoption of these amendments.

**Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.** The amendments replace the previous references to fixed adoption dates with references to the date of transition to IFRS. Furthermore, guidance is provided on how the presentation of financial statements in accordance with IFRS is to be resumed after a period during which IFRS could not be complied with due to a functional currency subject to severe hyperinflation. Bechtle is already an IFRS adopter, and activities in high-inflation countries are neither under way nor planned for the foreseeable future. Accordingly, the adoption of the amendments will not affect Bechtle.

**Amendments to IFRS 7 Financial Instruments: Disclosures.** The amendments implement extensive new qualitative and quantitative disclosures on transferred financial assets that are not derecognised and on the continuing involvement in transferred financial assets as of the balance sheet date. For example, a transfer of financial assets is on hand when selling trade receivables (factoring) or when executing transactions with asset-backed securities (ABS). Additional disclosures are required in order to describe the relationship between transferred financial assets not or not fully derecognised and the associated liabilities and to show the type and risk of the continuing involvement in transferred and derecognised financial assets. Bechtle is currently reviewing the adoption of the amendments and their effects. However, no impact is expected on the assets, financial, and earnings position.

**IFRS 9 Financial Instruments.** IFRS 9 contains a new method for the classification, measurement, and derecognition of financial assets and liabilities. The completion of this ongoing project concerning IFRS 9 is expected mid-2011. Only then will it be possible to examine and quantify the potential effects on the Bechtle Group in a meaningful way.

**Amendments to IFRS: Improvements to International Financial Reporting Standards (IASB 2010).** Within the framework of the annual amendment procedure, amendments of a minor scope and urgency are collected and issued once a year in a single omnibus standard. The amendments primarily concern the elimination of inconsistencies between various standards and fuzzy formulations. This third published omnibus standard of the annual update procedure contains amendments to various standards and an interpretation as well as associated adoption guidelines. These are both accounting-relevant amendments and terminological or editorial amendments. Bechtle is currently investigating any possible effects of the adoption of the updates. However, no major effects are expected.

## Consolidation Principles

The financial statements of Bechtle AG and its subsidiaries included in the Consolidated Financial Statements have been prepared using uniform group accounting policies. Capital consolidation has been effected by offsetting the carrying amount of the shareholding against the pro rata remeasured equity of the subsidiaries at the time of acquisition. Positive differences are recognised as goodwill in accordance with IFRS 3.51, while negative differences are recognised in the income statement through profit or loss according to IFRS 3.56 (b). 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, revenues, expenses, income, receivables, and liabilities are eliminated. The required tax deferrals are applied to the consolidation processes.

## Scope of Consolidation

The scope of consolidation comprises Bechtle AG in Neckarsulm, Germany, and all subsidiaries in which it holds a controlling interest. Bechtle AG directly or indirectly holds all interests in all consolidated companies.

A list of the subsidiaries included is presented in Appendix A to these Notes.

The following companies were included in the Consolidated Financial Statements for the first time in the reporting period:

Company	Headquarters	Date of initial consolidation	Acquisition/ foundation
Bechtle direct Polska Sp. z. oo.	Wrocław, Poland	01.01.2010	Foundation
Bechtle Management E.u.r.l.	Molsheim, France	01.01.2010	Foundation
Bechtle Comsoft NV	Hamont-Achel, Belgium	09.02.2010	Foundation
ARP Management AG	Rotkreuz, Switzerland	14.06.2010	Foundation
intelligent IT solutions GmbH & Co. KG	Oldenburg, Germany	23.06.2010	Acquisition
intelligent IT solutions Beteiligungs-GmbH	Oldenburg, Germany	23.06.2010	Acquisition
Bechtle direct s.r.o.	Praha, Czech Republic	05.08.2010	Foundation
HTH Consulting GmbH	St. Pölten, Austria	18.08.2010	Acquisition
Comsoft direct s.r.l.	Bozen, Italy	26.08.2010	Foundation
Bechtle-Comsoft GmbH	Neckarsulm, Germany	23.09.2010	Foundation
SolidPro Informationssysteme GmbH	Langenau, Germany	05.10.2010	Acquisition
Comsoft direct SLU	Madrid, Spain	21.10.2010	Foundation

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

The new companies established in fiscal year 2010 did not have any material impact on the group's assets, financial and earnings position.

## 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 switched its functional currency from Swiss francs to euros in the prior year. 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. Exchange gains and losses resulting from exchange rate fluctuations in foreign currency transactions are recognised through profit or loss. In contrast, currency translation differences based on net investments in a foreign business of a subsidiary are recognised under a separate item in the equity outside profit and loss.

Within the framework of the consolidation, assets and liabilities are translated into the functional currency euro at the closing rate in accordance with IAS 21. 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 under equity.

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

	Currency	Closing rate		Average rate	
		2010	2009	2010	2009
Switzerland	CHF	1.25	1.48	1.38	1.51
Great Britain	GBP	0.86	0.89	0.86	0.89
USA	USD	1.34	1.44	1.33	1.39

## Accounting Policies

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

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

Revenues from services are recognised after the provision of the service or after the acceptance by the customer. Revenues from work in progress are recognised according to the stage of completion on the balance sheet date, provided that the result can be reliably estimated. Depending on the underlying agreement, the stage of completion is determined on the basis of the work done or the ratio of the cost incurred by the balance sheet date to the estimated total cost. If the result of the work in progress cannot be measured reliably, they are only recognised in the amount of the incurred expenses that are probably recoverable.

Maintenance agreements and other services billed in advance are recognised over the term under consideration of the services already provided.

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

**Leases.** A lease is an agreement whereby the lessor conveys to the lessee in return for payment or a series of payments the right to use an asset for an agreed period of time. Whether an agreement entails a leasing relationship is determined on the basis of the economic content of the agreement.

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

For operating leases, the lease payments due are recognised as expense by the lessee and as revenue by the lessor.

**Earnings per Share.** Earnings per share (EPS) are calculated in accordance with IAS 33. IAS 33 requires the presentation of the earnings per share for all companies that have issued ordinary shares. The earnings per share are the earnings accruing to the shareholders of Bechtle AG after tax, divided by the weighted average of the ordinary shares outstanding.

**Goodwill and Other Intangible Assets.** For the initial recognition, **goodwill** from a business combination is measured at cost in the form of the surplus of the cost of purchase 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 is a payment that has been made in expectation of future economic benefit from assets that cannot be individually identified or presented separately.

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

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

Brands acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the brand name rights. The useful life is assumed to be unlimited, as an analysis of all relevant factors does not reveal any foreseeable limitation of the period in which these brand rights can prospectively generate net cash flows for the Bechtle Group. Consequently, in accordance with IAS 38, brand rights may not be amortised, but shall be tested for impairment at least once a year according to IAS 36.

Customer bases are measured at cost. Customer bases acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the customer bases. Customer bases 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 three to eight 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 and reasonable mark-ups for overheads and depreciation and amortisation. Costs incurred in the period prior to the technical feasibility are immediately recognised as research costs. Straight-line amortisation of these capitalised costs takes place from the date of commercial use of the asset over a useful life of three to five years. The amortisation is presented under cost of revenue, distribution costs, and administrative expenses, depending on the origin.

Customer service agreements are measured at cost. Customer service agreements acquired within the scope of company acquisitions are measured at the amount corresponding to the benefit resulting from the customer service agreements. Customer service agreements are amortised over their residual terms according to the benefit resulting from them.

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 a period that depends on the expected benefit for the company. As a matter of principle, it is assumed that non-compete agreements are of a long-term nature. The expected useful life is one to two years.

For goodwill and other intangible assets with an unlimited useful life, an **impairment test** is performed at least once a year. 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 an impairment. The Bechtle Group conducts the impairment test by means of the discounted cash flow method in order to determine the value in use. 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 assets exceeds the fair value. For the impairment tests for goodwill, these are allocated to their corresponding cash-generating units. In the Bechtle Group, there are two cash-generating units that coincide with the two segments IT system house & managed services and IT e-commerce from segment reporting. Assets that are no longer intended for use in business operations are assessed at the lower of the carrying amount and the fair value less costs of disposal.

## Property, Plant and Equipment

Property, plant and equipment are measured at cost less scheduled depreciation. Where necessary, unscheduled impairments are also performed. 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	3 – 5 years
Furniture, fixtures and fittings	5 – 20 years
Vehicle fleet	3 – 6 years
Buildings	25 – 50 years

Low-value assets of property, plant and equipment are fully depreciated in the year of accrual and recognised as disposal. Maintenance costs are recognised through profit or loss when incurred.

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

### Deferred Taxes

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 differences and for unused tax losses are only recognised to the extent that it is probable that these difference will lead to taxable profit in future. Deferred tax assets are offset against deferred tax liabilities provided that the tax creditor is identical in both cases. 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

Merchandise is measured at average cost pursuant to IAS 2 (weighted average cost method). If necessary, the merchandise is written down to the net realisable value. Apart from the loss-free measurement, this write-down takes all other inventory risks into consideration. If the reasons that led to a write-down of inventories no longer exist, the impairment loss is reversed.

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

### Treasury Shares

The total cost of treasury shares acquired is reported under a separate item as a reduction in equity. The number of company shares outstanding, i.e. in circulation, is reduced in accordance with the number of treasury shares. The number of floating, i.e. issued shares remains unchanged. In the event of the resale of treasury shares, resulting profits or losses are offset against the capital reserves outside profit or loss in compliance with IAS 32.33. In the course of the retirement of acquired treasury shares in the prior year, the issued capital was reduced by the retired share in the issued capital, and the capital reserves were increased by the same amount (Section 237 [5] of the German Stock Corporation Act [AktG]), and the appropriated retained earnings were reduced by the total cost of the acquired treasury shares that were retired.

## Pension Provisions

Provisions for pensions 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. No actuarial assumptions are therefore required to measure the liabilities or expenses, and no actuarial gains or losses can arise. Bechtel 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. Here, actuarial gains or losses may arise.

Bechtel does not recognise the actuarial gains and losses according to the so-called corridor method (IAS 19.92), but always in their full amount in the period in which they accrue, outside profit or loss after consideration of deferred taxes directly in equity (other earnings under retained earnings) according to IAS 19.93A. Thus, all actuarial gains and losses that accrued until the balance sheet date have been fully recorded and presented in equity. Had the corridor method been used, only a certain part of the actuarial gains and losses would have been recognised through profit or loss in the respective reporting period.

## Other Provisions

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 substantive obligations to third parties. Provisions are measured at the amount that, on the balance sheet date, represents the best possible estimate of the expense amount that will probably be necessary to fulfil the current obligation.

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

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.

## Accruals and Deferrals

At Bechtle, accruals and deferrals include all revenue and income accruals and deferrals. In particular, these include prepayments and deferred income and accrued expenses for maintenance agreements and warranty services. They are measured in accordance with the services still to be rendered.

## Financial Instruments

Financial instruments are contracts that result simultaneously in a financial asset for one company and in a financial liability for another. This includes both primary financial instruments (e.g. trade receivables or payables) and derivative financial instruments (transactions to hedge against risks of change in value).

IAS 39 distinguishes the following categories of financial instruments:

- Held-for-trading financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss

Unless otherwise specified, financial instruments are recognised at fair value. The fair value of a primary financial instrument is generally the price obtainable in the market, i.e. the price at which the financial instrument can be traded freely between independent parties within a transaction. As a matter of principle, the purchase and sale of financial assets is recognised as of the settlement date. Granted loans and receivables are recognised at amortised cost.

So far, Bechtle has not exercised the option to designate financial assets or liabilities at their initial recognition as financial assets or liabilities to be measured at fair value through profit or loss.

## Trade Receivables and Other Assets

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.

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 as well as various country-specific framework conditions. The portfolio managers are responsible for this assessment.

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

## Time Deposits and Securities

Investments, consisting of time deposits and similar deposits with banks and other financial service institutions with original maturities of more than three months from the acquisition date, are measured as financial assets at amortised cost.

As a matter of principle, securities are classified as available-for-sale financial assets and measured at fair value. The initial measurement takes place on the settlement date. Changes in fair value are accrued in equity outside profit or loss and only recognised through profit or loss upon disposal and permanent or material impairment. Appreciation of impairments recognised through profit or loss is accrued in equity outside profit or loss until realisation through profit or loss in the form of sale.

## Cash and Cash Equivalents

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

## Financial Liabilities, Trade Payables, and Other Liabilities

Except for liabilities from financial derivatives, liabilities are posted 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.

In the Bechtle Group, financial liabilities and trade payables consist exclusively of financial instruments. The other liabilities also include non-financial assets.

**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-market method) or market values.

The Bechtle Group uses interest swaps in order to mitigate the interest rate risk for financial liabilities resulting from future fluctuations in interest rates. For interest swaps to be classified as effective cash flow hedges, the changes of the fair value are posted outside profit or loss taking into consideration the applicable deferred tax. The market value of interest swaps is determined by discounting the expected future cash flows over the residual term of the contract on the basis of current market interest rates and the yield curve. Changes of the fair value that are attributable to the ineffective hedge are recognised in the income statement through profit or loss.

Currency futures and currency swaps to hedge receivables or liabilities (= hedged items) in foreign currency are measured as fair value hedges. A fair value hedge hedges the fair value of accounted assets and liabilities. The change of the fair value of the currency future and the change of the market value of the hedged item that is based on the hedged risk are simultaneously recognised in the earnings.

Hedges of net investments in foreign group companies 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 under other earnings outside profit or loss. Gains or losses attributable to the ineffective part of the hedge 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 market value in the income statement.

## SUMMARY OF SELECTED MEASUREMENT METHODS

Position	Measurement methods
<b>Assets</b>	
Goodwill	Cost of purchase (subsequent measurement: impairment test)
Other intangible assets	
Customer bases	(Amortised) cost
Brands	Cost of purchase (subsequent measurement: impairment test)
Customer service agreements	(Amortised) cost
Purchased software	(Amortised) cost
Internally developed software	(Amortised) cost of development on the basis of directly attributable (direct and overhead) costs
Property, plant and equipment	(Amortised) cost
Trade receivables	(Amortised) cost
Other assets	(Amortised) cost Fair value (derivatives)
Inventories	Lower of cost and net realisable value
Time deposits and securities	
“Loans and receivables”	(Amortised) cost
“Held for sale”	Outside profit or loss at fair value
Cash and cash equivalents	(Amortised) cost
<b>Equity and liabilities</b>	
Pension provisions	Projected unit credit method (IAS 19.64 ff) via actuarial opinion
Other provisions	Settlement value (with highest probability of occurrence)
Financial liabilities	(Amortised) cost
Trade liabilities	(Amortised) cost
Other liabilities	(Amortised) cost or settlement value Fair value (derivatives)
Accruals and deferrals	Settlement value

## Estimates, Judgements, 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 period. 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 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 are to be made in the context of the economic setting and the development of the industry.

The measurement for the initial recognition of **customer bases, customer service agreements, and non-compete agreements** also involves estimates for the determination of the utilisation values.

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 continue to 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 revenues.

Impairments are recognised for doubtful **debts** in order to account for expected losses resulting from customers' inability to pay. The structure of the maturity of the receivable balances, past experience in connection with the derecognition of debts, an estimate of the customer's creditworthiness, and changes in payment performance form the basis for the assessment of the appropriateness of the impairments 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 others, 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 sum of payment obligations is based on the respective situation and circumstances. Provisions are created for obligations where there is a risk of losses, these losses are probable, and their amount can be reliably estimated.

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

### III. FURTHER EXPLANATORY NOTES ON THE INCOME STATEMENT

#### 1 Revenue

The revenues of 1,722,919 thousand euros (prior year: 1,379,307 thousand euros) include the considerations charged to customers for goods and services less rebates and discounts.

As a matter of principle and irrespective of the industry, all customers are commercial end customers and public-sector clients.

In this context, the IT e-commerce segment exclusively generates IT trading revenues. The revenues in the IT system house & managed services segment consist primarily of IT trading revenues and of an IT service revenue share of about 20 per cent. Due to the sometimes extremely close interlinking of the sale of goods and services and the lack of clear distinction in the project business, it is not possible to divide the trading and service amounts more precisely. The proportion of services in the IT system house & managed services segment did not change compared to the prior year.

A precise breakdown of revenue by segments and regions is presented in the segment information (section VII.).

#### 2 Expense Structure

in th. euros

	Cost of sales		Distribution costs		Administrative expenses	
	2010	2009	2010	2009	2010	2009
Material costs	1,338,651	1,043,059	0	0	0	0
Personnel expenses	109,517	102,418	73,339	65,664	58,564	52,336
Depreciation	6,717	6,388	4,143	3,861	4,539	4,015
Other operating expenses	31,555	27,905	21,533	18,419	22,898	19,820
<b>Total costs</b>	<b>1,486,440</b>	<b>1,179,770</b>	<b>99,015</b>	<b>87,944</b>	<b>86,001</b>	<b>76,171</b>

The other operating expenses primarily include expenses for office and building rent in the amount of 18,672 thousand euros (prior year: 17,827 thousand euros), vehicle costs in the amount of 16,250 thousand euros (prior year: 14,597 thousand euros), communication costs in the amount of 4,643 thousand euros (prior year: 4,377 thousand euros), marketing costs in the amount of 3,791 thousand euros (prior year: 3,230 thousand euros), legal and consulting costs in the amount of 3,110 thousand euros (prior year: 2,287 thousand euros), and other costs incurred in the course of normal business activity.

### 3 Other Operating Income

The other operating income is composed as follows:

	in th. euros	
	2010	2009
Marketing allowances and other remuneration from suppliers	5,719	5,276
Revenue from currency exchange differences	2,300	918
Revenue from operating a photovoltaic system	196	213
Revenue from the disposal of property, plant and equipment assets and intangible assets	135	96
Rental revenue	121	79
Others	794	708
<b>Other operating income</b>	<b>9,265</b>	<b>7,290</b>

Offsetting the currency translation expenses recognised under cost of sales, distribution costs, and administrative expenses, the net income in the reporting period totalled 314 thousand euros (prior year: 150 thousand euros).

