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Q1/05

Interim Report

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BECHTLE

The Bechtle Group

in the three-months 2005 (2004) according to IFRS

		01.01. to 31.03.05	01.01. to 31.03.04 before special effects	Change in %	01.01. to 31.03.04 incl, special effects 1)	Change in %
Consolidated profit and loss account						
Revenues	TEuro	254,748	248,379	2.6	248,379	2.6
EBITDA	TEuro	10,552	10,906	-3.2	18,303	-42.3
EBITA (before established clientele						
amortization/service contracts)	TEuro	8,531	8,318	2.6	15,715	-45.7
EBITA	TEuro	8,103	7,956	1.8	15,352	-47.2
EBIT	TEuro	8,103	7,956	1.8	15,352	-47.2
EBT	TEuro	8,095	7,911	2.3	15,308	-47.1
Net result for the period	TEuro	5,086	4,773	6.6	12,170	-58.2
Financial position and liquidity						
Cash Flow of operating activities	TEuro	-6,445	-4,023	-60.2	-4,023	-60.2
Working Capital [2]	TEuro	104,067	99,340	4.8	99,340	4.8
Cash an cash equivalents						
(incl, marktable securities)	TEuro	53,762	29,693	81.1	29,693	81.1
Business operating figures						
Revenues per share	Euro	0.2399	0.2316	3.6	0.5906	-59.4
Cash flow per share	Euro	-0.3040	-0.1952	-55.7	-0.1952	-55.7
Return on equity	%	2.3	2.4	-6.3	6.0	-61.9
Equity capital ratio	%	63.0	59.6	5.7	60.5	4.1
Number of employees at the end of the period [1]		3,266	3,149	3.7	3,149	3.7

[1] compare to the switchover (Notes, II) and to the other operating income (Notes, III No. 15)
[2] inventories, plus trade receivables, less trade payables, advance payments received and provisions for outstanding invoices
[3] including trainees

Since 1 January 2005, the accounting and reporting of the Bechtle Group have been made according to the International Financial Reporting Standards (IFRS). The figures of the previous year have been adapted accordingly. The explanations beginning on page 20 supply important background information for a comparison with the previous year.

Review by quarter 2005

		1st quarter	2nd quarter	3rd quarter	4th quarter	2005 financial year
Revenues	TEuro	245,748				245,748
EBITDA	TEuro	10,552				10,522
Depreciation	TEuro	2,021				2,021
EBITA						
(before amortization of established						
clientele/ service contracts)	TEuro	8,531				8,531
EBITA	TEuro	8,103				8,103
EBIT	TEuro	8,103				8,103
EBT	TEuro	8,095				8,095
Net income	TEuro	5,086				5,086

Segment disclosures

System house		01.01. to 31.03.05	01.01. to 31.03.04 before special effects	Change in %	01.01. to 31.03.04 incl. special effects 1)	Change in %
Profit and loss account						
Revenues	TEuro	171,837	160,909	6.8	160,909	6.8
EBITDA	TEuro	4,222	5,173	-18.4	12,570	-66.4
EBIT	TEuro	2,387	2,874	-16.9	10,271	-76.8
Number of employees		2,778	2,653	4.7	2,653	4.7

IT-eCommerce		01.01. to 31.03.05	01.01. to 31.03.04 before special effects	Change in %	01.01. to 31.03.04 incl. special effects 1)	Change in %
Profit and loss account						
Revenues	TEuro	82,911	87,470	-5.2	87,470	-5.2
EBITDA	TEuro	6,330	5,733	10.4	5,733	10.4
EBIT	TEuro	5,716	5,082	12.5	5,082	12.5
Number of employees		488	496	-1.6	496	-1.6

1) compare to the switchover (Notes, II) and to the other operating income (Notes, III No. 15)

The share

Opening price on 03.01.2005 (Xetra)	Euro	16.50
Closing price on 31.03.2005 (Xetra)	Euro	19.65
Share price performance compared to TecDax as at 31.03.2005 (Xetra)	%-points	+18.5
Quarter high (14.02.2005)	Euro	22.00
Quarter low (24.01.2005)	Euro	16.30
Trading volume from 01.01. to 31.03.2005 (Xetra)	Euro	71,750,036
March rankings on the German Stock Exchange - market cap (previous month)		21 (20)
March rankings on the German Stock Exchange - market cap (previous month)		20 (21)
Market capitalization (Free Float) as at 31.03.2005	Mio. Euro	198.4
Market capitalization (total) as at 31.03.2005	Mio. Euro	416.6
Number of issued shares		21,200,000
Feefloat (31.03.2005)	%	47.64
Number of outstanding and entitled of full dividend payout shares		21,200,000
Number of weighted average shares		21,200,000
Segment		Prime Standard
Index		TecDAX
Security identification code		515 870
ISIN		DE 000 515 870 3
Date of listing		30.03.2000

Overview of Q1 2005

Bechtle Group is on course

- Slow yet positive start to the new financial year
- IFRS conversion created special items in previous year
- Revenues increase by 2.6 percent achieved
- Pre-tax result on an adjusted basis up by 2.3 percent
- Equity ratio rises to 63 percent
- Share price increases by over 19 percent
- Basis for further dynamic development is expanded through acquisitions and new business start-up
- Executive Board reaffirms revenues and earnings forecast for 2005

1. Business activity

Bechtle operates in Germany and Switzerland with around 60 system houses and is one of the leading IT eCommerce providers Europe-wide. With this combination Bechtle relies on a business model that is unique in Europe, which combines system house services with the direct sale of IT trading products. The company, which was founded in 1983 and has its headquarters in Neckarsulm, offers its over 24,000 customers from commerce, the public service and the finance market a seamless range of IT-infrastructure products from one source on a non-proprietary basis. The Group employed a workforce of 3,266 in total as of 31 March 2005 in nine Western European countries. Bechtle has been listed on the stock exchange since 2000 and has been listed in the technology index TecDAX since 2004.

2. Conversion to IFRS accounting standard

As from the beginning of the financial year 2005 Bechtle AG converted its accounting and reporting to the International Financial Reporting Standards (IFRS). The main changes affecting the consolidated financial statements of Bechtle AG compared to the financial statements previously prepared according to U.S. GAAP relate to the reporting of the negative goodwill of ALSO COMSYT AG, which was acquired in 2004, and the depreciations on associated fixed assets. This will have a key impact on the reporting of the operating result and on the shareholders' equity of the previous year. In this quarterly report the previous year's figures have been adjusted to IFRS. For the sake of better understanding and for transparency reasons the previous year's figures are adjusted in individual cases, in order to disclose the special item from the negative goodwill of ALSO COMSYT AG. In these cases explicit reference is made to the item adjustment.

The effects of the conversion from U.S. GAAP to IFRS are explained in detail in the notes.

3. Environment

3.1 General economic environment and economy

Economic growth in the euro-zone slowed again in the course of the first quarter of 2005 after a good start to the year. In addition to low consumer spending and the bleak mood on domestic markets, other causes are the stagnating export sales, which are also suffering because of the strong euro and a low rate of growth on key sales markets.

The continuing weak economic development in Germany is the main cause of the investment behaviour of companies, which has been persistently hesitant since the end of 2000. According to the six leading economic research institutes, the German economy reported an interim trough in the first quarter. According to them, the high oil prices, the revaluation of the euro and the slowly growing world economy were particularly detrimental to the economic development in Germany. The negative news on the economic situation also caused growing uncertainty amongst consumers again. Hence domestic demand lacked positive impulses in the first quarter. Despite a decline in export orders in February, foreign demand remained the key mainstay of German industry in the first three months.
(Sources: spring reports of the six leading German economic research institutes: European Central Bank; German Central Bank)

3.2 IT industry

The IT industry developed positively in what is still a difficult economic environment. The key market research institutes rated the situation of IT markets optimistically overall, although the weak economy continued to breed sustained spending discipline in companies and therefore prevented a more radical upturn in the industry. Correspondingly the market researchers from IDC reduced their forecast for the development of IT investments in Europe from 5.5 percent to 4.0 percent. On the other hand, the National Association for Information Economy, Telecommunications and New Media (BITKOM) has made a more positive assessment based on the first few months of the current year, according to which the weakness in the IT market has been overcome. Growth engines include security and storage solutions and the growing demand for outsourcing. In addition, the hardware sector is also to report positive impulses again. According to analysts from Gartner, the demand for PCs in companies increased perceptibly in the first quarter of 2005 – according to them the increase in computers sold in Germany amounted to 6 percent, although the continuing price pressure must be taken into account as a dampening factor when assessing increasing numbers of units.

4. Business development

4.1 Sales trend

The turnover of the Bechtle Group increased modestly in the first three months of 2005 by 2.6 percent to 254.7 million euros (previous year: 248.4 million euros). This included consolidation effects due to the company which was not fully included yet in the first quarter of the previous year and was only acquired from the second quarter of 2004. Organically the Bechtle Group recorded a slight drop in turnover by 0.6 percent.

IT System house
The segment IT System house made a 67.5 percent contribution to group turnover from January to March. With revenues to the tune of 171.8 million euros, the stronger division exceeded the equivalent period by 6.8 percent (previous year: 160.9 million euros). Acquisitions also contributed to the turnover plus. Adjusted to allow for the segment sales of subsidiaries which were still not consolidated or not fully consolidated in the equivalent period, growth in the first three months amounts to 2.1 percent.

IT eCommerce
The segment IT eCommerce contributed 32.5 percent to group turnover in the first quarter and had to record with a reduction in turnover of 5.2 percent to 82.9 million euros (previous year: 87.5 million euros). The decrease is primarily due to the exceptionally strong previous year's quarter of the ARP Group, which, as expected, could not be matched in the first three months of 2005.

4.2 Earnings trend

The key operating control parameter of the Bechtle Group – the earnings before tax (EBT) – amounted to 8.1 million euros in the first quarter and therefore exceeded the previous year's result, with adjustments for special effects, of just under 8.0 million euros by 2.3 percent. The EBT margin remained constant at 3.2 percent. When adjusting the previous year's figures the so-called negative goodwill to the sum of 7.4 million euros accrued within the framework of the acquisition of the Swiss ALSO COMSYT AG must be reported as other operating income and therefore in the previous year's result according to IFRS. It therefore increases the previous year's EBT of 7.9 million euros, adjusted according to IFRS, to around 15.3 million euros. On the other hand, in 2004 the negative goodwill was initially offset against the accepted fixed assets to the sum of 3.8 million euros without affecting the operating result in accordance with U.S. GAAP. The negative goodwill to the sum of 3.6 million euros that still remained was subsequently reported as extraordinary income; it was therefore not included in the EBT and only became apparent in the quarterly net income. Detailed explanations regarding this can be found in the appendix.

The earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 10.6 million euros in the period under review. Adjusted to allow for the special item of the negative goodwill income, the figure for the previous year is 10.9 million euros. Allowing for the special item, the EBITDA in the first quarter of the previous year stood at 18.3 million euros.

The earning before interest, tax and amortization (EBITA) increased before established-clientele depreciations by 2.6 percent from adjusted 8.3 million euros (not adjusted: 15.7 million euros) to 8.5 million euros.

The operating result before interest and tax (EBIT) like the EBT, amounted to 8.1 million euros in the three-month period due to a virtually balanced net interest income and therefore slightly exceeded the figure for the equivalent period – adjusted to allow for the aforementioned special item - of 8.0 million euros (not adjusted: 15.4 million euros). Therefore, at 3.2 percent the EBIT margin on a comparable basis, remained at the previous year's level.

At an average figure of 21,200,000 shares, Bechtle achieved a result per share in the quarter under review (EPS diluted/undiluted) of 0.24 euros, compared to 0.23 euros in the previous year. This is based on a group period surplus of 5.1 million euros, which exceeded the period result of the previous year, adjusted to allow for special item, of 4.8 million euros by 6.6 percent. Including the special income reported according to IFRS, the period surplus of the previous year increased to 12.2 million euros; the EPS than stood at 0.59 euros.

