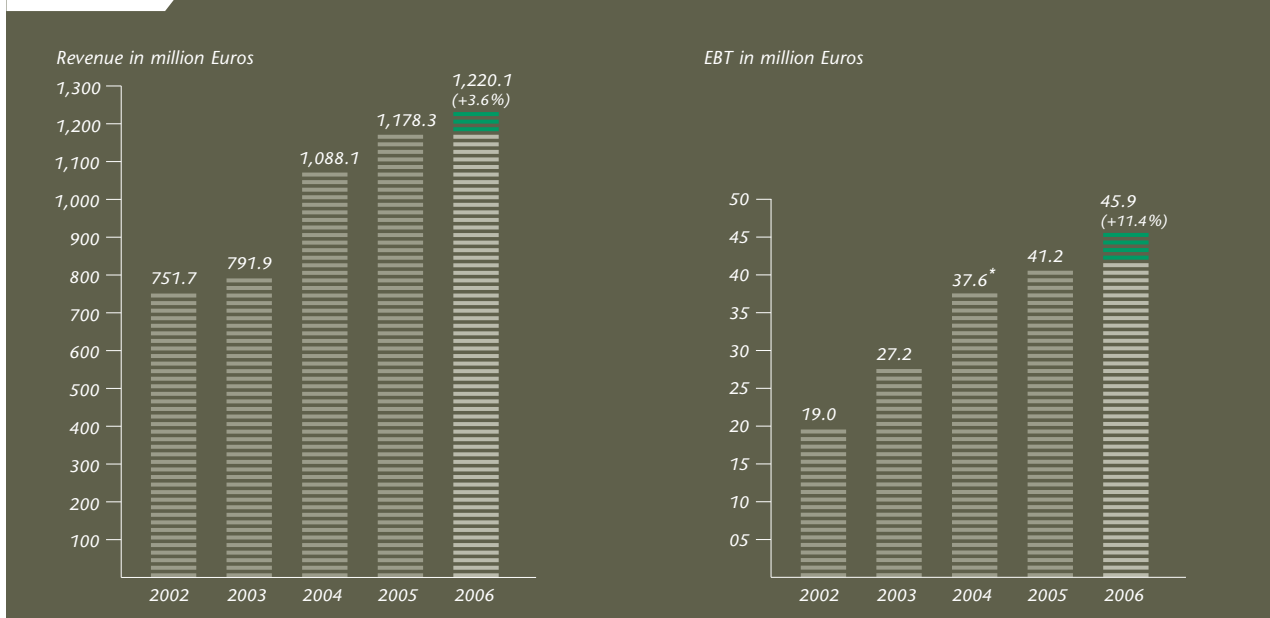




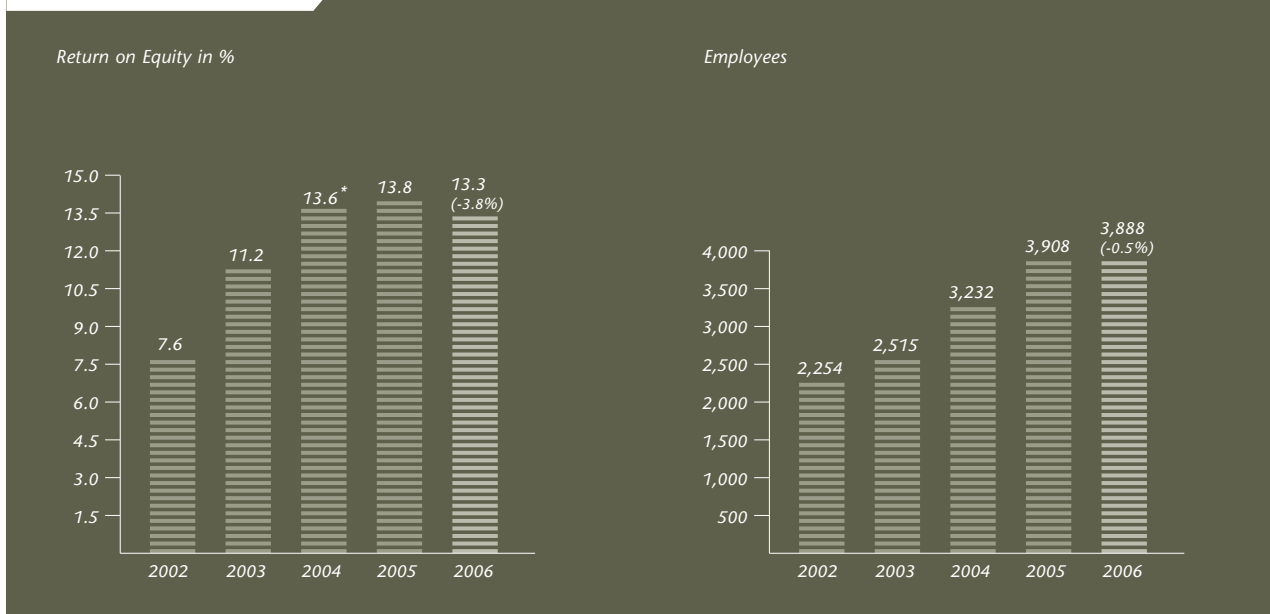
Revenue // EBT



Earnings after taxes // EPS



Return on Equity // Employees



\* without special item

## // THE BECHTLE GROUP IN A FIVE-YEAR COMPARISON

According to IFRS							
		2002	2003	2004	2005	2006	Change in % 2005-2006
<b>Income statement</b>							
Revenue	th. Euros	751,709	791,907	1,088,133	1,178,269	1,220,138	3.6
IT system house	th. Euros	557,919	602,951	729,981	811,042	816,998	0.7
IT e-commerce	th. Euros	193,790	188,956	358,152	367,227	403,140	9.8
EBITDA	th. Euros	27,012	34,848	48,965 <sup>5)</sup>	53,121	60,186	13.3
IT system house	th. Euros	19,677	24,137	25,576	27,510	33,681	22.4
IT e-commerce	th. Euros	7,335	10,711	23,389	25,611	26,505	3.5
EBIT	th. Euros	18,418	27,051	37,747 <sup>5)</sup>	41,195	45,730	11.0
IT system house	th. Euros	11,919	17,182	17,812	18,607	22,597	21.4
IT e-commerce	th. Euros	6,499	9,869	19,935	22,588	23,133	2.4
EBT	th. Euros	18,987	27,240	37,564 <sup>5)</sup>	41,172	45,859	11.4
Earnings after taxes	th. Euros	12,001	18,571	25,274 <sup>5)</sup>	29,286	30,725	4.9
Earnings per share	Euro	0.5956	0.9171	1.1989 <sup>5)</sup>	1.3791	1.4472	4.9
<b>Consolidated balance sheet</b>							
Equity	th. Euros	164,213	180,838	217,161	237,447	252,033	6.1
Balance sheet total	th. Euros	246,755	278,484	385,862	413,946	420,082	1.5
<b>Financial position and liquidity</b>							
Cash Flow from operating activities	th. Euros	13,377 <sup>6)</sup>	27,347 <sup>6)</sup>	46,222 <sup>6)</sup>	28,123 <sup>6)</sup>	26,866	-4.5
Working capital	th. Euros	76,959	78,652	89,920	109,104	131,193	20.2
Cash and cash equivalents <sup>1)</sup>	th. Euros	37,867	33,694	65,793	51,914	39,352	-24.2
<b>Operating figures</b>							
Return on sales	%	1.6	2.3	2.3 <sup>5)</sup>	2.5	2.5	1.3
Sales per employee	th. Euros	369.0	338.1	363.2	349.5	338.5	-3.2
Dividend per share	Euro	0.25	0.30	0.40	0.50	0.50 <sup>7)</sup>	0.0
Dividend payment ratio <sup>2)</sup>	%	24.0	34.6	33.6 <sup>5)</sup>	36.3	34.6 <sup>7)</sup>	-4.7
Cash Flow per share	Euro	0.66 <sup>6)</sup>	1.35 <sup>6)</sup>	2.20 <sup>6)</sup>	1.33 <sup>6)</sup>	1.27	-4.5
Return on equity	%	7.6	11.2	13.6 <sup>5)</sup>	13.8	13.3	-3.8
Equity ratio	%	66.6	64.7	56.3	57.4	60.0	4.6
Total return on capital employed	%	5.6	7.5	8.0 <sup>5)</sup>	8.3	8.3	0.0
Market capitalisation as of 31.12.	th. Euros	134,199	206,040	348,740	347,680	408,100	17.4
Number of employees as of 31.12. <sup>3)</sup>		2,254	2,515	3,232	3,908	3,888	-0.5
IT system house <sup>4)</sup>		2,022	2,252	2,644	3,239	3,077	-5.0
IT e-commerce <sup>4)</sup>		232	263	588	669	811	21.2

The financial glossary describes the financial figures calculation

1) Incl. securities 2) Dividend distribution divided by earnings after taxes without minority interests 3) Full-time employees, trainees, and, from 2004, employees on maternity or paternity leave or employees doing military or civilian service 4) The employees of the central service units are allocated by revenue, pro rata, to the segments 5) without special item 6) adjusted figure 7) proposal to the annual general meeting

## // REVIEW BY QUARTER 2006

in th. Euros					
	1st quarter	2nd quarter	3rd quarter	4th quarter	2006 fiscal year
	1 January to 31 March 2005	1 April to 30 June 2005	1 July to 30 Sept. 2005	1 October to 31 Dec. 2005	1 January to 31 Dec. 2005
Revenue	291,000	283,756	280,946	364,436	1,220,138
EBITDA	11,804	8,674	15,645	24,063	60,186
EBIT	8,662	5,482	12,403	19,183	45,730
EBT	8,777	5,547	12,426	19,109	45,859
Earnings after taxes	5,789	3,541	7,418	13,977	30,725

# // CONTENTS

Corporate Profile	01
Chronicles 2006	02
Letter to the Shareholders	04
Report of the Supervisory Board	06
The Bechtle Group	10
Magazine	
Set the course	12
Managed Services	14
Public Sector	16
Bechtle SMB Concept	18
Switzerland	20
Multi-brand strategy	22
The Bechtle Share	24
Corporate Governance Report	28
Group Management Report	
Overall economic environment and market trends	35
Business Development	36
Segment Report	38
Capital expenditure and Financing	40
Financial and Capital Structure	40
Group Procurement and Logistics	43
Corporate Structure and Organisation	44
Employees	45
Specific Information pursuant to § 315 [4] HGB	46
Report on Environmental Protection	48
Opportunities and Risks /	48
Details on Risk Management	48
Supplementary Report	53
Outlook	54
Consolidated Annual Accounts	
Consolidated Income Statement	57
Consolidated Balance Sheet	58
Statement of recognised Income and Expense	60
Consolidated Cash Flow Statement	61
Notes	62
Audit Opinion	114
Glossary	116
Financial Calendar	122
Credits	123

2006

# // CORPORATE PROFILE

Bechtle's unique business concept combines the service and solution-based system house sector with direct sales of commercial IT products throughout Europe.

The Bechtle system houses offer SMBs, large corporate groups, financial services providers and public institutions seamless support in all aspects of IT infrastructure and applications. This includes IT strategy consultancy services, the supply of hardware and software, system integration, a wide range of IT services, right through to the complete operation of the IT itself. With a network of 60 system houses providing full coverage in Germany and Switzerland, Bechtle ensures that it is never far from its customers. Experts in 20 competence centres provide support to complement the range of products and services available from the individual system houses – this includes expertise in specialist fields such as IT security, storage, virtualisation and mobile computing. In a total of 19 training centres, Bechtle also offers practice-based seminars, workshops and training courses.

Under the Bechtle direct and ARP Datacon brands, the retail division sells some 30,000 IT products via the telephone, catalogue and Internet in nine Western European countries. One of the main benefits of the online portal is that the prices and availability status of all the products Bechtle offers are updated daily, a service in which Bechtle is the forerunner in Europe. The product portfolio extends from printer cartridges to servers, and includes all the branded IT products that are in demand in Europe. With company-specific shopping baskets and paperless order processing, Bechtle also helps to significantly reduce the customers' procurement costs for IT products. The fast response times provided by the high performance logistics system gives an additional competitive edge in the retail business, from which all system houses benefit.

## // THE BECHTLE PRINCIPLE

One of the key factors behind Bechtle's success is its concept of centralising administrative areas such as finances, personnel, purchasing and logistics within the holding company. The advantage: the business units that generate revenue – the IT system house and e-commerce segments – can concentrate completely on their core competencies. This formula for success not only creates greater freedom to better serve our customers. It also means lean processes and the possibility of pooling purchases for greater profitability. In other words, Bechtle combines the strength of a large, multinational group with the flexibility of a small business.

The business concept has also proved to be most effective in the integration of new companies into the Bechtle Group, since the companies acquired benefit immediately from the services of the holding company. This has also allowed Bechtle to make good use of the consolidation phase in the IT sector and, with a sound expansion strategy, establish a strong market position. This is the starting point for ambitious corporate goals: in its "Vision 2010", Bechtle expects in the course of the next four years, with a workforce of what will then be around 5,000 employees, to generate sales of two thousand million euros – with much greater profitability.

## *Vision 2010*

- 2 th. million Euro turnover
- Return on sales > 5%
- 5000 employees
- Leader in IT Infrastructure und operations
- No.1 in European-wide direct sales

# // CHRONICLES 2006

## January

### ACQUISITION OF ARTIKONA

Over ist subsidiary ARP Holding AG, Bechtle acquires the Dutch e-commerce company Artikona. The transaction provides ARP with its first sites in a non German-speaking country.



01

ARP in the Netherlands

## February

### AWARD BY SCRIPTLOGIC

The Bechtle IT System House Ratingen receives the award as fastest growing partner of ScriptLogic in the EMEA region in 2005.

### ORGANISATIONAL STRUCTURE 2006+

Bechtle initiates the organisational restructuring process. After the many acquisitions over the last years, an adaptation to the increased company size became necessary.



02

ScriptLogic awarded

## March

### BECHTLE CC-Day

Almost 700 customers, suppliers, partners and employees visit the second Bechtle CC-Day on 22 March. CC is the acronym of Competence Center; the Bechtle Group currently maintains 20 CCs.

### WYSE PARTNER AWARD

Bechtle receives the Wyse Partner Award as Best Reseller Central Europe. For the second time in a row, Wyse honours Bechtle's performance with this award.



03

Wyse Partner Award for the second time

07

Open Day



08

Shareholders on site



09

Training at Bechtle



## July

### BSMBC INTERNAL PRESENTATION

The Bechtle SMB-Concept (BSMBC) is presented for the first time internally. An important step on the way to market maturity. With this new service offer, Bechtle offers mid-sized businesses the possibility to outsource the operation of their IT resources.

### FAMILY & FRIENDS

Bechtle invites its employees and their families to an open day at the company's group headquarters in Neckarsulm. A total 1,200 interested people accept the invitation.

## August

### BECHTLE SHAREHOLDERS' DAYS

Also in the second year of the Bechtle Shareholders' Days, the interest in this event does not fade. About 120 shareholders took advantage of this opportunity to get their own idea of Bechtle during a visit to the group's headquarters.

### BECHTLE IN FRANKFURT

After publishing the half-year results, Bechtle presented itself in a roadshow held in Frankfurt. The event serves to strengthen Bechtle's presence in the capital market through numerous one-on-one meetings.

## September

### BECHTLE SWITZERLAND

Bechtle AG restructures its Swiss companies. The initiative aims to combine the strengths of the individual companies thereby paving the way for further profitable growth.

### START OF THE TRAINING YEAR

60 apprentices start their professional training at Bechtle. Bechtle thereby offers young people a chance while ensuring its own supply of qualified junior staff.

### BECHTLE INTERNATIONAL

In a roadshow in Paris, Bechtle presents the company to French investors. The company's presence at international financial centres is important, and strengthens Bechtle's profile and the demand for its shares.

## April

### BECHTLE CEO MEETS DAK CHAIRMAN

Bechtle CEO Ralf Klenk meets DAK chairman Claus Moldenhauer in Neckarsulm.

In the course of intense talks, they discuss aspects of a further cooperation with the IT Services division and the possibilities to support the reorientation process taking place in Germany's second largest health insurance institution.



04

Meeting with DAK chairman Moldenhauer

## May

### BECHTLE AT THE TROLLINGER MARATHON

For the first time ever, Bechtle participates in the Trollinger Marathon in Heilbronn with its own team. More than 70 Bechtle employees from all over Germany complete the half marathon.

### BECHTLE ON ROADSHOW

Investor Relations work 'on site': Bechtle presents a roadshow in Stuttgart and Karlsruhe. Amongst other things, Bechtle presents the current quarter results to analysts and investors.



05

Bechtle Team at Trollinger Marathon

## June

### BECHTLE IS AWARDED CONTRACT

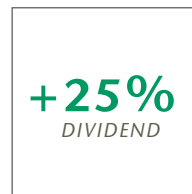
Acting as general coordinator for several Franconian towns, the city of Nuremberg published an invitation to tender for the procurement of workplace PCs and flat-screen monitors. The contract was finally awarded to the Bechtle IT System House Nuremberg.