The remaining other operating income primarily consists of compensation, insurance reimbursements, cost transfers, and income from the correction of accounts.

### 4 Financial Income and Financial Expenses

The financial income of 1,727 thousand euros (prior year: 1,503 thousand euros) includes interest income of 1,606 thousand euros (prior year: 1,503 thousand euros) and capital gains of 121 thousand euros from the sale of securities held for sale. The financial expenses of 671 thousand euros (prior year: 553 thousand euros) include interest expenses amounting to 594 thousand euros (prior year: 553 thousand euros), impairments amounting to 72 thousand euros, and capital losses from the sale of available-for-sale securities amounting to 5 thousand euros.

### 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:

	in th. euros	
	2010	2009
Paid or due taxes		
Germany	11,242	10,510
Other countries	4,700	3,823
Deferred taxes		
from valuation differences in terms of time	-726	-251
from unused losses	146	-4,678
<b>Income taxes</b>	<b>15,362</b>	<b>9,404</b>

For the reporting period, the reconciliation between the actual tax expenses and the amount that arises under consideration of a weighted domestic and foreign tax rate of approximately 27 per cent (prior year: about 28 per cent) on the profit before income taxes was as follows:

	in th. euros	
	2010	2009
Earnings before taxes	61,784	43,662
<b>Expected tax expense</b>	<b>16,391</b>	<b>12,100</b>
Tax-free revenue	-12	-30
Tax rate change for deferred taxes	-173	-4
Tax expense of earlier years	101	592
Tax income of earlier years	-415	-69
Non-deductible expenses	690	770
Use of previously unrecorded unused losses	-2,625	-4,777
Unrecognised deferred taxes on unused losses for the current year	597	300
Devaluation of previously recognised deferred taxes on unused losses	474	418
Others	334	104
<b>Actual tax expense</b>	<b>15,362</b>	<b>9,404</b>

## 6 Earnings per Share

The table below shows the calculation of the EAT that are due to the shareholders of Bechtle AG:

	2010	2009
Earnings after taxes (in th. euros)	46,422	34,258
Average number of shares (number)	21,000,000	20,853,034
<b>Earnings per share (euros)</b>	<b>2.21</b>	<b>1.64</b>

Under 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 TO THE BALANCE SHEET

### 7 Goodwill

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

	in th. euros		
	IT system house & managed services	IT e-commerce	Group
<b>Cash-Generating Unit</b>			
<b>Situation as of 01.01.2010</b>	<b>78,423</b>	<b>27,972</b>	<b>106,395</b>
<b>Additions from acquisitions</b>	<b>5,105</b>	<b>0</b>	<b>5,105</b>
intelligent IT Solutions GmbH & Co. KG	1,110	0	1,110
HTH Consulting GmbH	732	0	732
SolidPro Informationssysteme GmbH	3,263	0	3,263
<b>Differential on currency exchange</b>	<b>2,092</b>	<b>2,243</b>	<b>4,335</b>
<b>Situation as of 31.12.2010</b>	<b>85,620</b>	<b>30,215</b>	<b>115,835</b>

Previous impairment tests of the goodwill in accordance with IAS 36 have not revealed any need for impairment, neither for the cash-generating unit IT system house & managed services nor for the cash-generating unit IT e-commerce.

In the two cash-generating units, the values in use for the goodwill, which were determined in the context of the impairment tests, were based on discount rates (after taxes) of approximately 8.5 per cent (prior year: approximately 8.7 per cent), which correspond to the required return on capital or capital costs in the Bechtle Group. The cash flow forecasts used are based on individual revenue and cost plans 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 from the past. Concerning the planning process and the expectations, please refer to the group management report (chapters "Corporate Management" and "Forecast Report"). This explicitly applies to both cash-generating units alike. As a precaution, all growth rates for later years are estimated with a great aversion to risk at values close to 0 per cent. The values in use determined in the reporting period greatly exceed the recognised goodwill. Sensitivity analyses revealed that even in the case of substantially divergent key assumptions within a realistic framework, there would be no need for impairment of the goodwill.

Further details concerning the new goodwill that resulted from acquisitions in the reporting period are presented in section VIII. "Acquisitions and Purchase Price Allocation".

Further details of the development of the goodwill are presented in Appendices B and C to the Notes.

## 8 Other Intangible Assets

	in th. euros	
	31.12.2010	31.12.2009
Brands	3,421	2,889
Customer bases	8,761	9,053
Acquired software	2,500	2,847
Internally generated software	141	143
Customer service contracts	2,170	0
Non-compete agreements	705	0
<b>Other intangible assets</b>	<b>17,698</b>	<b>14,932</b>

ARP, the only brand presented in the balance sheet, has an unlimited useful life and belongs to the cash-generating unit IT e-commerce.

The discount rate used to determine the value in use for the brand within the scope of the impairment test reflects the assetspecific risks. To ensure a particularly cautious determination of the value, a relatively high rate of 15 per cent after taxes was used. The cash flow forecasts used are based on the revenue and cost plans approved by the management. Further growth rates are only assumed in the amount necessary to compensate the inflation. In the reporting period, as in prior years, the value in use that was determined for the brand surpassed the value in the balance sheet. Sensitivity analyses revealed that even in the case of substantially divergent key assumptions within a realistic framework, there would be no need for impairment of the ARP brand.

	in th. euros
	2010
<b>Customer Bases</b>	
Carrying amount (31.12.2010)	8,761
Remaining useful life (weighted average)	2.2 years
Accumulated depreciation	17,016
Accumulated impairment as per IAS 36	0
Differential on currency exchange of accumulated depreciation	1,334
Scheduled depreciation 2010	3,705

Details of the development of the other intangible assets are presented in Appendices B and C to the Notes.

## 9 Property, Plant and Equipment

	in th. euros	
	31.12.2010	31.12.2009
Property and buildings	10,802	11,050
Other equipment, furniture, fixtures and fittings	18,294	16,690
Advance payments and construction in progress	66	0
<b>Property, plant and equipment</b>	<b>29,162</b>	<b>27,740</b>

Unscheduled depreciation of property, plant and equipment was only performed to an insignificant extent.

As in the prior year, the property, plant and equipment did not contain any leased assets according to IAS 17.20 and IAS 17.25 (finance lease) as of 31 December 2010.

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

## 10 Deferred Taxes

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

	in th. euros	
	31.12.2010	31.12.2009
Unused tax losses	7,138	7,092
Pension provisions	2,274	1,726
Other provisions	636	707
Property, plant and equipment	343	226
Other assets	261	123
<b>Deferred tax assets</b>	<b>10,652</b>	<b>9,874</b>

	in th. euros	
	31.12.2010	31.12.2009
Goodwill	7,808	6,841
Intangible assets	3,511	2,642
Inventories	654	551
Property, plant and equipment	357	496
Receivables	355	531
Provisions	271	334
Investments	138	140
Other	115	63
<b>Deferred tax liabilities</b>	<b>13,209</b>	<b>11,598</b>

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

Under current tax provisions, unused domestic 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.

Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to 1,661 thousand euros (prior year: 8,254 thousand euros) for corporation tax, 3,375 thousand euros (prior year: 9,156 thousand euros) for trade tax, and 6,031 thousand euros (prior year: 8,128 thousand euros) for losses of foreign companies. Of the unused foreign tax losses, 1,986 thousand euros (prior year: 2,782 thousand euros) will expire within two years.

Due to restructuring within the group in 2010, deferred tax expenses were reduced by 2,625 thousand euros (prior year: 4,777 thousand euros) by offsetting previously unused tax losses. These included unused losses from business combinations in prior years amounting to 2,159 thousand euros (prior year: 4,777 thousand euros).

As in the prior year, as of 31 December 2010, 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 7,611 thousand euros (prior year: 6,050 thousand euros).

Of the deferred taxes accounted for in the balance sheet, a total of 593 thousand euros (prior year: -47 thousand euros) were recognised in equity outside profit and loss.

## 11 Inventories

The company's inventories are composed as follows:

	in th. euros	
	31.12.2010	31.12.2009
Commodities	76,375	59,014
Work in progress	1,329	1,266
Advance payments on inventories	145	30
Impairments	-2,793	-1,946
<b>Inventories</b>	<b>75,056</b>	<b>59,322</b>

The carrying amount of the impaired inventories as of 31 December 2010 amounted to 1,570 thousand euros (prior year: 1,797 thousand euros). In the fiscal year under review, impairments of 847 thousand euros were recognised as expense (prior year: 92 thousand euros).

The work in progress as reported in the balance sheet corresponds to the contract costs incurred.

## 12 Trade Receivables

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Trade receivables, gross	252,113	231	186,310	145
Impairments	-3,067	0	-2,331	0
<b>Trade receivables</b>	<b>249,046</b>	<b>231</b>	<b>183,979</b>	<b>145</b>

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

	Carrying amount	Individually impaired in full or in part	Individual impairment	Flat-rate individual impairment	Not overdue and not impaired	Overdue and not impaired				
						less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	over 180 days
<b>31.12.2010</b>										
Trade receivables	249,046	1,040	-923	-2,144	190,586	53,644	4,983	1,248	394	218
<b>31.12.2009</b>										
Trade receivables	183,979	884	-783	-1,548	141,803	38,793	3,138	1,147	433	112

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

Except for the common reservation of title, the company's receivables are not collateralised. The company is thus exposed to the risk of default up to the carrying amount. In the past, the company suffered minor defaults of individual customers and customer groups. To hedge the general credit risk, reasonable impairments are made in accordance with past experience.

The impairments for doubtful debts developed as follows:

	in th. euros	
	2010	2009
<b>Situation of impairments as of 1 January</b>	<b>2,331</b>	<b>2,816</b>
Exchange differences/Consolidation	236	2
Utilisation	359	516
Dissolutions	311	775
Transfers (Impairment expenses)	1,170	804
<b>Situation of impairments as of 31 December</b>	<b>3,067</b>	<b>2,331</b>

The total amount of 1,170 thousand euros (prior year: 804 thousand euros) that was allocated was composed of allocations to individual impairments amounting to 535 thousand euros (prior year: 546 thousand euros) and flat-rate individual impairments amounting to 635 thousand euros (prior year: 258 thousand euros).

Expenses from the immediate write-off of trade receivables existed in the amount of 353 thousand euros (prior year: 448 thousand euros). Income from payments received on written-off claims only existed to an insignificant extent.

For the disclosures in accordance with IFRS 7, the trade receivables were, as in the prior year, allocated in full to "Trade receivables".

### 13 Time Deposits and Securities

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Time deposits	12,935	15,000	15,049	3,000
Security investments	684	15,654	461	0
<b>Time deposits and securities</b>	<b>13,619</b>	<b>30,654</b>	<b>15,510</b>	<b>3,000</b>

The carrying amount of the time deposits contains deferred interest amounting to 235 thousand euros (prior year: 49 thousand euros).

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

	in th. euros	
	31.12.2010	31.12.2009
Cost of purchase	16,135	445
Carrying amount	16,338	461
Unrealised gains	59	121
Unrealised losses	-72	-105
Deferred interest	216	0

The unrealised capital gains are recognised under other earnings outside profit and loss. The unrealised capital losses concern material impairment (IAS 39.67 ff) recognised as expense.

For the disclosures in accordance with IFRS 7, the financial instruments are allocated to "Time deposits" in the amount of 27,935 thousand euros (prior year: 18,049 thousand euros) and to "Securities" in the amount of 16,338 thousand euros (prior year: 461 thousand euros).

## 14 Other Assets

The other assets are composed as follows:

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Refunds and other receivables from suppliers	12,733	0	13,689	0
Rental deposits	87	819	124	557
Loan extended to a leasing company	38	676	0	750
Due from staff	181	89	89	55
Insurance refunds	118	0	119	0
Interest rate swap	103	0	0	0
Accrued interest	9	0	280	0
Labour procurement reserves (blocked account in Switzerland)	0	0	0	820
Receivables from the sale of Tomtech	0	0	521	0
Other	625	0	313	16
<b>Total financial instruments</b>	<b>13,894</b>	<b>1,584</b>	<b>15,135</b>	<b>2,198</b>
Deferral for customer maintenance agreements	3,143	264	0	0
Deferred income	1,609	22	1,465	55
Social security claims	1,559	0	1,300	0
Advance payments	1,065	0	1,065	0
VAT accruals	534	0	125	0
Claims from other taxes	76	0	131	0
<b>Total other assets</b>	<b>7,986</b>	<b>286</b>	<b>4,086</b>	<b>55</b>
<b>Other assets</b>	<b>21,880</b>	<b>1,870</b>	<b>19,221</b>	<b>2,253</b>

The company's other assets are not collateralised. The company is thus exposed to the risk of default up to the carrying amount.

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

	in th. euros						
	Carrying amount	Not overdue	Overdue				
			less than 30 days	between 31 and 90 days	between 91 and 180 days	between 180 and 360 days	over 360 days
<b>31.12.2010</b>							
Financial instruments	13,894	13,666	90	120	9	7	2
<b>31.12.2009</b>							
Financial instruments	15,135	14,739	317	25	10	12	32

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

For the disclosures in accordance with IFRS 7, the financial instruments included in the other assets are allocated to "Other financial assets" in the amount of 15,375 thousand euros (prior year: 17,333 thousand euros) and to "Financial derivatives" in the amount of 103 thousand euros (prior year: 0 euros).

## 15 Cash and Cash Equivalents

The cash and cash equivalents amounting to 85,477 thousand euros (prior year: 76,467 thousand euros) include cash at banks and on hand and short-term realisable securities 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".

## 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.

### Issued Capital

As was the case on 31 December 2009, the company's issued capital as of 31 December 2010 was divided into 21,000,000 fully paid-up ordinary shares of a calculated nominal value of 1.00 euro each. Each share has one vote.

In the prior year, the issued capital had been reduced from 21,200,000 euros to 21,000,000 euros through the retirement of 200,000 no-par shares in simplified form in accordance with Section 237 (3) no. 2 of the German Stock Corporation Act. In accordance with Section 237 (5) of the German Stock Corporation Act, an amount of 200,000 euros, which corresponded to the proportion of the retired shares in the issued capital, had been appropriated to the capital reserves.

**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 issued capital by up to 10,600 thousand euros by issuing new bearer shares (**authorised capital** according to the resolution of the Annual General Meeting of 16 June 2009) until 15 June 2014. The authorisation issued accordingly by the Annual General Meeting on 11 June 2004 until 10 June 2009, was cancelled by the resolution of the Annual General Meeting of 16 June 2009.

Capital increases may occur against cash contributions and/or contributions in kind. Subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude fractional amounts from the shareholders' subscription rights. Subject to the approval of the Supervisory Board, the Executive Board is also authorised to exclude the subscription right if (1st case) the capital increases occur against contributions in kind to acquire companies or interests in companies or (2nd case) the capital increase occurs against cash contributions, does not exceed ten per cent of the issued capital at the time of issue, and the issue price is not significantly below the listed price, or (3rd case) the capital increase occurs for the purpose of issuing employee shares and the pro-rata amount does not exceed ten per cent of the issued capital at the time of issue.

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 145,228 thousand euros as of 31 December 2010, the same value as on 31 December 2009.

The increase of 1,774 thousand euros in the prior year had been the result of the retirement of treasury shares in the amount of 200 thousand euros and of the resale of treasury shares in the amount of 1,574 thousand euros.

## Retained Earnings

**Aggregate Profits.** At the Annual General Meeting of 16 June 2010, a resolution was adopted to pay a dividend of 0.60 euros per no-par share with dividend entitlement for the fiscal year 2009. The dividend was paid on 17 June 2010. The dividend paid out totalled 12,600 thousand euros (prior year: 12,445 thousand euros).

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 the company's strategy is geared towards internal and external growth, investments will be necessary for this purpose, which should – where possible – be financed internally. The Executive Board decided to propose to the Supervisory Board and to the Annual General Meeting to appropriate the net profit of 15,750 thousand euros for the fiscal year 2010 for payment of a dividend of 0.75 euros per no-par share with dividend entitlement.

Apart from the dividend paid, the retained earnings in the reporting year also changed by the total earnings of 49,122 thousand euros, which consisted of earnings after tax (46,422 thousand euros) and other earnings (2,700 thousand euros). Accordingly, the retained earnings amounted to 205,255 thousand euros as of 31 December 2010 (prior year: 168,733 thousand euros). Apart from the dividend payment and the change from the total earnings (34,389 thousand euros), a retirement of treasury shares (-2,253 thousand euros) had taken place in the prior year.

**Accumulated Earnings Outside Profit or Loss.** As of the balance sheet date, the accumulated earnings outside profit or loss were composed as follows:

	in th. euros	
	31.12.2010	31.12.2009
Actuarial gains and losses from pension provisions	-14,071	-9,163
Income tax effects	2,528	1,915
Unrealised losses/gains from securities	59	121
Income tax effects	-5	-30
Unrealised losses/gains from financial derivatives	-239	-389
Income tax effects	69	114
Currency exchange differences from net investments in foreign business operations	0	5
Income tax effects	0	0
Hedging of net investments in foreign business operations	-8,185	-665
Income tax effects	2,383	194
Currency exchange differences	15,559	3,296
<b>Accumulated earnings outside profit or loss</b>	<b>-1,902</b>	<b>-4,602</b>

Thus, the other earnings amounted to 2,700 thousand euros (prior year: 131 thousand euros) of the total earnings in the reporting period. All other earnings as well as the total earnings are due to the shareholders of Bechtle AG in full.

## Treasury Shares

By resolution of the Annual General Meeting on 16 June 2010, the Executive Board was 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.

In the reporting period, there were no transactions in treasury shares. Thus, as was the case on 31 December 2009, the company did not hold any treasury shares as of 31 December 2010.