The tax rate amounted to 37.1 percent in the first three months. The reasons for this comparably high tax rate in relation to the whole financial year 2004 (32.3 percent) are primarily a smaller part in the EBT in the first quarter from Switzerland where taxes are lower as well as tax expenses and depreciations of active deferred taxes on accumulated losses brought forward unrelated to the accounting period. As a comparison: In the first three months of the previous year, the adjusted tax rate was at 40 percent.

IT System house
In the IT System house segment the EBIT fell in the period from January to March on a comparable basis and without special income from 2.9 million euros to 2.4 million euros. The decline is mainly due to a decreased capacity utilization of staff in the service sector, which is in turn connected with a smaller number of working days due to the special holiday situation. The EBITDA therefore also fell from an adjusted 5.2 million euros to 4.2 million euros. The EBITA before established-clientele depreciations amounted to 2.5 million euros – a minus of 13.7 percent compared to the adjusted reference period (3.1 million euros).

IT-eCommerce
In the IT-eCommerce segment, the EBIT rose with reduced revenues in the first quarter by 12.5 percent from 5.1 million euros to 5.7 million euros. The EBITDA increased by 10.4 percent to 6.3 million euros (previous year: 5.7 million euros). The EBITA before established-clientele amortization posted an increase of 12.1 percent to 5.9 million euros (previous year: 5.3 million euros). The earnings position is mainly positively influenced by the continuous optimization of business procedures, the cost savings associated with this and an improved product mix.

4.3 Asset and capital structure

Liquid funds, including long-term securities, fell as of the cut-off date 31 March 2005 by 18.3 percent to 53.8 million euros (31 December 2004: 65.8 million euros). The reduction in the first quarter is mainly attributable to the financing of acquisitions from company funds and a seasonally reduction of trade accounts payables from the strong year-end business. Together with free credit lines amounting to 39.6 million euros Bechtle has a solid liquidity reserve of over 90 million euros, which offers sufficient scope for future expansion and further acquisitions. The effected conversion of part of the liquid funds into short-term investments/ marketable securities concerns exclusively securities with a short term from issuers with excellent creditworthiness.

The cash flow from current business activities led to an outflow of funds in the period under review to the sum of 6.4 million euros (previous year: 4.0 million euros) due to seasonal factors. The outflow of funds from investment activities to the sum of 25.5 million euros (previous year: 35.0 million euros) is mainly due to the aforementioned conversion of liquid funds to the sum of 20.5 million euros.

The Bechtle Group reported an increase in the equity ratio as of 31 March 2005 from 56.4 percent to 63.0 percent. The shareholders' equity amounted to 221.6 million euros in absolute terms, after 216.7 million euros on the balance sheet date 2004. An adjustment of the shareholders' equity as of

31 December 2004 by 3.2 million euros arising from the conversion to IFRS has already been allowed for. The background is in turn the increase in the balance sheet profit from the collected negative goodwill affecting net income.

4.4 Staff

As of 31 March 2005, Bechtle employed a workforce of 3,266. Compared to 31 December 2004 the workforce has therefore increased by 88. The growth is mainly attributable to the acquisition of the Swiss CDC IT AG in March. Domestically the workforce amounted to 2,374. In the other European countries, there were 892 employees, 720 of which alone in Switzerland. Subdivided according to segments the division IT System house had a total of 2,778 employees on the quarterly cut-off date, and the eCommerce division 488. Compared with 31 December 2004, the increase of 93 employees in the IT System house segment compares with a slight decrease of five employees in the eCommerce segment. Staff costs rose by 8.9 percent to 40.9 million euros (previous year: 37.5 million euros) due to the higher number of employees. The personnel expenses ratio increased accordingly from 15.1 percent to 16.0 percent.

At the end of the first quarter Bechte employed 175 trainees group-wide.

4.5 Risk report

In the course of the first three months of 2005 no important changes occurred with respect to the risks outlined in detail in the Annual Report 2004 (Page 35 to 38).

4.6 Special events in the first quarter of 2005

With effect from 31. January 2005 Bechtle founded a new system-house location in Bonn. Bechtle took over the around 40 employees who work there from the insolvent Taskarena AG and was therefore able to further expand the system house business in North Rhine-Westphalia with an experienced team. A key element is the use of existing customer relationships from the field of public clients.

On 15 February 2005 Bechtle AG, as the principal shareholder, forwarded a request to the Executive Board of PSB AG for a so-called squeeze-out procedure. According to this, a resolution of the shareholders' meeting concerning the transfer of shares of the remaining minority shareholders of PSB AG is to be brought about in return for the granting of an appropriate cash settlement to Bechtle AG (see also 4.7. Events after the end of the period under review). 98.3 percent of the shares of PSB AG are in the hands of Bechtle AG. Thus, 1.7 percent (61,257 shares) of the total 3,614,164 PSB shares are widely spread. With the squeeze-out Bechtle wants to conclude the integration of PSB in the group and save the costs associated with the stock market listing.

On 7 March 2005 Bechtle AG took over 100 percent of the shares of CDC IT Group via its Swiss subsidiary ARP Holding AG. The system house has its headquarters in Pfäffikon (Switzerland) and is active with further plants in Basle, Berne, Lausanne and Thalwil. CDC IT has positioned itself as a service-oriented system house and innovative solution provider over the last twelve years and has also established itself as a procurement specialist for hard and software on the Swiss market. With around 100 employees, system house achieved a turnover of around 30 million Swiss francs in 2004 (approximately 20 million euros). Bechtle has continued its strategy of a region-wide presence in the German-speaking zone with the acquisition of CDC IT. The Swiss Systemhaus fits ideally into the Bechtle Group as a trading service provider. The company addresses customers with 50 to 1,000 PC workstations with its range of services.

4.7. Events after the end of the period under review

On 14 April 2005, Bechtle AG took over all the shares of the Swiss DELEC AG, with headquarters in Gümligen/Berne, via its Swiss subsidiary ARP Holding AG. With this company, which was founded in 1984, the Bechtle Group is strengthening its position above all in the high-growth IT solution business. In the financial year 2003/04, the profitable DELEC with a workforce of 207 generated a turnover of around 100 million Swiss francs (around 65 million euros). The company has four locations and is one of the largest IT system integrators in Switzerland. The name, which is established in the market, and the management team will remain unchanged.

Bechtle also took over the system house group compartner systems GmbH (cps), Ratingen on 14 April 2005. The managing directors and managerial staff of the three cps system houses will also continue to carry out their duties – as is the norm for Bechtle AG acquisitions. The working relationships of the 135 employees will remain unchanged. The required licences from the Cartel Office for taking over the business has now been granted.

In connection with the two acquisitions, the Executive Board of Bechtle has upwardly adjusted the revenue plan for 2005 as a whole: the revenues forecast now envisages 1.3 billion euros instead of the previously anticipated 1.25 billion euros. DELEC is expected to contribute a share of 60 million Swiss francs (around 39 million euros) to the total revenues of the Bechtle Group for the remaining three quarters. In the case of cps the revenues share is expected to be around 17 million euros. In the case of the earnings before, the Executive Board is still expecting an increase to at least 42 million euros. The background to the retention of the previous earnings plan are the usual integration costs for new group companies. Accordingly the Executive Board does not expect perceptible contributions to earnings by the two newly acquired companies until 2006 (for this see also 6.4 Outlook for Company Development).

On 27 April 2005, Bechtle AG announced that the appropriate cash settlement for minority shareholders of PSB AG with respect to the planned squeeze-out process had been set at 9.28 euros per no-par share. The shareholders of PSB AG will make a decision on the transfer of shares at the company’s regular shareholders’ meeting in Ludwigsburg on 16 June 2005.

5. The share

The stock market climate in the first quarter tended to be friendly, although it switched back into reverse gear in March. Serious depressive factors, such as a new record oil price, the negative influence of the strong euro on German business with its top-heavy reliance on exports, interest fears and a merely sluggish economic trend in the euro-zone as a whole put a brake on the share market. Accordingly the performance index of the TecDAX only showed a weak plus of 0.6 percent.

The Bechtle share started with an opening price of 16.50 euros in 2005. After a brief interim high, the share price reached its lowest level on 24 January at 16.30 euros. Subsequently, the share made a sharp recovery and achieved its highest level of 22.00 euros on 14 February. The share price had fallen somewhat by the end of the quarter and closed the first quarter at 19.65 euros. This is

equivalent overall to a quarterly plus of 19.1 percent.
The liquidity of the Bechtle share reached a high level in the first three months with an average daily turnover of 59,994 shares. In total, Bechtle shares to the value of 71.8 million euros were traded between January and March. The strongest trading month was January with a turnover of just under 1.5 million shares. In terms of trading volume, Bechtle ranked 20th in March amongst the TecDAX stocks; at the end of 2004 the share was still in 30th place. The market capitalisation stood at 416.6 million euros in absolute terms; in relation to the free-float it came to 198.4 million euros. Accordingly, the Bechtle share still ranked 21st at the end of last year.

6. Outlook and forecast

6.1 General economic climate

The economy in the euro-zone is to continue growing in the current year, according to the European Central Bank (ECB), although at a somewhat restrained pace. Above all, a persistently high oil price and the deterioration in the key mood indicators represent a risk for economic development. On the other hand, the low interest level and the high corporate profits in some cases are promoting the willingness to invest. The EU Commission and the International Monetary Fund are expecting economic growth of 1.6 percent for 2005 as a whole. The World Bank, on the other hand, is only anticipating a plus of 1.2 percent.

In its spring report the six leading German Economic Research Institutes reduced their forecast for the current year compared to the autumn report and are now expecting an increase in the gross domestic product (GDP) by 0.7 percent. The Federal government has also downwardly adjusted its growth forecast for 2005 and is expecting an increase in GDP by 1.0 percent; this is 0.6 percentage points less than in the previous estimate and corresponds to the forecast by the German central bank. Domestic demand is to increase by between 0.4 and 0.5 percent and the increase in capital investment is expected in a corridor of between 0.2 and 0.7 percent. Foreign trade should be the key growth engine of the German economy again this year. In addition, economists are expecting a positive growth contribution by private consumption for the first time since 2001. Equipment spending should increase in the first half-year, but only slowly, although they are expected to rise sharply in the second half of the year. An increase by 0.4 percent for private consumption and by 3.8 percent for equipment spending is expected for the year as a whole.
(Sources: spring reports of the six leading German economic research institutes, International Monetary Fund, EU Commission, World Bank, European Central Bank))

6.2 Stock market

In the third quarter, banks and share strategists are expecting positive impulses for the stock market due to the payment of comparatively high dividends. Future performance hinges mainly on the oil price trend and on positive economic signals. Surveys conducted by the Centre for European Economic Research (Zentrum für europäische Wirtschaftsforschung - ZEW) amongst analysts and institutional investors lead one to assume a moderate increase in share indices in the coming months. Distinctive sectoral trends are not apparent at present, although share experts expect technology stocks to rise sharply should economic expectations brighten up – as long as they can also produce convincing fundamental data.

6.3 IT industry

Owing to the persistently weak economic situation in Europe, the market research institute IDC has reduced its annual forecast for the development of IT investments in Europe from 5.6 percent to around 4.0 percent. The industry association BITKOM is expecting 3.7 percent growth in the IT market in Germany to a volume of 68.4 billion euros. According to a study by the European Information Technology Observatory (EITO) from March 2005, the IT market is to report stable growth rates again in the coming years. Thus, the industry is to grow in Western Europe in 2005 and 2006 by 4.3 percent. For Germany the predicted growth rates for this year are 4.0 percent; next year the figure is to be 3.4 percent. Subdivided according to segments, market researchers are expecting an increase of 3.0 percent for computer hardware in the current year, for software 5.4 percent and for IT services 5.0 percent. According to the study, market volume in Western Europe in 2005 is estimated at 298 billion euros. The backlog of demand for hitherto delayed corporate investments in PC replacement and for IT services should support the recovery.