### GENERAL MEETING RESOLVES ON HIGHER DIVIDEND

At the Annual General Meeting about 500 shareholders resolve to increase the dividend by 25 percent to 50 cents per share. This was the third subsequent increase.

### AWARD FOR VMWARE

As top-selling partner in Germany, Bechtle receives the Top Achiever VIP Reseller 2005 Award from VMware. Bechtle already won this award the last year.



+25%  
DIVIDEND

06

Higher dividend

10

Best Online Shop 2006



11

Best Technical Achievement Award



12

Bechtle informs



## October

### ONLINE SHOP OF THE YEAR

The Bechtle Online Shop is honoured by the expert journal 'Der Versandhausberater' (The Mail Order Consultant) as Best B2B Online Shop 2006. An independent jury of recognised industry experts saw Bechtle on the 1st place.

### ENTERPRISE PARTNER OF THE YEAR

Bechtle AG is honoured with the Symantec Partner Award as 'Enterprise Partner of the Year' 2006. This award is a recognition of Bechtle's specific know-how in the IT security field.

## November

### BECHTLE ONLINE SHOP LEADS AGAIN

Bechtle takes the first place in the 'Katalog-Benchmark 2006' competition in the category 'Online Shop'. The Bechtle Shop wins against 47 further other participants, five of which belong to the same sector of business.

### TECHNICAL ACHIEVEMENT AWARD

The Bechtle Competence Center Virtualisation is awarded the Best Technical Achievement Award for the EMEA region at the VMworld in Los Angeles. This is already the second honour received from VMware in 2006.

## December

### INFORMATION FOR CUSTOMERS

In the course of two events, Bechtle offers information on Microsoft Office and Vista as well as on company-specific developer applications. The events are attended by over 400 customers interested in these topics.

### BECHTLE IS AWARDED MAJOR CONTRACT

The Bechtle IT System House Rottenburg is awarded a contract on the rollout of more than 100 servers by Alcatel Transport Solutions Deutschland GmbH. The contract has a volume of 2.5 million euros and includes both consulting services and the customer-specific configuration of the servers.

# // LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

Endurance races like the famous 24 hours of Le Mans show one thing: the winner is not necessarily the one who keeps his foot on the accelerator the longest. Over long distances, with constantly changing conditions, it is the combination of speed, stamina, teamwork and strategy that adds up to success. These are factors that have also helped Bechtle achieve its outstanding market position and will promote further growth.

In 2004 and 2005, we had our foot firmly on the gas pedal: 1,400 new employees, 30 new locations and three new countries. That is the result of eleven acquisitions, four new incorporations, a strategic agreement and our internal growth, which we still achieved despite this tour de force. Looking back at 2000, the year Bechtle went public, the growth in these two years alone equalled that of our entire company at the time of the initial public offering.

This rapid growth has seen the Group achieve a magnitude that no longer ideally matches the available structures. At the same time, the market for solution providers is in upheaval and demands new and forward-looking concepts. The good opportunities for expansion, both nationally and internationally, mean additional growth under changing conditions and thus the need to adapt organisation and strategy.

Priorities in 2006 were therefore quite distinct: to consolidate, design, structure. The foundation for this change process is very stable thanks to a unique business model that has seen us grow continually in profitability. The intermeshing of our service- and solution-oriented solution providers with direct pan-European marketing of IT trading products enables us to offer our customers precisely what they want: all from one source.

The focus of the changes in 2006 shows that we always place our customers, and with them the market, at the centre of our activities.

**FOCUS 1: Products and services.** The market for solution providers is also changing in the SMBs, which is increasingly turning from suppliers to operators. Initial pilot projects have already seen us take over customers' complete IT operations and we will continue to expand in this area. We understand managed services as service components, which include the Bechtle SMB Concept, a module with a marked target group character.

**FOCUS 2: Public-sector customers.** By bundling the necessary expertise to give us a competitive edge, our 'line of business with public-sector customers' should become a central growth driver. The volume of annual tenders we could take advantage of is huge: the potential of th. Million Euros 3.8 is certainly food for thought for our possibilities.

**FOCUS 3: Multibrand strategy.** Its consistent implementation, combined with increased internationalisation, helps us improve our market penetration and the ability to tap further potential in IT e-commerce.

**FOCUS 4: Group organisation.** We have uncoupled our strategic and operative business on the top floor. The two-man executive board, made up of our new CFO Thomas Olemotz and the undersigned, can now concentrate all our energies on the strategic development of the Bechtle Group. Operative management is in the hands of the divisional managers who bear responsibility for the various fields of activity and the regions.

**FOCUS 5: Switzerland.** Thanks to our rapid growth we have become market leader in just two years. In the wake of this mainly acquisition-driven expansion, we introduced measures in 2006 to provide not only our customers, but employees and production partners too, with a clear structure. We have set technical focuses and taken on board regional aspects.





CHAIRMAN OF THE EXECUTIVE BOARD OF *Bechtle AG* // *Ralf Klenk*

The year just past entailed an extremely ambitious and above all demanding programme, one that sapped much energy, but still we were not diverted from our course of increasing revenue, improving earnings and gaining market share. These genuine Bechtle endurance qualities of moving forward even during a labour-intensive adjustment phase is all due to the teamwork of all Bechtle companies.

This is why financial year 2006 was a good one for me: we have shaped up for the future and can show growth as well. The 3.6 per cent revenue increase to th. Million Euros 1.22 shows that we once again developed faster than the market as a whole. We raised earnings before taxes by 11.4 per cent, to Million Euros 45.9, thus surpassing our expectations. The best closing quarter in the company's history and the revenue from the newly consolidated acquisitions largely determined this success.

We have carried this development seamlessly into 2007, and are already doing very well: right at the start of the year we strengthened our service business with the acquisition of ITZ Informationstechnologie GmbH of Essen. The next step in IT e-commerce is planned for 1 May when our Swiss subsidiary ARP goes online in France and sees our multibrand strategy getting off the ground in this important European market too.

We have all the financial means at our disposal for further measures. A liquidity reserve totalling Million Euros 82.4, consisting of cash and cash equivalents and free credit lines, gives us the room we need for future growth.

We will use the current financial year to implement our strategy in full and to adapt perfectly to the changed conditions. That said, we will turn a profit and grow in 2007 as well! Our forecast suggests that revenue until year-end will fluctuate between th. Million Euros 1.3 and 1.35, with earnings before taxes of some Million Euros 48.

In addition to following the right strategy, we will also continue to prove our speed, stamina and teamwork. On behalf of the entire Executive Board, I would like to thank all employees who are committed to practising precisely these success factors in their daily work. My thanks also go to the Supervisory Board, which has supported us with its entire experience on our path of growth.

To you the shareholders I also express my thanks and hope that you will continue to accompany Bechtle in the future – we have much to do in continuing to extend our leading position in the IT market.

With best wishes

A handwritten signature in black ink, appearing to read 'Ralf Klenk'. The signature is fluid and cursive.

Ralf Klenk  
Chairman of the Executive Board

# // REPORT OF THE SUPERVISORY BOARD

The fiscal year 2006 was a particularly challenging year for Bechtle. Besides the continuation of the growth strategy, the company also had to set its organisational course on both domestic and foreign markets, and concurrently invest in new products and solutions. The fact that this extensive project portfolio has already been successfully realised in part, and that the net profit for the year could be increased at the same time, is clear proof of Bechtle's 'striking power'.

In view of the great diversity of the company's activities, the Supervisory Board also faced high demands during the fiscal year 2006. The Supervisory Board not only fulfilled its statutory obligations, but in particular also met the increased auditing and monitoring requirements stipulated by current legislation.

The Executive Board regularly reported to the Supervisory Board in a timely and comprehensive manner, both orally and in writing, on company planning and strategic issues, current operations, and the situation of the group including the risk situation and risk management.

In addition to personal meetings and telephone conversations, the Executive Board regularly informed the Supervisory Board, in particular, as follows:

- monthly report on new orders / contribution margin and revenue / contribution margin for both the group, the segments and individual subsidiaries including prior-year benchmark figures;
- monthly reports on earnings before taxes and personnel development for the group, the segments and individual subsidiaries;
- quarterly reports in meetings dealing with the last quarter and the perspectives for the coming months.

For its part, the Supervisory Board independently informed itself of the company by monitoring the Executive Board and also the development of the company as a whole. In the course of individual meetings, the Supervisory Board regularly dealt with the development of overall busi-

ness, revenue and earnings of the group and its segments as well as with the financial situation, the implementation of strategies and issues of personnel development.

These independent auditing and monitoring measures by members of the Supervisory Board included, in particular:

- periodical audits of the income statements of individual subsidiaries and examination of irregularities;
- participation in strategy meetings;
- participation in management conferences;
- participation in risk management meetings.

## MEETINGS AND FOCUS ISSUES

During the reporting period, four meetings were held: on 31 January, 28 March (balance sheet meeting for the 2005 financial statement), on 25 July and on 24 October. There were no extraordinary meetings. The Chairman of the Executive Board comprehensively informed the Supervisory Board on matters of special significance to the company or of an urgent nature also in between meetings. Whenever required, resolutions were passed by way of written circulation.

All measures and transactions requiring the approval of the Supervisory Board were extensively discussed during the meetings of the Supervisory Board or its committees. In its balance sheet meeting, the Supervisory Board approved the financial statements and consolidated financial statements of the prior year, approved the proposed appropriation of earnings, and finally passed the 2006 company plan. Besides company acquisitions, issues for discussion in the past fiscal year were, above all, organisational and structural changes in the group's management, the fundamental reorganisation of the business in Switzerland, and product development and investments.

## COMMITTEES

The Supervisory Board set up two committees. The Balance Sheet and Accounting Committee met on 31 January, 27 March, and 24 October. This committee fulfils the tasks of an audit committee and in 2006, predominantly dealt with quarterly reports, preparatory audits of annual and



CHAIRMAN OF THE SUPERVISORY BOARD OF *Bechtle AG* // *Gerhard Schick*

consolidated financial statements, and the examination of the risk management system set up throughout the group. Other issues discussed by this committee were transactions subject to approval – such as acquisitions and long-term contracts – and issues in connection with Corporate Governance. Besides resolutions passed during its meetings, the Balance Sheet Committee also passed resolutions by way of written circulation.

The Personnel Committee met on 28 March. In the focus of its activities were the organisational and personnel changes in the group's management, in particular the filling of the position of Chief Financial Officer.

The Balance Sheet and Accounting Committee is headed by the Chairman of the Supervisory Board, the Personnel Committee is headed by Dr. Jochen Wolf. The Supervisory Board was extensively informed on the activities of both committees during its plenum meetings.

As in the years before, the Mediation Committee pursuant to section 27 paragraph 3 of the German Law on Codetermination (*Mitbestimmungsgesetz*) did not have to be convened in 2006.

#### MEMBERS OF THE SUPERVISORY AND EXECUTIVE BOARDS

There were no personnel changes in either the Executive Board or the Supervisory Board and its committees in 2006.

In January 2007, there was a change in the position of the employee-elected representatives on the Supervisory Board when Peter Leweke retired. He was succeeded by substitute member Udo Bettenhausen. The Supervisory Board would like to thank Mr Leweke for his work on the board.

The Supervisory Board members' period in office ends with the closing of the Annual General Meeting, which will decide on the discharge of the Board for the fiscal year 2007.

During the year under review, Dr. Thomas Olemotz was appointed the new Chief Financial Officer with effect from 1 March 2007. Dr. Olemotz will take over the financial department from the Chairman of the Executive Board Ralf Klenk.

#### CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board has dealt with the rules of the Corporate Governance Codex and, in particular, examined the changes in the version of 12 June 2006. To control compliance with the German Corporate Governance Codex, the Supervisory Board reviewed the implementation of the recommendations at Bechtle AG. The Supervisory Board and Executive Board renewed their declarations of compliance pursuant to article 161 of the German Stock Corporation Act in February 2005, March 2006, and February 2007. Any deviations from the recommendations of the government committee are extensively outlined in the 'Corporate Governance Report' on the following pages. Furthermore, the Declaration of Compliance is also permanently accessible via Bechtle's web site.

#### NOTES ON THE INFORMATION GIVEN IN THE MANAGEMENT REPORT ACCORDING TO ARTICLES 289 PARAGRAPH 4, 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE

##### STRUCTURE OF ISSUED CAPITAL

The company's issued capital or capital stock is described in number 4.1. of the company's Articles of Incorporation and, from a legal point of view, represents a balance sheet item in conformity with the articles. It mainly serves the collateralisation of the company's creditors.

##### CAPITAL HOLDINGS EXCEEDING TEN PERCENT

Shareholders with holdings in the company exceeding ten percent of the voting rights have an increased influence on the decision-making process at the company's Annual General Meeting.

#### PROVISIONS ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD

The appointment and dismissal of members of the Executive Board is regulated by the German Stock Corporation Act. The regulation of article 84 of the German Stock Corporation Act regulates the details of the appointment and dismissal of members of the Executive Board. This regulation assigns the sole personnel competence concerning the Executive Board to the Supervisory Board. The stipulated maximum duration of an appointment of up to 5 years also ensures this personnel competence, as a new decision has to be taken with respect to the members of the Board after an appointment has ended. The Stock Corporation Act assumes a strict division into two levels concerning the legal relations between the stock corporation and the members of its Executive Board: the employment contract regulates the contractual relationship while the appointment determines the corporate level. Both relationships may take different paths from a legal point of view.

Pursuant to the regulations of the German Corporate Governance Code, the Supervisory Board of a company in cooperation with the Executive Board ensure long-term successor planning. In the case of first-time appointments, the maximum possible duration of five years is not the rule. A reappointment before the end of one year to the end of the appointment period with the concurrent discontinuance of the current appointment shall only be made in special circumstances.

#### PROVISIONS CONCERNING AMENDMENTS TO THE ARTICLES OF INCORPORATION

The company's Articles of Incorporation may only be amended by decision of the company's Annual General Meeting. As the Articles of Incorporation are of fundamental importance to the company, an amendment is only possible with a qualified majority of votes. The requirement to have any amendments entered in the Commercial Register ensures control by the Commercial Register and disclosure of such fundamental changes.

#### RIGHTS OF THE EXECUTIVE BOARD IN PARTICULAR CONCERNING THE ISSUE AND REPURCHASE OF SHARES

The company can inject new capital into the company in several ways by increasing the ordinary share capital. The Authorised Capital (regulated in articles 202 to 206 of the German Stock Corporation Act) facilitates capital procurement. The Annual General Meeting may therefore authorise the Executive Board to increase ordinary share capital up to a certain nominal amount. This authority may be given for a period of up to five years and up to a maximum nominal amount of 50 percent of the ordinary share capital at the time of authorisation. The company has the corresponding authorisation for this. Pursuant to article 71 paragraph 1 of the German Stock Corporation Act, it may only purchase its shares if one of the exceptional situations outlined in this article exists. This regulation serves to delineate powers and ensures protection of capital. Based on the resolution of the Annual General Meeting of 20 June 2006, the company is authorised to purchase its own shares pursuant to article 71, paragraph 1, no. 8 of the Stock Corporation Act. The authorisation provides the conditions under which the Executive Board can repurchase its own shares.

Limitations concerning the voting rights or the assignment of shares, shareholders with special rights giving controlling powers, and voting control over employees do not exist or are not known. Company agreements with members of the Executive Board in case of a change of control following a takeover bid have not been made by the Supervisory Board.

#### AUDIT OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS 2006

The Annual General Meeting selected Ernst & Young AG, Heilbronn as auditor for both the individual and group audits for the fiscal year 2006. After being commissioned by the Supervisory Board, the auditors audited the Financial Statements of Bechtle AG, the Consolidated Financial Statements and the Management Report for Bechtle AG and the Bechtle Group for the fiscal year 2006 including

the accounting system and the early risk recognition system, and issued an unqualified attestation. The Consolidated Financial Statements of Bechtle AG were prepared in accordance with the IFRS. The auditors confirmed that these Consolidated Financial Statements fulfil the requirement for an exemption from the obligation to prepare financial statements in accordance with German law.

The documentation for the financial statements, the Executive Board's proposed appropriation of earnings, and the auditors' reports were submitted to the members of the Supervisory Board immediately after completion, and carefully examined by the Balance Sheet and Accounting Committee and the plenum of the Supervisory Board. The auditors participated in the balance sheet meeting of 26 March 2007, where they reported on the focus areas and main outcomes of the audit in detail.

After its own examination, the Supervisory Board agreed to the results presented by the auditors; the Supervisory Board did not raise any objections. After the final result of the audit had been submitted by the Balance Sheet and Accounting Committee and the Supervisory Board as a whole, the Supervisory Board approved the Financial Statements and Consolidated Financial Statements prepared by the Executive Board in their balance sheet meeting of 26 March 2007. The Financial Statements of Bechtle AG for the fiscal year 2006 are thus established. The Supervisory Board agrees to the Executive Board's proposed appropriation of retained earnings.