In the prior year, the retirement of the purchased treasury shares had resulted in a reduction of the issued capital by 200 thousand euros and a simultaneous increase in capital reserves by the same amount. The retained earnings had fallen by 2,253 thousand euros in accordance with the cost of purchase of the retired shares. The proceeds from the sale of the purchased treasury shares (4,514 thousand euros) had exceeded the cost of purchase (2,940 thousand euros) by 1,574 thousand euros. This capital gain had been recognised in the capital reserves outside profit or loss.

As of 31 December 2010, the number of outstanding shares was 21,000,000, the same number as on 31 December 2009. The weighted average number of outstanding shares in the reporting period, which was determined in accordance with IAS 33, thus also amounted to 21,000,000 (prior year: 20,853,034).

## Non-Controlling Interests

In the reporting period, the non-controlling interests (formerly referred to as minority interests) did not undergo any changes. Thus, as was the case on 31 December 2009, there were no non-controlling interests as of 31 December 2010.

## Capital Management

With an equity ratio (equity in relation to the balance sheet total) of 56.8 per cent (prior year: 64.3 per cent), Bechtle has a solid equity structure. The goal of the capital management at Bechtle 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.

The group manages its capital structure and makes adjustments in line with changes in the economic framework conditions. To maintain or adjust the capital structure, the group may adjust the dividend payments to shareholders, issue new shares or buy back treasury shares, and retire shares if necessary. As of 31 December 2010 and 31 December 2009, respectively, no changes had been made to the goals, guidelines, and procedures.

## 17 Pension Provisions

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

Defined contribution obligations primarily derive exclusively from the statutory pension obligation. During the reporting period, employer contributions to the statutory pension fund in Germany totalled 11,499 thousand euros (prior year: 10,792 thousand euros).

**Bechtle Holding Schweiz AG and Subsidiaries.** Although, the pension plans of Bechtle Holding Schweiz AG and its subsidiaries are contractually agreed to 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.

Due to insufficient information provided by the Group's independent pension funds (group insurance providers), the pension plans were not accounted for as defined benefit plans pursuant to IAS 19.30 until 31 December 2005.

Since 1 January 2006, the Bechtle Holding Schweiz AG companies with registered office in Switzerland have made use of the semi-autonomous "Bechtle Pension Fund" ("Bechtle Pensionskasse"), which is independent of the Group and is a foundation as defined by Art. 80 ff of Swiss Civil Code, Art. 331 ff of the Swiss Law of Obligations and Art. 48 ff of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pensions (BVG), with registered offices in Rotkreuz. Companies of Bechtle Holding Schweiz AG not registered in Switzerland are covered by external State (Germany, France and Austria) and private (Netherlands) pension funds. The "Bechtle Pension Fund" has, since 1 January 2006, had the required transparency to be able to account for the pension plans as defined benefit plans pursuant to IAS 19.48 ff. For this reason, actuarial opinions have been regularly prepared since 1 January 2006.

As of 31 December 2009, the comparison of plan assets (34,840 thousand euros) and the defined benefit obligation (42,965 thousand euros) resulted in an underfunding and a net obligation to be accounted for of 8,125 thousand euros, which was duly recognised as a pension provision. This recognised net obligation of 9,291 thousand euros was due to actuarial losses which were recognised directly in equity (retained earnings) with no effect on profit and loss after taking into account deferred taxes pursuant to IAS 19.93A.

During the reporting period, actuarial losses of 2,860 thousand euros accrued. Factoring in exchange rate differences of -2,007 thousand euros, as of 31 December 2010 actuarial losses recognised in retained earnings totalled 14,158 thousand euros, less 2,553 thousand euros in deferred tax assets.

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by 133 thousand euros, this amount being recorded as a reduction of personnel expense (operating expense).

After factoring in other exchange rate differences of 229 thousand euros, the total net obligation, i.e. pension provisions, to be reported as of 31 December 2010 was 12,630 thousand euros.

**Bechtle Onsite Services GmbH.** The pension obligations of Bechtle Onsite Services GmbH, Neckarsulm are a result of the take over 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.

The obligations of this defined benefit plan were processed as direct commitments without the transfer of reserves. These relate to an unfunded pension plan without fund cover. Regular actuarial opinions are prepared for the measurement. As of 31 December 2009, the balance sheet pension provision amounted to 506 thousand euros. Actuarial gains totalled 128 thousand euros (deferred tax liabilities: 34 thousand euros).

As of 31 December 2010, the pension provisions of the Bechtle Group increased by 91 thousand euros to 597 thousand euros. Of this increase, 41 thousand euros was recognised outside profit or loss as an actuarial loss (deferred taxes: 9 thousand euros) and 50 thousand euros recognised as an expense.

In total, the pension obligations of Bechtle Onsite Services GmbH and Bechtle Holding Schweiz AG and its subsidiaries as recognised in the consolidated balance sheet as of 31 December 2010 came to 13,227 thousand euros.

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

	in th. euros	
	2010	2009
<b>Present value of defined benefit obligation as of 01.01.</b>	<b>43,471</b>	<b>39,692</b>
Current service cost (for pension entitlements earned in the reporting period)	2,697	2,724
Interest cost (for pension entitlements acquired at an earlier date)	1,378	1,104
Employee contributions	1,879	1,754
Actuarial gains/losses	2,246	651
Company mergers	0	0
Paid pension benefits	-1,855	-2,638
Exchange rate changes	8,567	184
<b>Present value of defined benefit obligation as of 31.12.</b>	<b>58,383</b>	<b>43,471</b>

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

	in th. euros	
	2010	2009
<b>Fair value of projected assets as of 01.01.</b>	<b>34,840</b>	<b>30,833</b>
Expected revenue from projected assets	1,540	1,187
Employee contributions	1,879	1,754
Employer contributions	2,618	2,444
Actuarial gains/losses	-655	1,097
Company mergers	0	0
Paid pension benefits	-1,855	-2,638
Exchange rate changes	6,789	163
<b>Fair value of projected assets as of 31.12.</b>	<b>45,156</b>	<b>34,840</b>

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

	in th. euros				
	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
<b>Present value of defined benefit obligation as of 01.01.</b>	<b>58,383</b>	<b>43,471</b>	<b>39,692</b>	<b>38,460</b>	<b>39,363</b>
<b>Fair value of projected assets as of 01.01.</b>	<b>45,156</b>	<b>34,840</b>	<b>30,833</b>	<b>32,685</b>	<b>33,979</b>
Net obligation	13,227	8,631	8,859	5,775	5,384
<b>Pension reserves shown in the balance sheet</b>	<b>13,227</b>	<b>8,631</b>	<b>8,859</b>	<b>5,775</b>	<b>5,384</b>

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

	in th. euros	
	2010	2009
Current service cost (for pension entitlements in the reporting period)	2,697	2,724
Interest cost (for pension entitlements acquired at an earlier date)	1,378	1,104
Expected revenue from projected assets	-1,540	-1,187
<b>Net pension expenses for benefit commitments</b>	<b>2,535</b>	<b>2,641</b>

The defined benefit plans and their actuarial measurement are based on the following parameters:

	Bechtle Holding Schweiz AG (sub-group)	Bechtle Onsite Services GmbH
Discount rate	2.50%	4.75%
Inflation rate	1.50%	n/a
Long-term expected appreciation of projected assets	3.25% from 2011	n/a
Salary increase (incl. inflation rate)	2.00%	0.00%
Pension increase	0.00%	0.00%
Retirement likelihood, mortality, invalidity	BVG 2005	Heubeck guide 2005 G; Retirement probability conditional on age and company service
Likelihood of marriage	80% men, 30% women; age difference between husband and wife is three years	Heubeck guide 2005 G
Earliest retirement age	men and women 100% aged 64	Men and women 100% aged 62
Surcharge for longevity	3.50%	none

The total projected returns result from the weighted average projected income from the investment categories held by the plan assets. The projected income is estimated by management based on historical profit and market predictions by analysts for the respective assets for the next twelve months.

In respect of the investment categories, the plan assets of Bechtle Holding Schweiz AG are comprised as follows:

	31.12.2010
Obligations	35.9%
Equity instruments	27.5%
Property	23.2%
Other assets	13.3%
Liquidity	0.1%

Actual return on plan assets totalled 885 thousand euros in the reporting period (prior year: 2,284 thousand euros).

The empirical adjustments of the defined benefit obligation and the plan assets are as follows:

	in th. euros				
	2010	2009	2008	2007	2006
Empirical adjustment to defined benefit obligation (gain)	107	-196	4,075	-344	-
Empirical adjustment to projected assets (gain)	-655	1,097	-5,660	-1,460	-

The actuarial opinions for Bechtle Holding Schweiz AG and Bechtle Onsite Services GmbH forecast the following values for 2011:

	in th. euros
	2011
<b>Present value of defined benefit obligation as of 01.01.</b>	<b>58,383</b>
Current service cost (for pension entitlements in the reporting period)	3,165
Interest cost (for pension entitlements acquired at an earlier date)	1,440
Employee contributions	2,112
Paid pension benefits	-2,636
<b>Present value of defined benefit obligation as of 31.12.</b>	<b>62,464</b>

	in th. euros
	2011
<b>Fair value of projected assets as of 01.01.</b>	<b>45,156</b>
Projected revenue from projected assets	1,503
Employee contributions	2,112
Employer contributions	2,943
Paid pension benefits	-2,634
<b>Fair value of projected assets as of 31.12.</b>	<b>49,080</b>

	in th. euros
	31.12.2011
<b>Present value of defined benefit obligation</b>	<b>62,464</b>
<b>Fair value of projected assets</b>	<b>49,080</b>
Net obligation	13,384
<b>Pension provisions shown in the balance sheet</b>	<b>13,384</b>

	in th. euros
	2011
Current service cost (for pension entitlements in the reporting period)	3,165
Interest cost (for pension entitlements acquired at an earlier date)	1,440
Projected revenue from projected assets	-1,503
<b>Net pension expenses for benefit commitments</b>	<b>3,102</b>

## 18 Other Provisions

in th.euros

	31.12.2009	Currency exchange and other change	Reclassi- fication	Utilisation	Release	Addition	31.12.2010
Guarantees and similar obligations	1,980	84	0	1,437	41	2,601	3,187
Personnel costs	792	11	400	513	119	983	1,554
Legal and consulting costs	479	29	0	211	21	161	437
Investor Relations	180	0	0	180	0	180	180
Others	760	0	-400	153	69	652	790
	4,191	124	0	2,494	250	4,577	6,148
Other non-current provisions	232	11	31	3	0	539	810
Other current provisions	3,959	113	-31	2,491	250	4,038	5,338

Provisions for **guarantees and similar obligations** are carried in the expected utilisation amount based on company-specific historical values. **Personnel costs** primarily consist of salary back payments. The **legal and consulting costs**, for the most part, relate to costs for legal advice. The provisions for **investor relations** include costs for the Annual General Meeting and the Annual Report. **Other provisions** primarily relate to provisions for anticipated losses, archiving and disposal costs as well as contingent liabilities.

## 19 Financial Liabilities, Interest Rate Swaps and Credit Lines

in th. euros

	31.12.2010		31.12.2009	
	current	non-current	current	non-current
- Kreissparkasse Heilbronn, loan for various acquisitions 2010	1,071	6,161		
- Sparkasse Schwäbisch Hall-Crailsheim, loan for various acquisitions 2008	857	3,429	857	4,286
- IKB Deutsche Industriebank, loan for the financing of the new Bechtle AG administrative building	417	1,354	417	1,771
- Supplier loans	1,974	1,322	822	547
- Other non-current loans	1	0	44	0
<b>Loans with an initial term in excess of 1 year</b>	<b>4,320</b>	<b>12,266</b>	<b>2,140</b>	<b>6,604</b>
Other financial liabilities	492	0	421	0
<b>Total financial liabilities</b>	<b>4,812</b>	<b>12,266</b>	<b>2,561</b>	<b>6,604</b>

A loan from Kreissparkasse Heilbronn in the amount of 7,232 thousand euros has a term until 30 September 2017. It is subject to variable interest rates (Euribor-3M + 45 basis points) and is to be repaid with quarterly instalments of 268 thousand euros as of the end of each quarter, for the first time at the end of December 2010. The collateral consists of a negative pledge or a pari passu clause on furnishing collateral. The risks pertaining to the variable interest rate of the loan are eliminated by an interest rate swap. The interest rate swap with an initial reference amount corresponding to the amount of the loan is to be regarded as a cash flow hedge and as 100 per cent effective in hedging the interest rate risk. Bechtle pays the fixed interest rate of 1.86 per cent and receives the Euribor-3M as a variable interest rate. The terms of the interest swap and of the loan are congruent. Taking into account the hedge by the interest rate swap against the interest rate risk, the loan is subject to an interest rate of 2.31 per cent. The market value of the interest rate swap as of 31 December 2010 was 103 thousand euros, which after deferred taxes of -30 thousand euros was recognised directly in equity (retained earnings) outside profit or loss.

A loan from Sparkasse Schwäbisch Hall-Crailsheim in the amount of 4,286 thousand euros has a term until 30 September 2015. It has a variable interest rate (Euribor-3M + 85 basis points) and is repaid in annual payments of 857 thousand euros on 30 September of each year. Collateral is provided in the negative pledge, or the pari passu clause on furnishing collateral. The risks pertaining to the variable interest rate of the loan are eliminated by an interest rate swap. The interest rate swap with an initial reference amount of 6,000 thousand euros is to be regarded as a cash flow hedge and as 100 per cent effective in hedging the interest rate risk. Bechtle pays the fixed interest rate of 4.8 per cent and receives the Euribor-3M as a variable interest rate. The date of maturity is set at 30 September 2015. Taking into account the hedge by the interest rate swap against the interest rate risk, the loan is subject to an interest rate of 5.65 per cent. The market value of the interest rate swap as of 31 December 2010 was -343 thousand euros (prior year: -389 thousand euros), which after deferred taxes of 99 thousand euros (prior year: 114 thousand euros) was recognised directly in equity (retained earnings) outside profit or loss. During the reporting period and in the prior year there were no ineffective changes in market value to be recognised through profit or loss in the income statement.

The **loan from IKB Deutsche Industriebank AG** of 1,771 thousand euros has a term until 31 March 2015. It is subject to a fixed interest rate (3.7 per cent p.a.) and is repaid by means of quarterly payments of 104 thousand euros at the end of each quarter. Collateral is provided in the negative pledge, or the pari passu clause on furnishing collateral.

Several **loans from a supplier** totalling 3,296 thousand euros are denominated in Swiss francs (4,129 thousand Swiss francs), interest-free and repayable on 1 July 2011 (649 thousand euros), 1 October 2011 (1,325 thousand euros) and 1 November 2012 respectively (1,322 thousand euros).

Other financial liabilities (initial term of less than one year) totalling 492 thousand euros include 297 thousand euros in low-interest loans from a supplier (prior year: 400 thousand euros) and other current account debts of 195 thousand euros (prior year: 21 thousand euros).

The company has global **credit lines** of 42,814 thousand euros. As of the balance sheet date, 0 thousand euros had been used in cash loans and 6,462 thousand euros in guaranteed credit resulting in unused credit lines of 36,252 thousand euros (prior year: 34,709 thousand euros).

For the disclosures in accordance with IFRS 7, the financial liabilities are allocated to "Loans" as in the prior year.

## 20 Trade Payables

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Trade payables	129,060	0	79,460	97

As in the prior year, trade payables were fully reported under "Trade payables" in line with IFRS 7.

## 21 Other Liabilities

Other liabilities are comprised as follows:

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Personnel liabilities	27,913	0	20,091	0
Liabilities to factoring company	4,709	0	0	0
Customer liabilities	4,004	0	3,357	0
Customer bonus	852	0	661	0
Annual financial statement costs	643	0	609	0
Liabilities resulting from acquisitions	0	450	0	0
Rent and ancillary rental costs	368	0	526	0
Unrealised losses from financial derivatives	343	0	390	0
Telephone/Internet	245	0	223	0
Security deposits	35	200	50	302
Travel expenses and expenditures	221	0	166	0
Liabilities from currency hedges	218	0	0	0
Insurance policies	200	0	82	0
Transportation charges	185	0	161	0
Advertising	106	0	136	0
Liabilities new building	0	0	446	0
Others	1,459	0	1,170	0
<b>Total financial instruments</b>	<b>41,501</b>	<b>650</b>	<b>28,068</b>	<b>302</b>
VAT	17,247	0	10,083	0
Wage and church tax	2,949	0	2,297	0
Social security contributions	2,528	0	1,680	0
Liabilities from other taxes	399	0	253	0
<b>Total other liabilities</b>	<b>23,123</b>	<b>0</b>	<b>14,313</b>	<b>0</b>
<b>Other liabilities</b>	<b>64,624</b>	<b>650</b>	<b>42,381</b>	<b>302</b>

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

Financial instruments reportable as other liabilities per IFRS 7, were shown in the amount of 41,590 thousand euros (prior year: 27,980 thousand euros) as "Other financial liabilities", and in the amount of 561 thousand euros as "Financial derivatives" (prior year: 390 thousand euros).

## 22 Deferrals and Accruals

Deferrals and accruals are comprised as follows:

	in th. euros			
	31.12.2010		31.12.2009	
	current	non-current	current	non-current
Prepayments received	10,417	0	12,991	0
Deferred income	14,918	6,565	6,613	4,820
<b>Deferrals and accruals</b>	<b>25,335</b>	<b>6,565</b>	<b>19,604</b>	<b>4,820</b>

Deferrals and accruals primarily include accruals for maintenance contracts and guarantee extensions.

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

The cash flow statement for the 2010 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 include cash on hand, cheques and bank balances with a residual time to maturity of no more than 3 months and correspond to the balance sheet item "Cash and cash equivalents". Currency translation effects on cash and cash equivalents are shown separately in the calculation.