6.4 Company development

As was previously the case, Bechtle wants to utilise the ongoing consolidation amongst the system houses to expand its distribution plants and thus extend its leading position as an IT system house in Germany and Switzerland. The Bechtle Group also plans to continue to grow profitably in the future in the two business segments IT System house and eCommerce and benefit from the large market potential. The combination of service-oriented system house and the Europe-wide direct distribution of IT trading products via Internet, catalogue and telephone still represent a key strategic success factor in terms of optimising customer benefit.

Substantial growth above the market average is planned for the current year, to which both segments are to contribute. The Executive Board is expecting a turnover volume of 1.3 billion euros (plus 19.5 percent) for 2005 and for EBT – the operating control parameter of Bechtle – an increase to at least 42 million euros. The growth rate for EBT stood at around 9.6 percent based on last year's financial statements prepared according to U.S. GAAP. After the conversion to IFRS the comparable starting basis fell from 38.3 million euros to 37.7 million euros. Thus, the forecast EBT plus increased at the same time to 11.8 percent.

Future-based statements

This quarterly report contains statements that relate to the future development of Bechtle AG. These statements are based on assumptions and estimates. Although the Executive Board is convinced that the forward-looking statements are realistic, no guarantee can be given. The assumptions hide risks and uncertainties that could cause actual events to vary considerably from those which are expected.

Neckarsulm, 13 May 2005

Consolidated Financial Statements

as at 31. March 2005

Consolidated Profit and Loss Account in accordance with IFRS

from 1 January to 31 March 2005 (2004)

	Notes	1.1. to 31.3.2005 TEuro	1.1. to 31.3.2004 TEuro
Revenues	(14)	254,748	248,379
Cost of revenues		219,289	213,972
Gross profit		**35,459**	**34,407**
Selling and marketing expenses		15,547	14,861
General and administrative expenses		12,948	13,250
Other operating income	(15)	1,139	9,056
Operating income		**8,103**	**15,352**
Interest income and expenses	(16)	-8	-44
Result before income taxes (and minority interest)		**8,095**	**15,308**
Income tax	(17)	3,001	3,164
Result before minority interest		**5,094**	**12,144**
Minority interest		-8	26
Net income		**5,086**	**12,170**
Net income per share (basic) Euro		**0.2399**	**0.5906**
Net income per share (diluted) Euro		**0.2399**	**0.5906**
Weighted average shares outstanding (basic)		**21,200**	**20,607**
Weighted average shares outstanding (diluted)		**21,200**	**20,607**

The attached notes are integral constituent of the financial statement.

Consolidated Balance Sheet in accordance with IFRS

as at 31 March 2005 (2004)

Assets	Notes	31.03.2005 TEuro	31.12.2004 TEuro
Current assets			
Cash and cash equivalents	(1)	29,008	61,497
Short-term investments / marketable securities	(2)	24,754	4,296
Trade accounts receivable, net	(3)	121,761	142,462
Inventories	(4)	36,759	36,541
Prepaid expenses and other current assets	(5)	11,415	13,970
Total current assets		**223,697**	**258,766**
Non current assets			
Tangible assets, net	(6)	18,375	17,433
Intangible assets, net	(7)	18,281	18,184
Goodwill, net	(8)	83,173	81,607
Loans	(9)	1,637	1,625
Deferred tax assets	(17)	6,652	6,813
Total non current assets		**128,118**	**125,662**
Total assets		**351,815**	**384,428**

Liabilities and shareholders' equity	Notes	31.03.2005 TEuro	31.12. 2004 TEuro
Current liabilities			
Short-term loan and current portion of long-term loan		6,457	6,854
Trade accounts payable		44,929	75,323
Advance payments received		1,129	3,931
Accrued expenses	(10)	27,552	29,454
Income tax payable		4,337	5,714
Other current liabilities	(11)	13,193	15,440
Deferred income		5,659	3,768
Total current liabilities		**103,256**	**140,484**
Non current liabilities			
Long-term loan, less current portion	(12)	20,302	20,387
Deferred income		0	213
Accrued expenses	(10)	389	340
Deferred tax liabilities	(17)	6,058	5,843
Total non current liabilities		**26,749**	**26,783**
Minority interest		**202**	**505**
Shareholders' equity	(13)		
Share capital		21,200	21,200
21,200,000 shares issued with par value			
of Euro 1.00			
Additional paid-in capital		143,454	143,454
Retained earnings		57,550	52,464
Accumulated other comprehensive income / loss		-596	-462
Total shareholders' equity		**221,608**	**216,656**
Total liabilities and shareholders' equity		**351,815**	**384,428**

The attached notes are integral constituent of the financial statement.

Statement of changes in shareholders' equity in accordance with IFRS

from 1 January to 31 March 2005 (2004)

	Number of ordinary share issued	Share capital TEuro	Additional paid-in capital TEuro
Shareholders' equity as at 01 January 2004	**20,200,000**	**20,200**	**134,515**
Capital increase	1,000,000	1,000	9,000
Net Income 31.03.2004			
Granted stock options			4
Exchange adjustment			
Adjustment for available-for-sale securities			
Adjustment for derivative instruments			
Shareholders' equity as at 31 March 2004	**21,200,000**	**21,200**	**143,519**
Shareholders' equity as at 01 January 2005	**21,200,000**	**21,200**	**143,454**
Capital increase			
Net Income 31.03.2005			
Granted stock options			
Exchange adjustment			
Adjustment for available-for-sale securities			
Adjustment for derivative instruments			
Shareholders' equity as at 31 March 2005	**21,200,000**	**21,200**	**143,454**

The attached notes are integral constituent of the financial statement.

Treasury stock	Retained earnings Cumulative results	Retained earnings Appropriated retained earnings	Accumulated other comprehensive income / loss	Total shareholders' equity	Comprehen-sive income	Tax effect
TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
0	**20,064**	**6,005**	**-560**	**180,224**	**17,773**	
				10,000		
	12,170			12,170	12,170	
				4		
			-47	-47	-47	-18
			48	48	48	16
			-113	-113	-113	-43
0	**32,234**	**6,005**	**-672**	**202,286**	**12,058**	
0	**43,456**	**9,008**	**-462**	**216,656**	**29,647**	
				0		
	5,086			5,086	5,086	
				0		
			-76	-76	-76	-29
			0	0	0	0
			-58	-58	-58	-31
0	**48,542**	**9,008**	**-596**	**221,608**	**4,952**	

Consolidated Cash Flow Statement to the Annual Accounts in accordance with IFRS

from 1 January to 31 March 2005 (2004)

	1 January to 31 March 2005 TEuro	1 January to 31 March 2004 TEuro
Cash Flow from operating activities		
Net income	**5,086**	**12,170**
The take of the negative goodwill as a other operating income	0	-7,397
Net income before the take of the negative goodwill	**5,086**	**4,773**
Adjustments for:		
Depreciation and amortization	2,449	2,950
Decrease (Increase) in provisions and accrued expenses	-3,230	6,026
Losses on the disposal of fixed assets	136	202
Decrease in deferred tax liabilities	-10	-452
Decrease in deferred tax assets	161	670
Increase in net working capital	-11,044	-18,285
Personnel costs of granted stock options	0	4
Others	7	89
Net cash used in operating activities	**-6,445**	**-4,023**
Cash Flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-2,779	-25,375
Purchase of property, plant and equipment	-2,364	-4,312
Proceeds from sale of equipment	91	92
Proceeds from the sale of financial assets	20	0
Investment in financial assets	-20,458	-5,424
Net cash used in investing activities	**-25,490**	**-35,019**
Cash Flow from financing activities		
Issuance of share capital	0	10,000
Proceeds from short or long-term borrowings	187	19,916
Cash repayments of amounts borrowed	-557	-235
Net cash used in (provided by) financing activities	**-370**	**29,681**
Net effect of currency translation	-126	2
Adjustment for derivative instruments	-58	-114
Adjustment for available-for-sale securities	0	48
Decrease in cash and cash equivalents	**-32,489**	**-9,425**
Cash and cash equivalents at beginning of period	**61,497**	**33,694**
Cash and cash equivalents at end of period	**29,008**	**24,269**

The attached notes are integral constituent of the financial statement.

Notes to the Consolidated Financial Statements

For the period 1 January to 31 March 2005

Notes to the Consolidated Financial Statements (IFRS)

for the period 1 January to 31 March 2005 (2004)

I. Basic Company Information

The legal form of the Company was changed in May 1999 from Bechtle GmbH into Bechtle Aktiengesellschaft (hereinafter referred to as „Bechtle“ or „the Company“), and on 30 March 2000 the shares of the Company were offered for trading on the Neuer Markt of the Frankfurt Stock Exchange. The shares are also traded on the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. The Company is listed under International Securities Identification Number (ISIN) DE0005158703.

The business in which Bechtle AG and the principal subsidiary companies included in the consolidated financial statements are involved is the distribution of IT and communication product applications including the necessary components (hardware and software), training courses, organization and application consultancy services, project management and the preparation of expert appraisals in the field of computer applications.

The business in which the parent company is involved also includes the acquisition, management and sale of shareholdings in other companies, plus the assumption of the personal liability and management of retail companies. The Company is also involved in financing, the handling of centralized purchasing, accounting, warehousing, marketing, personnel management and training for the employees of companies within the group.

II. Summary of Key Accounting, Valuation and Consolidation Principles

General information

As a stock market listed company, the parent company is obliged to prepare for the business years beginning at 01 January 2005 the consolidated accounts for the first time on the basis of international accounting requirements, the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC) according to Article 315a (Section 1) of the German Commercial Code (HGB). The previous year’s figures were calculated according to the same standards. The company made use of the possibility of premature application of all IFRS Standards which were adopted on 31 December 2004.

The German companies within the group have prepared their accounts and records in accordance with the provisions contained in the German Commercial Code (HGB). Foreign companies within the group have prepared their accounts and records in accordance with the local provisions. German commercial law and the local accounting principles applied in the foreign companies within the group deviate in key aspects from the IFRS. Any adjustments that were necessary to complete the financial statements in accordance with IFRS have been made.

The consolidated accounts were prepared, in principle, on the basis of historical acquisition or production cost of revenues. Exceptions were marketable securities, properties and derivative financial instruments which were valued at their fair value. The consolidated accounts were prepared in the Euro currency and were rounded up to full thousands, unless otherwise stipulated.

Consolidation principles

The consolidated accounts are based on the annual accounts of Bechtle Aktiengesellschaft and the included subsidiaries, which were prepared according to standard group accounting and valuation methods. Capital consolidation is carried out by offsetting net book values against the proportionately revalued shareholders' equity of the subsidiaries at the time of acquisition. Positive differences are capitalized according to IFRS 3 under intangible assets as goodwill. Negative differences are to be entered in the profit and loss account. The consolidated profit and loss account includes the results of acquired companies from the actual date of purchase.

Intragroup profits and losses, revenues, expenses and income, plus accounts receivables and liabilities have been eliminated. The necessary tax deferral for the consolidation transactions are made.

Notes on Conversion to IFRS/IAS

Since 1 January 2005, the financial accounting and reporting for the Bechtle Group has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures for the previous year have been modified accordingly. The notes beginning on page xy contain important background information for a comparison with the previous year.

The transition from US GAAP to IFRS was made by applying the procedures set out in IFRS 1. The date of transition to IFRS is the start of the financial year on 1 January 2004. As a basic principle, the assumption was made that the IFRS in force on the date on which the financial statements were published had always been used. The simplifications specified under IFRS 1 regarding retrospective application were not applied.

For the opening IFRS balance sheet on 1 January 2004, there were no changes with respect to the previous financial statements prepared in accordance with US GAAP. Shareholders' equity as at 1 January 2004 remained unchanged at TEuro 180,224.