Not least thanks to the fundamental change of direction in the fiscal year 2006, which will also occupy us to some extent in 2007, the Supervisory Board is convinced that Bechtle can look to the future from a strengthened, solid basis.

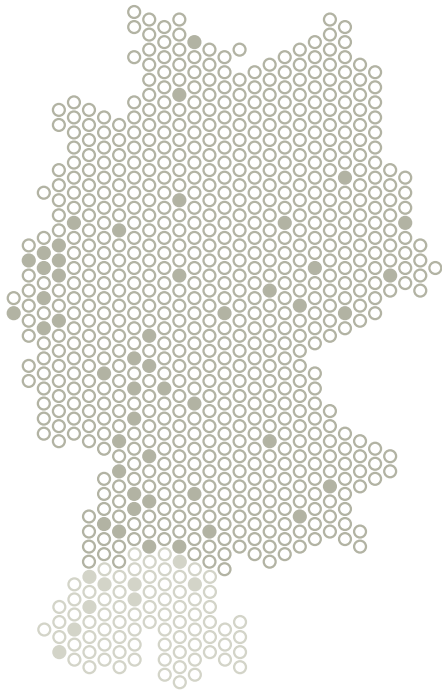
The Supervisory Board would like to thank the Executive Board and all employees of Bechtle AG for their high level of commitment and successful work. The Supervisory Board would also like to thank the shareholders for their trust in the company.

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'G. Schick', written in a cursive style.

Gerhard Schick  
Chairman

Neckarsulm, 26 March 2007



## GERMANY

(46 locations in 12 federal states)

Baden-Wuerttemberg  
Bavaria  
Berlin  
Brandenburg  
Hamburg  
Hesse  
Lower Saxony  
North Rhine-Westphalia  
Saxony  
Saxony-Anhalt  
Schleswig-Holstein  
Thuringia

## SWITZERLAND

(14 locations in 9 cantons)

Basel-Landschaft  
Basel-Stadt  
Bern  
Geneva  
Sankt Gallen  
Thurgau  
Vaud  
Zürich  
Zug

## SYSTEM HOUSE

- 20 Competence Centres
- 19 training centres
- Around 700 sales employees
- Around 2000 service employees
- On site for customers across the country

## CENTRAL SERVICES

Finance & Controlling  
Corporate Communications & Investor Relations  
Personnel & Academy  
IT & Data Centre  
Web & application systems  
Basic Installation

## BECHTLE DIREKT

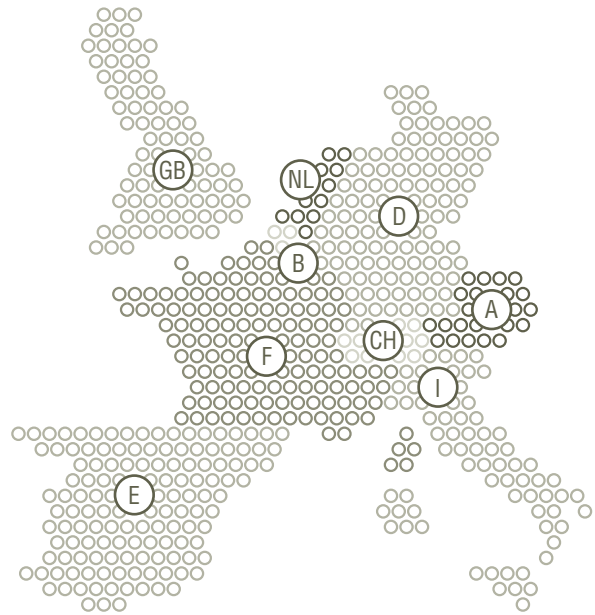
(15 companies in 9 countries)

Belgium  
Germany  
France  
Great Britain  
Italy  
The Netherlands  
Austria  
Switzerland  
Spain

## ARP DATACON

(4 companies in 4 countries)

Germany  
The Netherlands  
Austria  
Switzerland



## E-COMMERCE

- 30 000 products
- Up-to-date prices and availability
- Around 500 sales employees
- Distribution via online shops, catalogues and telesales

## LOGISTICS & SERVICE

Purchasing  
European Logistics  
Product Management  
Warehouse  
Direct Marketing  
Media Design  
European Translation & Printmedia  
Address Management  
Returns & Replacement Management  
Event management



## '2006 was better than we expected'

Talking to Peter Roller, the former Stuttgart correspondent of 'Börsenzeitung', Ralf Klenk, CEO of Bechtle AG, strikes the balance of 2006 and provides an outlook on the current year.

Bechtle continues to record consistently high liquidity and a very sound equity base. Why, then, did you resist the urge to make spectacular acquisitions? 'We had other objectives for 2006 – to consolidate, restructure and invest in new products. We will, in the future, certainly make further acquisitions, but I see no necessity for spectacular acquisitions.'

Why the reserve?

'For our customer base – that is the SMBs – we need an extensive structure, which we have already created in Germany and, more recently, Switzerland. Of course, there are still some white spots on the map, and that's exactly where acquisitions would provide a solution. Such acquisitions will surely include some local market leaders, but there will not be any large mergers.'

By 'extensive structure' you mean the system houses. They seem to be playing it safe at the moment.

'When you pull into a pit stop so that you can drive at full throttle again, I wouldn't exactly call this playing it safe. In the sys-

tem house business, we are preparing ourselves thoroughly for a dramatic change in the market environment and demands. The conventional project business is no longer enough to be successful. Also, our SMB customers are increasingly looking for an IT partner to act as an operator rather than as a supplier. And we have set a course in the right direction precisely for these new requirements, that is the provision of managed services.'

And yet it was a coup that can be rightly called spectacular.

'Taking over the Strategic Outsourcing unit from IBM on 1 October 2005 was

a first big milestone, involving services for about 50,000 PC workstations. It strengthens our Managed Services division and, at the same time, our strategic cooperation with IBM. Last, but not least, we gained well-trained teams with experienced and skilled technicians. This gave us the critical size needed to offer such essential services in an economical way from the very beginning. That's a good basis for further growth.'

**'All companies aim to generate profit. If they do not, they lose their right to exist.'**



Is it already turning a profit?

'All companies aim to generate profit. If they do not, they lose their right to exist. Currently, however, the costs of strategic capital expenditure in this sector exceed the proceeds. Starting from 2008, we expect positive results, and starting from 2010, we see the potential to make up to one third or even half of our overall business in this sector.'

International business went well in 2006, but Switzerland seems to be your problem child.

'We experienced rapid growth in Switzerland and became the market leader within only two years - mainly on the basis of acquisitions. This initially often resulted in coexistence. Through our fundamental structural changes, we replaced this coexistence by cooperation over the last year. This process was a real strong-man act, and we will have to deal with the realignment in Switzerland still in 2007.'



# 'We will continue to develop our business faster than the rest of the market.'



You also restructured within the group. What are your objectives there?  
'Within the group, we separated strategic from operative management. Divisional managers will make the group even more powerful in operative terms. In the future, the Executive Board will exclusively focus on the strategic management of the Bechtle Group.'

'Our SMB customers are increasingly looking for an IT partner to act as an operator rather than as a supplier. And we have set a course in the right direction precisely for these new requirements.'

Analysts continue to judge your business position as good – but say that it will be hardly possible to top expectations for 2007. Do you still have some surprises up your sleeve?

'2006 was better than we expected. But this doesn't mean that Bechtle will exceed expectations in 2007 to the same extent. We still have lots to do. But our position today is excellent. We will use this starting point to further develop our business faster than the rest of the market.'



Dr. Thomas Olemotz,  
since 1 March 2007  
new CFO  
of Bechtle AG

Born in 1962, married, 2 children  
Education and professional training:  
bank employee; studies in Business Administration – master's degree in business administration; doctorate

Professional career: Assistant Lecturer, University Giessen; Assistant to the Executive Board, WestLB; Head of Mergers & Acquisitions, DGM Deutsche Gesellschaft für Mittelstandsberatung mbH; Head of Company Development, DELTON AG; Executive Board Member Finance & Personnel, Microlog Logistics AG.

Dr. Olemotz, what is the interesting thing about your new function as CFO of Bechtle AG?

'In connection with several financial objectives, Bechtle AG has the clear aim of becoming the market leader in Europe. To support the achievement of this objective with the necessary professional structures and processes in the field of finance is a very exciting task.'

What potential does Bechtle have that you as the new CFO can use?  
'Bechtle AG is financially strong and has good balance sheet relations. However, in the services sector, the realisation of visions and the implementation of strategies also directly depends on the qualification and motivation of all employees. With respect to both of these potentials – finance and people – Bechtle has an excellent position to achieve the set objectives.'

## Set the course for 2006/2007

- > Management structure adapted to the Group's new size following rapid growth: CEO and new CFO as strategic Group heads; Divisional managers focus on the management of the operative areas.
- > Repositioning of the System Houses in Switzerland. As market leader we created clear structures and implemented a cooperative concept.
- > The changed market requirements, to carry out the IT systems, were taken into account, and managed services continuously expanded.
- > Developed the Bechtle SMB Concept to provide a complete and attractively priced solution for the IT operation of SMBs.
- > Firmer footing for the 'government customers' sector with its enormous potential through strategic partnerships with manufacturers and implementation of forward-looking projects.

# To cut the Gordian knot

Increasing quality while reducing the cost – this desirable requirement sounds like a Gordian knot. But we already hold a modern version of Alexander the Great's sword in our hands to cut that wicked knot: it goes by the name of 'outsourcing'. Generally speaking, this term describes the strategy to pass a company's tasks on to a third-party company. Through their substantially higher level of specialisation in their respective domains, these external service providers can considerably increase the quality and at the same time lower the costs through standardisation, economies of scale and a higher process efficiency.

Bechtle calls this service spectrum Managed Services, and the description of it is provided by Wikipedia (German version): 'Services from the field of information/communication are rendered by a specialised service provider for a defined period. The services are defined in advance and can be called off or ordered by the customer at any time on demand.'

This definition exactly describes the core element of the Managed Services offered by Bechtle to SMBs. Based on agreed upon

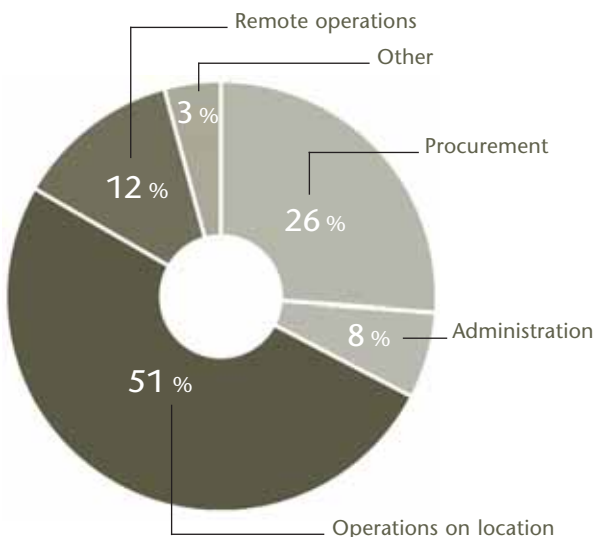
parameters, the IT expert takes the responsibility for exactly defined individual tasks, complete infrastructures or comprehensive areas of discretion up to the operation of a company's complete IT. The customer is then only doing one thing: he uses these services according to his demand. This approach keeps the heads and capacities free to focus on one's own core business.

The trend of transferring a more or less extensive responsibility for IT tasks to an expert such as Bechtle is increasingly growing. Also SMBs – Bechtle's original customer segment – need Managed Services. For commercial reasons and for the sake of IT security, there is no alternative option to this. Today, no SMB can afford a longer failure of its IT any more. The tightened liability regulations that sanction a careless behaviour towards IT security issues also support the concept of outsourcing IT resources to a professional service provider. Another compelling argument is the competitive edge companies gain by focussing on their core competencies.

And last, but not least there is the ever-growing cost pressure. Easing the pressure by reducing expense alone, is not a viable option any more, as this would affect the quality. It is a question of a fine balance between the costs and quality. The optimisation of resources, a high cost transparency, the creation of standards, and the use of experts for clearly calculable costs for a clearly defined quality of service make up the Gordian knot, and Managed Services offer the tools to untie this knot.

## Did you know that?

Almost two-thirds of the costs of an IT workplace must be spent on operations. At only one-quarter of costs, procurement can be categorised as relatively modest.





# Six solution ideas – unlimited individual services – one responsible

Bechtle Managed Services comprise six solution ideas with numerous services modules, which form the basis of one tailor-made client solution. No matter how individualised the client's requirements may be – responsibility for smooth and efficient IT operations within the predefined cost parameters is in the hands of one company: Bechtle.

## What are Managed Services?

To have your IT services carried out by an external specialised partner and to transfer operational responsibility for doing so is the core concept of what Bechtle understands Managed Services.

The range of services on offer is broad: tasks range from basic all-round protection for your PC via remote maintenance to the comprehensive operation of IT infrastructure. The advantages for companies are predominantly in the form of cost savings, as well as in the high level of technical sophistication of our services and thus, finally, in terms of increased security and efficiency gains in the use of your IT facilities.

### Bechtle Managed Services

#### Basic Services

- Provision of products
- Installation services
- Hardware and software services

#### Expert Services

- Operational support
- IT consolidation
- Infrastructure projects

#### Lifecycle Services

- Lifecycle client
- Lifecycle printer
- Lifecycle server

#### Remote Services

- Service desk
- Remote management

#### Outtasking Services

- Managed desktop
- Managed server
- Managed network
- Managed security

#### Outsourcing Services

- Managed outsourcing
- Bechtle SMB Concept (BSMBC)

## For six Euros you can be part of the action!

Everyone starts small – and the same can apply to the outsourcing of your IT needs to external specialists. For those who are a little hesitant and who do not wish to immediately relinquish everything, they should not allow themselves to be confused by the multi-million Euro outsourcing volumes which one sees portrayed in the media. There are other ways: for six Euros per month you can be part of the action!

three-year, on-the-spot service including replacement parts. You can even purchase PCs, laptops, monitors or printers from the Bechtle Lifecycle range of products. In this way, everyone can gain his or her initial experience, at his or her own pace, as to how hardware, service and maintenance costs can be kept under control even for small companies.

For this price one can already have a 17-inch TFT monitor. In addition, there are other components in the range of Bechtle Lifecycle Services which can provide effective relief to many an IT budget: 19.95 Euros for a powerful business PC or 12.25 Euros per month to lease an HP color laser printer. Such offers allow you to obtain high-value hardware for your company and the corresponding service at a small cost.

What's more your costs can be precisely calculated because in addition to the appliances, the monthly charge also includes everything that causes your company to lose time, money and your cool: installation, configuration and



## High Tech at the office

The public authorities are increasingly starting to operate at high level when it comes to matters of IT. In this context, the external know-how of service providers, such as Bechtle, is of particular importance.

For decades, the land register was what its name implied: a register. The commercial register also took up entire shelves with its long reams of paper. Today, both these tools, consume less space than that taken up by a matchbox: they have become data files and are managed electronically.

In the case of the commercial register, this is even a statutory obligation. This leaves no doubt as to how important it has become for the public authorities to use the most modern information technology systems. And this process is becoming increasingly dynamic: the Federal Cabinet has adopted the "eGovernment 2.0" strategy as part of its government program "future-orientated administration through innovation". By 2010 this project, which is dominated by information technology, should be completed. At the same time, the European Union is to become the most advanced knowledge-based economic area in the world, which would be inconceivable without IT.

Whether one is talking about authorities, ministries, or municipalities, it is clear that developments towards IT-supported administration are increasingly prevalent throughout the public authorities. The extent of the requirements at stake here

can be seen from the example provided by the state administration of Baden-Wuerttemberg. 9,000 person days over two years were tendered out by the IT Center of the State Administration of Baden-Wuerttemberg (IZLBW), so that it might obtain external IT know-how. The objective of this initiative was to obtain the same level of professionalism in its administrative processes, as is the case in leading companies. The lion's share of this project was contracted out to Bechtle.

As an internal IT service provider to the State Administration of Baden-Wuerttemberg, the IZLBW's focus for this project was placed, in addition to the availability of data applications, very strongly on optimising admission and access security.

In addition objectives like those common in the private sector were of concern, such as data security, standardisation, and economic efficiency.

With up to 40 experienced employees per day, Bechtle assists the IZLBW in meeting these challenges. Whether the issue was conceptualisation, implementation or project management – Bechtle and the IZLBW worked hand in hand in achieving the project's objectives. "Bechtle primarily convinced us with their technical expertise and practical experience" says Dr. Rolf Häcker, project manager at IZLBW. "We opted for a strong partner, who knows and understands the particular concerns and requirements of the public authorities".

# 3,800,

## The Super Sprinter



It looks like a multi-component built-in wardrobe, is highly complicated to assemble, but more than anything else is defined by one characteristic: it is super fast. Ranked No. 4 amongst Germany's fastest computers, the super-brain of the University of Erlangen was realised jointly by HP and Bechtle. It is thus one of the most powerful computers used by German universities for data-intensive research work.