## 23 Cash Flow from Operating Activities

Cash flow from operating activities in the amount of 59,114 thousand euros (prior year: 47,330 thousand euros) was indirectly derived from earning before taxes. In the context of the indirect method, the financial results, depreciation, amortisation and other non-cash expenses and income as well as changes in material balance sheet items and the remaining net assets are taken into account.

As in the prior year, other non-cash expenses and income mainly consisted of changes to provisions and impairments.

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

## 24 Cash Flow from Investing Activities

In 2010, net cash used for investments of 47,625 thousand euros (prior year: 30,292 thousand euros) primarily consisted of payments for investments in intangible assets and property, plant and equipment as well as time deposits and securities, acquisitions of consolidated companies, and settlements for net investments hedge. These payments were reduced by payments received from the sale of time deposits and securities, property, plant and equipment, consolidated companies and other assets as well as interest payments received.

The purchase price payments of 11,272 thousand euros for the newly acquired companies resulted in a cash outflow in the same amount. These acquisitions involved the takeover of non-current assets amounting to 12,016 thousand euros, current assets amounting to 17,974 thousand euros (including 5,374 thousand euros in cash and cash equivalents), non-current liabilities amounting to 2,119 thousand euros, and current liabilities amounting to 16,149 thousand euros. Further disclosures concerning the acquired companies are presented in section VIII. "Acquisitions and Purchase Price Allocation". In the prior year, retroactive purchase price increases and payment obligations concerning acquisitions in prior years had been paid.

Payments received from the sale of consolidated companies concern the Group company TomTech Gesellschaft für EDV und Büroorganisation mbH sold in 2008.

The gross cash flows for the acquisition and sale of long-term investments in time deposits and securities are recognised separately. The cash flows of short-term investments in time deposits and securities are shown as netted.

Settlements for hedging net investments include payments on currency futures/forwards in connection with hedging net investments in group companies in the UK and Switzerland. For additional information on hedging net investment, see section VI. "Further Disclosures on Financial Instruments in accordance with IFRS 7", "Disclosures on Risk Management of Financial Instruments", and "Currency Risk".

## 25 Cash Flow from Financing Activities

Factoring in the assumption and repayment of financial liabilities, dividend distributions and interest payments made, net cash used for financing activities came to 7,173 thousand euros (prior year: 17,772 thousand euros). The prior-year figure had reflected the purchase and sale of treasury shares.

Gross payments received and payments made are recognised separately for the non-current financial liabilities and treasury shares. Cash flows for current financial liabilities are shown on a net basis.

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

### Information on Financial Instruments by Category

The tables below show carrying amounts and fair values of financial instruments for the categories of financial instruments in accordance with IFRS 7:

in th. euros

31.12.2010 Classes pursuant to IFRS 7	Valuation category	Carrying amount	Measurement in balance sheet in accordance with IAS 39			Fair value
			Amortised costs	Fair value recognised directly in equity	Fair value through profit or loss	
<b>Assets</b>						
Trade receivables	LAR	249,277	249,277			249,277
Securities	AFS	16,338		16,338		16,338
Time deposits	LAR	27,935	27,935			27,935
Other financial assets	LAR	15,375	15,375			15,375
Financial derivatives						
Derivatives with hedge relationship	n. a.	103		103		103
Cash and cash equivalents	LAR	85,477	85,477			85,477
<b>Liabilities</b>						
Loans	FLAC	17,078	17,078			17,126
Trade payables	FLAC	129,060	129,060			129,060
Other financial liabilities	FLAC	41,590	41,590			41,590
Financial derivatives						
Derivatives with hedge relationship	n. a.	343		343		343
Derivatives without hedge relationship	FVezbZ	218			218	218
<b>Thereof aggregated according to valuation category pursuant to IAS 39:</b>						
	LAR	378,064	378,064	0	0	378,087
	AFS	16,338	0	16,338	0	16,338
	FLAC	187,728	187,728	0	0	187,776
	FLFVPL	218	0	0	218	218

in th. euros

31.12.2009 Classes pursuant to IFRS 7	Valuation category pursuant to IAS 39	Carrying amount	Measurement in balance sheet in accordance with IAS 39			Fair value
			Amortised costs	Fair value recognised directly in equity	Fair value through profit or loss	
<b>Assets</b>						
Trade receivables	LAR	184,124	184,124			184,124
time deposits	LAR	18,049	18,049			18,049
Security investments	AFS	461		461		461
Other financial assets	LAR	17,333	17,333			17,337
Cash and cash equivalents	LAR	76,467	76,467			76,467
<b>Liabilities</b>						
Loans	FLAC	9,165	9,165			9,195
Trade payables	FLAC	79,557	79,557			79,557
Other financial liabilities	FLAC	27,980	27,980			27,980
Financial derivatives						
Derivatives without hedge relationship	n. a.	390		390		390
<b>Thereof aggregated according to valuation category pursuant to IAS 39:</b>						
	LAR	295,973	295,973	0	0	295,977
	AFS	461	0	461	0	461
	FLAC	116,702	116,702	0	0	116,732
	FLFVPL	0	0	0	0	0

Abbreviation used for the measurement categories of IAS 39:

LAR = Granted loans and receivables

AFS = Available-for-sale financial assets

FLAC = Financial liabilities at amortised cost

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

In the reporting period and in the reference year, the trade receivables and trade payables included an insignificant amount of derivative financial instruments that were measured as fair value hedges and that served as currency hedges. Due to the predominantly short-term nature of the instruments, the carrying amounts of the categories deviate only negligibly from the fair values. The fair values of other non-current assets and liabilities correspond to the present value of the associated payments taking into account the respective current interest rate parameters.

The following overview represents the fair value of the financial instruments accounted for; the measurement is based on these material parameters. The individual levels are defined in accordance with IFRS 7: Level 1: Measurement at prices quoted on active markets (adopted unchanged) for identical assets and liabilities

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

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

The securities under Level 1 are listed on the stock exchange and have been recognised at the market price as of the balance sheet date. The measurement of the financial derivatives presented under Level 2 takes place as explained under "Accounting Policies".

in th. euros

	31.12.2010				31.12.2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Security investments	16,274	64		16,338	461			461
Financial derivatives		103		103				
<b>Financial liabilities</b>								
Financial derivatives		561		561		390		390

During the reporting period up to 31 December 2010, there were no reclassifications between measurements at fair value of Level 1 and Level 2 and no reclassifications to or from measurements at fair value of Level 3.

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

in th. euros

	From the subsequent valuation			From disposal	Net earnings	
	From interest	Currency exchange	Impairment		2010	2009
Granted loans and receivables	990	319	-859	-353	97	842
Financial liabilities at amortised costs	-548	213			-335	-219
Available for sale financial assets	600		-72	116	644	0
Held for trading purposes (only derivatives)		-218		-747	-965	0
<b>Total</b>	<b>1,042</b>	<b>314</b>	<b>-931</b>	<b>-984</b>	<b>-559</b>	<b>623</b>

Total interest income for financial assets corresponds to the values stated above. The total interest cost for financial liabilities, without taking interest rate swaps into account, amounts to 328 thousand euros (prior year: 365 thousand euros). Gains of 121 thousand euros from the sale of available-for-sale securities, which had been recognised outside profit or loss in the prior year, were recognised through profit or loss in the fiscal year under review.

## 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. The Bechtle Group is exposed to currency risks from financial instruments in foreign currency due to deliveries and services to and from Group companies in Switzerland, the United Kingdom, Poland and the Czech Republic, as well as from deliveries invoiced in US dollars in individual cases.

In individual cases, the Bechtle Group utilises currency futures/forwards and swaps to hedge exchange rate risks affecting receivables and liabilities denominated foreign currency. The table below shows the volume of hedging transactions performed in the respective fiscal years.

Currency pair		2010		2009	
		Purchase	Sale	Purchase	Sale
EUR/CHF	in th. CHF	5,000	5,000	-	-
EUR/GBP	in th. GBP	474	511	-	-
EUR/USD	in th. USD	9,133	9,032	600	534
CHF/USD	in th. USD	-	290	-	-
CHF/EUR	in th. EUR	5,360	1,160	5,560	880

As of the balance sheet date, the currency contracts shown above recognised as fair value hedges created an obligation to settle a net 1,718 thousand US dollars (prior year: 290 thousand US dollars) and purchase a net 176 thousand British pounds. For these currency derivatives, the fair value measurement results in a net gain of 4 thousand euros, which was netted against a corresponding loss of the hedged items. Swiss group companies had additional obligations to purchase a net 4,330 thousand euros resulting from hedges classified as financial instruments held for trading per IAS 39, which therefore were measured at fair value through profit and loss.

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 recognised as of the respective balance sheet date due to the changed exchange rate are taken into account. Exchange-rate-related differences from the translation of financial statements into the reporting currency are not taken into account.

	in th. euros			
	2010		2009	
<b>Effects of a fall (or upgrading respectively) in the euro by 10 % compared with</b>				
CHF	+542	(-542)	+129	(-129)
USD	14	(-14)	+55	(-55)
GBP	12	(-12)	+3	(-3)
CZK	1	(-1)	-	-
PLN	0	(-0)	-	-

Furthermore, fluctuations in the EUR/CHF exchange rate can significantly affect the consolidated earnings as a considerable portion of the business is generated in Switzerland. To hedge EUR/CHF exchange rate risks on projected 2010 income generated by the Swiss subsidiaries, EUR/CHF forward contracts were taken out at the beginning of the reporting period valued at 6 million Swiss francs (prior year: 7 million Swiss francs) expiring at year-end to settle in euros, without designating or qualifying this as a hedge for hedge accounting in accordance with IAS 39. Because the Swiss franc appreciated considerably in value versus the euro during the reporting period, this currency contract impacted profit in the amount of -747 thousand euros before taxes (51 thousand euros income tax effect), while correspondingly positive effects resulted from the conversion of Swiss profits. In the prior year the currency contract had no substantial effect on profits, as the EUR/CHF exchange rate remained largely stable.

Similarly, projected 2010 UK income was hedged against EUR/GBP exchange rate risks for the first time during the reporting period. This currency contract (sale of 320 thousand British pounds) did not significantly impact profit.

In the consolidated financial statements (euros), exchange differences arose from the conversion of foreign currency financial statements of foreign subsidiaries. These differences are carried and recognised separately directly in equity. To compensate for these foreign currency exchange differences outside profit or loss and to hedge a net investment in a foreign business unit (IAS 39.102, IFRIC 16), Bechtle again took out a corresponding EUR/CHF forward exchange contract in the reporting period. The forward sale of 60 million Swiss francs transacted at the start of the year to settle at year-end resulted in the recognition in other income of -7,495 thousand euros outside profit or loss (+2,182 thousand euros income tax effect). Accordingly, consolidated equity was very positively impacted by a 12,263 thousand euro increase in exchange rate differences, deriving mostly from EUR/CHF conversion. In the prior year, the forward sale of 60 million Swiss francs transacted in October 2009 to settle at the end of 2009 generated other income of -665 thousand euros, recognised outside profit or loss (+194 thousand euros income tax effect).

Similarly, net assets in the UK income were hedged against EUR/GBP exchange rate risks for the first time during the reporting period. The corresponding currency contract (sale of 1,000 thousand British pounds) generated other income of -25 thousand euros recognised outside profit or loss (+7 thousand euros income tax effect).

**Interest Rate Risk.** The interest rate risk to which the Bechtle Group is exposed applies primarily to the interest earned by its cash and cash equivalents and from time deposits and securities.

Both the variable interest loan from Sparkasse Schwäbisch Hall-Crailsheim and the variable interest loan from Kreissparkasse Heilbronn are fully hedged against the interest rate risk by means of a corresponding interest rate swap as a cash flow hedge. Since there is no ineffectiveness from the hedge, changes in interest rates only affect the fair value measurement of the interest rate swap in equity outside profit or loss. Apart from this, the group only has a minimal position – and thus an insignificant interest rate risk – in variable-rate financial instruments, which are exposed to cash flow risk from a possible deterioration in interest rates, and fixed-income financial instruments, which are exposed to fair value risks from interest rate fluctuations.

The sensitivity analysis was carried out for the Bechtle Group's cash and cash equivalents and time deposits and securities as of the balance sheet date as well as taking into account the relevant interest rates in the relevant currencies (EUR, CHF, GBP, and USD). A hypothetical decrease/increase in these interest rates from the beginning of the reporting period by 100 basis points or one per cent p.a. (assuming constant exchange rates) would have led to a decrease/increase in interest income by 1,298 thousand euros (prior year: 950 thousand euros).

In the case of the existing interest rate swaps, such a decrease/increase in interest rates would have caused the fair value to change by -373 thousand euros or +357 thousand euros (prior year: -179/+173 thousand euros), recognised directly in equity outside profit or loss.

**Liquidity Risk.** The liquidity risk from financial instruments results from future interest payments and redemption payments for financial liabilities and 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.

Cash flows from loans and interest rate swaps described in section IV. No. 19 are grouped together as a 100 per cent effective cash flow hedge. Based on the Euribor-3M of 0.88 per cent that was valid on the balance sheet date, the interest rate swap would result in future interest payments totalling 512 thousand euros in the period from 2011 to 2017 (prior year: 267 thousand euros for a Euribor-3M of 0.75 per cent for the period from 2010 to 2015). The trade liabilities include insignificant derivative financial instruments that serve as currency hedges. The financial instruments included in the other liabilities are presented less the negative market value of the interest rate swaps in the amount of 343 thousand euros (prior year: 390 thousand euros). The remaining other financial liabilities include derivative financial instruments used as currency hedges in the amount of 218 thousand euros, which are due in 2011.

in th. euros

	Financial liabilities			
	Loans and interest swaps	Other short-term liabilities	Trade payables	Other liabilities
<b>Carrying amount as of 31.12.2010</b>	<b>16,586</b>	<b>492</b>	<b>129,060</b>	<b>41,808</b>
<b>Cash flow 2011</b>				
Interest	443			1
Repayment	4,320	492	129,060	41,158
<b>Cash flow 2012</b>				
Interest	354			1
Repayment	3,668			325
<b>Cash flow 2013</b>				
Interest	265			1
Repayment	2,345			325
<b>Cash flow 2014</b>				
Interest	177			
Repayment	2,345			
<b>Cash flow 2015</b>				
Interest	94			
Repayment	2,033			
<b>Cash flow 2016</b>				
Interest	31			
Repayment	1,071			
<b>Cash flow 2017</b>				
Interest	8			
Repayment	804			

in th. euros

	Financial liabilities			Other financial liabilities	Other liabilities
	Loans and interest swaps	Other short-term liabilities	Trade payables		
<b>Carrying amount as of 31.12.2009</b>	<b>8,744</b>	<b>421</b>	<b>79,557</b>	<b>0</b>	<b>27,980</b>
<b>Cash flow 2010</b>					
Interest	198				7
Repayment	2,139	421	79,458		27,680
<b>Cash flow 2011</b>					
Interest	160				6
Repayment	1,822		99		100
<b>Cash flow 2012</b>					
Interest	123				4
Repayment	1,274				100
<b>Cash flow 2013</b>					
Interest	86				2
Repayment	1,274				100
<b>Cash flow 2014</b>					
Interest	49				
Repayment	1,274				
<b>Cash flow 2015</b>					
Interest	18				
Repayment	961				

**Credit Risk.** The carrying amounts of the financial assets correspond to the maximum credit risk. There is no hedging, with the exception of industry-standard reservations of title for trade receivables as well as country-specific deposit guarantee funds for cash and cash equivalents and time deposits. Any risks of default identified in the financial assets are recognised in the form of impairments.

Further information regarding risk management and for determining the concentration of risk within the Bechtle Group for the currency risk, interest rate risk, liquidity risk and other market risks including its targets, methods and processes are stated in the risk report of the management report.

## VII. SEGMENT INFORMATION

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

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.

In the **IT system house & managed services** segment Bechtle provides customers IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services, training, and complete IT operation, covering the entire value chain. Bechtle prepares individual offers involving a range of different services in combination with hardware and software directly reflecting the needs and preferences of each and every customer. Bechtle operates in Germany, Austria and Switzerland in this segment, benefiting from a broadly decentralised organisation with over 60 locations keeping the company in close proximity to customers.

The **IT e-commerce** segment comprises the group's Internet, catalogue and telesales trading activities. Bechtle sells more than 44,000 items ranging from hardware and standard software to peripherals, covering all current IT markets with its multiple brand strategy. The Bechtle direct brand is now established in 13 European countries and focuses on classic hardware from leading manufacturers. The ARP brand on the other hand also offers innovative niche products and its own brand-name products. ARP is represented in five European countries and operates a purchasing company in Taiwan. The Comsoft software licensing brand is established in seven European countries.

Bechtle Group companies are based primarily in Germany. Foreign Group companies are located in Austria, Belgium, the Czech Republic, France, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland, Taiwan and the United Kingdom.

The administration and notably the strategic management of the individual companies are centralised primarily at Gaildorf and Neckarsulm, where the parent company Bechtle AG and the Group 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 Executive Board member responsible for IT system house & managed services, and the Executive Board member 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 the 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 individually serve 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 subordinate division heads and directors in his segment. Vis-à-vis the CODM, the segment managers are responsible for their segments and maintain regular contact to the CODM, e.g. at Executive Board meetings, in order to report on and discuss the activities, results, and plans of their segments.

The segment information presented below is based on the same indicators as those underpinning 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-related key performance indicator for the segments is the operating profit before financial income, financial expenses and tax. Financial income is not consolidated as the segments are primarily funded via Bechtle AG where external interest expense and income are mainly incurred. For this reason, financial income and expenses are reported together as financial earnings merely at Group level as shown below. Accordingly, this is used as the basis for determining earnings before tax at Bechtle Group and ultimately earnings after tax after taking due account of taxes at Group level.