The only relevant accounting and measurement difference between US GAAP and IFRS in the 2004 financial year was in the different treatment of negative goodwill. In accordance with IFRS, net income for the year 2004 is now TEuro 3,206 higher than under US GAAP. Accordingly, shareholders' equity as at 31 December 2004 also increased from TEuro 213,450 to TEuro 216,656. Pre-tax earnings (EBT) for the 2004 financial year in accordance with IFRS are now TEuro 45,080 compared with TEuro 38,326 under US GAAP.

The different treatment of negative goodwill was already important for the first quarter of 2004. As a result of the transition from US GAAP to IFRS, net income for the period was up TEuro 3,640 in the 1st quarter of 2004, after having already increased under US GAAP due to a retroactive first-time consolidation adjustment amounting to TEuro 3,593 in the 2nd quarter of 2004 compared with the figure originally published. Shareholders' equity under IFRS increased accordingly as at 31 March 2004 to TEuro 202,286. Pre-tax earnings (EBT) for the 1st quarter of 2004 in accordance with IFRS is now TEuro 15,308 compared with TEuro 8,097 under US GAAP.

The tables below shows the relevant accounting and measurement differences between US GAAP and IFRS in terms of the actual amounts and the transition for shareholders' equity, net income for the period and pre-tax earnings (EBT).

Transition Shareholders' Equity

TEuro	01.01.2004	31.03.2004	31.12.2004
Shareholders' equity under U.S. GAAP	**180,224**	**195,053**	**213,450**
Extraordinary income from recovery			
of negative goodwill (in 2nd Quarter 2004			
there was a retroactive adjustment of first-time			
consolidation at 01.02.2004 under US GAAP)		3,573	
Currency conversion differences		20	
Shareholders' equity (revised) under U.S. GAAP	**180,224**	**198,646**	**213,450**
No extraordinary income from			
recovery of negative goodwill		-3,573	-3,631
Other operating income from			
recovery of negative goodwill		3,573	3,631
Other operating income from			
recovery of negative goodwill			
due to measurement of fixed			
assets at fair value (no reduction)		3,824	3,886
Scheduled depreciation of unreduced fixed assets		-208	-763
Tax effect (deferred taxes) on scheduled			
depreciation (reduced fixed assets)		2	83
Currency conversion differences		22	
Shareholders' equity under IFRS	**180,224**	**202,286**	**216,656**

Transition Net Income for the Period

TEuro	1st Quarter 2004	2004
Net income for the period under U.S. GAAP	**4,937**	**29,549**
Extraordinary income from recovery		
of negative goodwill (in 2nd Quarter 2004		
there was a retroactive adjustment of first-time		
consolidation at 01.02.2004 under U.S. GAAP)	3,573	
Currency conversion differences	20	
Net income for the period (revised) under U.S. GAAP	**8,530**	**29,549**
No extraordinary income from recovery		
of negative goodwill	-3,573	-3,631
Other operating income from recovery		
of negative goodwill	3,573	3,631
Other operating income from recovery		
of negative goodwill due to measurement		
of fixed assets at fair value (no reduction)	3,824	3,886
Scheduled depreciation of unreduced fixed assets	-208	-763
Tax effect (deferred taxes) on scheduled depreciation		
(reduced fixed assets)	2	83
Currency conversion differences	22	
Net income for the period under IFRS	**12,170**	**32,755**

Transition Pre-Tax Earnings (EBT)

TEuro	1st Quarter 2004	2004
EBT under U.S. GAAP	**8,077**	**38,326**
Currency conversion differences from recovery		
of negative goodwill (in 2nd Quarter 2004		
there was a retroactive adjustment of first-time		
consolidation at 01.02.2004 under U.S. GAAP)	20	
EBT (revised) under U.S. GAAP	**8,097**	**38,326**
Other operating income from recovery of		
negative goodwill	3,573	3,631
Other operating income from recovery		
of negative goodwill due to measurement		
of fixed assets at fair value (no reduction)	3,824	3,886
Scheduled depreciation of unreduced fixed assets	-208	-763
Currency conversion differences	22	
EBT under IFRS	**15,308**	**45,080**

Notes on relevant differences between U.S. GAAP and IFRS

Measurement of negative Goodwill

If there is any negative goodwill, the first thing to be done under IFRS 3 is to identify and measure the assets and liabilities once again. Any goodwill now remaining is to be recognized immediately in the income statement as a gain under other operating income and entered as pre-tax earnings (EBT). Under US GAAP, in contrast, any negative goodwill is to be accounted for in so far as is possible initially by a reduction in the non-financial fixed assets entered into the accounts. Any amount of negative goodwill then remaining is to be recognized in the income statement as a gain as extraordinary income and thus not entered as earnings before taxes (EBT).

New accounting standards

Bechtle AG prematurely uses all IFRS Standards which were adopted on 31 December 2004.

No IFRS Standards having a major impact on the net worth, financial situation or profitability of the Group have been adopted since 1 January 2005.

Scope of Consolidation

The scope of consolidation includes Bechtle AG, Neckarsulm, and all its majority owned and controlled subsidiaries. Bechtle AG holds all shares in all of its affiliated companies directly or indirectly via the intermediate holding company Bechtle Beteiligungs-GmbH, Gaildorf and ARP Holding AG, Rotkreuz, Switzerland. An exception is PSB AG für Programmierung and Systemberatung, Ober-Mörlen (PSB AG) and its subsidiary companies, in which Bechtle AG has a direct or indirect 98,3 percent shareholding.

The following companies were acquired during the accounting period and included in the scope of consolidation for the first time:

Company	Registered Office	Date of first-time consolidation	Acquisition/ Founded
Bechtle GmbH & Co. KG	Bonn	31.12.2005	Founded
CDC IT Group	Pfäffikon, Canton Schwyz, Switzerland	28.02.2005	Acquisition

The complete list of shareholdings will be submitted to the Commercial Register with the annual accounts of Bechtle AG.

Use of Estimates

The preparation of the consolidated financial statements requires the Executive Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the Consolidated Financial Statements and the disclosure of contingencies and liabilities contingent. The actual results may differ, therefore, from the estimated figures.

Currency and Conversion of Foreign Currency

The accounts of Bechtle's subsidiaries are prepared in the local currency.

Assets and liabilities are translated into Euros according to IAS 21, which is our reporting currency, at the mean exchange rate prevailing at the reporting date. Shareholders' equity is computed on the basis of historical rates of exchange. Revenue and expense accounts were translated at month-end average rates of exchange. Differences arising from fluctuations in exchange rates are reported with an effect on net income. In the year under review, a total of TEuro 222 (01.01.-31.03.2004: TEuro 134 booked to expenses) has been booked to income.

Accounting and valuation principles

Tangible Assets

Tangible assets are stated at acquisition cost less accrued depreciation. Assets are depreciated over their estimated useful lifetime using planned depreciation methods based on the maximum annual rates approved by the tax authorities.

The useful lifetimes are as follows:

Office equipment:	3 - 5 years
Business equipment and fittings:	5 - 10 years
Vehicle fleet:	3 - 6 years
Buildings:	25 - 50 years

In line with German accounting practice, low-value tangible assets with an acquisition cost of less than Euro 410 in a total amount of TEuro 229 (01.01.-31.03.2004: TEuro 603) are fully depreciated in the year of acquisition. They are simultaneously treated as disposals in the changes in group fixed assets.

Intangible Assets and Goodwill

Intangible Assets

Intangible assets include established clientele and brands, plus bought-in and homegrown software, as well as service contracts.

Established Clientele

Established clientele are valued at acquisition costs. Established clientele acquired as part of corporate acquisitions are valued at an amount that represents the benefit to be obtained from the clientele. Established clientele are depreciated on a straight-line basis over a period dependent on the expected use for the Company. It is generally assumed that customer relations are of a long-term nature. The expected useful life is between five and twelve years.

Brands

Brand name rights acquired as part of corporate acquisitions are valued at an amount that represents the benefit to be obtained from the brand name rights. An unlimited useful life is assumed.

Bought-In Software and Online Shop

Bought-in software is valued at acquisition costs and depreciated on a straight-line basis over a useful life of three to five years. In the case of the online shop, this involves bought-in software.

Homegrown Software

Homegrown software can be intended for sale to third parties or used by the Company itself.

In both cases the costs for newly developed software were capitalized according to the provisions of IAS 38 if both the technical and commercial feasibility of the newly developed products were established and they generate future economic benefits for the Group. The costs incurred during the period before technical feasibility must be recognized immediately in „Expenses“ as development costs.

Linear depreciation of these capitalized costs takes place from the date of commercial use of the asset over a utilization period of three to five years.

Service Contracts

Service contracts are valued at acquisition costs. Service contracts acquired as part of corporate acquisitions are valued at an amount that represents the benefit to be obtained from the service contracts. Service contracts are depreciated over the remaining time to maturity in accordance with the benefit to obtained from them.

Goodwill

In accordance with the provisions of IFRS 3, goodwill is shown on the balance sheet on the basis of the impairment only approach and is regularly tested in regard to its impairment.

The impairment tests are performed for the defined cash generating units on the basis of the provisions of IAS 36 according to the discounted cash flow method. Corporate planning data are the basis on which the expected cash flow is determined. An interest rate is used for discounting the cash flow that reflects the current market price valuation.

Impairment of Fixed Assets

The Company values its assets in accordance with IAS 36.

According to this statement, assets and certain intangible assets must be assessed for impairment if events or changes occur that can result in reduced recoverability. The recoverability of assets designated to remain in the hands of the Company is determined by comparing the book values of the asset with the estimated future influx of funds generated by the asset. The depreciation requirement corresponds to the amount by which the carrying amount of the asset exceeds the fair value. Assets that no longer serve the needs of the business are valued at book value or lower realizable value less costs of sale.

Maintenance costs are accounted for with effect on income at the time incurred.

Leasing

In the case of operating lease contracts, the leasing rates or leasing payments are entered directly into the profit and loss account. With regard to financing lease contracts, beneficial ownership is transferred to the lessee in cases in which he substantially bears all the rewards and risks associated with ownership (IAS 17).

Financial instruments

Financial instruments are contracts which lead simultaneously in one company to a financial asset and in another company to a financial liability. They include both original financial instruments (e.g. accounts receivable or accounts payable) and derivative financial instruments (transactions for hedging against value change risks).

In accordance with IAS 39, a distinction is made between the following categories of financial instruments:
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

Unless otherwise specified, financial instruments are shown at their market value. The market value of an original financial instrument is the price attainable on the market, i.e. the price at which the financial instrument can be freely traded between parties independent of one another within a transaction.

Derivative financial instruments are financial contracts whose value is derived from the price of an asset or a reference rate (such as currencies, indices and interest). They require no or only little initial investment and are settled at a future date. Example of derivative financial instruments include options, futures and interest rate swaps.

Derivative financial instruments are employed by Bechtle for hedging purposes only. The Company uses interest swaps to reduce the interest rate fluctuation risk related to interest on bank borrowing.

In accordance with IAS 39, all derivative financial instruments in the Bechtle Group are shown according to the accounting method on the settlement date at market values. The market values are calculated by means of standardized mathematical finance methods (Market-to-Market Method) or quoted prices.
Profits and losses from the change in the market values of derivative financial instruments, which are not shown on the balance sheet according to hedge accounting rules, are also included immediately on the profit and loss account together with the change in the value of the basic transaction. In the case of any interest swaps of the company to be classified as a cash flow hedge, the changes in the fair market value of the financial derivatives are reported under shareholders' equity as 'Other Comprehensive Income' after deduction of deferred taxes. The market value of interest swaps is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current market interest rates and the yield curve.

Inventories

In accordance with IAS 2, merchandise was valued at average acquisition cost or the lower market price. Interest on loan capital is not capitalized. All recognizable inventory risks arising in connection with restricted usability or obsolescence are covered by appropriate markdowns. Reductions in value were made for items that were not readily marketable. If the reasons which led to a depreciation in inventories in the past no longer exist, a value make-good will be carried out.