With 700 processors and a high-speed network, this computer, which belongs to the Friedrich-August-University,

represents a milestone in German IT history: It is the first Woodcrest Cluster at all in Germany. On the one hand this demonstrates the high degree of expertise of Bechtle and HP in this specialised field of High Performance Computing (HPC). On the other hand, this super fast computer, with which the researchers of Erlangen managed to increase their computing capacity fourfold makes one thing clear: public

*A Woodcrest Cluster is a simulation computer, which is able to carry out extensive and complex calculations simultaneously (such as the simulation as to how a somatic cell behaves when it is attacked by the HIV virus).*

authorities have now come to possess IT infrastructure which is equal to that found in industry.

# 1 Tender - 27 Binders!

Tendering expertise as a competitive advantage

Invitations to tender for complex orders of the public authorities are a mammoth task. The central award mechanisms and the applicable European laws require an experienced and specialised team with an extremely

high degree of know-how when it comes to such tender procedures and service schedules. Bechtle has bundled this expertise in its headquarter in Neckarsulm and has thereby created an enormous competitive advantage.

Baden-Wuerttemberg. Three Bechtle employees toiled intensively for six weeks for this tender. In addition to detailed calculations, a maximum degree of transparency with regard to the company was required: For the 260 employees who were to be involved in this project, an individual profile was set up with chronological listing of their project experience. This involved describing more than 90 reference projects, and of course, Bechtle was required to provide proof of its ability to offer its services. The result: a tender which filled 27 binders!

An example of the overwhelming hurdles that such a tender procedure can throw up can be demonstrated by comparing the framework agreement tendered out with a view to providing external IT services for the State Administration of



2006 saw public tenders for hardware, software and IT infrastructures worth 3.8 thousand million Euros, which Bechtle could cope with.

Enormous potential:  
Public Procurement  
Markets

190 federal authorities

186 ministries

14,000 cities and municipalities

45,000 schools

2,160 hospitals

5 million employees

# A breathing company

Only a small medium-sized business, but nevertheless a real Global Player – thanks to the focus on the things that really matter PROTEC makes this obvious contradiction a true statement.

PROTEC GmbH & Co. KG is travelling in the service of humanity. In its luggage, the company has a special mission: 'Making the hidden visible' is the medical technology provider's motto. Because PROTEC is one of the most innovative and outstanding manufacturers of x-ray film processors. Besides traditional film development that reminds of the good old darkrooms, PROTEC also successfully operates in the field of digital technology. State-of-the-art scanners for imaging plates and the corresponding software bring digitalised x-ray images to each PC monitor.

32 PROTEC employees and three trainees work in the municipality of Oberstenfeld in the county of Ludwigsburg (Baden-Wuerttemberg) with its 8,000 inhabitants. But to demonstrate the distribution of the customer base, one needs to have a look at a globe: PROTEC exports its film processors to 110 countries. 92 per cent of the company's annual revenue of ten million euros are generated abroad making PROTEC a prime example for a SMB successfully operating as a global player.

The secret of this success: motivated employees working on highest quality levels with an absolute focus on the customer. And a company that 'breathes' as Managing Director Erhard Fichtner calls it. 'PROTEC focuses on its core competences. Everything else is subject to outsourcing, so there is nothing that could strangle us.' Following this principle, PROTEC designs, assembles and distributes its products, while all the parts and components are manufactured by external suppliers.

And also the times, when they heard one shouting 'John-Boy, could you please come over – my computer got stuck!' are finally over. Today, help is provided by Bechtle's Helpdesk. PROTEC was one of the first customers to benefit from the Bechtle SMB Concept by outsourcing its IT resources. Servers, PCs, printers, monitors – everything is included in the tailor-made leasing package. Installations, maintenance, service and data security are up to the experts at Bechtle.

"High quality and short response times at an attractive price," judges Erhard Fichtner. And PROTEC consistently follows its way of the 'breathing company'. Be it the VAT adjustment, the introduction of the ATLAS electronic customs clearing system, or the demanding consolidation of the databases of the formerly two PROTEC businesses into one involving the preparation of interim financial statements – Bechtle provides the free time PROTEC actually needs: free time to care for their customers, free time to realise their customers' wishes. The free time needed by a SMB to develop its position as a successful Global Player.

"The Bechtle SMB Concept helped us to cut costs, reduce the dependency of individual people and at the same time significantly increase IT availability."

Erhard Fichtner,  
Managing Director at PROTEC GmbH and Co. KG,  
Oberstenfeld, Bechtle customer since 1995,  
BSMBC user since 2004



## IT in SMBs: outsourcing trends

According to expectations of Deutsche Bank Research, the IT outsourcing volume of German SMBs will increase to an annual 17 thousand million Euros in 2008. This figure equals an annual increase of 11 per cent – that is a continuously growing market.

One surprising fact is that the size of a business is no indicator for its IT outsourcing tendency. In fact, among businesses with more than 1,000 employees, the percentage ranges slightly above 40 per cent. But also among businesses with 20 to 100 employees, the share is about 22 per cent and therefore al-

most ranges in the same category as that among businesses with up to 1,000 employees, where 29 per cent outsource their IT.

Economic efficiency is still the driving force behind this trend. Specialised service providers can both perform simple, highly standardised IT tasks, and satisfy complex

requirements demanding a well-founded expertise better and more effectively. A typical example is the IT security issue, which today demands an amount of expert knowledge that can hardly be found in SMBs.

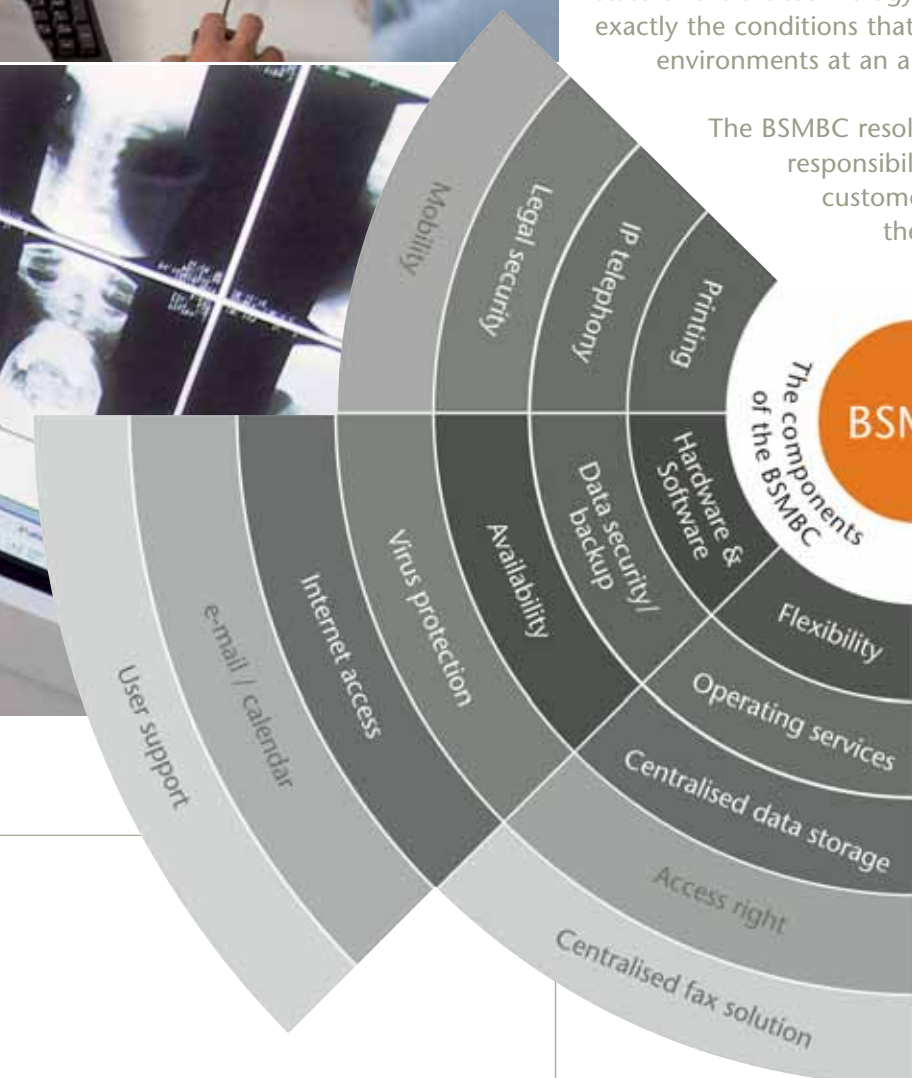
Additionally, the SMB sector is not exempt from globalisation any longer. In many cases, the relocation of facilities to other countries or the acquisition of foreign companies inevitably claims high efforts to integrate and harmonise IT systems. To meet these requirements, the affected systems are often sourced out.



## Managed to become a user – or are you still an operator?

The Bechtle SMB Concept (BSMBC) reduces two obviously contrasting things to a common denominator: highly available, failsafe IT systems with state-of-the-art technology and affordable, calculable fixed prices. That is, exactly the conditions that SMBs need to maximally benefit from their IT environments at an absolutely optimised economy.

The BSMBC resolves the obvious contradiction by Bechtle taking responsibility: as operator of their customers' IT. And customers can focus on using their systems and thus on their core businesses.



### BSMBC

ALL-ROUND CAREFREE PACKAGE  
Individually catered for your IT requirements

10+	BSMBC 10+ For businesses with 10+ PC workstations	EUR 1990.- per month (EUR 199.- per PC)
25+	BSMBC 25+ For businesses with 25+ PC workstations	EUR 2975.- per month (EUR 119.- per PC)
40+	BSMBC 40+ For businesses with 40+ PC workstations	EUR 3960.- per month (EUR 99.- per PC)
70+	BSMBC 70+ For businesses with 70+ PC workstations	EUR 6650.- per month (EUR 95.- per PC)

But there is still another important aspect of IT that SMBs are about to discover: the significance of IT for innovation. A working, modern IT environment is the condition for fast and flexible response. IT is therefore becoming an innovation carrier and finally makes up the leading edge in the competition.

From start-up  
to market  
leader –  
the chronological  
development  
of Bechtle  
in Switzerland

1997	Founded	Bechtle Direkt AG
2000	Merger	Comsoft Data Direct AG
2002	Founded	Bechtle Data AG
2002	Merger	Systemhausgeschäft der Eurodis Schweiz AG
2003	Founded	Comsoft direct AG
2004	Merger	ARP Holding AG
2004	Merger	ARP Datacon AG
2004	Merger	CC Data Disc AG
2004	Merger	ALSO COMSYT AG
2004	Merger	Gate Informatic AG
2005	Merger	CDC IT AG
2005	Merger	Delec AG, Gümligen
2006	Merger	Masy micro advantage system S.A.R.L.
2006	Founded	Bechtle Management AG

## Structured Growth

In 2002 Bechtle entered the Swiss system house market; already four years later it is the market leader. The next growth spurt was achieved by means of its new structure

Without our practice-orientated merger know-how, it would not have been possible to carry out the expansion within parameters which, in this magnitude, had not been the subject of mandatory planning". Or: "As a company which operates nationwide, we can offer the client services which a single company cannot afford to do alone". And: "As soon as we are the market leader, we shall keep a more diligent eye on our earnings situation".

Statements from Bechtle, which would suit its explosive expansion between 2004 and 2006 in Switzerland. But these statements are much older. They have been quoted from a company profile dated 1997 and they were made in the context of Bechtle's expansion in Germany.

This strategy proved to be a resounding success. At the time, Bechtle's revenue were what is equivalent to 125 million Euros today; now, at over 1.2 thousand million Euros, this figure has increased ten-fold.

These were overwhelmingly positive omens for the future growth in Switzerland, since Bechtle has stayed true to its ideals throughout the years. The success factors which enabled the one-man company to become

the market leader were transferred from one location to another within Germany. For several years, this pattern has been duplicated successfully across national borders.

An important element of these success factors was undoubtedly the adherence of all locations to uniform processes and systems, as well as the existence of a corporate organisation which was market-orientated, lean and powerful. In Switzerland, Bechtle therefore gave itself a new structure in 2006. The large number of acquisitions carried out in only 30 months did not always result in a smoothly integrated machine working together from the outset. Rather, overlaps and different approaches led, for some time, to a certain degree of duplication. However, working together in a smoothly integrated fashion is a precondition for allowing the strengths of a nationwide association of companies to be exploited and to give clients and employees a sense of orientation and perspective.

An important precondition to achieving additional growth is intelligent procurement and logistics processes, which allow Bechtle to enjoy a competitive edge across Europe. All Swiss companies shall benefit from a new logistics and service organisation orientated towards conditions on the Swiss

market, and which should be expanded to the same level as the German organisation by the end of the year. This shall guarantee the best possible conditions and efficient administrative processes.

The system houses have been restructured according to their target customer segments and their specific range of services, but also with a view to the geographical presence which, in Switzerland, with its four national languages and 26 Cantons, is more important than is the case in the rest of Europe.

In E-Commerce Bechtle is betting on a clear distinction of the expertise it has in the hardware and software segments. Both of these areas are attended to by our own specialist.

This strategic reorganisation has become apparent in structures and names: employee teams have been merged, organisations combined with one another and a unified presence projected externally by means of a single brand in the corresponding market segment.

This has led to the establishment of a stable, market-orientated basis from which to achieve further growth in Switzerland. This highlights the fact, that Bechtle is staying



## 3 Questions / 3 Answers:

The sword of Damocles is being held over restructuring and acquisitions in Germany by the public financial authorities, who, after examining things somewhat later, tend to see things differently. Is Bechtle subject to the same risk in Switzerland?

*No, not at all. In Switzerland, you can discuss such restructuring with the financial authorities. The Swiss think in pragmatic terms. At the end of the day you receive a so-called "tax ruling", i.e. a covenant, forming a stable and predictable basis.*

Restructuring processes often have to overcome the obstacle of employee rights. How is the situation for Bechtle in Switzerland?

*Because in Switzerland there are no restrictions on redundancies – apart from the moral obligations which companies bear – restructuring can take place with relative ease. Thus in Switzerland one does not question the wisdom of, say, hiring a 55 year old employee on the grounds that dismissing him or her would prove difficult.*

Changes to a company's legal form and organisational changes are bound up with enormous bureaucratic red-tape in Germany. How high are the hurdles of the Swiss bureaucracy?



Three questions to Gerhard Schick, Chairman of the Board of Directors of Bechtle in Switzerland

*I am not aware of any Swiss bureaucracy. Everything takes place on the basis of pragmatic considerations. And the (tax-related) competition which prevails between the different Swiss cantons ensures that this will remain so in the future.*



## Bechtle Switzerland in Figures

### Revenue 2006

System Houses: 138.1 million Euros  
E-Commerce: 104.4 million Euros

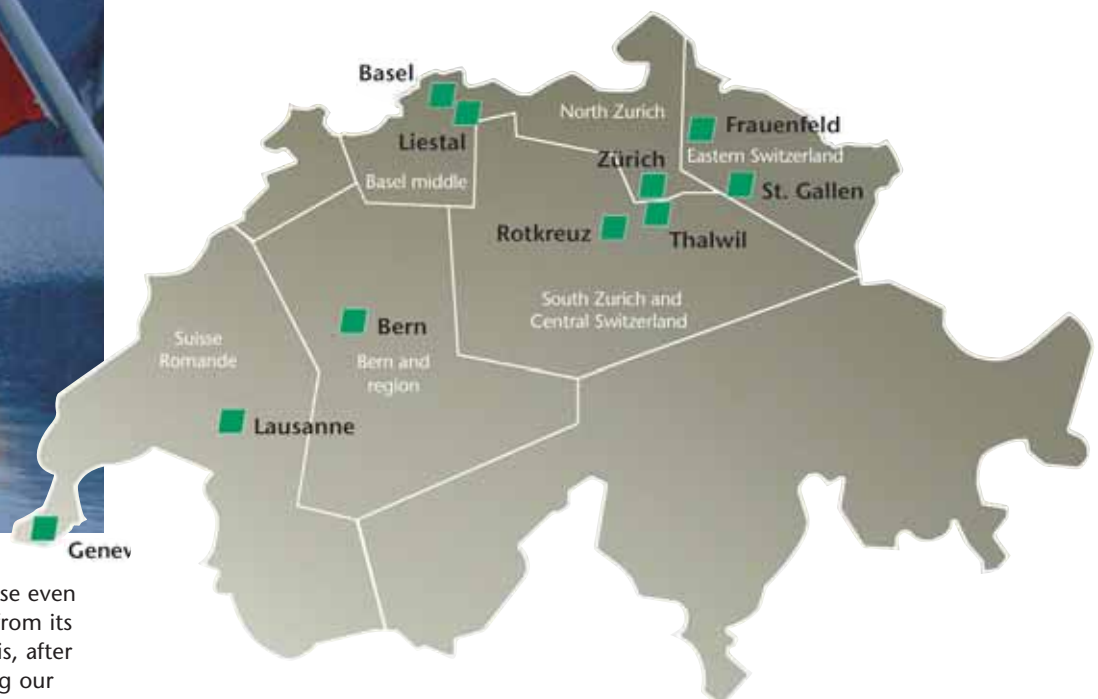
### Employees 2006

System Houses: 611  
E-Commerce: 201

### Customers 2006

System Houses: 2,061  
E-Commerce: 71,000

## Focus on the Client – The New Structure of the Bechtle IT System Houses in Switzerland



true to its recipe for success, because even the following statement is quoted from its 1997 company profile: "Expansion is, after all, one of the best ways of ensuring our future, given that it has been developed in a targeted manner and on a solid basis".