This results in asymmetric allocation (IFRS 8.27f) insofar as the assets and debts reported for the segments' include interest-bearing assets and liabilities as well as tax receivables and payables. In the case of symmetrical 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. External revenue constitutes the revenue generated by the two segments with parties external to the Group and, as such, the total consolidated revenue of Bechtle Group. The same applies to the receivables and payables as well as the assets and liabilities of the two segments and, as such, the total of those recorded by Bechtle Group too.

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

In the segment reporting by region (domestic or foreign), 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 investment are allocated to the domestic market (Germany) or abroad on the basis of the location of the given company's registered office.

in th. euros

	2010			2009		
	IT system house & managed services	IT e-commerce	Total Group	IT system house & managed services	IT e-commerce	Total Group
<b>According to Segments</b>						
Total segment revenues	1,153,115	572,128		920,958	459,472	
minus revenues with another	-1,996	-328		-1,002	-121	
External revenues	1,151,119	571,800	1,722,919	919,956	459,351	1,379,307
Amortisation/depreciation	11,148	4,251	15,399	10,236	4,028	14,264
<b>Operating earnings</b>	35,852	24,876	60,728	25,768	16,944	42,712
Financial result			1,056			950
<b>Earnings before taxes</b>			61,784			43,662
Income taxes			15,362			9,404
<b>Earnings after taxes</b>			46,422			34,258
Investments	9,387	2,435	11,822	11,279	3,266	14,545
Investments by changes to consolidated companies	11,612	0	11,612	0	0	0
Total segment assets	435,676	218,134		344,374	176,524	
minus receivables from another segment	-20	-74		-230	-3	
<b>Assets</b>	435,656	218,060	653,716	344,144	176,521	520,665
Total segment liabilities	188,261	94,066		119,126	66,811	
minus liabilities to another segment	-74	-20		-3	-230	
<b>Liabilities</b>	188,187	94,046	282,233	119,123	66,581	185,704

As in the prior year, items with no impact on payments other than scheduled depreciation in the two segments were limited in the reporting period primarily to standard movements occurring in the ordinary course of business (e.g. changes in trade receivables and trade payables).

in th. euros

	2010			2009		
	Domestic market	Abroad	Total Group	Domestic market	Abroad	Total Group
<b>According To Regions</b>						
External sales	1,158,213	564,706	1,722,919	921,578	457,729	1,379,307
Investments	9,105	2,717	11,822	12,519	2,026	14,545
Investments by changes to consolidated companies	9,708	1,904	11,612	0	0	0
Assets	376,934	276,782	653,716	298,949	221,716	520,665
of which: non-current assets	101,959	60,736	162,695	92,423	56,644	149,067
Liabilities	183,057	99,176	282,233	112,145	73,559	185,704

Of external revenue generated abroad, 268,741 thousand euros is attributable to Switzerland (prior year: 229,702 thousand euros). The rest is split between the remaining countries Austria, Belgium, the Czech Republic, France, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, which individually contribute less than five per cent to the external revenue generated by Bechtle Group.

The non-current assets reported here encompass property, plant and equipment as well as intangibles (including goodwill). Of non-current assets held abroad, 37,607 thousand euros is attributable to Switzerland (prior year: 30,398 thousand euros). The rest is split between the remaining countries Austria, Belgium, the Czech Republic, France, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, which individually hold less than five per cent of Bechtle Group's non-current assets.

Both in the reporting period and the prior year, no single customers generate revenue in excess of ten per cent of Bechtle Group's total (IFRS 8.34).

Information on the number of employees by segments and regions is provided in section X. "Other disclosures", "Employees".

## VIII. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

### **intelligent IT solutions GmbH & Co. KG, Oldenburg and the General Partner GmbH**

**(iits).** All interests in intelligent IT solutions GmbH & Co. KG, Oldenburg, Germany, and in the general partner intelligent IT solutions Beteiligungs-GmbH, Oldenburg, were acquired as of 23 June 2010.

The acquisition was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff).

Apart from the assets and liabilities recognised from the acquired company, whose carrying amounts corresponded to their fair value, a customer base (1,030 thousand euros) and non-compete agreements (345 thousand euros) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

Deferred tax liabilities (399 thousand euros) were recognised in connection with the capitalisation of the customer base, which is amortised over a period of five years and of the non-compete agreements, which are amortised over a period of two years.

Also, 302 thousand euros in deferred tax assets were recognisable for tax-deductible goodwill (2,451 thousand euros).

Factoring in total net assets acquired (1,517 thousand euros), capital consolidation resulted in a difference of 1,110 thousand euros, reported as goodwill.

The acquisition of iits (66 employees) strengthens the Bechtle Group in the IT system house & managed services segment in the fast-growing business of IT infrastructure solutions for data centres. iits is one of the five largest IT system houses in North Germany. Apart from the headquarters in Oldenburg, the company has branches in Bremen, Cloppenburg and Hannover. In this way, Bechtle continues to pursue the strategy of wide geographic coverage in German-speaking countries.

The acquisition is accounted for as follows as of the date of initial consolidation:

	in th. euros
<b>Non-current assets</b>	
Goodwill	1,110
Other intangible assets	1,413
Property, plant and equipment	274
Deferred taxes	302
<b>Total non-current assets</b>	<b>3,099</b>
<b>Current assets</b>	
Inventories	524
Trade receivables	3,605
Other assets	688
Cash and cash equivalents	434
<b>Total current assets</b>	<b>5,251</b>
<b>Total assets</b>	<b>8,350</b>
<b>Non-current liabilities</b>	
Financial liabilities	495
Deferred taxes	399
<b>Total non-current liabilities</b>	<b>894</b>
<b>Current liabilities</b>	
Financial liabilities	943
Trade payables	3,474
Other provisions and liabilities	412
<b>Total current liabilities</b>	<b>4,829</b>
<b>Total liabilities</b>	<b>5,723</b>
<b>Total assets</b>	
- <b>Total liabilities</b>	
= <b>Cost of purchase</b>	<b>2,627</b>

The cost of purchase caused an outflow of cash and cash equivalents in the same amount.

Bechtle Group revenue and earnings after taxes for the reporting period include 24,005 thousand euros and 10 thousand euros respectively from iits (IFRS 3.B64qi).

### **HTH Consulting GmbH, St. Pölten, Austria**

**(HTH).** As of the acquisition date 18 August 2010, the company acquired all shares of HTH Consulting GmbH, St. Pölten, Austria.

The acquisition was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff).

Apart from the assets and liabilities recognised from the acquired company, whose carrying amounts corresponded to their fair value, a customer base (470 thousand euros), customer service agreements (240 thousand euros) and a non-compete agreement (400 thousand euros) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

Deferred tax liabilities (278 thousand euros) were recognised in connection with the capitalisation of the customer base, which is amortised over a period of five years, of the customer service agreements, which are amortised over a period of four years, and of the non-compete agreement, which is amortised over a period of two years.

Factoring in total net assets acquired (1,258 thousand euros), capital consolidation resulted in a difference of 732 thousand euros, reported as goodwill.

By acquiring HTH (10 employees), the Bechtle Group expanded its business activities in Austria in the IT system house & managed services segment. The IT solution specialist HTH mainly has consulting and IT system integration expertise and is particularly specialised in virtualisation. The acquisition represents another step by Bechtle in the expansion of its extensive presence in Germany, Austria and Switzerland.

The acquisition is accounted for as follows as of the date of initial consolidation:

	in th. euros
<b>Non-current assets</b>	
Goodwill	732
Other intangible assets	1,111
Property, plant and equipment	61
<b>Total non-current assets</b>	<b>1,904</b>
<b>Current assets</b>	
Inventories	35
Trade receivables	356
Other assets	55
Time deposits and securities	350
Cash and cash equivalents	206
<b>Total current assets</b>	<b>1,002</b>
<b>Total assets</b>	<b>2,906</b>
<b>Non-current liabilities</b>	
Other provisions and liabilities	10
Deferred taxes	278
<b>Total non-current liabilities</b>	<b>288</b>
<b>Current liabilities</b>	
Trade payables	246
Income tax liabilities	145
Other provisions and liabilities	145
Accruals and deferrals	92
<b>Total current liabilities</b>	<b>628</b>
<b>Total liabilities</b>	<b>916</b>
<b>Total assets</b>	
- <b>Total liabilities</b>	
<b>= Cost of purchase</b>	<b>1,990</b>

The company purchase agreement for the acquisition of HTH contains a (contingent) consideration of up to 500 thousand euros, which depends on the acquired company's future earnings before taxes. The fair value of this contingent acquisition price at the acquisition date was measured at 450 thousand euros based on validated HTH earnings projections. This amount is included in cost of purchase (IFRS 3.39). Other cost of purchase (1,540 thousand euros) resulted in an outflow of cash and cash equivalents.

Bechtle Group revenue and earnings after taxes for the reporting period include 1,241 thousand euros and -38 thousand euros respectively from HTH (IFRS 3.B64qj).

## SolidPro Informationssysteme GmbH, Langenau

**(SolidPro).** On the acquisition date, 5 October 2010, the company acquired all shares of SolidPro Informationssysteme GmbH, Langenau, Germany.

The acquisition was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff).

Apart from the assets and liabilities recognised from the acquired company, whose carrying amounts corresponded to their fair value, a customer base (1,365 thousand euros), customer service agreements (2,000 thousand euros) and a non-compete agreement (150 thousand euros) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

Deferred tax liabilities (937 thousand euros) were recognised in connection with capitalisation of the customer base, which is amortised over a period of five years, of the customer service agreements, which are amortised over a period of ten years, and of the non-compete agreement, which is amortised over a period of one year.

Factoring in total net assets acquired (3,842 thousand euros), capital consolidation resulted in a difference of 3,263 thousand euros, reported as goodwill.

By acquiring SolidPro (98 employees), Bechtle has entered the niche of highly specialised CAD software with a renowned CAD system house, thereby adding another component to its solution portfolio. Including the headquarters in Langenau near Ulm, SolidPro has nine locations throughout Germany. Thus, Bechtle has also become a one-stop provider for development and design-intensive industries and, by means of the acquisition, expects synergies with customers especially from the engineering, transport and automotive industries.

The acquisition is accounted for as follows as of the date of initial consolidation:

	in th. euros
<b>Non-current assets</b>	
Goodwill	3,263
Other intangible assets	3,521
Property, plant and equipment	127
Other assets	102
<b>Total non-current assets</b>	<b>7,013</b>
<b>Current assets</b>	
Inventories	164
Trade receivables	2,735
Income tax receivables	672
Other assets	3,416
Cash and cash equivalents	4,734
<b>Total current assets</b>	<b>11,721</b>
<b>Total assets</b>	<b>18,734</b>
<b>Non-current liabilities</b>	
Deferred taxes	937
<b>Total non-current liabilities</b>	<b>937</b>
<b>Current liabilities</b>	
Trade payables	2,603
Other provisions and liabilities	1,516
Accruals and deferrals	6,573
<b>Total current liabilities</b>	<b>10,692</b>
<b>Total liabilities</b>	<b>11,629</b>
<b>Total assets</b>	
- <b>Total liabilities</b>	
<b>= Cost of purchase</b>	<b>7,105</b>

The cost of purchase caused an outflow of cash and cash equivalents in the same amount.

Bechtel Group revenue and earnings after taxes for the reporting period include 4,321 thousand euros and 90 thousand euros respectively from SolidPro (IFRS 3.B64qi).

The receivables taken over within the scope of the three company acquisitions were only subject to minor impairments.

Had the acquisitions already taken place at the beginning of the reporting period, Bechtle Group revenues for the reporting period would have been 1,762,922 thousand euros, and earnings after taxes 46,856 thousand euros (IFRS 3.B64qii).

In fiscal year 2008, Bechtle contractually committed to paying an increased price in an earnout arrangement for the acquisition of Netzwerk Beratung Informationssysteme Duisburg GmbH, Duisburg, up to a maximum of 500 thousand euros, contingent upon the acquired company's future contribution margin (in 2010 and 2011). In the reporting period this contingent price increase was capped at a maximum of 400 thousand euros and linked to the contribution margin achieved from certain customers in fiscal year 2010 and certain customer relationships in fiscal years 2011 and 2012.

## IX. DISCLOSURES ON THE EXECUTIVE BOARD AND SUPERVISORY BOARD

### Executive Board Members

**Dr. Thomas Olemotz**, Chairman of the Executive Board

Place of residence: Rabenau, Germany

Board member responsible for controlling, finance, corporate communications, investor relations, central IT, logistics & service, human resources and staff development, and legal

■ Chairman of the Supervisory Board

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

of PP 2000 Business Integration AG, Stuttgart, Germany

of Bechtle Managed Services AG, Neckarsulm, Germany

■ Chairman of the Board of Directors

of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland

**Michael Guschlbauer**

Place of residence: Ludwigsburg, Germany

Board member responsible for IT system house & managed services

■ Executive Board Member

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

of Bechtle Managed Services AG, Neckarsulm, Germany

■ Member of the Supervisory Board

of PP 2000 Business Integration AG, Stuttgart, Germany

### Jürgen Schäfer

Place of residence: Heilbronn, Germany

Executive Board member responsible for IT e-commerce

■ Executive Board Member

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of the non-profit organisation "Freunde und Förderer der Hochschule Heilbronn e.V."

■ Advisory board member

of the Gustav-Berger Foundation, Heilbronn, Germany

■ Member of the Supervisory Board

of RIXIUS AG, Mannheim, Germany

#### NUMBER OF SHARES IN BECHTLE AG

	31.12.2010	31.12.2009
Dr. Thomas Olemotz	0	0
Michael Guschlbauer	0	0
Jürgen Schäfer	4,000	4,000

### Remuneration of the Executive Board Members

Total remuneration paid Bechtle AG Executive Board members for the 2010 fiscal year totalled 1,906 thousand euros. Fixed remuneration totalled 805 thousand euros, and variable remuneration 1,101 thousand euros.

On the basis of the Annual General Meeting resolution of 16 June 2010, individualised disclosure of Executive Board remuneration is hereby waived.

### Supervisory Board Members and their Remuneration

Supervisory Board remuneration in the reporting period totalled 389 thousand euros. 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.

Details based on a recommendation made by the government commission on the German Corporate Governance Code are set out in the Corporate Governance Report included in the Management Report.

## X. OTHER DISCLOSURES

### Operating Leases

In the context of rental, leasehold and leasing agreements classed as operating leases as per IAS 17, the Group hires property, plant and equipment. The leasing instalments and/or rental payments resulting from this are reported directly as expense items in the income statement.

Bechtle has hired buildings, vehicles and IT products by way of operating leases that cannot be terminated during the basic rental term. The expenses incurred in connection with rental and leasing agreements include payments amounting to 25,608 thousand euros (prior year: 23,610 thousand euros).

Future minimum lease payments arising from the above-mentioned agreements totalled 88,807 thousand euros at 31 December 2010 (prior year: 82,378 thousand euros).

	in th. euros
Due within one year	21,324
Due between 1 and 5 years	42,126
Due after 5 years	25,357
<b>Total minimum lease payments</b>	<b>88,807</b>

This includes 34,237 thousand euros from the leasing agreement for the central logistics and administration building in Neckarsulm concluded in 2002, and the building extension in 2008/2009. The owner of the building and lessor thereof is Fabiana Grundstücksverwaltungsgesellschaft mbH, Munich, in which Bechtle AG holds neither a direct nor indirect interest. After the leasing agreement expires in 2022, Bechtle AG has a purchase option on the building.

In return, Bechtle acts as lessor in connection with operating leases. The agreements concerned primarily are related to the leasing of IT products. As a rule, the leasing agreements are concluded for a term of between 3 and 4 years. The corresponding minimum lease payments from these agreements amount to 4,295 thousand euros for 2011 (prior year for 2010: 4,979 thousand euros) and 4,966 thousand euros for the years 2012 to 2015 (prior year for 2011 to 2014: 5,869 thousand euros), thus totalling 9,261 thousand euros (prior year: 10,848 thousand euros).

### Contingent Liabilities

Pursuant to IAS 37.86, the company is unaware of any legal dispute-related matters that would have a significantly negative impact on its income, liquidity or financial position or have had such impact over the past two years.

Contingent purchase price increases not recorded as liabilities amounting to 450 thousand euros were outstanding as of 31 December 2010, as outlined in greater detail under section VIII. "Acquisitions and Purchase Price Allocation".

## Employees

Personnel expenses break down as follows:

	in th. euros	
	2010	2009
Wages and salaries	204,937	187,028
Social security contributions and expenses for pension schemes and support	36,483	33,390
<b>Total personnel expenses</b>	<b>241,420</b>	<b>220,418</b>

Personnel expenses (salaries and wages) include redundancy payments (IAS 19.142) totalling 1,250 thousand euros (prior year: 1,612 thousand euros).

Overall, employee numbers in the Bechtle Group were as follows as of the balance sheet date and as an annual average:

	31.12.2010	31.12.2009	2010	2009
Full-time staff	4,372	3,989	4,137	4,058
Apprentices	306	289	277	269
Employees on parental leave or military or national service	88	76	82	69
Temporary staff	138	113	130	105
<b>Total</b>	<b>4,904</b>	<b>4,467</b>	<b>4,626</b>	<b>4,501</b>

The average number of full-time employees listed above includes 73 (prior year: 70) directors and/or executive board members of subsidiaries.

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

	31.12.2010	31.12.2009	2010	2009
<b>IT system house &amp; managed services</b>	<b>3,763</b>	<b>3,443</b>	<b>3,542</b>	<b>3,460</b>
Domestic	3,129	2,858	2,933	2,847
Abroad	634	585	609	613
<b>IT e-commerce</b>	<b>1,003</b>	<b>911</b>	<b>954</b>	<b>936</b>
Domestic	342	300	316	317
Abroad	661	611	638	619

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

	31.12.2010	31.12.2009	2010	2009
Service	2,203	2,085	2,110	2,107
Distribution	1,458	1,263	1,338	1,296
Administration	1,017	930	966	924

## Auditor's Fee

The following fees were recognised as expense in the 2010 fiscal year for services rendered by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft:

	in th. euros
	2010
Financial statements audits	514
Other services rendered for Bechtle AG or subsidiaries	42
<b>Auditor's fee</b>	<b>556</b>

The fees for audits include the fees for the consolidated financial statements audit as well as for the audit of the annual financial statements of Bechtle AG and its domestic subsidiaries.