Accounts receivable and other assets

Accounts receivable and other assets are valued at acquisition cost after taking account of suitable reductions for all discernible individual risks. If demonstrable, the general credit risk was also taken into account by means of corresponding value adjustments.

Treasury Stock

Treasury stock to the amount of the acquisition costs is reported separately as a reduction in shareholders' equity. The number of outstanding, i.e. publicly held shares of the Company, is reduced according to the number of shares held in treasury stock. The number of emitted shares remains unchanged. Gains or losses arising from the resale of treasury stock were offset against the capital reserves.

Deferred tax assets

In accordance with IAS 12, deferred tax assets are created for all temporary differences between the carrying amounts in the group balance sheet and the tax valuations of assets and liabilities (Liability Method), as well as for tax loss carryforwards. Deferred tax assets for accounting and valuation differences as well as for tax loss carryforwards are only recognized if it can be assumed with sufficient probability that these differences will produce the corresponding benefit in future. Deferred tax assets and liabilities are not discounted. Deferred tax assets are offset against deferred tax liabilities if the tax creditors and period congruence are identical.
The tax rates applying in the year of reversal are used as the calculation basis. If announced, changes in the tax rates are taken into account.

Accrued expenses

Accrued expenses are formed if there is a current liability towards third parties from a past event. It must be possible to reliably estimate this liability amount and it must lead more probably than improbably to an outflow of future resources. Provisions are only formed for legal and factual obligations towards third parties.
No expense provisions were formed since there is no external liability in this case. If the interest effect was considerable, long-term provisions with a term of more than one year were discounted on the basis of the corresponding interest rates on the balance sheet date.

Liabilities

Liabilities are entered on the liabilities side of the balance sheet at continued acquisition cost.

Preparation of Profit and Loss Account using the Cost-of-Sales Method

The profit and loss account is prepared using the cost-of-sales method.

Revenue Recognition

Revenues are transacted in the segments system house and eCommerce. A distinction is made between service provisions and products.

The revenues are recorded in accordance with IAS 18 after service has been rendered or after acceptance by the customer, with consideration given to revenues deductions (Completed Contract Method). Revenues deductions, contractual penalties and discounts are deducted in this case. The revenue amount can be reliably measured at this time and the accrual of the economic benefit from the transaction is sufficiently probable.

Earnings and associated expenses are recorded independently of the underlying cash flows.

Revenues from maintenance contracts are collected on a pro rata temporis basis over the term of the contract.

For software maintenance contracts and warranty extensions, deferred income amounting to TEuro 5,659 (previous year: TEuro 3,981) was posted to the balance sheet and written back over the average term of the contracts.

Advertising Expenses

Expenditure for advertising and sales promotion activities are recorded as expenses as they are incurred. In the year under review TEuro 768 (01.01.-31.03.2004: TEuro 1,249) were included in the profit and loss account.

Shipping Costs

Costs relating to the delivery of products to customers are shown as sales, marketing and distribution expenses.

Research and Development Costs

With the exception of the development costs incurred in connection with the development of self-used or commercial software, no significant research and development costs were incurred. In this regard, we refer to our notes to homegrown software.

Earnings Per Share

Earnings per share were calculated according to IAS 33. IAS 33 stipulates that earnings per share (EPS) be disclosed for all companies that have issued ordinary shares. Ordinary EPS is net income divided by the weighted average of the outstanding ordinary shares.

Corporate Governance

Bechtle AG publishes a declaration of compliance with the German Corporate Governance Code pursuant to Article 161 of the German Companies Act. The most recently updated declaration is published on the Company’s website.

III. Notes to the group balance sheet

(1) Cash and Cash Equivalents

The cash assets amounting to TEuro 29,008 (previous year: TEuro 61,497) include current credit with banks and cash balances, as well as financial investments that can be translated into cash at short notice with original maturity dates of three months or less from date of acquisition.

(2) Marketable Securities

Marketable securities are classified as „available for sale" and are therefore not derivative financial assets. In accordance with IAS 39, they must be valued at the reconcilable fair value, the stock market price and market price.

	31.03.2005 TEuro	Previous year TEuro
Purchase costs	25,071	4,359
Market and fair value	24,754	4,296
Accrued interest	88	23
Unrealized gains	22	54
Unrealized losses	427	117

(3) Trade Accounts Receivable

	31.03.2005 TEuro	Previous year TEuro
Trade accounts receivable	124,884	145,685
Valuation adjustments	3,123	3,223
	121,761	**142,462**

To cover the general credit risk, appropriate valuation adjustments will be made based on past experience.

Concentration of credit risks

Accounts receivable by the Company are unsecured, and the Company therefore bears the risk of non-payment of these amounts. In the past, the Company had to absorb minor defaults on payments by individual customers or groups of customers.

(4) Inventories

The Company's stock comprises retail goods and spare/replacement parts required to fulfil maintenance contracts.

	31.03.2005 TEuro	Previous year TEuro
Inventories	38,381	38,790
Valuation adjustments	1,622	2,249
	36,759	**36,541**

(5) Prepaid Expenses and Other Current Assets

	31.03.2005 TEuro	Previous year TEuro
Tax rebate claims	3,255	3,894
Credit notes outstanding	2,515	1,774
Expected bonuses and advertising cost contributions	1,824	4,127
Accounts receivable from suppliers	173	1,388
Accounts receivable from personnel	92	53
Other	1,399	1,074
Other current assets	9,258	12,310
Prepaid expenses	2,157	1,660
Prepaid expenses and other current assets	**11,415**	**13,970**

(6) Tangible Assets

	31.03.2005 TEuro	Previous year TEuro
Tools and equipment	10,047	8,989
Land and buildings	8,291	8,411
Plant and machinery	37	33
Tangible Assets	**18,375**	**17,433**

(7) Intangible assets

	31.03.2005 TEuro	Previous year TEuro
Established clientele	12,080	11,670
Brands	2,750	2,750
Online Shop	1,295	1,511
Homegrown software	283	333
Service contracts	237	272
Other intangible assets	1,636	1,648
	18,281	**18,184**

Established Clientele	31.03.2005 TEuro
Book value (31.03.2005)	12,080
Amortization period (weighted average)	9.9 years
Cummulative depreciations	3,572
Expenses for period (01.01.-31.03.2005)	393

Homegrown software	31.03.2005 TEuro	Previous year TEuro
Book value as at 01.01.	333	716
Additions	0	0
Depreciations during the accounting period	50	383
Book value as at 31.03./ 31.12.	**283**	**333**

In accordance with IAS 38, homegrown software and other product development costs must also be capitalized. This capitalization takes place in the Bechtle Group at strictly defined production costs which contain directly attributable individual costs and appropriate allowances for overheads and depreciation.
Scheduled depreciation is carried out according to the number of units or on a linear basis over the specific maximum expected utilization period of 5 years.
The depreciations are included accordingly in the cost of sales, sales and administrative costs after their accrual.

(8) Goodwill

As of 31 March 2005 Bechtle reported goodwill of TEuro 83,173. This covers the status as of 31 December 2004 (TEuro 81,607) and the newly accrued goodwill from the acquisition of the CDC IT Group (Switzerland) in the period under review and the purchase of further shares in PSB AG, Ober-Mörlen to the total sum of TEuro 1,330. The goodwill also increased in the period under review by TEuro 236 due to a subsequent adjustment of the purchase price concerning the year 2004 (TEuro 260) and due to currency conversion differences (TEuro -24).

For the impairment test of reported goodwill, which has to be carried out on a regular basis, two cash generating units were identified that are identical with the two segments „system house“ and „eCommerce“ from the segment reporting.

The goodwill is distributed as follows over the two cash generating units:

Cash Generating Unit	31.03.2005	Previous year
System house	66,045	64,465
eCommerce	17,128	17,142
	83,173	**81,607**

The previous impairment tests did not indicate an impairment for either the cash generating unit „system house“ or the cash generating unit „eCommerce“.

By 31 December 2001 goodwill was amortized according to schedule over 15 years.

(9) Loans

In accordance with IAS 39, loans are classified in a separate category as long-term receivables. They must be valued as financial assets at the reconcilable fair value when recorded for the first time and at their continued acquisition cost in the subsequent period. There was no need to make a value adjustment for this item. Loans amounting to TEuro 1,637 (previous year: TEuro 1,625) include tax-privileged job creation reserves in Switzerland, which are deposited on a blocked bank account (TEuro 818), and a loan made to a selected investment and leasing company (TEuro 819).

(10) Accrued expenses

Accrued expenses for	31.03.2005 TEuro	Previous year TEuro
Renumerations	3,024	3,021
Commissions	2,327	5,817
Holiday payments	2,278	949
Other personnel expenses	2,457	1,744
Personnel	10,086	11,531
Outstanding invoices	7,152	8,395
Guarantees	1,898	1,856
Legal and consultation costs	1,046	1,209
Restructuring	480	813
Customer bonuses	362	605
Other accrued expenses	6,917	5,385
	27,941	29,794
Current accrued expenses	**27,552**	**29,454**
Non-current accrued expenses	**389**	**340**

(11) Other current Liabilities

Other current liabilities are as follows:

	31.03.2005 TEuro	Previous year TEuro
Turnover tax	4,234	5,910
Social security Payments	3,661	3,318
Wage tax and church tax	2,106	1,798
Liabilities to customers	389	944
Unrealized losses from financial derivatives	287	198
Amounts payable under purchase contracts	0	2,020
Other	2,516	1,252
	13,193	**15,440**

(12) Financial liabilities

	31.03.2005 TEuro	Previous year TEuro
Deutsche Bank		
- loan to aquire ARP Holding AG	13,109	13,167
Baden-Württembergische Bank		
- Loan to aquire the System House Division of Eurodis Switzerland AG	6,199	6,220
Sparkasse Schwäbisch Hall - Crailsheim		
- Loan to acquire ARP Holding AG	6,457	6,486
Long-term loans, total	**25,765**	**25,873**
Short term portion	5,486	5,486
Long-term loans, les short-term portion	**20,302**	**20,387**

The **loan granted by the Deutsche Bank** amounting to TEuro 13,108 was denominated in Swiss francs (TCHF 20,300) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-3M + 100 basis points) and is amortized with annual payments amounting to TEuro 2,622, payable on 1 April, beginning as of 1 April 2005. Security for the loan is provided in the negative covenant and in the equalization obligation in the provision of securities. The risks associated with the loan's floating interest rate have been eliminated by means of an interest swap. The interest swap, which has a reference amount of initially TCHF 20,300, has been designated as a cash flow hedge and is 100 percent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.50 percent and receives the CHF-LIBOR-6M as a floating interest rate. The expiration date has been fixed at 1 April 2009. The market value of the interest swap as at 31 March 2005 amounted to TEuro -35. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the loan amounts to 2.50 percent.

Two **loans granted by the Baden-Württembergische Bank** amounting in total to TEuro 6,119 were denominated in Swiss francs and are due to mature on 30 December 2008; they bear a floating interest rate (CHF-LIBOR-6M + 90 basis points). The loans aren`t secured.

The risks associated with the floating interest rate on the two loans have been eliminated by means of two interest swaps. The interest swaps have been designated a cash flow hedge and are 100 percent effective in hedging against the risk of interest fluctuations. With the exception of the reference amounts (initially a total of TCHF 12,000), both interest swaps have identical conditions. Bechtle pays the fixed interest rate of 2.54 percent and is given CHF-LIBOR-6M as the floating interest rate. The expiration date has been fixed at 30 December 2008. The market value of the two interest swaps as at 31 March 2005 amounted to TEuro – 174. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the two loans amounts to 3.44 percent.