# More brands – more benefit

Bechtle further enhances its market position with a multi-brand strategy

## Catalogues



Publication dates	3-4 x annually
Copies	170,000-200,000
Languages	1
Country-specific editions	2
Pages	about 300
Products	about 8.000
Published since	1986

## Shops

Country shops	3
Products	25,000
Visitors / week	75,000
Orders / week	about 3,500

Online since 1999



For customers of German electronic discounter 'Media Markt', everything is bloody cheap, and 'Saturn' customers know that being miserly is wicked! But there is somebody, for whom it doesn't matter where the customer actually buys his new LCD TV set: the Metro AG. Because Metro is the owner of both companies and therefore also the owner of the two brands.

'Multi-brand Strategy' is the technical term for this approach, where several brands are launched in the same product segment. Bechtle, too, has positioned two brands in the catalogue and internet trade: 'Bechtle direkt' and 'ARP'. Both e-commerce companies offer a comprehensive IT product range and have another common feature: a sophisticated logistics system ensuring high availability and short delivery times.

The main benefit of such a multi-brand strategy is the fact that the supplier – not least thanks to a differentiated customer address and variations in the products range – achieves a significantly higher market coverage. Bechtle thereby practically creates 'competition in its own house' so that also supposedly unreachable or even 'rebellious' customers in the end remain or become 'own' customers by choosing the other 'in-house' brand.



Publication dates	2 x annually
Copies	180,000
Languages	5
Country-specific editions	9
Pages	over 800
Products	about 30.000
Published since	1991

Country shops	9
Products	30,000
Visitors / week	120,000
Orders / week	about 4,000

Online since 1995



So, customers that Bechtle may not be able to reach with 'Bechtle direkt', may be reached by the group via 'ARP'. In this respect, overlapping approaches in addressing customers and in the product range are not detrimental, but rather intended. In addition to such intersections, each brand can selectively address individual customer segments. Besides SMBs, ARP target customers also include smallest business and free-lancers with only little IT equipment, whereas tradition Bechtle target

# – more customers

customers have at least 20 PC work stations. This reveals another benefit of the multi-brand strategy: the different strategic approach in both the customer address and the proposed product range. This differentiation is only possible through the coexistence of several brands. They also provide the basis for individual pilot projects.

The often cited 'cannibalisation effect' plays a minor role at Bechtle. Differentiated target groups and different offer focuses are effective countermeasures against this effect. The increased efforts to develop and maintain each brand pays off for Bechtle – in particular also because of the fact that the underlying logistical processes are highly efficient.



Changing the point of view from the customer to the competition, there is another great benefit of the multi-brand strategy that becomes obvious: the barriers of entry to the market. A comparative glance at the chilled distribution depot of a German supermarket reveals it: Rama, Flora Soft, SB, Sanella, Bonella, Du darfst, Becel and Lätta cover almost every wish of a margarine buyer; the barrier for successfully placing another, new margarine brand is almost unreachably high. The master of all these 'chilled' brands is a single company – Unilever.

Bechtle, too, uses its multi-brand strategy to narrow the spaces for potential competitors – even across Europe. Because the brands are continuously expanding beyond

“Production facilities and buildings are replaceable, brand reputation is not.”

HANS-GEORG HÄUSEL

Brain Script

their countries of origin: 'Bechtle direkt' is already selling in nine European countries and has further countries on the agenda until 2010. 'ARP' is also vividly expanding. So far offered in four European countries, 'ARP' will, in the intermediate term, show up in all countries, where 'Bechtle direkt' is already selling. Then, 'ARP' and 'Bechtle direkt' can benefit from the advantages of the multi-brand strategy in all common markets.

The classical multi-brand strategy within the Bechtle Group: serving the IT market jointly, but with independent product ranges, varying target groups, and a differentiated customer targeting approach.

	ARP	Bechtle direkt
PRODUCT RANGE	A-brands and high proportion of house brands	A- and B-brands
PRODUCT STRUCTURE	many new products, innovations, and less technic-oriented; strong focus on emotional aspects of the 'World of IT'	practical and user-focused product structure, characterised by technical aspects; specific customer shops with individual product structure (bios)
CUSTOMER TARGET SEGMENT	very broad customer spectrum, from the single customer to large companies	SMBs with 20 work stations and above, up to very big medium-sized businesses and large companies

# // THE BECHTLE SHARE

## STOCK MARKET

On the whole, the German stock market experienced an upward trajectory in 2006, although this was not without strong fluctuations. Following on from a positive start in 2006, the boom reached its peak in May. Hereinafter, a rapid decline ensued, which led to an all-year low until mid-July, sparked by fears over a slowdown in the global economy. After this, a constant upward trend took effect which was sustained until the end of the year. The high watermarks reached in May, however, could only be reached in some sectors.

The frontrunners amongst the indexes were again those from the second and third tiers. The SDAX increased in 2006 by 31.1 per cent and the MDAX saw growth of 28.4 per cent. The DAX rose by 21.9 per cent and the TecDax, at 25.4 per cent, was the only index which achieved growth vis-à-vis the previous year (14.7 per cent). The Mittelstandsindex of the Deutsche Börse, the German Entrepreneurial Index (GEX), introduced in 2005, on which Bechtle is listed, grew by 27.9 per cent.

## BECHTLE SHARES UP BY 17.4 PER CENT

At the start of 2006, Bechtle's share price was moving in a way which was decoupled from the market as a whole. However, as of May, the Bechtle shares mirrored to a large extent developments on the market as a whole and the TecDAX in particular, whereby fluctuations tended to hit Bechtle's share price more strongly. On 2 January, Bechtle opened trading for the year at Euros 16.40. This was followed by a rapid upwards spiral which reached the peak for the year of Euros 22.20 on 27 March. Hereinafter, Bechtle shares were subject – except for an intermediate rise at the start of May – to considerable downward pressure, which resulted in all gains being lost and reached its low-point for the year at Euros 14.05 on 24 July. By the start of September however, the share price had recovered and started plotting a sideways course, at Euros 17. As of mid November, a rise began to set in again which led to a closing share price for the year, on 29 December, of Euros 19.25. Seen over the year as a whole, the Bechtle share price thus rose by 17.4 per cent.

Market capitalisation (as per 31 December) also increased, together with the share price, going from Million Euros 347.7 to Million Euros 408.1. Market capitalisation measured on free float, also an important factor for weighting on the indexes, rose from Million Euros 172.2 to Million Euros 202.1.

The liquidity of Bechtle shares was not able to maintain the same high levels as it had achieved in the previous year. The total number of shares traded on all the German stock markets was at Million 13.1, whereas the corresponding figure for the year before had been Million 16.7. From June to October in particular, trading seemed to wither noticeably. Trading volumes in 2006 were at a daily average of 51,561 shares traded (65,073 in the year before). The total turnover in Euros was Million Euros 240.0 (Million Euros 307.7 for the previous year).

In the Index ranking of the TecDAX, on 31 December 2006, Bechtle slipped several places in trading volumes due to the reduction in liquidity, to 33rd place (28th in the previous year). For the second key criteria, market capitalisation, Bechtle landed in 37th place, due to its under-performance relative to the index as a whole (previous year: 23rd place).

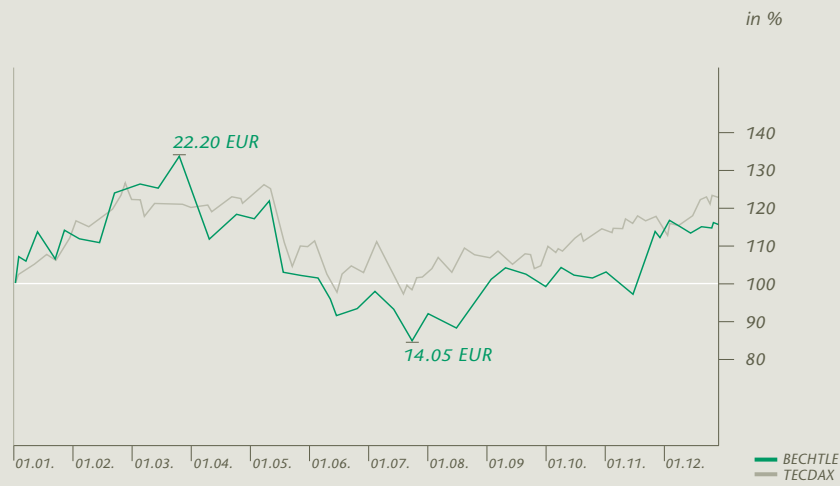
## CONTINUITY OF THE SHAREHOLDERS' STRUCTURE

Continuity in the shareholders' structure of Bechtle AG also stayed intact in 2006. 32.0 per cent of the shares are held by the founding Schick family. Another 18.5 per cent are held by the holding company BWK GmbH, which owned an interest in Bechtle even before it was publicly listed and which is pursuing a long-term investment strategy. The free float is at 49.5 per cent as in the previous year. It is based on a broad and solid investment structure made up of private and institutional investors from both Germany and abroad. The shares held by the Chairman of the Board of Directors constitute some 1.7 per cent and are part of the free float.

## DIVIDEND SHOULD REMAIN CONSISTENT

Bechtle is also demonstrating continuity in its dividend policy. Bechtle belongs to one of the few technology companies which have, without fail since being listed, let its shareholders partake in the company's success by paying out dividends. This year, too, shareholders are supposed to partake in the company's success. At the Annual General Meeting, the Executive and Supervisory boards will suggest a dividend of 0.50 Euros per share for the 2006 fiscal year. This corresponds to the previous year's level. Thus, the total amount distributed as dividend remains consistent at Million Euros 10.6. The dividend ratio is 68.4 per cent of the AG's net profits. Relative to the group net profit or the group earnings per share, at 34.5 per cent, it is around one-third, as in the previous years. Based on the year-end price, this gives shareholders a dividend return of 2.6 per cent (previous year: 3.0 per cent).

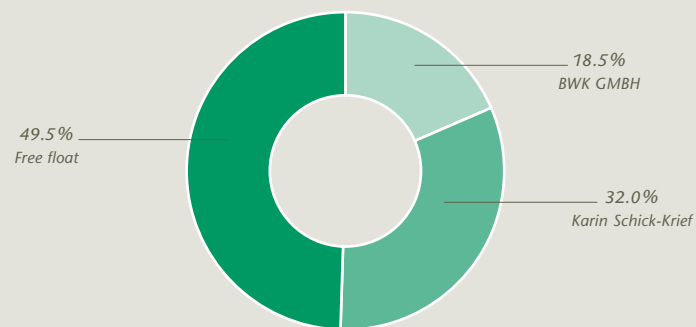
## Price Performance 2006



## Master data for Bechtle share

Type of Share	No-par-value
Stock exchange	Frankfurt and all five regional exchanges
Stock market segment	Prime Standard
Index	TecDAX
WKN	515 870
ISIN	DE 000 515 870 3
Symbol	BC8
Designated Sponsor	Landesbank Baden-Württemberg
First Trading Day	30.03.2000

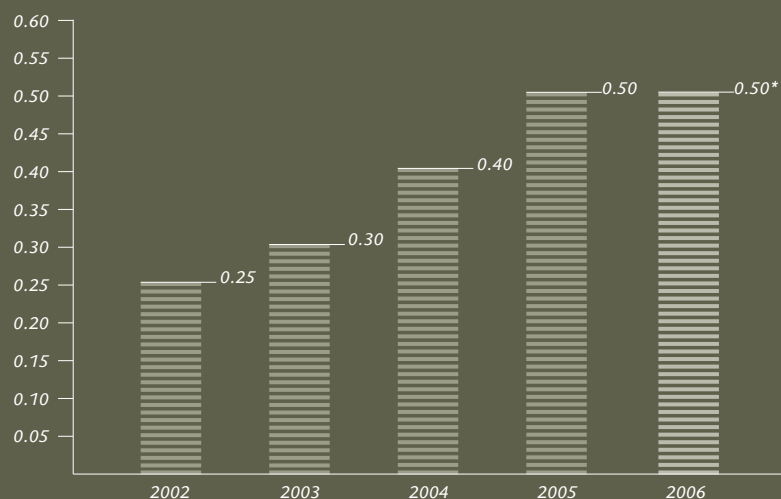
## Shareholder structure



as of 31.12.2006  
(based on 21.2 million shares)

## Dividend

in Euro



\* subject to approval by the Annual General Meeting

## Key data

		2006	2005
Shares entitled to dividend <sup>1)</sup>	no.	21.200.000	21.200.000
Year's opening price	Euros	16,40	16,50
Year's closing price	Euros	19,25	16,40
Year's high	Euros	22,20	21,88
Year's low	Euros	14,05	15,80
Year's performance – absolute	Euros	+ 2,85	- 0,05
Year's performance – percentage	%	+ 17,4	- 0,3
Market capitalisation – total <sup>1)</sup>	Million Euros	408,1	347,7
Market capitalisation – Free float weighted <sup>1)</sup>	Million Euros	202,1	172,2
Average trading volume per trading day <sup>2)</sup>	no.	51.561	65.073
Average trading volume per trading day <sup>2)</sup>	Euros	941.081	1.197.320
Amount distributed <sup>3)</sup>	Million Euros	10,60	10,60
<b>FIGURES PER SHARE</b>			
Earnings per Share	Euros	1,45	1,38
Cash dividend <sup>3)</sup>	Euros	0,50	0,50
Dividend yield <sup>1)</sup>	%	2,6	3,0
Cash Flow per share	Euros	1,27	1,33 <sup>4)</sup>
Price-Earnings-Ratio <sup>1)</sup>		13,3	11,9

1) as of 31 December

2) All German exchanges

3) 2006: subject to approval by the Annual General Meeting

4) adjusted figure

### IMPROVED EARNINGS PER SHARE

The basic Earnings per Share (EPS) was at Euros 1.45 for the reporting period. This corresponds to an increase of 4.9 per cent. Basis for calculating EPS are the 21,200,000 shares in circulation in 2006.

### INVESTOR RELATIONS CONTINUE TO BE STRENGTHENED

The interest in Bechtle AG on the capital market is growing every year. In order to meet this increase in demand, Bechtle AG has continued to strengthen its communication with the capital market. In all of its investor relations activities, the company adheres to the principle of informing investors as early as possible, and in as open and comprehensive a manner as possible.

Recommendations from analysts represent influential instruments when it comes to forming opinions amongst shareholders and investors. In 2006, a total of seven banks provided regular and detailed studies and up-to-date analysis of Bechtle's share price. Among these for the first time was the Metzler Bank, which took to covering Bechtle and recommended a "buy" for Bechtle shares. In addition, Berenberg Bank, Citigroup, DZ Bank, HSBC Trinkaus & Burkhardt, Landesbank Baden Wuerttemberg and West LB all put Bechtle on their respective watch lists. All these institutions recommend either a "buy" or "hold" for Bechtle shares.

Bechtle informed, by means of one-on-one discussions, roundtables and road shows, in the most important financial centers in Germany, Switzerland and France, institutional investors about the company's financial position, its strategy and its perspectives for the future. In addition, the Executive Board participated in capital market conferences and investor events held by various banks, in order to present Bechtle's business model and in order to hold discussions with interested investors. Numerous investors visited the Executive Board also at the company's headquarters in Neckarsulm, in order to get a better idea of the company on site. Among these, there were numerous initial contacts made in 2006. For the future, the goal remains to intensify dialogue with investors and to convince new investors, both at home and abroad, to invest in Bechtle.

The sixth regular Annual General Meeting of Bechtle AG took place on June 20, 2006 in Heilbronn. Before approximately 500 shareholders, the Executive Board presented the figures for the previous business year and gave its perspective for 2006. The proposals of the Executive Board

and the Supervisory Board as set out on the agenda, were all endorsed by the Annual General Meeting with large majorities.

The information on offer at the company's investor relations website ([www.bechtle.com](http://www.bechtle.com)) contains up-to-date share price and index charts, ad hoc releases and press releases, financial publications, notices on corporate governance and directors' dealings, the annual notifications pursuant to § 10 WpPG as well as presentations. A weekly report, released every Monday, depicts the trends in the share price for the past week and contains a summary of the most important press releases and analysts reports.

In 2006, our four "Bechtle Shareholder Days" took place for the second time. A total of 120 private investors, who had registered during the Annual General Meeting, could make up their own mind about the company at its headquarters, and could use the opportunity to discuss questions on business developments and strategy. The event shall also take place in 2007. For anyone seeking to get in touch, the Investor Relations Team can be contacted per email or telephone. The people to contact and their contact details can be found in the legal notice of the Annual Report.