## Related Party Transactions

In accordance with IAS 24, details of persons or companies influenced by the reporting company or that can exercise influence on the company must be disclosed insofar as they are not already incorporated in the consolidated financial statements as consolidated companies.

As a general rule, related parties relevant to the Bechtle Group include Executive Board and Supervisory Board members of Bechtle AG as well as their dependents.

In the period under review, no transactions were undertaken with members of the Executive Board, the Supervisory Board or with their dependants.

## Exercising of Rights pursuant to Section 264 (3) or 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 full use of their right of exemption pursuant to Section 264 (3) or Section 264b (German Commercial Code (HGB)):

Company	Headquarters
Bechtle GmbH	Berlin
Bechtle GmbH & Co. KG	Bielefeld
Bechtle GmbH & Co. KG	Bonn
Bechtle GmbH & Co. KG	Chemnitz
Bechtle GmbH & Co. KG	Darmstadt
PSB GmbH	Dreieich
Bechtle GmbH & Co. KG	Duisburg
Netzwerk Beratung Informationssysteme Duisburg GmbH	Duisburg
ITZ Informationstechnologie GmbH	Essen
Bechtle GmbH	Freiburg
Bechtle GmbH & Co. KG	Friedrichshafen
Bechtle GmbH	Hamburg
Bechtle GmbH	Hannover
Bechtle GmbH & Co. KG	Karlsruhe
Bechtle GmbH & Co. KG	Krefeld
Bechtle IT-Systemhaus GmbH	Krefeld
Bechtle GmbH & Co. KG	Mannheim
Bechtle GmbH	Meschede
Bechtle GmbH & Co. KG	Münster
Bechtle E-Commerce Holding AG	Neckarsulm
Bechtle Field Services GmbH & Co. KG	Neckarsulm
Bechtle GmbH & Co. KG	Neckarsulm
Bechtle Logistik & Service GmbH	Neckarsulm
Bechtle Managed Services AG	Neckarsulm
Bechtle Onsite Services GmbH	Neckarsulm
Bechtle Remote Services GmbH & Co. KG	Neckarsulm
Bechtle Systemhaus Holding AG	Neckarsulm
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen
intelligent IT solutions GmbH & Co. KG	Oldenburg
Bechtle GmbH & Co. KG	Regensburg
Bechtle GmbH & Co. KG	Rottenburg (Neckar)
Bechtle GmbH	Schkeuditz
Bechtle GmbH	Solingen
Bechtle GmbH	Stuttgart
PP 2000 Business Integration AG	Stuttgart
Bechtle GmbH	Würselen
Bechtle GmbH	Würzburg

**XI. EVENTS AFTER THE END OF THE REPORTING PERIOD**

After the balance sheet date 31 December 2010, Bechtle AG did not experience any special events that would have affected the company's assets, earnings and financial position.

Neckarsulm, 3 March 2011

Bechtle AG

The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

## SUBSIDIARIES OF BECHTLE AG\*

as of 31 December 2010 (Appendix A to the Notes)

### Germany

Company	Headquarters
Bechtle GmbH	Berlin
Bechtle GmbH & Co. KG	Bielefeld
Bechtle GmbH & Co. KG	Bonn
Bechtle GmbH & Co. KG	Chemnitz
Bechtle GmbH & Co. KG	Darmstadt
ARP Datacon GmbH	Dietzenbach
Bechtle GmbH	Dortmund
PSB GmbH	Dreieich
Netzwerk Beratung Informationssysteme Duisburg GmbH	Duisburg
Bechtle GmbH & Co. KG	Duisburg
ITZ Informationstechnologie GmbH	Essen
Bechtle GmbH	Frankfurt
Bechtle GmbH	Freiburg
Bechtle GmbH & Co. KG	Friedrichshafen
Bechtle Finanz & Marketingservices GmbH	Gaildorf
Bechtle GmbH	Hamburg
Bechtle GmbH	Hanover
Bechtle GmbH & Co. KG	Karlsruhe
Bechtle GmbH	Köln
Bechtle IT-Systemhaus GmbH	Krefeld
Bechtle GmbH & Co. KG	Krefeld
SolidPro Informationssysteme GmbH	Langenau
Bechtle GmbH & Co. KG	Mannheim
Bechtle GmbH	Meschede
Bechtle GmbH & Co. KG	Münster
Bechtle Softwarelösungen GmbH	Neckarsulm
Bechtle Systemhaus Holding AG	Neckarsulm
Bechtle direkt GmbH	Neckarsulm
Bechtle ÖA direkt GmbH	Neckarsulm
Bechtle Logistik & Service GmbH	Neckarsulm
Bechtle GmbH & Co. KG	Neckarsulm
Bechtle E-Commerce Holding AG	Neckarsulm
Bechtle Onsite Services GmbH	Neckarsulm
Bechtle Managed Services AG	Neckarsulm
Bechtle Remote Services GmbH & Co.KG	Neckarsulm
Bechtle GmbH	Nürnberg
PSB IT-Service GmbH	Ober-Mörlen
Bechtle IT-Systemhaus GmbH & Co.KG	Ober-Mörlen

\* The (direct or indirect) interest of Bechtle AG is 100 per cent in all cases.

Company	Headquarters
Bechtle GmbH	Offenburg
intelligent IT solutions GmbH & Co. KG	Offenburg
Bechtle GmbH	Radolfzell (Lake Constance)
Bechtle GmbH & Co. KG	Regensburg
Bechtle GmbH & Co. KG	Rottenburg (Neckar)
Bechtle GmbH	Schkeuditz
Bechtle GmbH	Solingen
Bechtle GmbH	Stuttgart
PP 2000 Business Integration AG	Stuttgart
Bechtle GmbH	Weimar
Bechtle GmbH	Würselen
Bechtle GmbH	Würzburg
<b>Non-operating companies:</b>	
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 Kapitalbeteiligungs- Verwaltungs-GmbH	Gaildorf
Bechtle GmbH	Gaildorf
compartner systems GmbH	Gaildorf
compartner ASP ONE GmbH	Gaildorf
MS Mikro Software Gesellschaft für Systemanalyse und Engineering mbH	Gaildorf
MH Bechtle Verwaltungs-GmbH	Gaildorf
Bechtle Data Verwaltungs-GmbH	Gaildorf
KA Bechtle Verwaltungs-GmbH	Karlsruhe
OCR Datensysteme GmbH	Mannheim
MVis informationssysteme GmbH	Mannheim
MA Bechtle Verwaltungs-GmbH	Mannheim
Bechtle Verwaltungs-GmbH	Münster
Bechtle-Comsoft GmbH	Neckarsulm
Bechtle Field Services GmbH & Co. KG	Neckarsulm
Bechtle Field Services Verwaltungs-GmbH	Neckarsulm
HN Bechtle Verwaltungs-GmbH	Neckarsulm
Bechtle Remote Services Verwaltungs-GmbH	Neckarsulm
Bechtle Verwaltungs-GmbH	Ober-Mörlen
intelligent IT solutions Beteiligungs-GmbH	Oldenburg
REG Bechtle Verwaltungs-GmbH	Regensburg
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar)

## Worldwide

Company	Country	Headquarters
Bechtle Comsoft NV	Belgium	Hamont Achel
Bechtle direct NV	Belgium	Hamont Achel
ARP SAS	France	Courtaboeuf
Bechtle Management E.u.r.l.	France	Molsheim
Bechtle direct SAS	France	Molsheim
Comsoft SOS Developers SAS	France	Sophia Antipolis
Bechtle direct Ltd.	United Kingdom	Chippenham, Wiltshire
Bechtle Direct Limited	Ireland	Dublin
Bechtle direkt S.r.l.	Italy	Bozen
Comsoft direct s.r.l	Italy	Bozen
Bechtle direct B.V.	Netherlands	Eindhoven
Bechtle Holding B.V.	Netherlands	Eindhoven
Buyitdirect.com N.V.	Netherlands	Hoofddorp
Bechtle Management B.V.	Netherlands	Maastricht
ARP Nederland B.V.	Netherlands	Maastricht
ARP Supplies B.V.	Netherlands	Maastricht
Comsoft direct B.V.	Netherlands	Maastricht
Bechtle direkt GmbH	Austria	Linz
HTH Consulting GmbH	Austria	St. Pölten
Bechtle GmbH	Austria	Wien
Comsoft direct GmbH	Austria	Wiener Neudorf
ARP Datacon GmbH	Austria	Wiener Neudorf
Bechtle direct Polska Sp.z.oo.	Poland	Wroctaw
Bechtle direct Portugal Unipessoal Lda	Portugal	Aveiro
Coma Services AG	Switzerland	Bremgarten
Gate Informatic AG	Switzerland	Ecublens
Bechtle direct AG	Switzerland	Gland
Bechtle Printing Solutions AG	Switzerland	Regensdorf
Bechtle Regensdorf AG	Switzerland	Regensdorf
Bechtle Marketing AG	Switzerland	Regensdorf
Bechtle Schweiz AG	Switzerland	Rotkreuz
ARP Management AG	Switzerland	Rotkreuz
Bechtle Holding Schweiz AG	Switzerland	Rotkreuz
ARP Datacon AG	Switzerland	Rotkreuz
Comsoft direct AG	Switzerland	Rotkreuz
Bechtle Management AG	Switzerland	Rotkreuz
Bechtle St. Gallen AG	Switzerland	St. Gallen
Comsoft direct S.L.U.	Spain	Madrid
Bechtle S.L.	Spain	Madrid
ARP Datacon Ltd.	Taiwan R.O.C.	Taipei Hsien
Bechtle direct s.r.o.	Czech Republic	Praha

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

from 1 January to 31 December 2010 (Appendix B to the Notes)

	Cost of purchase						As of 31.12.2010
	As of 01.01.2010	Change in scope of consolidation	Other additions	Currency translation differences	Disposals	Transfers/ Restructure	
<b>I. Goodwill</b>	<b>106,395</b>	<b>5,105</b>	<b>0</b>	<b>4,335</b>	<b>0</b>	<b>0</b>	<b>115,835</b>
<b>II. Other intangible assets</b>							
1. Brands	2,889	0	0	532	0	0	3,421
2. Customer base	26,270	2,865	0	1,882	5,240	0	25,777
3. Acquired software	13,811	45	1,518	745	587	0	15,532
4. Proprietary software	2,026	0	68	0	0	0	2,094
5. Customer service contracts	0	2,240	0	0	0	0	2,240
6. Non-compete provisions	0	895	0	0	0	0	895
	<b>44,996</b>	<b>6,045</b>	<b>1,586</b>	<b>3,159</b>	<b>5,827</b>	<b>0</b>	<b>49,959</b>
<b>III. Property, plant and equipment</b>							
1. Property and buildings	11,950	0	63	0	0	0	12,013
2. Miscellaneous equipment, furniture, fixtures and fittings	49,366	462	10,107	1,698	6,099	0	55,534
3. Advance payments and construction in progress	0	0	66	0	0	0	66
	<b>61,316</b>	<b>462</b>	<b>10,236</b>	<b>1,698</b>	<b>6,099</b>	<b>0</b>	<b>67,613</b>
	<b>212,707</b>	<b>11,612</b>	<b>11,822</b>	<b>9,192</b>	<b>11,926</b>	<b>0</b>	<b>233,407</b>

from 1 January to 31 December 2009 (Appendix C to the Notes)

	Cost of purchase						As of 31.12.2009
	As of 01.01.2009	Change in scope of consolidation	Other additions	Currency translation differences	Disposals	Transfers/ Restructure	
<b>I. Goodwill</b>	<b>105,823</b>	<b>0</b>	<b>500</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>106,395</b>
<b>II. Other intangible assets</b>							
1. Brands	3,479	0	0	10	600	0	2,889
2. Customer base	27,336	0	0	37	1,103	0	26,270
3. Acquired software	12,824	0	1,224	10	247	0	13,811
4. Proprietary software	1,916	0	110	0	0	0	2,026
5. Customer service contracts	1,220	0	0	0	1,220	0	0
	<b>46,775</b>	<b>0</b>	<b>1,334</b>	<b>57</b>	<b>3,170</b>	<b>0</b>	<b>44,996</b>
<b>III. Property, plant and equipment</b>							
1. Property and buildings	6,478	0	3,951	0	0	1,521	11,950
2. Other equipment, furniture, fixtures and fittings	43,975	0	8,760	16	3,417	32	49,366
3. Advance payments and construction in progress	1,553	0	0	0	0	-1,553	0
	<b>52,006</b>	<b>0</b>	<b>12,711</b>	<b>16</b>	<b>3,417</b>	<b>0</b>	<b>61,316</b>
	<b>204,604</b>	<b>0</b>	<b>14,545</b>	<b>145</b>	<b>6,587</b>	<b>0</b>	<b>212,707</b>

in th. euros

Cumulative depreciations and amortisations						Carrying amount		
As of 01.01.2010	Additions	Currency translation differences	Disposals	Transfers/ Restructure	As of 31.12.2010	As of 31.12.2010	As of 31.12.2009	
0	0	0	0	0	0	115,835	106,395	
0	0	0	0	0	0	3,421	2,889	
17,217	3,705	1,334	5,240	0	17,016	8,761	9,053	
10,964	1,985	639	556	0	13,032	2,500	2,847	
1,883	70	0	0	0	1,953	141	143	
0	70	0	0	0	70	2,170	0	
0	190	0	0	0	190	705	0	
30,064	6,020	1,973	5,796	0	32,261	17,698	14,932	
900	311	0	0	0	1,211	10,802	11,050	
32,676	9,068	1,397	5,901	0	37,240	18,294	16,690	
0	0	0	0	0	0	66	0	
33,576	9,379	1,397	5,901	0	38,451	29,162	27,740	
63,640	15,399	3,370	11,697	0	70,712	162,695	149,067	

in th. euros

Cumulative depreciations and amortisations						Carrying amount		
As of 01.01.2009	Additions	Currency translation differences	Disposals	Transfers/ Restructure	As of 31.12.2009	As of 31.12.2009	As of 31.12.2008	
0	0	0	0	0	0	106,395	105,823	
600	0	0	600	0	0	2,889	2,879	
14,379	3,893	48	1,103	0	17,217	9,053	12,957	
9,454	1,721	17	228	0	10,964	2,847	3,370	
1,849	34	0	0	0	1,883	143	67	
934	284	2	1,220	0	0	0	286	
27,216	5,932	67	3,151	0	30,064	14,932	19,559	
692	208	0	0	0	900	11,050	5,786	
27,556	8,124	63	3,067	0	32,676	16,690	16,419	
0	0	0	0	0	0	0	1,553	
28,248	8,332	63	3,067	0	33,576	27,740	23,758	
55,464	14,264	130	6,218	0	63,640	149,067	149,140	

## SUPERVISORY BOARD MEMBERS

(Appendix D to the Notes)

### Shareholder Representatives

Name	Member since	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG)
Kurt Dobitsch	20 May 1999	Businessman	<b>Chairman of the Supervisory Board</b> ■ United Internet AG, Montabaur, Germany ■ Nemetschek AG, Munich, Germany <b>Member of the Supervisory Board</b> ■ 1&1 Internet AG, Karlsruhe, Germany ■ DOCUWARE AG, Germering, Germany ■ Graphisoft S.E., Budapest, Hungary <b>Member of the Board of Directors</b> ■ Hybris AG, Zürich, Switzerland
Dr. Walter Jaeger	17 June 2008	Businessman	Chairman of the Supervisory Board ■ Wirthwein AG, Creglingen, Germany ■ Würth Finance International B.V., Amsterdam, Netherlands (until 15 April 2010) <b>Member of the Supervisory Board</b> ■ Kaufland Stiftung & Co. KG, Neckarsulm, Germany ■ Lidl Stiftung & Co. KG, Neckarsulm, Germany <b>Chairman of the Advisory Board</b> ■ Hohenloher Spezialmöbelwerk Schaffitzel GmbH & Co. KG, Öhringen, Germany ■ Mosolf GmbH & Co. KG, Kirchheim unter Teck, Germany ■ Vollert Anlagenbau GmbH & Co. KG, Weinsberg, Germany ■ Armaturenfabrik Franz Schneider GmbH & Co. KG, Nordheim, Germany ■ GEMÜ Gebr. Müller GmbH & Co. KG, Ingelfingen, Germany
Gerhard Schick Chairman of the Supervisory Board	22 March 2004	Businessman	
Karin Schick	9 August 2004	Clerk	
Klaus Winkler	20 May 1999	Managing Director	<b>Member of the Supervisory Board</b> ■ IMS Gear GmbH, Donaueschingen, Germany ■ Joma-Polytec GmbH, Bodelshausen, Germany <b>Member of the Advisory Board</b> ■ Dieffenbacher GmbH & Co. KG, Eppingen, Germany ■ Kapp GmbH & Co. KG, Coburg, Germany
Dr. Jochen Wolf 2nd Vice-Chairman of the Supervisory Board	2 October 2003	Managing Director	<b>Chairman of the Supervisory Board</b> ■ Joma-Polytec GmbH, Bodelshausen, Germany ■ Storsack Holding GmbH, Viernheim, Germany (until 15 February 2010) <b>Member of the Supervisory Board</b> ■ Bardusch GmbH + Co. KG, Ettligen, Germany ■ Behr GmbH & Co. KG, Stuttgart, Germany (until 30 September 2010) ■ IMS Gear GmbH, Donaueschingen, Germany ■ LTS Lohmann Therapie-Systeme AG, Andernach, Germany ■ R-Biopharm AG, Darmstadt, Germany <b>Member of the Board of Directors</b> ■ E.G.O. Blanc & Fischer-Firmengruppe, Oberderdingen, Germany <b>Member of the Advisory Board</b> ■ C. Hafner GmbH & Co. KG, Pforzheim, Germany