The **loan granted by the Sparkasse Schwäbisch Hall – Crailsheim** amounting to TEuro 6,457 was denominated in Swiss francs (TCHF 10,000) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-6M + 90 basis points) and is amortized with annual payments amounting to TEuro 1,291, payable on 1 April, beginning as of 1 April 2005. Security for the loan is provided in the negative covenant and in the equalization obligation in the provision of securities. The risks associated with the loan's floating interest rate have been eliminated by means of an interest swap. The interest swap, which has a reference amount of initially TCHF 10,000, has been designated as a cash flow hedge and is 100 percent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.49 percent and receives the CHF-LIBOR-6M as a floating interest rate. The expiration date has been fixed at 1 April 2009. The market value of the interest swap as at 31 March 2005 amounted to TEuro -79. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the loan amounts to 2.39 percent.

The Company has global **lines of credit** amounting to TEuro 47,435, plus lines of credit by way of bank guarantee to the amount of TEuro 509. At the balance-sheet date, cash loans amounting to TEuro 3,755 and credits by way of bank guarantee amounting to TEuro 4,628 were used of this amount, leaving an unused line of credit of TEuro 39,561.

Bechtle AG has provided group guarantees for its subsidiaries amounting to TEuro 24,338. In addition, there are unlimited group guarantees for 10 company locations.

(13) Shareholders' Equity

Share Capital

The ordinary share capital of Bechtle AG as of 31st March 2005 is divided into 21,200,000 issued and outstanding ordinary shares with a nominal value for accounting purposes of EUR 1.00. Each share accords one vote. The ordinary share capital is thus unchanged in comparison with 31st December 2004.

The number of outstanding shares remained totally unchanged in the period under review in comparison with 31st December 2004, amounting to 21,200,000 shares. The weighted average calculated according to SFAS no. 128 of the outstanding shares in the period under review consequently comes to 21,200,000 shares (01.01.2004 - 31.03.2004: 20,606,593 shares).

Authorized Capital

In accordance with Article 4 section 3 of Association of Bechtle AG, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital until 10 June 2009 by TEuro 10,600 through the issue of new shares made out to bearer (Authorized Capital).

The capital increases can be made in the form of cash contributions and/or non-cash contributions. The Executive Board is authorized, with the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right. The Executive Board is further authorized, with the consent of the Supervisory Board, to exclude the subscription right, if (case 1) the capital increase is made in the form of non-cash contributions tangible assets for the purchase of companies or interests in companies, or (case 2) the capital increase is in the form of cash contributions, does not exceed 10 percent of the subscribed share capital at the time of issue, and the issuing price is not significantly below the market price, or (case 3) the capital increase is for the purpose of issuing staff shares, if the pro rata amount does not exceed 10 percent of the subscribed share capital at the time of issue.

The Executive Board is authorized, with the consent of the Supervisory Board, to specify any further details relating to capital increases from authorized capital.

Contingent Capital

The General Shareholders' Meeting of 1 June, 2001 resolved to increase the Company's subscribed share capital by a nominal amount not exceeding TEuro 2,000 by issuing up to 2,000,000 new shares with profit entitlement from the beginning of the financial year in which the issue is made. This contingent capital increase serves exclusively to exercise subscription rights which were granted in the content of the 2001/2008 stock option scheme in accordance with the General Shareholders' Meeting resolution of 1 June 2001 and may only be performed to the extent that the subscription rights are issued in the context of the 2001/2008 stock option scheme and the bearers of these subscription rights actually make use of them (Contingent Capital 2001).

Dividends

Dividends may only be paid from the retained earnings of the Company as disclosed in the German annual financial statements of Bechtle AG. These amounts deviate from the total from the shareholders' equity as reported in the consolidated financial statements according to IFRS. The payment of future dividends is jointly proposed by the Company's Executive Board and the Supervisory Board and approved by the General Shareholders' Meeting. The determining factors are, in particular, the profitability, the financial position, the capital requirements, the business outlook and the general economic conditions of the Company. As the Company's strategy is geared to internal and external growth, investments will be necessary and, where possible, will be financed internally. The Executive Board and the Supervisory Board will propose to the General Shareholders' Meeting that a dividend amounting to EUR 0.40 per share should be distributed for the financial year 2004. The General Shareholders' Meeting will be held on 22nd June 2005.

Additional paid-in capital

Additional paid-in capital contain essentially the capital surplus (agio) arising from increases in share capital carried out, and remain unchanged compared with 31 December 2004 at TEUR 143,454.

Treasury Stock

The Executive Board was last authorised by a resolution of the General Shareholders' Meeting of 11th June 2004 to acquire company treasury stock with the consent of the Supervisory Board in accordance with § 71 section 1 no. 8 AktG (Companies Act). Acquisition of treasury stock is to meet the conditions contained in the resolution of the General Shareholders' Meeting.

The Company held no treasury stock in the financial year 2004. No transactions in treasury stock were conducted in the period under review, with the result that there was no treasury stock held on 31st March either.

Notes to the Group Profit and Loss Account

(14) Revenues

Revenues amounting to TEuro 254,748 (01.01.-31.03.2004: TEuro 248,379) contain the amounts invoiced to customers for goods and services – less revenues deductions, contractual penalties and discounts.
The breakdown of revenues into segments and regions is shown in the segment report.

(15) Other Operating Income

Other operating income amounted to TEUR 1,139 in the period under review (01.01. – 31.03.2004: TEUR 9,056), comprised essentially of marketing development funds, income from currency conversion differentials and income from the release of valuation adjustments, as well as from the disposal of assets.

The other operating income of the previous year (TEUR 9,056) contained a special item amounting to TEUR 7,397, which resulted from the initial consolidation (1 February 2004) of the acquired company ALSO COMSYST AG, Switzerland.

On acquisition of ALSO COMSYT AG, Switzerland, the current value of the acquired net assets exceeded the costs of buying the holding, resulting in the creation of negative goodwill from the consolidation of capital. According to IFRS 3, in such a case the identification and valuation of the acquired assets and debts is first to be reassessed. Any remaining negative goodwill is then to be included as affecting net income. This is to be shown in other operating income, and hence in the earnings before tax (EBT).

Without this special item, other operating income amounted in the previous year to TEUR 1,659, and earnings before tax (EBT) correspondingly to TEUR 7,911.

Further explanations about the inclusion of negative goodwill as other operating income in the period of the previous year with an effect on net income are provided in the context of the transition arrangements from US GAAP to IFRS (bullet point II).

(16) Interest Income and Expenses

	01.01.- 31.03.2005 TEuro	01.01.- 31.03.2004 TEuro
Other interest and similar income	192	101
Interest and similar expenses	200	145
	-8	**-44**

According to IAS 23.29, interest is recorded in the period in which it is occurred based on the benchmark method.

(17) Income Tax / Deferred taxes

Paid and due taxes on income and earnings as well as the deferred taxes are reported as income taxes.

The tax expenses incurred in the accounting period are composed as follows:

	01.01.-31.03.2005 TEuro	01.01.-31.03.2004 TEuro
Current tax expenses	3,016	2,534
Deferred taxes	-15	630
Tax expenses	**3,001**	**3,164**

Information on actual and deferred taxes resulting from items which are directly charged or credited to shareholders' equity.

Tax effects:	01.01.-31.03.2005 TEuro	01.01.-31.03.2004 TEuro
Change in difference of currency conversion	-29	-18
Change in unrealized profits / losses securities	0	16
Change in unrealized profits / losses financial derivatives	-31	-43

The balance for the accounting period between the actual tax expenses and the amount arising from a weighted domestic and foreign tax rate of around 33 percent (01.01.-31.03.2004: 35 percent) on the earnings before income tax is as follows:

	01.01.-31.03.2005 TEuro	01.01.-31.03.2004 TEuro
Earnings before taxes on income	8,095	15,308
Expected tax expenses	**2,637**	**5,345**
Non tax-deductible take of the negative goodwill	0	-2,583
Tax expenses from previous years	320	0
Only tax-deductible goodwill amortization	-210	- 199
Depreciation of deferred tax assets	157	475
Other	97	126
Actual tax expenses	**3,001**	**3,164**

The following table shows the deferred tax assets and liabilities. In addition to changes in the current year, it includes the deferred tax assets to be taken into account in the first-time consolidation of acquired companies as well as tax effects arising from changes in shareholders' equity not affecting the operating result.

Deferred tax assets	31.03.2005 TEuro	Previous year TEuro
Tax loss carryforwards	6,861	6,893
Accrued Expenses	179	182
Tangible assets	149	149
Interest swap	95	64
	7,284	7,288
Valuation adjustments	632	475
Deferred tax assets	**6,652**	**6,813**

Deferred tax liabilities	31.03.2005 TEuro	Previous year TEuro
Established clientele	2,302	2,222
Goodwill	1,702	1,644
Property	388	388
Accrued expenses	362	321
Inventories	280	337
Accounts receivable	253	317
Tangible assets	237	242
Capitalized software	120	127
Service contracts	91	104
Other	323	141
Deferred tax liabilities	**6,058**	**5,843**

The deferred tax assets mainly result from earnings tax loss carryforwards. We assume that in future sufficient earnings will be generated to offset any tax losses carried forward.

The basic tax rate used for the accrual of deferred taxes is approximately 38 percent.

The calculation of deferred tax rebate claims on foreign loss carryforwards is based on the actual taxrate.

Tax loss carryforwards amounting in total to TEuro 25,187 at 31 March 2005, on which the deferred tax assets were determined, refer to domestic and foreign subsidiaries. A total of TEuro 15,220 (previous year: TEuro 16,765) are accounted for foreign companies. Domestic tax loss carryforwards are currently regarded as having no time limitation. The changes in German tax legislation with regard to the use of tax loss carryforwards (minimum taxation) were taken into account when assessing the impairment of deferred tax assets on tax loss carryforwards. Tax loss carryforwards abroad expire in some cases in five years time.

(18) Earnings per share

The following table presents the computation of the net earnings per ordinary share:

	01.01.- 31.03.2005 TEuro	01.01.- 31.03.2004 TEuro
	(excepting quantity and amount per share)	
Net income of the period / net income for ordinary shareholders after minority interest	**5,086**	**12,170**
Weighted average shares outstanding	21,200,000	20,606,593
Earnings per share	**0.2399**	**0.5906**

In accordance with IAS 33, earnings per share are calculated from group profit after tax and the average number of shares in circulation during the year.
The basic earnings per share are identical with the diluted earnings per share.

IV. Other explanatory notes

Segment Disclosures

The individual annual accounts are segmented according to business segments and regions. Segmentation is based on internal reporting (Management Approach). The objective of segmentation is to show transparency in the profitability, success prospects, opportunities and risks of the different business segments of the Bechtle Group. In accordance with IAS 14, the Group currently operates two business segments – System house and eCommerce – within the meaning of segment reporting. The segments differ from one another in their fields of activity and use different processes in the sale of IT products.

The **System House** segment combines the provision of services and product procurement when designing the customer's IT infrastructure. The range of services extends from advice on hardware procurement, development of networks, peripheral hardware integration, service, maintenance and training through to complete technical support. The Bechtle Group is organized regionally and has built up an extensive network of consultancy centres in close proximity to the customer with its virtually nationwide IT system house coverage. To concentrate its know-how in individual specialist fields (e.g. IBM AS/400 and RS/6000, Lotus Notes, CAD/CAM), the Bechtle Group has set up competence centres whose knowledge can be accessed by every company in the network for the benefit of the customer. In the course of its system house activities, the Bechtle Group has set up training centres at several locations, offering customer employees a wide range of seminars which can be either of a general nature or tailored to the customer's specific requirements.

In the **eCommerce** segment approximately 22,000 articles are offered by the trademarks *Bechtle direkt* and *ARP* via Internet, catalogue and call center. The product line is designed to offer all hardware and software products, peripheral equipment and the necessary consumables usually demanded in Europe to commercial customers and the public authorities. The Bechtle Group is represented in nine European countries by direct sales companies (Austria, Belgium, England, France, Germany, Italy, Netherlands, Spain, Switzerland). By a self-made european pricing system, Bechtle is able to provide up-to-day prices and availabilities online for the entire product line. Lean business processes and powerful Logistics ensure profitable growth to Bechtle's direct sales business. To its customers, Bechtle offers bios®, a customised Online-Purchasing System which reduces processing costs of IT-products supplies by customised shopping carts and paperless dispatch handling. Twice annually, Bechtle direkt also publishes catalogues with over 800 pages and a circulation of over 150,000, which completes the central IT-products database with detailled technical data and product illustrations.