# // CORPORATE GOVERNANCE REPORT

Corporate Governance means responsible, transparent management practices aimed at generating sustainable value. In the meaning of the Corporate Governance concept it also means that the priority is not on short-term successes in the capital market, but on the long-term success of the business as a whole. Bechtle AG has always been committed to this principle. For Bechtle, Corporate Governance does therefore not mean merely complying with statutory rules, but a company managed in the spirit of responsibility for the business, its shareholders and employees.

The legal framework of Corporate Governance in Germany is provided by the Corporate Governance Code unveiled on 26 February 2002. In the following, the Executive Board and the Supervisory Board jointly report on Corporate Governance at Bechtle in accordance with section 3.10 of the Corporate Governance Code:

## SHAREHOLDERS' RIGHTS

The Annual General Meeting is a central body of Bechtle AG, enabling shareholders to exercise all their rights including voting rights. Each share entitles the owner to one vote. The agenda for the Annual General Meeting including the required reports and other documents are published in the Internet at [www.bechtler.com](http://www.bechtler.com). Shareholders can exercise their voting rights in the Annual General Meeting personally or by properly authorised persons or a proxy of the company subject to directives. To ensure the expeditious conduct of the Annual General Meeting, Bechtle reserves the right to organise the election of new members to the Supervisory Board under a single ticket rather than holding individual ballots. A corresponding regulation has been included to the Articles of Incorporation by resolution of the Annual General Meeting of 22 June 2005.

## SUPERVISORY BOARD

The Supervisory Board of Bechtle AG consists of twelve qualified members with different areas of expertise. Pursuant to the German Act on Co-determination, the Board includes shareholder and employee representatives in equal number. Shareholder representatives do not have any business or personal relationships to the company or its Executive Board that might lead to conflicting interests. An overview of the Supervisory Board members' assignments in other statutory supervisory boards or similar controlling bodies has been published as an appendix to the Consolidated Financial Statements.

The German Stock Corporation Act provides for a strict separation of management and control tasks in a company. The most important tasks of the Supervisory Board include consulting and monitoring the Executive Board in managing the group. The Supervisory Board is therefore involved in any decisions with fundamental significance for the company. For more information on this topic see the report of the Supervisory Board on pages 6 – 9.

The Supervisory Board endeavours to always perform its tasks with due diligence and the highest possible efficiency. In 2004 it carried out a comprehensive efficiency audit based on the guidelines of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (Germany's largest association of private investors) and decided to repeat this audit every three years. However, if the plenum should conclude that the Board's efficiency is decreasing, this audit will be held on an annual basis.

Gerhard Schick, a former member of the Executive Board, has joined the Supervisory Board and been elected as its chairman. He concurrently chairs the Balance Sheet and Accounting Committee (Auditing Committee). His business background of many years gives him a particularly deep knowledge and expertise in applying accounting principles and internal control procedures. In his function as Chairman of the Supervisory Board he coordinates its work, chairs meetings, and represents the board externally. Furthermore, he maintains regular contacts with the Chairman of the Executive Board, with whom he intensely discusses issues concerning strategic orientation, business development and risk management.

Dr. Jochen Wolf is the Chairman of the Personnel Committee. In this respect, Bechtle deviates from the recommendations of the Corporate Governance Code that the Chairman of the Supervisory Board should occupy this position. However, the close cooperation within the Supervisory Board makes this recommendation dispensable for Bechtle AG.

The Supervisory Board members' period in office ends with the closing of the Annual General Meeting, which will decide on the discharge of the Board for the fiscal year 2007.

The company's internal regulations stipulate an age limit of 70 for members of the Supervisory Board.

A change in the Supervisory Board occurred in the current fiscal year when Peter Leweke retired from the Supervi-



sory Board on 18 January 2007. He was succeeded by Udo Bettenhausen, an employee of Bechtle IT-Systemhaus Krefeld.

#### REPORT ON THE REMUNERATION OF THE SUPERVISORY BOARD

Bechtle AG reports the remuneration of each individual member of the Supervisory Board. The remuneration struc-

ture reflects the level of responsibility and workload of each member. This concerns, in particular, the chair, deputy chair and the members' work in committees. Remuneration does not include performance-related components. In Bechtle's view, responsible work on the Supervisory Board does not require such components in addition to the remuneration approved by the Annual General Meeting.

Remuneration of the Supervisory Board in 2006 (in EUR)

Name	Basic remuneration	Chair / Deputy Chair	Committee	Total 2006	Total 2005
<b>Shareholders' representatives</b>					
Otto Beilharz	20,000			20,000	20,000
Kurt Dobitsch	20,000			20,000	20,000
Gerhard Schick	20,000	20,000	12,500	52,500	52,500
Karin Schick-Krief	20,000			20,000	20,000
Klaus Winkler	20,000		5,000	25,000	25,000
Dr. Jochen Wolf	20,000		12,500	32,500	32,500
<b>Employee representatives</b>					
Uli Drautz	20,000		5,000	25,000	25,000
Ralf Feeser	20,000	10,000	5,000	35,000	35,000
Barbara Greyer	20,000			20,000	20,000
Peter Leweke	20,000			20,000	20,000
Daniela Ludewig	20,000		5,000	25,000	25,000
Dr. Rudolf Luz	20,000			20,000	20,000

#### EXECUTIVE BOARD

In the fiscal year 2006, the Executive Board of Bechtle AG consisted of three members. The Chairman of the Executive Board is Ralf Klenk, founding member of Bechtle. He was responsible for Finance, Business Planning, Communication, Human Resources and Information Technology. Gerhard Marz was responsible for the IT System House segment, and the Competence and Solution Centres, and Jürgen Schäfer headed the E-Commerce Europe and the Logistics & Services segments. The executive body jointly developed the group strategy and ensured its implemen-

tation. The Board was also responsible for ensuring adequate risk controlling and management within the whole group.

In the current fiscal year, a change in the Executive Board occurred. With effect from 1 March 2007, the Board appointed Dr. Thomas Olemotz Chief Financial Officer. He succeeds Ralf Klenk in this function.

The company's internal regulations relating to the Executive Board stipulate an age limit of 65 for board members.

## REPORT ON THE REMUNERATION OF THE EXECUTIVE BOARD

The remuneration of the members of the Executive Board consists of a fixed and a variable component. The variable component is performance-related and calculated on the basis of the Bechtle Group's earnings before taxes. There were no stock option plans or other share-based incentive schemes in effect in 2006, nor other components with a long-term incentive effect or risk character. The remuneration of the whole body is divided into a fixed and variable component for reporting, but is not published for each member of the Board.

The Annual General Meeting of 20 June 2006 resolved to make use of the opt-out clause that releases Bechtle AG from the statutory obligation to individually disclose the remuneration of the members of the board up to and including the fiscal year 2010. In view of the relatively small board, the company is convinced that publishing the overall amount of the board members' remuneration and its breakdown into fixed and variable components provides sufficient transparency.

REMUNERATION OF THE EXECUTIVE BOARD IN 2006 (IN EUR)	
Fixed remuneration	678,000
Variable remuneration	625,000
Total	1,303,000

## COOPERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The foundation of efficient corporate management is intense, continuous and open dialogue between the Executive Board and the Supervisory Board. The information and reporting duties of the Executive Board towards the Supervisory Board are described in detail in the company's internal regulations. The Executive Board regularly reports to the Supervisory Board on any relevant issues of business planning, strategy, current operations and business development, including the risk situation and risk management, in a comprehensive and timely manner. They further report on possible deviations between the actual course of business and forecasts, and state the reasons for this. The Supervisory Board intensely examines developments of this kind. For important business transactions, the company's internal regulations require the approval of the Supervisory Board.

## D&O INSURANCE

The members of the Executive Board and Supervisory Board are obliged to act in accordance with the principles of corporate governance and are liable to Bechtle AG if found to

have culpably neglected their duty of care. To cover this risk the company has taken out for Executive Board and Supervisory Board members consequential loss insurance – or Directors & Officers Insurance – without deductibles. Bechtle is convinced that deductibles would not be an effective means to increase the responsibility and motivation of the members of the boards. The members of both bodies endeavour to do everything for the good of Bechtle.

## AVOIDANCE OF CONFLICTS OF INTERESTS

The members of the Executive Board and the Supervisory Board are subject to the interests of the company and are forbidden from serving personal interests when making decisions for the company. The members of the Executive Board shall disclose any conflicting interests to the Supervisory Board without delay and also inform the remaining members of the Executive Board. In its report to the Annual General Meeting, the Supervisory Board reports on any possible conflicts of interests which may have arisen and their consequences.

During their employment with Bechtle, the members of the Executive Board are subject to a comprehensive non-competition obligation. The practice of secondary occupations – including the membership in supervisory bodies outside of the group – requires the approval of the Supervisory Board. In the year under review, there were no cases of conflicting interests of members of the Executive and Supervisory Boards, which may have developed from consulting activities for or memberships in bodies of customer organisations, suppliers, creditors or business partners. All mandates of the members of the Executive and Supervisory Boards are published in the appendix to this report.

## HIGHEST POSSIBLE TRANSPARENCY

Bechtle continues its tradition of respectable and open dialogue with the capital markets, and ensures equal treatment of all participants. It is therefore one of the company's principals to make important information available to all interested market participants at the same time. All important financial data is therefore concurrently published in both German and English, and made available on the company's web site. The web site also offers important dates, financial reports, press releases, and presentations. For their shareholders, Bechtle additionally offers a weekly report on the development of the Bechtle share and important analyses and press coverage to keep them informed. On request and as a matter of course, Bechtle provides interested shareholders with publications such as annual and quarterly reports.

### DISCLOSURE OF DEALINGS IN SHARES, CHANGES IN SHAREHOLDER STRUCTURE AND SHAREHOLDINGS

According to article 15a of the German Securities Trading Act, members of the Executive Board and Supervisory Board, as well as natural and legal persons closely related to such members, must immediately disclose the purchase or sale

of Bechtle shares if the volume of such transactions exceeds an amount of EUR 5,000 within one calendar year. Bechtle publishes all transactions of this kind on its web site under Directors' Dealings, and also reports them to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

In the year under review, the following transactions involving shares of Bechtle AG were made:

#### Directors' Dealings

Date and place of transaction	Person subject to disclosure requirements	Legal relationship	Transaction	Price / share	Number of shares	Trading volume (in EUR)
6 Dec 2006 off-market	Ilse Schick	Wife of Supervisory Board member	Sale	19.01	200,000	3,802,000
12 Dec 2006 off-market	Ilse Schick	Wife of Supervisory Board member	Purchase	19.00	210,000	3,990,000

Pursuant to article 21 paragraph 1 of the German Securities Trading Act (new version), Bechtle is also obliged to report substantial changes in its shareholder structure if through a purchase, sales transaction or otherwise an investor reaches, exceeds or falls below a value of 3, 5, 10, 15, 20, 25, 30, 50 or 75 per cent of the company's voting rights.

Bechtle publishes this information following an announcement by the respective shareholder on its web site and in an authorized journal for the publication of mandatory stock exchange announcements.

### NUMBER OF SHARES IN BECHTLE AG

The shareholdings of the members of the Executive Board and Supervisory Board of Bechtle AG are as follows:

#### Number of shares in Bechtle AG held by members of the Executive Board

	31 Dec 2006	31 Dec 2005
Ralf Klenk	352,462	352,462
Gerhard Marz	6,916	6,916
Jürgen Schäfer	4,000	4,000

Number of shares in Bechtle AG held by members of the Supervisory Board

	31 Dec 2006	31 Dec 2005
<b>Shareholders' representatives</b>		
Otto Beilharz	4,048	4,048
Kurt Dobitsch	0	0
Gerhard Schick	200,000 (directly) 1,026,933 (indirectly through usufruct)*	200,000 1,026,933
Karin Schick-Krief	6,784,487 (incl. 1,026,933 from donation by Gerhard Schick)	6,784,487
Klaus Winkler	725	725
Dr. Jochen Wolf	0 (directly) 3,916,507 (for BWK GmbH Unternehmensbeteiligungsgesellschaft)	0 3,916,507
<b>Employee representatives</b>		
Uli Drautz	1,644	1,644
Ralf Feeser	656	656
Barbara Greyer	0	0
Peter Leweke	0	0
Daniela Ludewig	0	0
Dr. Rudolf Luz	0	0

\* Assigned to Karin Schick-Krief by way of donation.

#### CONFIDENTIALITY OBLIGATION AND INSIDER TRADING

Members of the Executive Board and Supervisory Board of Bechtle AG are obliged to keep confidential information of the group secret. They are furthermore bound to the regulations of the German Securities Trading Act, and are therefore neither allowed to pass on internal information to third parties nor to use such information as a decisional base for the purchase or sale of Bechtle shares for themselves or any other person.

#### RENDERING OF ACCOUNTS AND AUDIT OF ACCOUNTS

Bechtle prepares the Consolidated Financial Statements and Interim Financial Reports in accordance with the applicable rules of the International Financial Reporting Standards (IFRS); the Financial Statements of Bechtle AG are pre-

pared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB).

Ernst & Young AG as Bechtle's auditors have submitted a declaration of independence pursuant to section 7.2.1 of the German Corporate Governance Code. According to this declaration, there are no business, personal, financial or other relationships between the auditing company and the Bechtle Group that might provide reasons to doubt the auditors' independence. The auditing company did also not participate in Bechtle's accounting or the preparation of the Financial Statements or Consolidated Financial Statements.

The auditors participated in the meetings of the Supervisory Board concerning the Financial Statements and Consolidated Financial Statements and reported on the main results of their audit.

On 6 February 2007, the Executive Board and the Supervisory Board renewed the declaration of compliance with the German Corporate Governance Code in its current ver-

sion and made it permanently available to the shareholders on Bechtle's web site:

*// Declaration of the Executive Board and the Supervisory Board of Bechtle AG on the recommendations of the 'Commission of the German Corporate Governance Code' pursuant to article 161 of the German Stock Corporation Act*

The Executive Board and Supervisory Board of Bechtle AG hereby declare that the company has since the previous Declaration of Compliance of March 2006 so far complied with recommendations of the Government Commission's German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in its version of 21 July 2005, and has with effect from 25 July 2006 complied with the version of 12 June 2006 (published 24 July 2006), and will continue to comply with these recommendations with the following exceptions:

**DEDUCTIBLES IN THE CASE OF D&O POLICIES**

In case of the D&O insurance policies taken out by Bechtle AG for the members of the Executive Board and Supervisory Board, no deductibles have been provided. The company does not believe that the spirit of responsibility and motivation exercised by the Supervisory Board and the Executive Board can be increased by means of deductibles. (CGC section 3.8)

**REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD**

Bechtle AG publishes the remuneration of members of the Executive Board in the Corporate Governance Report itemised according to performance-independent, performance-related and components with a long-term incentive effect. This data is not provided for each member individually. The Annual General Meeting of Bechtle AG of 20 June 2006 passed a resolution not to disclose this information for each member of the Executive Board. This resolution is valid for the fiscal years 2006 until 2010 inclusive. (CGC section 4.2.4)

**CHAIRMANSHIP OF THE PERSONNEL COMMITTEE**

The Chairman of the Supervisory Board of Bechtle AG is not the same person as the Chairman of the Personnel

Committee dealing with the Executive Board's contracts. Bechtle AG feels that, given the close cooperation within the Supervisory Board, it can dispense with this recommendation in the Code. (CGC section 5.2)

**ELECTION OF MEMBERS OF THE SUPERVISORY BOARD**

To ensure the expeditious conduct of the Annual General Meeting, the company reserves the right – as resolved by the Annual General Meeting of 22 June 2005 – to elect persons to the Supervisory Board on a single ticket. (CGC section 5.4.3)

**PERFORMANCE-RELATED REMUNERATION FOR MEMBERS OF THE SUPERVISORY BOARD**

The remuneration for the members of the Supervisory Board does not include a performance-related component. Bechtle AG is of the opinion that all members of its Supervisory Board perform their duties with maximum commitment and willingness and with a view to the long-term success of the company. Bechtle is therefore of the opinion that the Supervisory Board can be expected to conduct its business in a responsible manner without the need for an additional performance-related component. (CGC section 5.4.7)

Neckarsulm, 6 February 2007  
BECHTLE AG

On behalf of the  
Executive Board



Ralf Klenk

On behalf of the  
Supervisory Board



Gerhard Schick

## // GROUP MANAGEMENT REPORT

The percentage figures stated in the Management Report are calculated using thousand euro figures. Differences may therefore arise from rounding off the amounts stated in the text in Million Euros.

## OVERALL ECONOMIC ENVIRONMENT AND MARKET DEVELOPMENT

### OVERALL ECONOMIC ENVIRONMENT

The economy in the Eurozone was able to pick up significantly in 2006. According to estimates by the EU, the economic growth rate was at 2.7 per cent, up from 1.4 per cent for the previous year. This is the highest rate in ten years. This growth is being driven in equal measure by domestic consumption across the Common Market as well as from exports. The strength in domestic consumption was primarily due to a steady increase in investment. Export earnings were riding high, as before, from the robust state of the global economy.