## Employee Representatives

Name	Member since	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 3 of the German Stock Corporation Act (AktG)
<b>Udo Bettenhausen</b>	18 January 2007	Sales representative	
<b>Uli Drautz</b> Vice-Chairman of the Supervisory Board	15 October 2003	Executive	<b>Member of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ Bechtle E-Commerce Holding AG, Neckarsulm, Germany (until 28 October 2010: Bechtle direkt Holding AG)</li> <li>■ Bechtle Systemhaus Holding AG, Neckarsulm, Germany</li> <li>■ Bechtle Managed Services AG, Neckarsulm, Germany</li> <li>■ PP 2000 Business Integration AG, Stuttgart, Germany</li> </ul>
<b>Daniela Eberle</b>	15 October 2003	Clerk	
<b>Jürgen Ergenzinger</b>	17 June 2008	Union Secretary IG Metall, Administrative office Heilbronn-Neckarsulm, Germany	<b>Vice-Chairman of the Supervisory Board</b> <ul style="list-style-type: none"> <li>■ Läpple AG, Heilbronn (from 15 February 2010 to 21 May 2010)</li> </ul>
<b>Sonja Glaser-Reuss</b>	17 June 2008	Clerk	
<b>Barbara Greyer</b>	15 October 2003	Union Secretary ver.di, State District Baden-Württemberg	

## Committees

Audit committee	Personnel committee	Arbitration committee (pursuant to Section 27 (3) of the German Co-Determination Act [MitbestG])
<b>Dr. Jochen Wolf (Chairman)</b> Uli Drautz Daniela Eberle Gerhard Schick Klaus Winkler	<b>Gerhard Schick (Chairman)</b> Uli Drautz Dr. Jochen Wolf	<b>Gerhard Schick (Chairman)</b> Udo Bettenhausen Uli Drautz Dr. Walter Jaeger

## AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by the Bechtle AG, Neckarsulm, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash-flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (“Handelsgesetzbuch”: “German Commercial Code”) are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Heilbronn, 3 March 2011

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft



Strähle

German Public Auditor



Hieronymus

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, 15 March 2011

Bechtle AG

The Executive Board



Dr. Thomas Olemotz

Michael Guschlbauer

Jürgen Schäfer

## MULTI-YEAR OVERVIEW BECHTLE GROUP

IFRS		2005	2006	2007	2008	2009	2010	Change in % 2010-2009
<b>Regions</b>								
<b>Revenue</b>	th.euros	1,178,269	1,220,138	1,383,453	1,431,462	1,379,307	1,722,919	+24.9
Domestic	th.euros	784,168	815,876	902,367	938,868	921,578	1,158,213	+25.7
of total revenue	%	66.6	66.9	65.2	65.6	66.8	67.2	
Abroad	th.euros	394,100	404,262	481,086	492,594	457,729	564,706	+23.4
<b>Segments</b>								
<b>Revenue</b>	th. euros	1,178,269	1,220,138	1,383,453	1,431,462	1,379,307	1,722,919	+24.9
IT system house & managed services	th. euros	811,042	816,998	885,772	927,530	919,956	1,151,119	+25.1
of total revenue	%	68.8	67.0	64.0	64.8	66.7	66.8	
IT e-commerce	th. euros	367,227	403,140	497,681	503,932	459,351	571,800	+24.5
<b>EBIT</b>	th. euros	41,195	45,730	58,253	60,229	42,712	60,728	+42.2
IT system house & managed services	th. euros	18,607	22,597	33,065	38,444	25,768	35,852	+39.1
EBIT margin	%	2.3	2.8	3.7	4.1	2.8	3.1	
IT e-commerce	th. euros	22,588	23,133	25,188	21,785	16,944	24,876	+46.8
EBIT margin	%	6.2	5.7	5.1	4.3	3.7	4.4	
<b>Income Statement</b>								
Revenue	th. euros	1,178,269	1,220,138	1,383,453	1,431,462	1,379,307	1,722,919	+24.9
Cost of sales	th. euros	1,020,414	1,046,557	1,188,121	1,213,331	1,179,770	1,486,440	+26.0
<b>Gross profit</b>	th. euros	157,855	173,581	195,332	218,131	199,537	236,479	+18.5
Distribution costs	th. euros	68,545	73,739	81,355	90,455	87,944	99,015	+12.6
Administrative expenses	th. euros	55,546	62,732	67,236	75,709	76,171	86,001	+12.9
Other operating income	th. euros	7,431	8,620	11,512	8,262	7,290	9,265	+27.1
<b>Operating earnings (EBIT)</b>	th. euros	41,195	45,730	58,253	60,229	42,712	60,728	+42.2
Financial income	th. euros	943	962	1,263	1,987	1,503	1,727	+14.9
Financial expenditure	th. euros	966	833	510	683	553	671	+21.3
<b>Earnings before taxes (EBT)</b>	th. euros	41,172	45,859	59,006	61,533	43,662	61,784	+41.5
Income taxes	th. euros	11,886	16,251	18,047	16,105	9,404	15,362	+63.4
<b>Earnings after taxes (EAT)</b>	th. euros	29,286	29,608	40,959	45,428	34,258	46,422	+35.5
of which minority interests	th. euros	50	45	62	56	-	-	
of which shareholders of Bechtle AG	th. euros	29,236	29,563	40,897	45,372	34,258	46,422	+35.5
<b>Total operating performance</b>	th. euros	1,185,700	1,228,758	1,394,965	1,439,724	1,386,597	1,732,184	+24.9
Material costs	th. euros	898,663	918,996	1,051,860	1,079,543	1,043,059	1,338,651	+28.3
Personnel expenses	th. euros	179,491	192,581	203,253	217,710	220,418	241,420	+9.5
Depreciation and amortisation (on property, plant and equipment and other intangible assets without goodwill)	th. euros	11,926	14,456	13,501	13,910	14,264	15,399	+8.0
Financial result	th. euros	- 23	129	753	1,304	950	1,056	+11.2

IFRS		2005	2006	2007	2008	2009	2010	Change in % 2010-2009
<b>Balance Sheet (selected items)</b>								
<b>Assets</b>								
<b>Non-current assets</b>	th. euros	<b>140,305</b>	<b>143,005<sup>1</sup></b>	<b>145,560</b>	<b>156,955</b>	<b>164,510</b>	<b>206,258</b>	<b>+25.4</b>
Goodwill	th. euros	89,519	97,663	99,909	105,823	106,395	115,835	+8.9
Other intangible assets	th. euros	20,195	19,573	19,214	19,559	14,932	17,698	+18.5
Property, plant and equipment	th. euros	18,567	18,784	19,563	23,758	27,740	29,162	+5.1
Deferred taxes	th. euros	7,432	4,919	4,461	4,696	9,874	10,652	+7.9
Other assets	th. euros	1,946	1,868	1,946	2,564	2,253	1,870	-17.0
Time deposits and securities	th. euros	-	-	-	-	3,000	30,654	+921.8
<b>Current assets</b>	th. euros	<b>273,641</b>	<b>275,174</b>	<b>305,863</b>	<b>339,113</b>	<b>356,155</b>	<b>447,458</b>	<b>+25.6</b>
Inventories	th. euros	41,829	39,006	46,817	52,118	59,322	75,056	+26.5
Trade receivables	th. euros	164,291	181,086	189,312	188,402	183,979	249,046	+35.4
Other assets	th. euros	12,806	14,236	13,395	19,410	19,221	21,880	+13.8
Time deposits and securities	th. euros	3,736	2,642	1,929	338	15,510	13,619	-12.2
Cash and cash equivalents	th. euros	48,178	36,710	52,300	77,300	76,467	85,477	+11.8
<b>Equity and liabilities</b>								
<b>Equity</b>	th. euros	<b>237,447</b>	<b>249,214<sup>1</sup></b>	<b>276,465</b>	<b>311,449</b>	<b>334,961</b>	<b>371,483</b>	<b>+10.9</b>
Issued capital	th. euros	21,200	21,200	21,200	21,200	21,000	21,000	0
Capital reserve	th. euros	143,454	143,454	143,454	143,454	145,228	145,228	0
Retained earnings	th. euros	72,549	84,271	111,457	149,042	168,733	205,255	+21.6
<b>Non-current liabilities</b>	th. euros	<b>26,880</b>	<b>28,105<sup>1</sup></b>	<b>23,765</b>	<b>30,964</b>	<b>32,284</b>	<b>46,727</b>	<b>+44.7</b>
Pension provisions	th. euros	559	5,384	5,775	8,859	8,631	13,227	+53.2
Financial liabilities	th. euros	14,772	9,050	3,709	5,185	6,604	12,266	+85.7
Deferred taxes	th. euros	7,519	10,149	10,102	11,558	11,598	13,209	+13.9
Deferral items	th. euros	2,510	2,667	3,769	4,153	4,820	6,565	+36.2
<b>Current liabilities</b>	th. euros	<b>149,619</b>	<b>143,439<sup>1</sup></b>	<b>151,193</b>	<b>153,655</b>	<b>153,420</b>	<b>235,506</b>	<b>+53.5</b>
Other provisions	th. euros	7,592	6,116	3,310	4,019	3,959	5,338	+34.8
Financial liabilities	th. euros	7,008	5,416	6,049	10,466	2,561	4,812	+87.9
Trade payables	th. euros	92,378	84,850	88,267	83,250	79,460	129,060	+62.4
Tax payables	th. euros	5,578	4,100	6,055	4,448	5,455	6,337	+16.2
Other liabilities	th. euros	26,840	31,784	38,043	40,763	42,381	64,624	+52.5
Deferral items	th. euros	10,223	11,173	9,469	10,709	19,604	25,335	+29.2
<b>Balance sheet total</b>	th. euros	<b>413,946</b>	<b>420,758<sup>1</sup></b>	<b>451,423</b>	<b>496,068</b>	<b>520,665</b>	<b>653,716</b>	<b>+25.6</b>
<b>Cash flow and investments</b>								
Cash flow from operating activities	th. euros	28,123 <sup>1</sup>	26,866	41,993	49,941	47,330 <sup>1</sup>	59,114	+24.9
Cash flow from investing activities	th. euros	-20,202	-19,343	-9,500	-18,074	-30,292 <sup>1</sup>	-47,625	+57.2
Cash flow from financing activities	th. euros	-21,217	-18,328	-16,145	-10,136	-17,772	-7,173	-59.6
Cash and cash equivalents incl. time deposits and securities	th. euros	51,914	39,352	54,229	77,638	94,977	129,750	+36.6
Free Cash flow	th. euros	6,400	5,664	25,831	28,252	34,437 <sup>1</sup>	41,751	+21.2
Investments (in property, plant and equipment and other intangible assets without goodwill)	th. euros	8,244	10,849	10,285	13,683	14,045	11,822	-15.8
Investment ratio (= Investments/ Average property, plant and equipment + other intangible assets without goodwill)	%	23.26	28.14	26.67	33.33	32.67	26.41	

<sup>1</sup>Adjusted figure

IFRS		2005	2006	2007	2008	2009	2010	Change in % 2010-2009
<b>Key figures of the share<sup>1</sup></b>								
Closing price	euros	16.40	19.25	27.42	13.66	18.79	28.99	+54.3
Annual high	euros	21.88	22.20	35.59	27.86	20.50	30.65	+49.5
Annual low	euros	15.80	14.05	19.45	9.64	11.02	17.01	+54.4
Weighted average shares	in th. shares	21,200	21,200	21,200	21,165	20,853	21,000	+0.7
Market capitalisation (31.12.)	th. euros	347,680	408,100	581,304	289,592	394,590	608,790	+54.3
Average turnover/trading day <sup>2</sup>	shares	65,327	51,561	71,856	69,743	37,129	30,543	-17.7
Average turnover/trading day <sup>2</sup>	euros	1,201,997	941,081	1,953,582	1,228,978	538,189	705,260	+31.0
Cash dividend per share	euros	0.50	0.50	0.60	0.60	0.60	0.75 <sup>3</sup>	+25.0
Dividend amount distributed	th. euros	10,600	10,600	12,720	12,445	12,600	15,750	+25.0
Pay out ratio	%	36.3	35.9	31.1	27.4	36.8	33.9	
Dividend yield	%	3.0	2.6	2.2	4.4	3.2	2.6	
Enterprise value (EV)	th. euros	348,681	423,024	582,580	277,565	378,300	618,242	+63.4
Earnings per share	euros	1.38	1.39	1.93 <sup>4</sup>	2.14	1.64	2.21	+34.8
Cash flow per share	euros	1.33 <sup>4</sup>	1.27	1.98	2.36	2.22	2.81	+26.6
Net asset value per share (= Equity/Weighted average shares)	euros	11.20	11.76	13.04	14.72	16.06	17.69	+10.1
Market capitalisation to revenue		0.3	0.3	0.4	0.2	0.3	0.4	
Price earning ratio (P/E)		11.9	13.8	14.2	6.4	11.5	13.1	
EV/EBITDA		6.6	7.0	8.1	3.7	6.6	8.1	
EV/EBIT		8.5	9.3	10.0	4.6	8.9	10.2	
EV/EBT		8.5	9.2	9.9	4.5	8.7	10.0	
EV/EAT		11.9	14.3	14.2	6.1	11.0	13.3	
EV/Revenue		0.3	0.3	0.4	0.2	0.3	0.4	
<b>Personnel</b>								
<b>Employees<sup>5</sup> (31.12.)</b>		<b>3,908</b>	<b>3,888</b>	<b>4,250</b>	<b>4,405</b>	<b>4,354</b>	<b>4,766</b>	<b>+9.5</b>
Domestic		2,850	2,772	3,036	3,169	3,158	3,471	+9.9
Abroad		1,058	1,116	1,214	1,236	1,196	1,295	+8.3
IT system house & managed services		3,239	3,077	3,303	3,450	3,443	3,763	+9.3
IT e-commerce		669	811	947	955	911	1,003	+10.1
Trainees (31.12.)		216	222	257	281	289	306	+5.9
Employees (Annual average) <sup>5</sup>		3,616	3,868	4,103	4,288	4,396	4,496	+2.3
Personnel expenses to gross profit	%	61.7	61.9	59.7	60.1	64.2	61.3	

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

IFRS		2005	2006	2007	2008	2009	2010	Change in % 2010-2009
<b>Efficiency ratios</b>								
Gross margin	%	13.4	14.2	14.1	15.2	14.5	13.7	
EBITDA margin	%	4.5	4.9	5.2	5.2	4.1	4.4	
EBIT margin	%	3.5	3.7	4.2	4.2	3.1	3.5	
EBT margin	%	3.5	3.8	4.3	4.3	3.2	3.6	
EAT margin	%	2.5	2.4	3.0	3.2	2.5	2.7	
Organic growth	%	0.1	-0.3	7.7	2.3	-4.1	22.8	
Revenue per employee	th. euros	349.5	338.5	363.6	360.5	339.9	416.5	+22.5
EBT per employee	th. euros	12.2	12.7	15.5	15.5	10.8	14.9	+38.0
Return on equity (EAT / Average annual equity)	%	13.8	12.9 <sup>1</sup>	16.9	16.9	11.3	14.2	
Return on total assets (EAT / Average annual total assets)	%	8.3	8.0 <sup>1</sup>	10.3 <sup>1</sup>	10.7	7.4	8.7	
ROA (= EBIT/Average annual total assets)	%	11.6	12.0	14.5	13.9	9.1	10.3	
ROE (= EBIT/Average annual equity)	%	20.2	20.1	24.0	22.2	14.1	17.2	
ROCE (= EBIT/Capital Employed)	%	20.0	19.7	23.4	22.7	15.7	21.0	
<b>Balance sheet ratios</b>								
Capitalisation ratio of non-current assets (= non-current assets/total assets)	%	33.9	34.0	32.2	31.6	31.6	31.6	
Working intensity of current assets (= current assets/total assets)	%	66.1	65.4	67.8	68.4	68.4	68.4	
Equity ratio	%	57.4	59.2 <sup>1</sup>	61.2	62.8	64.3	56.8	
Total liabilities to total assets	%	42.6	40.8	38.8	37.2	35.7	43.2	
Asset structure (= non-current/current assets)	%	51.3	52.0	47.6	46.3	46.2	46.1	
Capital structure (= equity/liabilities)	%	134.5	145.3	158.0	168.7	180.4	131.6	
<b>Financial ratios</b>								
Net debt	th. euros	-30,134	-24,886	-44,471	-61,987	-85,812	-112,672	+31.3
Total liabilities to total equity		0.74	0.69	0.63	0.59	0.55	0.76	
Working Capital	th. euros	101,009 <sup>1</sup>	121,427 <sup>1</sup>	134,881 <sup>1</sup>	142,490	139,465	163,373	+17.1
Working Capital to revenue	%	8.6	10.0	9.7	10.0	10.1	9.5	
Capital Employed	th. euros	205,881	231,633	249,469	264,928	272,247	288,600	+6.0
Capital Employed to revenue	%	17.5	19.0	18.0	18.5	19.7	16.8	
<b>Structural analysis ratios</b>								
Revenue to inventory		29.7	28.3	29.6	27.5	23.3	23.0	-1.3
Revenue to average net trade receivables		9.9	9.5	9.4	9.5	10.1	10.3	+2.0
Revenue to total assets		3.3	3.2	3.4	3.3	2.9	3.2	+10.3
DSO		37.0	38.3	38.7	38.4	36.2	35.3	-2.5

<sup>1</sup>Adjusted figure

## GLOSSARY

**bios®.** The Bechtle information ordering system is an online hardware and software procurement system that is tailored to the needs of customers.