The Bechtle Group mainly operates offices in Germany. Foreign offices are located in Italy, Austria, the Netherlands, the United Kingdom, Switzerland, France, Belgium, Taiwan and Spain.

The administration of the group companies is centred primarily in Gaildorf.

Earnings before interest and taxes is the control variable of the segments. Interest is therefore not included, as the segments are financed primarily through Bechtle AG and external interest expenses and income basically arise here.

External revenues by segment	01.01.-31.03.2005 TEuro	01.01.-31.03.2004 TEuro
System House	171,837	160,909
eCommerce	82,911	87,470
Company total	**254,748**	**248,379**

Depreciation and amortization by segment	01.01.-31.03.2005 TEuro	01.01.-31.03.2004 TEuro
System House	1,654	2,102
eCommerce	795	848
Company total	**2,449**	**2,950**

Operating income by segment	01.01.- 31.03.2005 TEuro	01.01.- 31.03.2004 TEuro
System House	2,387	10,270
eCommerce	5,716	5,082
Total operating income	**8,103**	**15,352**
Financial result	**-8**	**-44**
Earnings before taxes	**8,095**	**15,308**

Gross assets by segment	31.03.2005 TEuro	Previous year TEuro
System House	258,030	267,118
eCommerce	93,785	117,310
Balance sheet total	**351,815**	**384,428**

Liabilities by segment	31.03.2005 TEuro	Previous year TEuro
System House	95,678	111,615
eCommerce	34,327	55,652
Balance sheet total	**130,005**	**167,267**

Investments in long-lived assets *) by segment	01.01.- 31.03.2005 TEuro	01.01.- 31.03.2004 TEuro
System House	1,754	3,558
eCommerce	610	754
Company total	**2,364**	**4,312**

*) Software, advance payments, established clientele, service contracts, loans and tangible assets.

Geographical Information

In the period under review, the following amounts can be assigned to geographical regions.

External revenues by regions	01.01.- 31.03.2005 TEuro	01.01.- 31.03.2004 TEuro
Domestic	174,406	173,067
Foreign	80,342	75,312
Company total	**254,748**	**248,379**

The following applies for the segmentation:

Revenues are assigned to the country in which the subsidiary's registered office is located. Seen from the subsidiary's viewpoint, revenues are generated only in its own domestic market. Group external revenues show the shares of the segments in consolidated group revenues. No substantial transactions were effected between the segments. Segment assets include all group assets plus participations. Segment liabilities contain all liability items of the Group. Investments relate to the additions to tangible assets and intangible assets. Depreciation refers to tangible assets and intangible assets.

V. Cash Flow Statement

In accordance with IAS 7, the Cash Flow Statement shows cash flow movements separated according to fund inflows and outflows from operating, investing and financing activities for the 2005 and 2004 financial years. Cash flow was calculated on the basis of the indirect method from the consolidated net income of the Bechtle Group.
The cash in the Cash Flow Statement includes all liquid funds shown on the balance sheet, i.e. cash on hand, cheques and cash in banking institutes if it is available within three months. The cash is not subject to any disposal restrictions. The cash flow from operating activities is indirectly calculated from the profit after taxes on income.
During indirect calculation of this cash flow, the considered changes in balance sheet items relating to current operating activities are adjusted by effects from currency conversion and changes in the consolidation group.
The following items are also contained in the outflow of funds from operating activities: paid interest amounting to TEuro 200, received interest amounting to TEuro 192, no received dividends and paid income tax amounting to TEuro 3,816 Euro.

Cash Flow from Operating Activities

The cash outflow from operating activities during the period under review amounted to TEuro -6,445 (01.01.-31.03.2004: TEuro 4,023). The outflow of funds are attributable to a significant reduction in trade payable and lesser trade receivable.

Cash Flow used in Investing-Activities

The outflow of funds arising from investment activity amounted to TEUR 25,490 (01.01.2004 - 31.03.2004: TEUR 35,019) and is essentially attributable to acquisition of short-term financial investments.

Cash Flow used in Financing Activities

The outflow of funds arising from financing activity amounting to TEUR 370 (01.01.2004 - 31.03.2004: EUR 29,681 inflow of funds) is essentially a result of the repayment of loans.

Interest

	01.01.- 31.03.2005 TEuro	01.01- 31.03.2004 TEuro
Cash Outflow	200	145
Cash Inflow	192	101

VI. Contingencies

Information on leasing contracts

If operating lease contracts occur in the Bechtle Group, leasing instalments or rents are recorded directly as expenses in the profit and loss account.

The Company concluded non-cancellable leasing contracts for office and storage space. The Company also leased buildings, vehicles and various services under operate-lease arrangements that are non-cancellable during the basic term of the contract. Expenses for leasing contracts include payments amounting to TEuro 4,193 (01.01.-31.03.2004: TEuro 3,786) accounted for as expenses.

Future commitments with respect to the above-mentioned agreements with an initial or remaining term of more than one year as at 31 March 2005 amount to TEuro 80,841 (01.01.-31.03.2004: TEuro 88,421).

	TEuro
Due within one year	14,090
Due between 1 and 5 years	30,748
Due after 5 years	36,003
Minimum leasing payments total	**80.841**

Other leasing commitments include TEuro 43,510 from a leasing contract for the central logistics and administration building in Neckarsulm, which was concluded in 2002. The owner of the building is Fabiana Grundstücksverwaltungsgesellschaft mbH, Mannheim (Fabiana). The only business in which the company is engaged is that of leasing the building to Bechtle AG through the Südleasing GmbH. Fabiana has a share capital of TEuro 25 and has financed the investment of TEuro 31,150 primarily through loans. Bechtle AG has neither a direct nor indirect interest in Fabiana.

When the leasing contract expires in 2022, the Company has a purchase option on the building. There are no reasons according to IAS 27.13 or SIC 12 why the company should be consolidated with Fabiana. In addition, no losses from the leasing contract are expected, as the company is not compelled to exercise its option to buy.

Other Financial Liabilities

By purchasing the CDC IT Group, Pfäffikon, Canton of Schwyz, Switzerland, in the period under review, the Company has contractually committed itself to the payment of certain conditional subsequent purchase price increases. The extent of these purchase price increases to be paid subsequently will depend on the achievement of certain targets in relation to earnings before tax in the financial years 2005 and 2006, and may amount to a maximum of TEuro 1,299 in total.

As part of the acquisition of Gate Informatic AG, Berne, Switzerland, the Company is contractually committed to pay a number of subsequent increases in the purchase price. The amount of these subsequent increases in the purchase price is determined by specific targets being achieved with regard to earnings before tax in the 2005, 2006, 2007 financial years, and can amount to a maximum of TEuro1,824 in total.

As part of the acquisition of SGB Servicegesellschaft für Geld- and Banksysteme mbH, Aalen, the Company is contractually committed to pay a number of subsequent increases in the purchase price. The amount of these subsequent increases in the purchase price is determined by specific targets being achieved with regard to earnings before tax in the 2005, 2006, 2007 financial years, and can amount to a maximum of TEuro 2,000 in total.

Litigation

A substantial amount is included under accrued expenses to cover possible settlement and court costs relating to pending labour court proceedings.

The company is unaware of any proceedings that would have a substantial detrimental effect or had this effect in the last two years on ist earnings, liquidity or financial position.

VII. Related Parties

Transactions with Related Parties

Related parties in the Bechtle Group include, in principle, members of the Executive Board and Supervisory Board, as well as managing directors, their close relatives and companies controlled by these persons.

In the period under review, there was no significant revenue from transactions with shareholders, executive staff or companies controlled by such persons.

Leasing agreements on various properties exist between consolidated companies and Executive Board members, managing directors, their close relatives and companies controlled by these persons. In the year under review, leasing expenses amounting to TEuro 58 (01.01.-31.03.2004: TEuro 65) were entered in the profit and loss account.

VIII. Remuneration of Executive Bodies

Remuneration of executive managers in key positions

Executive Board

The total benefits of the Executive Board of Bechtle AG in the year under review amounted to TEuro 267.The benefits of the Executive Board consisted of a fixed component and variable component. The fixed benefits amounted to TEuro 162 and the variable benefits amounted to TEuro 105.

IX. Acquisitions

In the accounting period the following acquisitions were transacted:

PSB AG für Programmierung and Systemberatung, Ober-Mörlen (PSB AG)

On 17 January 2005, a further 2.8 percent of the shares in PSB AG were acquired, following the acquisition of 95.5 percent of the shares in PSB AG in 2003. The purchase price for the additional shares acquired in PSB during the accounting period, including a so-called „supplementary package“, amounted to TEuro 954 (Euro 9.40 per share) plus TEuro 1 additional acquisition costs.

As a result of the acquisition of a further 2.8 percent of the shares in PSB AG, the amount stated in the accounts at 31 December 2004 for minority shares (TEuro 505) has been reduced by TEuro 311 to TEuro 194. Of PSB AG’s net income for the accounting period, an amount of TEuro 8 was attributable to outstanding minority shares (1.69%), which finally results in minority shares amounting to TEuro 202 to entered into the accounts as at 31 March 2005.

The total purchase price of TEuro 955 paid for the shares in PSB AG acquired in the accounting period, due to the TEuro 311 reduction in minority shares, results in goodwill amounting to TEuro 644.

CDC IT Group, Pfäffikon, Canton of Schwyz, Switzerland

On 28th February 2005, all shares in the CDC IT Group were acquired for a purchase price of TEUR 2,795. This purchase price will be subsequently increased if certain targets in relation to pre-tax profits are achieved in the financial years 2005 and 2006. The increase in the purchase price will not exceed TEUR 1,229, with the result that the final total purchase price will in the end be a maximum of TEUR 4,094. In the event of any price adjustment, the procurement costs will be increased accordingly.

The purchase of the company was shown on the balance sheet according to the purchase method. With the total purchase price to be set at the time, amounting to TEUR 2,795, there was a difference amounting to EUR 1,184 resulting from the consolidation of capital, taking into account the net assets taken over (TEUR 1,611). In accordance with IFRS 3 in combination with IAS 38, TEUR 650 of that amount were accounted for by the established clientele, which will be written off over ten years. Deferred tax liabilities amounting to TEUR 152 were accumulated in the course of the capitalisation of the established clientele, which increased goodwill and will be eliminated again along with the scheduled writing off of the established clientele over its useful life. The remaining difference amounting to TEUR 686 could neither be allocated to an asset on the balance sheet nor included as a separate asset, so it was added as goodwill.

The CDC IT Group (100 employees) has offices in Basle, Bern, Lausanne, Pfäffikon and Thalwil, and is primarily active in the field of systems integration and hardware sales. With its purchase of CDC IT Group, Bechtle is further expanding its market position in Switzerland in the system house segment, and getting closer to its objective of being able to work with system houses throughout Switzerland.

In balance sheet terms the acquisition at the time of initial consolidation is as follows:

	TEUR
Current assets	
Cash and cash equivalents	1,230
Accounts receivable	2,142
Inventories	7
Other current assets	787
	4,166
Non-current assets	
Tangible assets	739
Goodwill	686
Established clientele	650
Other intangible assets	0
Financial assets	32
Deferred tax assets	0
	2,107
Total assets	**6,273**
Current liabilities	
Trade accounts payable	1,607
Other current liabilities	1,646
	3,253
Non-current liabilities	
Deferred tax liabilities	225
Other non-current liabilities	0
	225
Total liabilities	**3,478**
Minority interests	**0**
Total assets - Total liabilities - Minority interests =	**2,795**

Customer Relations of taskarena AG, Unna, Bonn Office

On 1 March 2005, information was obtained from taskarena AG, Unna, on the customer relations of its office in Bonn. The price for obtaining this information amounted to TEuro 165, which was paid in cash.