The German economy also grew strongly in 2006 and, at 2.7 per cent, was at the very top of the Eurozone's growth curve. After experiencing growth of only 0.9 per cent in the previous year, this year's growth figures represent the largest economic upswing since the boom year of 2000. This strong growth derived both from domestic demand as well as from exports. Contrary to the previous two years, the domestic figures constituted a relatively larger contribution to GDP growth (+1.5 per cent) than that of exports (+1.1 per cent). The main driver of domestic growth was, in particular, gross fixed capital formation. At 5.6 per cent, its growth was stronger than ever since the reunification. Capital expenditure in machinery (+7.3 per cent), as well as capital expenditure in construction (+4.2 per cent) experienced a strong upward surge. Private consumption was also able to experience some growth for the first time in three years (+0.8 per cent). However, experts have concluded that this is primarily a pull-forward effect in anticipation of an increase in Value Added Tax.

*(Sources: Statistical Office of the European Communities, Federal Office of Statistics)*

### IT MARKET

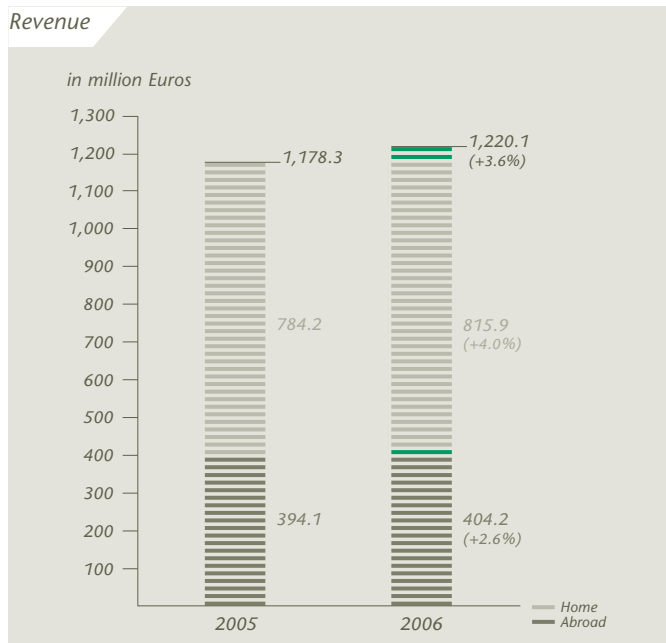
The IT market as a whole is highly heterogeneous. Trade in the IT sector, the manufacture of hardware, the production of software or the provision of IT services is neverthe-

less treated as a single whole by market research institutes and industry associations. Desegregation of commercial transactions in those involving private consumers and those involving corporate customers only takes place on a very limited basis. This makes it almost impossible to come up with differentiated figures for the various market segments. Any evaluation of Bechtle's commercial environments must thus take into consideration the fact that the Bechtle Group is only active within certain areas of the IT market and only has corporate customers and public entities amongst its client base.

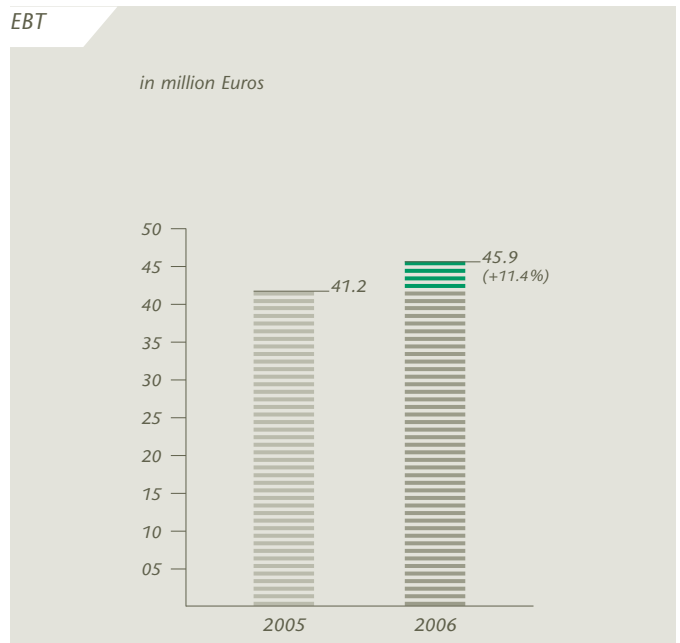
In Western Europe, growth on the IT market (Consumer and Business segments) slowed somewhat in 2006. According to figures produced by the market research institute EITO (European Information Technology Observatory) the growth rate was 3.3 per cent, compared to 4.4 per cent in the previous year. The main driver was again investment in software which grew by 6.1 per cent as well as services which grew by 5.1 per cent. Trends on the hardware market were somewhat disappointing, registering a decline of some 2.0 per cent. Amongst Europe's largest IT markets, Spain, with growth of 6.2 per cent, experienced the strongest upward trend. Great Britain, at 3.6 per cent, also experienced above-average growth. At 3.1 per cent, French growth, like that of Germany at 2.8 per cent, was below average. On the Swiss IT market, of great importance to Bechtle, growth was a mere 2.5 per cent. The lowest growth was experienced by Italy, at only 1.5 per cent.

In Germany, growth on the IT market was also in decline, even if only moderately. After being at 3.1 per cent in the previous year, it sunk to 2.8 per cent in 2006. The overall turnover figure, according to EITO, was th. Million Euros 67.6 (consumer and business segment). Above-average growth was experienced in the software market, with growth of 5.5 per cent (previously 4.5 per cent), to a total of th. Million Euros 17.0, as well as IT services which grew by 4.7 per cent (previous year: 4.6 per cent) to th. Million Euros 28.1. The main driver of demand was the continuing trend in outsourcing. Capital expenditure in IT hardware was in decline, shrinking by some 2.3 per cent. Sales of

## Revenue



## EBT



desktop computers were particularly hard hit, shrinking by 12.0 per cent, whereas at the same time sales of laptops were up 5.0 per cent. This growth in laptop sales, after having reached 10.0 per cent the previous year, had clearly peaked and was on the downside of this trend. A clear sign for the fall in prices on the hardware market was the fact that, despite the downward trend in revenue, a greater number of actual PC units sold was recorded. According to the market research firm Gartner, this figure was up by 1.9 per cent.

Further growth was experienced in internet commerce. In business-to-business transactions, e-commerce sales increased in Germany from th. Million Euros 289 to a total of th. Million Euros 391.9. However, this figure includes all goods traded over the internet, and not just IT products.

## BUSINESS DEVELOPMENT

### GENERAL DEVELOPMENT

The 2006 fiscal year, together with the ongoing 2007 fiscal year, are to be considered in terms of a period of fundamental organisational changes and significant course realignments in order to reach ambitious targets under the Bechtle-Vision 2010 initiative. Following the strong growth experienced over the last few years, primarily through numerous acquisitions, changed Group structures, new organisational structures in Switzerland as well as optimised product design on the basis of changed market conditions have become necessary. In addition to stable trends in revenue and earnings, these activities will determine both fiscal years in significant measure so as to ensure Bechtle's future is focused on growth.

### REVENUE DEVELOPMENT

In the 2006 fiscal year, Bechtle experienced revenue of th. Million Euros 1.22, and was thus situated within the parameters of the latest forecast of th. Million Euros 1.2. As had been the case in the previous years, the final quarter proved to be disproportionately strong.

The growth in revenue from Million Euros 1,178.3 to Million Euros 1,220.1 represented Million Euros 41.8 or 3.6 per cent. This rise compared with the previous year was, to a large degree, due to acquisitions. Adjusted for the proportion of revenue made by the companies acquired in the 2005 and 2006 fiscal years, revenue remained at the same level as for the previous year.

### UPWARD TRENDS OVER THE YEAR

Seen on a quarter-by-quarter basis, the 2006 fiscal year also demonstrated the strongly seasonal nature of the Company's revenue, quite normal for this sector. Whereas the first quarter contributed only 23.8 per cent to the year's revenue on the whole, the closing quarter contributed 29.9 per cent of these revenue and thereby represented the strongest quarter. At the same time, in the last three months of the 2006 business year, Bechtle achieved revenue of Million Euros 364.4 thereby making this the best quarter for revenue in the Company's history. It was four million Euros higher than the previous record, which had been achieved in the very strong final quarter of the previous year.

Sales per employee were, given the average number of 3605 full-time employees (previous year: 3371), at th. Euros 339, as opposed to th. Euros 350 for the previous year. The reason for the 3.1 per cent fall was, in particular, the growth in the IT services activities, which are characterised by smaller revenue volumes whilst at the same time enjoying higher contribution margin.

At Million Euros 815.9 (previous year: Million Euros 784.2), Bechtle achieved the lion's share of the Group's revenue on the domestic market. This figure represents 66.9 per cent of total revenue (previous year: 66.6 per cent). At Million Euros 404.2 (previous year: Million Euro 394.1), the share of revenue achieved abroad was 33.1 per cent (previous year: 33.4 per cent). Thus the geographic distribution of revenue has barely changed vis-à-vis the previous year.

Particularly in light of the wholesale consolidation, completed during the 2006 fiscal year, of the previous year's



in million Euros



acquisitions, and the takeover of the Dutch Artikona companies at the start of the fiscal year, gross profit rose to Million Euros 173.6. This represents an increase of 10.0 per cent compared to the previous year's Million Euros 157.9. Compared to overall revenue, the share of gross profit also rose, from 13.4 to 14.2 per cent. This is because, whereas revenue was up by 3.6 per cent, cost of sales rose disproportionately – particularly as a result of a smaller number of under-utilised service employees and a higher share of services – to the revenue by a mere 2.6 per cent. Artikona, which was acquired in 2006, has a high gross profit margin, and thereby also contributed to the improvement in this result.

The absolute increase in distribution and administrative cost, by an aggregate of Million Euros 12.4, to the amount of Million Euros 136.5 (previous year: Million Euros 124.1) is primarily due to acquisitions. As a percentage of revenue, the share of distribution cost rose from 5.8 to 6.0 per cent. The administrative cost rose from 4.7 to 5.1 per cent. The increase in the size of the sales team also had an impact on distribution cost. The noticeable increase in administrative cost, of 12.9 per cent, is due to the liquidation of provisions for litigation cost in the previous year, which were set off against administrative cost in the 2006 fiscal year. Without adjusting for this special item, the rise of administrative cost would have been a mere 8.4 per cent.

#### EARNINGS DEVELOPMENT

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up 13.3 per cent to Million Euros 60.2 (previous year: Million Euros 53.1). The EBITDA margin rose by 4.9 per cent (previous year: 4.5 per cent).

Depreciation took place, on the whole, in the amount of Million Euros 14.5 (previous year: Million Euros 11.9). From this, the lion's share – at Million Euros 8.3 – fell on property, plant and equipment (previous year: Million Euros 7.3). The depreciation ratio remained constant, at a very low 1.2 per cent. The impairment test for goodwill resulted, as in the previous year, in no need to carry out any depreciation for 2006.

Operating earnings before interest and taxes (EBIT) improved to the tune of Million Euros 45.7 (previous year Million Euros 41.2 million). This corresponds to an increase of Million Euros 4.5 or 11.0 per cent.

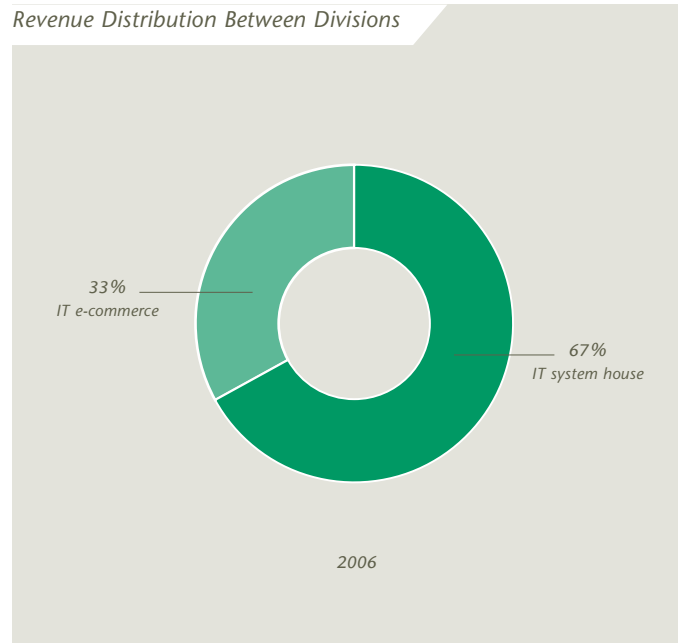
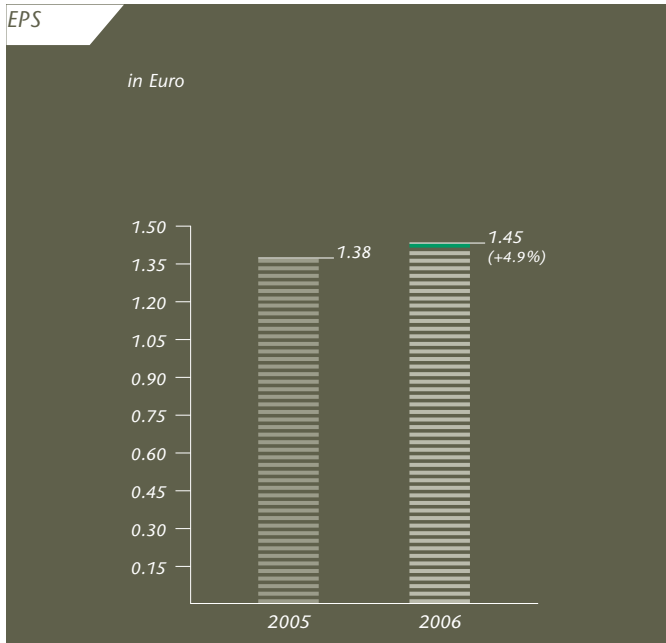
After almost even interest results, at Million Euros 0.1, earnings before taxes (EBT) were at Million Euros 45.9, an increase of 11.4 per cent vis-à-vis the previous year (Million Euros 41.2).

EBT – one of the key control parameters for the Bechtel Group – thus again showed a higher growth rate in the past fiscal year than revenue. At Million Euros 45.9, it was also significantly above the projected figure of Million Euros 42. The cause of this rise is primarily due to the fact that the final quarter was particularly strong, given the need to liquidate annual budgets. At Million Euros 19.1, the final three months of the year accounted for almost 40 per cent of the aggregate annual EBT. In addition, the companies first consolidated for 2006 contributed to aggregate earnings with combined EBT of Million Euros 1.1.

In 2006, the EBT margin improved, from 3.5 per cent in the previous year, to 3.8 per cent.

At Million Euros 15.1, the income taxes paid during the period under review increased considerably vis-à-vis the previous year, which was Million Euros 11.9. The tax rate thereby rose from 28.9 per cent to 33.0 per cent. In this context, it should be noted that in the previous year, the post-hoc activation, recognised in profit, of deferred taxes on Swiss loss carryforward in the amount of Million Euros 1.8 (CHF 2.8 million) and tax refunds for past years at the Group subsidiary PSB in the amount of Million Euros 0.5, had an impact as non-recurring events. In the medium term, the increasing share of abroad earnings will prove favourable – particularly in Switzerland, where taxes are low – for the tax ratio of the Group as a whole in a sustained manner.

At Million Euros 30.7, the Group's net profit for the year was up 4.9 per cent from the previous year (Million Euros



29.3). On the basis of an average 21,200,000 shares, earnings per share (EPS) rose to Euros 1.45. Compared to the previous year's figure, this represents an increase of 4.9 per cent. In 2005, EPS was at Euros 1.38 (on the basis of 21,200,000 shares).

Basis for the distribution of dividends is the Bechtel AG's financial statement which shows retained earnings of Million Euros 10.6 with a net profit for the year of Million Euros 15.5 after allocation into revenue reserves amounting to Million Euros 4.9. The Executive Board suggested to the Supervisory Board to propose a dividend payment in the amount of Euros 0.50 per share at the Annual General Meeting.

### SEGMENT REPORT

The Bechtel Group operates in both the IT system house and IT e-commerce segments. The business model therefore combines services with the direct sale of IT products via internet, catalogues and telephone sales. Bechtel operates solely on behalf of commercial customers, including in particular regional and up-market SMBs as well as public sector clients, financial institutions and insurance companies.

#### IT SYSTEM HOUSE

Bechtel's support for the system house customers ranges from IT strategy consulting, supplying hardware and software, project planning and implementation, system integration and servicing to the comprehensive running of IT operations. In 2006, the Group had at its disposal 60 locations in Germany and Switzerland and an almost area-wide system house network.