**BITKOM.** Federal Association for Information Technology, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.)

**CAD.** Computer-aided design – CAD refers to computer-aided design with the help of suitable programs or software solutions.

**Capital employed.** Annual average interest-bearing capital tied up on a long-term basis.

**Capital turnover.** Ratio of revenue to the average annual total capital (balance sheet total).

**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.

**CC Day.** The Competence Centre Day is Bechtle's annual in-house fair for customers, manufacturers and employees. Apart from the presentation of products and services as well as numerous lectures on hot IT subjects, the CC Day primarily serves as a platform for the exchange of experiences with industry experts.

**Cloud computing.** In cloud computing, IT services are provided in real time in a needs-oriented, flexible manner via the Internet and billed according to use. The IT services may comprise software, development platforms, application operation and the basic infrastructure.

**Code of conduct.** Bechtle code of conduct

**Compliance.** Compliance with laws and regulations as well as voluntary codes.

**Contribution margin.** Difference between revenue and material costs.

**Currency future.** Obligation to buy or sell foreign currencies at a date and price determined in advance.

**Customer contact frequency.** Indicates the number of customer visits of a sales representative in a defined period.

**D-A-CH.** Relates to the countries Germany, Austria, and Switzerland.

**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 a basis for administrative decisions and for corporate management purposes.

**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.

**DeltaMaster.** Comprehensive software solution for analysis, planning and reporting. At Bechtle, the system is used for focus and income planning and supports the management processes in the company by means of rolling reporting.

**Debt coefficient (ratio).** Ratio of borrowed capital to equity.

**Derivative (derivative financial instrument, financial derivative).** Financial instrument whose measurement depends on the price development of the underlying. For example, financial derivatives include currency futures and → interest rate swaps.

**Directors' dealings.** Transactions by Executive Board and Supervisory Board members of quoted joint stock companies and related individuals or companies with securities of their own company.

**Discounted cash flow method.** Model calculation, in particular for the valuation of an enterprise, in which all future → free cash flows are discounted and added up taking into account variable parameters such as the term and capital cost rate at the time of the calculation.

**Dividend payout ratio.** Indicates how much of the annual profit is paid out to the shareholders in the form of a dividend. It is calculated as follows: dividend paid out divided by the consolidated earnings after taxes and minority interests, in per cent.

**Dividend yield.** Indicates the annual yield that the shareholder receives in the form of a dividend for their share investment measured at the annual closing rate. It is calculated as follows: dividend per share divided by the annual closing rate, multiplied by 100.

**D&O insurance (Directors & Officers insurance).** Pecuniary damage liability insurance that a company concludes for its Executive Board and Supervisory Board. The D&O insurance hedges unintentional violations of the obligation to exercise due care.

**DPO.** 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.

**Due diligence.** Refers to the systematic audit of a company's financial, legal and economic situation.

**EBIT.** Earnings before interest and taxes.

**EBITDA.** Earnings before interest, taxes, depreciation, and amortisation.

**EBT.** Earnings before taxes

**Economy of scale.** Efficiency benefits that are reflected in lower costs when the operational scale increases.

**EITO.** European Information Technology Observatory – a European initiative that has been publishing market data on information and communication technology as well as consumer electronics in Europe since 1993. The activities of EITO are supervised by Bitkom Research GmbH, a subsidiary of BITKOM.

**Enterprise value (EV).** The estimated or computed value of an enterprise, regardless of its financing. At Bechtle, it is calculated as follows: sum of market cap, financial liabilities, other liabilities and pension provisions, less cash and cash equivalents.

**EPS.** European Pricing System – developed by Bechtle, this system processes about 4.7 million sets of price and availability information on the offered IT products overnight and updates the selling prices on this basis each day. The EPS was launched in 1995 and is subject to ongoing further development.

**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.

**ESC.** European Sales Cockpit – a controlling instrument that analyses the revenue, earnings and specific sales figures for all of Bechtle's European trading companies and merges them in systematic, continuous benchmarks.

**Firewall.** Security device in computer technology consisting of software and hardware. Provides protection from unauthorised access, for example from the Internet, and secures data traffic.

**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.



BITKOM,  
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**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.

**Green IT.** Refers to efforts to ensure the environmentally and resource-friendly use of information technology throughout the entire life cycle – from the design of the systems and the production of the components to their use and disposal or recycling. Green IT mainly focuses on subjects such as the use of energy and the effects of harmful substances.

**Gross profit.** → Contribution margin

**Guarantee credit.** Guarantee that a credit institution assumes on behalf of its customer vis-à-vis a third party.

**IAS.** International Accounting Standards → IFRS.

**IFRS.** The International Financial Reporting Standards (until 2001: International Accounting Standards, IAS) for enterprises are developed and published by the International Accounting Standards Board (IASB). Their objective is to regulate the preparation of internationally comparable annual and consolidated financial statements irrespective of national laws. Since 2005, the adoption of the IFRS has been mandatory for listed companies that are headquartered in the European Union according to the IAS directive.

**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.

**Impairment test.** Test to measure the value of assets.

**Interest rate swap.** Agreement between two contracting parties to swap different interest payment streams. Interest rate swaps are financial derivatives and are generally used to hedge interest rate risks (→ derivative).

**Investment grade.** Credit rating by a rating agency. Credit ratings can be roughly split into two categories: "investment grade" (= sufficiently safe) and "non investment grade" (= speculative).

**Investment ratio.** Ratio of investments in other intangible assets and property, plant and equipment to the average annual carrying amount of other intangible assets and of property, plant and equipment.

**ISO 14001.** An international standard of the International Organization for Standardization (ISO) that defines general requirements for an environmental management system for voluntary certification.

**Leverage.** Describes the leveraging effect that occurs when improving the → return on equity through increased use of borrowed capital.

**Managed services.** Defined IT services rendered for customers. Among other things, this includes the operation and management of hosting services, virtual private networks (VPN), voice over IP (VoIP), Internet access and network security.

**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.

**Navision Financial.** Decentralised ERP system of the individual Bechtle locations, with data replication in the central SAP system.

**Net indebtedness.** 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 assets less cash and cash equivalents as well as time deposits and securities.

**Outsourcing.** In the field of IT, outsourcing or out-tasking refers to the delegation of specific tasks or part of them to external IT service providers. → Managed Services.

**Personnel intensity.** The ratio of personnel expenses to the gross profit.

**Planos.** Internally developed IT system that collects the individual planning elements of the departments and merges them in the overall operational planning.

**Return on equity.** 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.

**Return on sales.** Ratio of earnings after taxes to revenue.

**Return on total assets.** Ratio of earnings after taxes and before financial expenses to the average total capital employed.

**ROCE (return on capital employed).** 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.

**SaaS.** Software as a service is a software distribution model in which the IT service provider provides, operates and supervises software in the form of a service on the basis of Internet technologies. The end user merely needs a minimal IT infrastructure to access the provided software.

**SLA.** A service level agreement between the customer and the service provider governs recurring services for which guaranteed properties such as the scope, reaction time and speed of processing are defined in several stages. An important component is the service level, which describes the agreed service quality.

**Software licensing and management.** Processes that secure the administration as well as the legal and efficient use of software in the company.

**SPARC.** A concept for the collaboration with selected strategic manufacturers throughout Europe, largely used for the coordination of special supranational sales and marketing activities between the partner companies.

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

**Treasury.** An area that is concerned with the use and investment of financial resources. This area is also responsible for hedging financial risks, which can go far beyond the hedging of interest rate risks or exchange rate risks.

**Virtualisation.** Abstraction of physical resources. The individual systems are provided with a complete virtual computer with all hardware components. Software virtualisation can be used to simulate an operating system or an application. This makes it possible to execute applications locally without installing them.

**Working capital.** Inventories plus trade receivables less trade payables and deferred items.

**Workstation.** IT workplace systems that are more powerful than conventional personal or office computers and that enable multitasking and multiuser operation. Workstations are usually employed for demanding technical or scientific applications.

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## LIST OF ABBREVIATIONS

<b>AktG</b>	German Stock Corporation Act (Aktiengesetz)
<b>BaFin</b>	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
<b>BELOS</b>	Bechtle Event Control and Organisation System
<b>BITKOM</b>	Federal Association for Information Technology, Telecommunications and New Media (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.)
<b>BMK</b>	Bechtle medium-sized business concept (Bechtle Mittelstandskonzept)
<b>DCGK</b>	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
<b>EPS</b>	Earnings per share
<b>EPS</b>	European pricing system
<b>EU</b>	European Union
<b>Eurostat</b>	Statistical office of the European Union
<b>EV</b>	Enterprise value
<b>GDP</b>	Gross domestic product
<b>HGB</b>	German Commercial Code (Handelsgesetzbuch)
<b>LAN</b>	Local area network
<b>ÖA</b>	Public-sector division (Öffentliche Auftraggeber)
<b>R&amp;D</b>	Research and development
<b>RoHS</b>	EU directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment
<b>VorstAG</b>	German Act on the Appropriateness of Executive Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung)
<b>WAN</b>	Wide area network
<b>WpHG</b>	German Securities Trading Act (Wertpapierhandelsgesetz)



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EV,  
see Glossary,  
page 221

**FINANCIAL CALENDAR****Accounts Press Conference**

Thursday, 17 March 2011, Stuttgart

**DVFA Analysts' Conference**

Thursday, 17 March 2011, Frankfurt am Main

**Interim Report 1st Quarter 2011 (1 January to 31 March)**

Wednesday, 11 May 2011

Conference call with analysts, investors and media

**Annual General Meeting**

Tuesday, 7 June 2011, 10.00 a.m

Konzert- und Kongresszentrum Harmonie, Heilbronn

**Dividend Payment for the Fiscal year 2010**

as of 8 June 2011

(subject to approval by the Annual General Meeting)

**Interim Report 2nd Quarter 2010 (1 April to 30 June)**

Wednesday, 10 August 2011

Conference call with analysts, investors and media

**Shareholder Days 2011**

Tuesday, 23 August 2011

Wednesday, 21 September 2011

Thursday, 20 October 2011

**Interim Report 3rd Quarter 2010 (1 July to 30 September)**

Wednesday, 10 November 2011

Conference call with analysts, investors and media

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

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On request, we would be pleased to send you further copies of the printed german version free of charge.

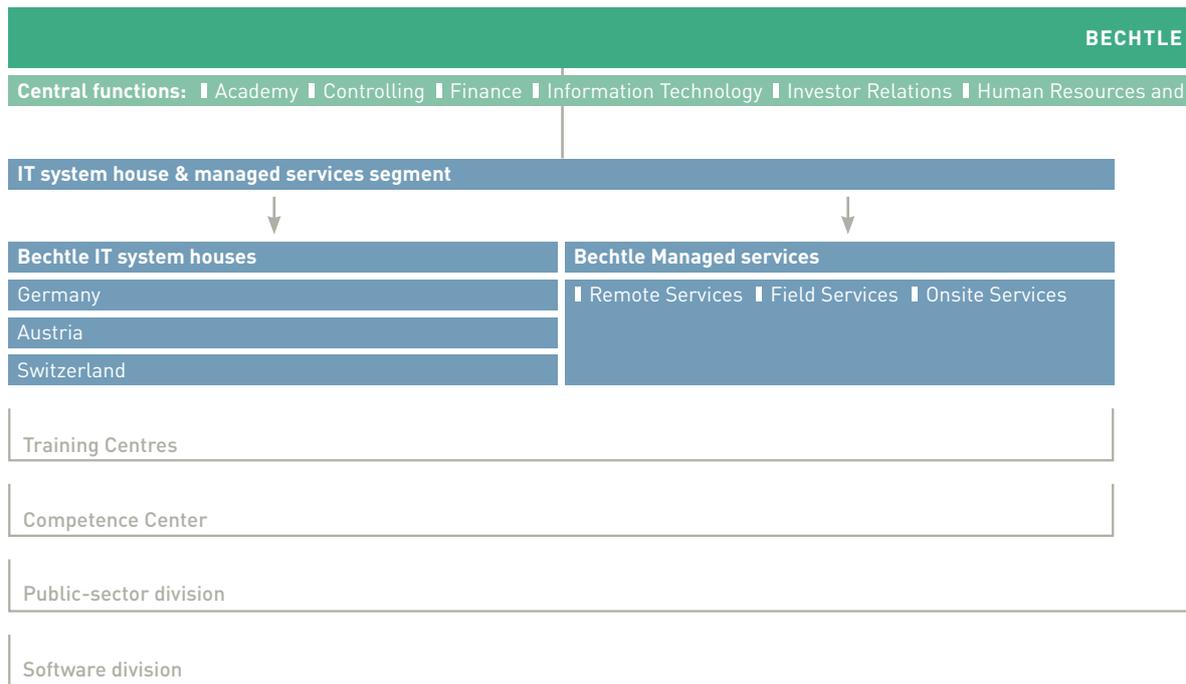
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BECHTLE GROUP



**Germany**  
48 IT system houses

**Switzerland**  
10 IT system houses

**Austria**  
2 IT system houses



**Logistics & Service:** | Address Management | Catalogue Production | Direct Marketing | European Logistics | Product

IT e-commerce segment

**Bechtle direct**

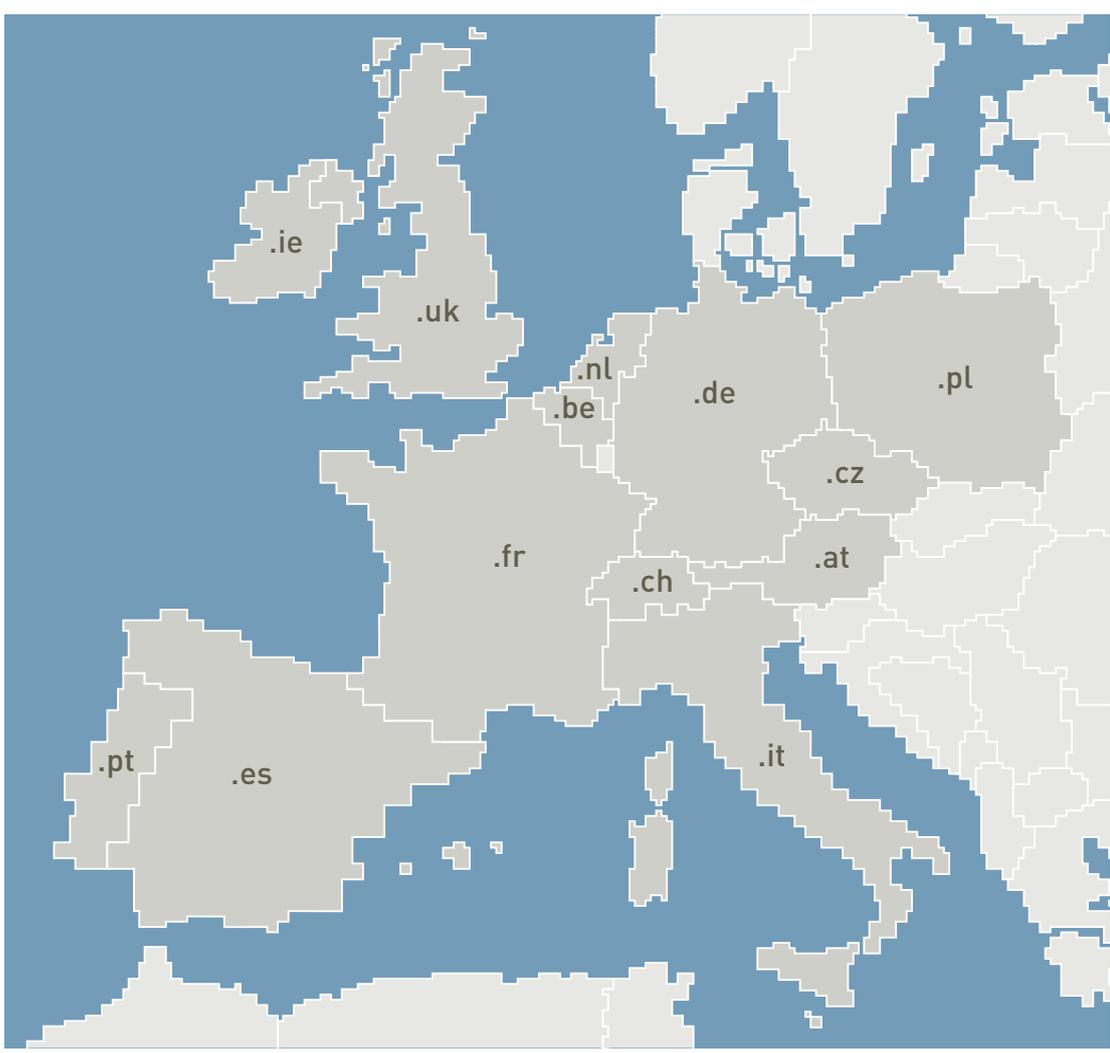
- Austria
- Belgium
- Czech Republic
- France
- Germany
- Germany ÖA
- Ireland
- Italy
- Netherlands
- Poland
- Portugal
- Spain
- Switzerland
- United Kingdom

**Comsoft direct**

- Austria
- Belgium
- France
- Germany
- Italy
- Netherlands
- Spain
- Switzerland

**ARP**

- Austria
- France
- Germany
- Netherlands
- Switzerland



- 13 european countries**
- Austria
  - Belgium
  - Czech Republic
  - France
  - Germany
  - Ireland
  - Italy
  - Netherlands
  - Poland
  - Portugal
  - Spain
  - Switzerland
  - United Kingdom

By 2020, we will have 10,000 employees and generate revenue of 5 billion euros and an EBT margin of 5 per cent.

**IT system house & managed services:**

■ Leading IT partner for business customers and public-sector clients. ■ Present throughout Germany, Austria and Switzerland.

**IT e-commerce:**

■ Number 1 in Europe.  
■ Continuation of internationalisation – even beyond Europe.