With the purchase of this information on customer relations and the foundation of a new company - Bechtle GmbH & Co. KG, Bonn – Bechtle Group's system house segment has enhanced its presence North-Rhine Westphalia.

X. Pro-Forma Information

If the companies acquired in the year under review had been acquired at the start of the financial year 2005, the Company's key data would have been as follows:

	01.01.- 31.03.2005 TEuro
Revenues	258,455
Net income	5,360
Earnings per share in Euro	0,2528

XI. Employees

Personnel expenditure is comprised as follows:

	01.01.- 31.03.2005 TEuro	01.01- 31.03.2004 TEuro
Wages and salaries	36,195	32,817
Statutory welfare contributions and expenditure for staff pensions	4,660	4,687
Total personnel expenditure	**40,855**	**37,504**

XII. Significant Differences between IFRS and German Accounting Principles

The deviations from the accounting, valuation and consolidation methods according to German law relate essentially to the points listed below:

Content and the Representation of the Consolidated Financial Statements

The consolidated financial statements in accordance with Article 297 of the German Commercial Code (HGB) consists of the consolidated balance sheet, the consolidated profit and loss account and the notes to the consolidated financial statements. Companies listed on the stock exchange are required to extend the notes to the consolidated financial statements with a cash flow statement and segment results. According to IFRS 1.8.ff, the consolidated financial statements must also include a separate statement of changes in shareholders' equity.

The consolidated balance sheet in accordance with the German Commercial Code (HGB) is to be structured in accordance with Article 266 HGB. This states that assets and debts are not to be reported separately in view of the commitment period or maturity. According to IFRS, assets and liabilities must, according to their commitment period or maturity, be distinguished from the long-term balance-sheet items as „current assets" or „current liabilities".

The profit and loss account according to the cost of sales method is structured in accordance with Article 275, section 3 of the German Commercial Code. According to IFRS, the undiluted and diluted number of shares and the associated earnings per share are stated additionally within the framework of the profit and loss account.

Capitalization of Homegrown Intangible Assets of the Fixed Assets

According to Article 248 HGB, intangible assets of the fixed assets that were not acquired against payment, may not be capitalized. According to IFRS, expenses for homegrown software may, under certain conditions, be capitalized if such software is intended for sale to third parties or for internal use.

Costs of Capital Procurement

According to HGB, it is not permissible for the costs of capital procurement to be accrued or offset against borrowed funds. IFRS stipulates that costs incurred for the procurement of Shareholders' capital (e.g. flotation costs related to an initial public offering) less the effect of their tax deductibility are to be deducted from the gross amount of the borrowed funds, and thereby reduce the capital reserves.

Application of the Purchase Method (purchase accounting) in the Capital Consolidation

According to Article 301 HGB, options exist with respect to the methods to be applied in the capital consolidation of subsidiary companies included in the consolidated financial statements and the treatment of any difference arising on consolidation. In accordance with IFRS, the capital is consolidated according to the purchase method by offsetting the acquisition costs against the parent company's pro rata Shareholders' capital at the time of acquisition or first-time consolidation.

Goodwill and Intangible Assets

In contrast to HGB regulations, IFRS stipulates that specific intangible assets relating to corporate acquisitions are to be stated separately from derivative goodwill in the accounts, thus reducing the value of the derivative goodwill. According to HGB, derivative goodwill, as well as intangible assets, must be amortized on a scheduled basis and, if necessary, on a non-scheduled basis. IFRS, on the otherhand, prohibits the scheduled amortization of goodwill as well as intangible assets with an undefined useful life. Instead, it prescribes an annual impairment test, which may lead to non-scheduled amortization. Intangible assets with a defined useful life are also amortized on a scheduled and non-scheduled basis in accordance with IFRS.

Treasury Stock

According to HGB, treasury stock must always be reported on the asset side of the balance sheet, under a separate item in current assets. In addition, a reserve for treasury stock must be established from the annual result, the profit carried forward or free reserves to the same amount on the liabilities side.Treasury stock is thus subject to the strict lowest value principle and is value-adjusted as required. Capital gains or losses are recorded as entered in the profit and loss account. According to IFRS, treasury stock may not be capitalized as a separate asset, but must be reported as a reduction in the Shareholders' capital to the amount of the acquisition costs. Valuation adjustments are not made. Gains or losses arising from the resale of treasury stock were offset against the capital reserves.

Financial Derivatives

Under German law, most derivative financial instruments are not recorded in the statement of accounts. Unrealized profits are not taken into consideration. An accrual must be established for unrealized losses, if this is not avoided through the formation of a valuation unit for the underlying transaction to be hedged. According to IFRS, derivative financial instruments must be stated in the accounts at their fair market value, if not indicated otherwise. If specific hedge criteria are met, then the profits and losses are initially reported after taking account of tax effects in the equity item „Cumulative other comprehensive income" and entered into the profit and loss account together with the profit or loss from the secured item or transaction.

Deferred Taxes

According to HGB, deferred taxes must be calculated using the so-called „asset and liability method", but only remaining debit balances are accounted for in the consolidated financial statements. In addition, it is not permitted to account for deferred tax assets from tax loss carryforwards. According to IFRS, deferred taxes are determined for the period in which the differences are expected to reverse on the basis of temporary valuation differences between assets and liabilities stated in the tax balance sheet and consolidated financial statements, based on the expected tax rate at the end of the period under review. In addition to which any changes to the tax rate are only to be taken into account if the modified legislation has been passed or if it is highly probable that it will be passed. According to IFRS, deferred taxes on tax loss carryforwards are also to be calculated if the company has such tax loss carryforwards. If deferred tax assets are non-recoverable, they have to be value-adjusted. The decisive factor for an evaluation of impairment is an estimation of the probability that these items will actually be realizable in future.

XIII.Executive Bodies

Members of the Executive Board

Ralf Klenk, CEO, Dipl.-Ing. (FH)
Place of residence: Heilbronn
responsible for the „PSB" and „ARP" brands, plus the IT, Finances, Business Planning, Public Relations, Marketing and Personnel business segments.

– Member of the Supervisory Board
  and of the Volksbank Heilbronn eG

– Member of the Executive Board
  of PSB AG für Programmierung und Systemberatung, Ober-Mörlen

– Member of the IHK general assembly Heilbronn-Franken

Gerhard Marz, COO, Dipl.-Ing
Place of residence: Speyer
responsible for the System House, Competence and Solutions Centres business segments.

–Member of the Executive Board
  of PSB AG für Programmierung und Systemberatung, Ober-Mörlen

Jürgen Schäfer, COO, Dipl.-Kfm.
Place of residence: Heilbronn
responsible for European direct sales of the „Bechtle" brand and the Logistics & Service division.

Number of Shares held in Bechtle AG

Executive Board	31.03.2005	Previous year
Ralf Klenk	352.462	352.462
Gerhard Marz	6.916	6.916
Jürgen Schäfer	4.000	4.000

Members of the Supervisory Board

All details relating to the Supervisory Board, which must be published to comply with legal requirementsor a recommendation of the German Corporate Governance Codex government commission aresummarised in the attachment to these notes.

Neckarsulm, May 2005

Bechtle AG

The Executive Board

Members of the Supervisory Board

Attachment to the Notes

	Member since	Occupation
Shareholders' representatives		
Beilharz, Otto	20 May 1999	CEO
Dobitsch, Kurt	20 May 1999	Entrepreneur
Schick, Gerhard Chairman of the Supervisory Board	23 March 2004	Professional Businessman
Schick-Krief, Karin	(02.10.03 - 22.03.04) 09 August 2004	Magister
Winkler, Klaus	20 May 1999	CEO
Dr. Wolf, Jochen 2nd Deputy Chairman of the Supervisory Board	02 October 2003	CEO

Membership of supervisory boards on other executive bodies within the meaning of Article §125, section 1, line 3 of the German Companies Act	Shares held 31.03.2005	31.12.2003
Member of the Supervisory Board - of Kellner & Kunz AG, Vienna - of PSB AG für Programmierung und Systemberatung, Ober-Mörlen Chairman of the Advisory Council - of Karl Schüssler GmbH & Co.KG, Bodelshausen	4,248	4,448
Chairman of the Supervisory Board - of United Internet AG, Montabaur - and of Nemetschek AG, Munich Member of the Supervisory Board - of 1&1 Internet AG, Karlsruhe - of Adlink AG, Montabaur - of twenty4help knowledge Service AG, Dortmund - of PSB AG für Programmierung und Systemberatung, Ober-Mörlen - and of DOCUWARE AG, Munich	0	0
Chairman of the Supervisory Board - of PSB AG für Programmierung und Systemberatung, Ober-Mörlen Chairman of the Administrative Board - of Bechtle Data AG, Regensdorf (Zürich/Switzerland) Member of the Administrative Council - of ARP Holding AG, Rotkreuz (Switzerland) - of Bechtle Comsoft Direct S.A., Gland (Switzerland) - of Comsoft Direct S.A., Gland (Switzerland) - and of Gate Informatic AG, Bern (Switzerland)	- holds directly 200,000 - indirectly by usufruct 1,026,933	200,000 1,026,933
	- assignable shares, total 6,784,487 - including, as a gift from Mr. Schick 1,026,933	6,784,487 1,026,933
Member of the Supervisory Board - of Sick AG, Waldkirch - of IMS Gear GmbH, Eisenach - of BW Venture Capital GmbH, Stuttgart Member of the Advisory Council - of Diefenbacher GmbH & Co., Eppingen - of Joma Polytec GmbH, Bodelshausen - of Reich Spezialmaschinen GmbH, Nürtingen	725	725
Chairman of the Supervisory Board - of Storsack Holding GmbH, Viernheim Member of the Supervisory Board - of LTS Lohmann Therapie-Systeme AG, Andernach - of r-biopharm AG, Darmstadt Member of the Administrative Boards - of E.G.O. Blanc & Fischer-Firmengruppe, Oberderdingen Member of the Advisory Council - of Bardusch GmbH & Co., Ettlingen	- in personal ownership 0 - on behalf of BWK GmbH UnternehmensBeteiligungs-Gesellschaft 3,916,507	0 3,916,507

Members of the Supervisory Board

Attachment to the Notes

	Member since	Occupation
Employee Representatives		
Drautz, Uli	15 October 2003	Clerical Staff Member
Feeser, Ralf Deputy Chairman of the Supervisory Board	15 October 2003	Senior Clerical Staff Member
Greyer, Barbara	15 October 2003	Head of IT districts division of the German public service union (ver.di) Baden-Württemberg
Leweke, Peter	15 October 2003	Technical Staff Member
Ludewig, Daniela	15 October 2003	Clerical Staff Member
Dr. Luz, Rudolf	15 October 2003	Chief Representative of the Metal Workers' Union (IG Metall) Heilbronn-Neckarsulm

Membership of supervisory boards on other executive bodies within the meaning of Article §125, section 1, line 3 of the German Companies Act	Shares held 31.03.2005	31.12.2003
	1.644	1.644
	656	606
	0	0
	0	180
	0	0
Deputy Chairman of the Supervisory Board - of Kolbenschmidt Pierburg AG, Neckarsulm Member of the Supervisory Board - of Rheinmetall AG, Düsseldorf - of Wirtschaftsförderung Raum Heilbron GmbH	0	0

Financial Calendar

General Shareholders' Meeting 2005
22 June 2005, 10:00 a.m., Harmonie Concert and Congress Centre, Heilbronn

Dividend Payment
23 June 2005 (subject to approval by the General Shareholders' Meeting)

Interim Report 2nd Quarter 2005 (1 April to 30 June)
12 August 2005

Interim Report 3rd Quarter 2005 (1 July to 30 September)
11 November 2005

Credits

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This Annual Report is produced in German and English. Both versions are available for download on the company's website. We will be glad to send you additional copies free of charge on request:

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