In 2006, the system house segment generated revenue in the amount of Million Euros 817.0, on the basis of an average of 2891 full-time employees, (previous year: 2750 employees), and thereby achieved an approximately similar result to that of the previous year (Million Euros 811.0). Bechtel therefore generated 67.0 per cent of the Group

revenue through the system house business (previous year: 68.8 per cent). The sales per employee fell by 4.1 per cent from th. Euros 295 to th. Euros 283. This is primarily a result of the fact that, due to market, business has increasingly shifted towards the services offered under the "Managed Services" label. Whereas this business is weaker in terms of revenue during the initiation phase, it is also, from a market perspective, more promising and, in the long term, characterised by better margins.

At Million Euros 678.9 (previous year: Million Euros 662.2), the lion's share and thus 83.1 per cent (previous year: 81.7 per cent) of the system house revenue was generated on the domestic market. The Swiss system houses accounted for Million Euros 138.1 (previous year: Million Euros 148.8) and thus 16.9 per cent (previous year: 18.3 per cent) of the segment revenue in 2006.

In 2006, no acquisitions were made in the system house segment.

The organic growth in revenue, adjusted for the acquisitions first consolidated in the previous year, consisted of Million Euros 723.7 and thereby came in at 2.2 per cent behind that experienced in the previous year (Million Euros 740.1).

EBITDA improved by 22.4 per cent from Million Euros 27.5 to Million Euros 33.7. A particularly strong final quarter and the HR measures taken during the fiscal year in the area of basic services, as well as the first effects of the newly established area of Managed Services combined to have a positive impact. As was the case previously, pressure continues to be felt nevertheless on margins, given the comparatively high personnel costs faced.

EBIT for the IT system house segment grew by 21.4 per cent to Million Euros 22.6 (previous year: Million Euros 18.6). The EBIT margin increased from 2.3 per cent to 2.8 per cent.

IT system house in million Euros



IT e-commerce in million Euros



IT E-COMMERCE

In the second company segment, Bechtle offers its customers IT products by way of direct sales from internet, catalogues and telephone sales in the nine key western European markets.

In IT trades the Bechtle Group achieved revenue of Million Euros 403.1 (previous year: Million Euros 367.2) which represented an increase by 9.8 per cent. The Dutch company Artikona, acquired at the start of the reporting year, and the Swiss company Masy contributed Million Euros 22.8, so that organic growth constituted some 3.6 per cent. The share of overall revenue thus represented by trading operations was 33.0 per cent (previous year: 31.2 per cent).

On average, 714 full-time employees worked at Bechtle in 2006 (previous year: 621 employees) in IT E-commerce. Sales per employee fell by 4.4 per cent to th. Euros 565 (previous year: th. Euros 591). The reason for this decline is primarily the hiring of new employees to beef-up the distribution team, some of whom are still in the process of becoming fully trained.

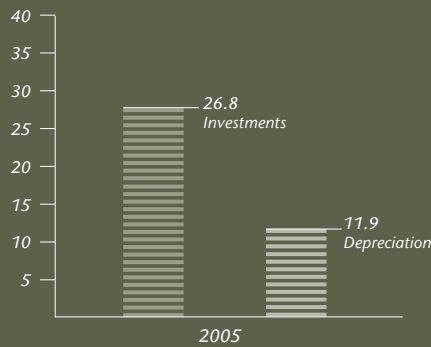
In the year under review, Bechtle generated the lion's share of the IT e-commerce segment revenue abroad. At Million Euros 266.1 (previous year: Million Euros 245.3), this share amounted to 66.0 per cent (previous year: 66.8 per cent), while domestic trading business accounted for Million Euros 137.0 (previous year: Million Euros 121.9), and thus 34.0 per cent (previous year: 33.2 per cent) of the segment revenue.

In 2006, EBITDA increased by 3.5 per cent, from Million Euros 25.6 million to Million Euros 26.5. The operating profit (EBIT) experienced growth of 2.4 per cent, from Million Euros 22.6 to Million Euros 23.1. The EBIT margin retreated from 6.2 per cent to 5.7 per cent.

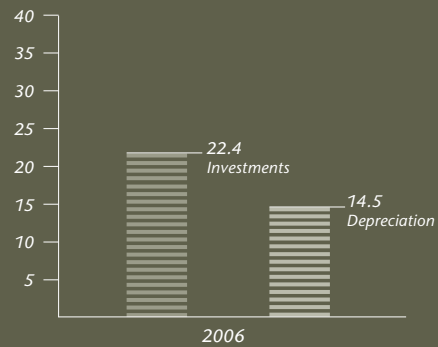
On 21 December 2006, Bechtle AG acquired, via its Swiss holding company, 100 per cent of the shares of the French company SOS Developers SAS. The latter, with its registered domicile near Nice and premises in Paris, is specialised in

trading in software and is the largest Microsoft MSDN partner in France. The acquisition is intended to strengthen the French presence of the Swiss Bechtle subsidiary Comsoft direct. The newly acquired company has already been recognised into the balance sheet for the year under review. However, given the date of the takeover, at the end of the fiscal year, this acquisition will not have any effect on the Group income statement.

in million Euros



in million Euros



### CAPITAL EXPENDITURE AND FINANCING

Capital expenditure totalled Million Euros 22.4 (previous year: Million Euros 26.8), of which Million Euros 9.5 were attributable to acquisitions (previous year: Million Euros 18.2). At Million Euros 9.1, the increases in company acquisitions applied to intangible assets, which were largely goodwill, customer base and customer service contracts (previous year: Million Euros 12.4). At Million Euros 12.8, other capital expenditure were considerably higher than those of the previous year, which totalled Million Euros 8.6. In addition to the scheduled replacement and expansion capital expenditure in property, plant and equipment and intangible assets, expanding the inventory management system including the online retail platform with a view to further expanding the ARP was a focal point.

The capital expenditure made in the 2006 fiscal year stood against Million Euros 14.5 worth of depreciation, which was thus some Million Euros 2.5 or 21.2 per cent above the Million Euros 11.9 carried out in the previous year. This increase is due mostly to a rise in depreciation of customer base and customer service contracts, which were up by Million Euros 1.6. At a net carrying amount of Million Euros 1.1, the retirements largely applied to outdated and replaced operating and business equipment.

Capital expenditure as a whole resulted in an outflow of funds of Million Euros 19.3 (previous year: Million Euros 20.2), and was financed entirely via own funds.

The cash flow from operating activities declined from Million Euros 28.1 to Million Euros 26.9, which was largely attributable to high income taxes paid.

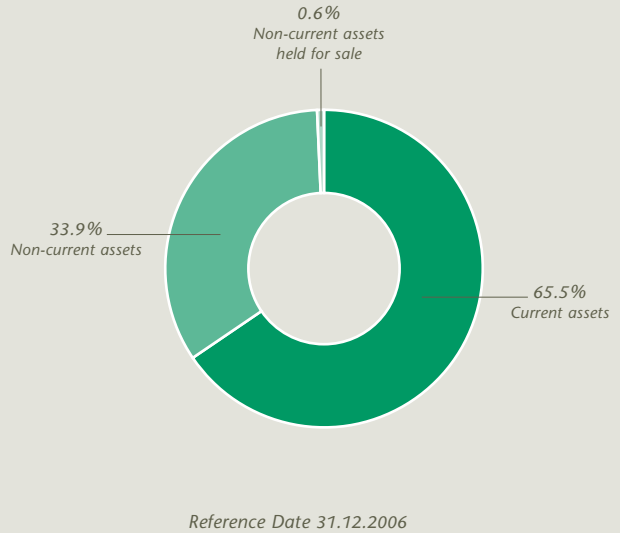
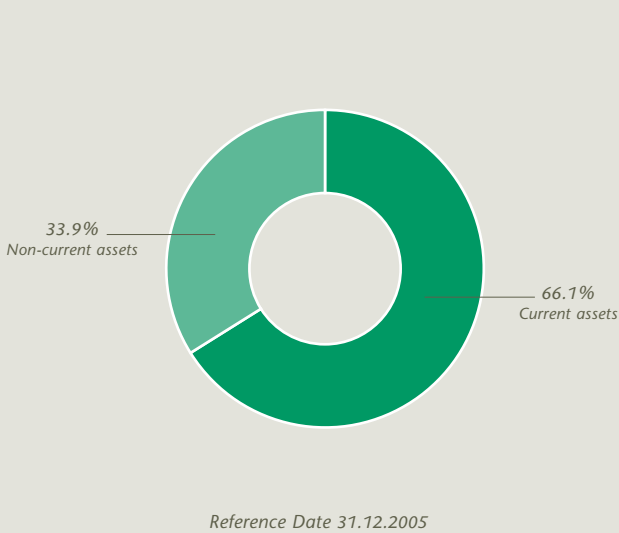
### FINANCIAL AND CAPITAL STRUCTURE

As of the reference date 31.12.2006, the balance sheet total of the Bechtle Group amounted to Million Euros 420.1, and therefore increased slightly from the previous year by Million Euros 6.1 or 1.5 per cent. The increase is primarily attributable to acquisitions as well as the high level of trade receivables in the wake of the very strong revenue carried out in the last month of the year.

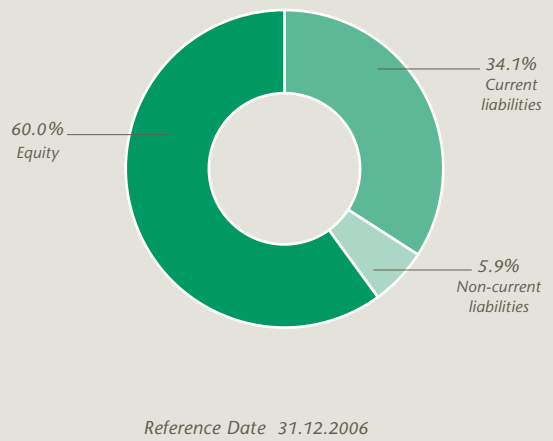
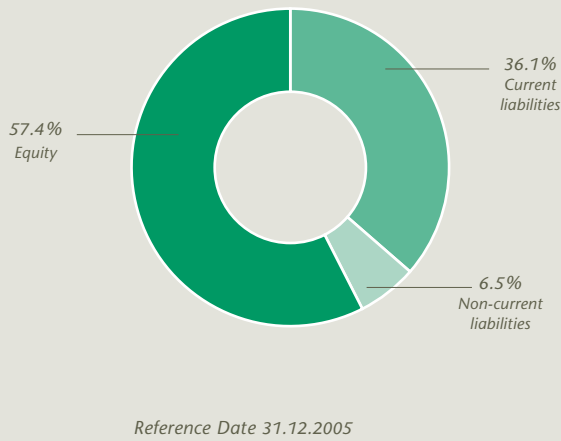
Cash and cash equivalents, including securities classified as current assets, decreased by Million Euros 12.5. By the end of the year, they had shrunk to Million Euros 39.4, after having reached Million Euros 51.9 in the previous year. This was due, in addition to the capital expenditure carried out in the reporting period – mostly involving acquisitions – to the repayment of loans. It is also worth noting that this perspective, focused largely on the reference date, is strongly influenced by the robust upward swing in revenue in the fourth quarter and in the last month of the year, which resulted in a strong increase in accounts receivable. Together with unused credit lines in the amount of Million Euros 43.0, the Bechtle Group nevertheless holds solid liquidity reserves in the amount of Million Euros 82.4 (previous year: Million Euros 95.6), which affords the Group adequate room for further acquisitions and future expansion. Of the credit lines available to it at the end of the fiscal year, in the amount of Million Euros 45.8, Bechtle has used only 6.1 per cent in cash advances and bank guarantees.

Current assets rose on the whole by one per cent to Million Euros 275.2 (previous year: Million Euros 273.6). Of this, a significantly large share, Million Euros 181.1 (previous year: Million Euros 164.3), consisted of trade receivables, which, in light of the strong final quarter common to the sector, were considerably higher than the other quarter reference dates throughout the year. However, the strict receivables management in place at Bechtle allows for a comparatively low period of overdue accounts of 44 days (ratio of the average trade receivables to the average daily revenue). Inventories decreased by 6.7 per cent to Million Euros 39.0 (previous year: Million Euros 41.8).

Asset Structure

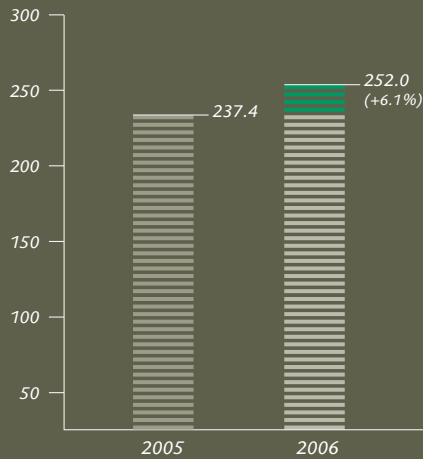


Equity Structure

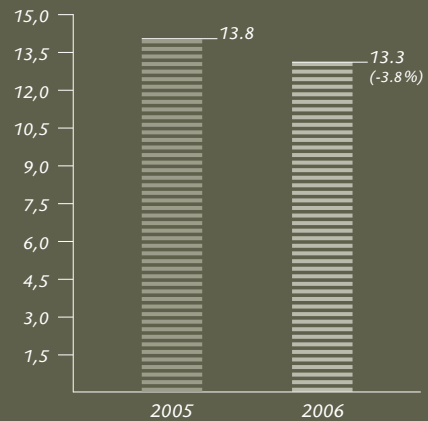


Equity // Return on Equity

Equity in million Euros



Return on Equity in %



Inventory retention (ratio of inventories to revenue) declined from 3.6 per cent to 3.2 per cent. The low value shows that Bechtle merely ties up low levels of capital in the form of inventories.

Overall, the share of current assets in the balance sheet total decreased slightly from 66.1 per cent to 65.5 per cent. The intensity of investment (share of non-current assets in the balance sheet total) remained constant at 33.9 per cent. In absolute terms, the non-current assets increased slightly by 1.4 per cent to Million Euros 142.3 (previous year: Million Euros 140.3). The most significant change was the acquisition-related 8.8 per cent increase in goodwill to Million Euros 97.4 (previous year: Million Euros 89.5). In the year under review, the contribution ratio of the non-current assets by equity increased from 169.2 per cent in the previous year to 177.1 per cent.

In the reporting period the decision was taken to dispose of a property in Switzerland owned by the Group but not operationally necessary. The carrying amount was thus specially indicated on the balance sheet under "non-current assets held for sale".

Current liabilities decreased in the 2006 fiscal year by 4.1 per cent, from Million Euros 149.6 to Million Euros 143.4. This decrease was primarily due to the significant reduction in trade payables.

In the reporting period the Bechtle Group reduced its non-current liabilities by 8.4 per cent. In doing so, non-current loans were paid back in the amount of Million Euros 5.7, bringing them down to Million Euros 9.1, whereas pension provisions have risen from Million Euros 0.6 to Million Euros 5.4 in the context of setting up a "Bechtle Pension Fund", which is partially autonomous and independent of the Group, for the Swiss companies. On the whole, the non-current liabilities as per the balance sheet reference date were at Million Euros 24.6 after being at Million Euros 26.9 for the previous year.

Equity rose in the period under review by 6.1 per cent, from Million Euros 237.4 to Million Euros 252.0. In this context, the dividend payments for the 2005 fiscal year, at Million Euros 10.6 had a reducing effect. In spite of the increase in the balance sheet, the equity quota rose in the period under review from 57.4 to 60.0 per cent. The return on equity (Net profit for the year in relation to equity) declined slightly from 13.8 to 13.3 per cent.

The Bechtle Group's debt-equity ratio (ratio of liabilities to equity) improved in the year under review to 0.68 following 0.74 in the previous year.

## GROUP PROCUREMENT AND LOGISTICS

Bechtle Logistik & Service GmbH in Neckarsulm centrally manages all procurement and logistic activities for the Bechtle Group with the exception of those located in the non-EU country Switzerland. Via the coordination and bundling of order information from the IT E-commerce companies in the EU countries, as well as the domestic system houses, synergies and scale effects are achieved.

The business partners of Bechtle Logistik & Service GmbH are well-known manufacturers and distributors in the IT sector. There are more than 290 manufacturers and more than 400 distributors throughout Europe. Bechtle uses a Europe-wide logistics concept with all-electronic, country-wide, ordering and delivery processes. E-procurement is the principal procurement channel for the purchasing of merchandise.

A particularly crucial competitive edge is provided by the Group's own goods and pricing system as well as a uniform product database, which automatically calculates the respective national prices used by the companies operating throughout Europe. Each night the so-called European Pricing System developed by Bechtle scans more than 1.7 million price and availability details from IT manufacturers and distributors. The company able to provide a guarantee of immediate Europe-wide product availability, and give the most cost-effective price, is selected as a procurement source for ordering the product. Fully-automated and up-to-date product details are therefore available online. The main European database contains some 30,000 products, each with country-specific information. This system is available to all of the Bechtle Group's customers.

Another key component of the logistics concept is the fulfilment principle. Here, ordered goods are delivered directly to the customers by the manufacturers or distributors. This enables Bechtle to reduce warehouse stocks and therefore the risk of depreciation of the IT product portfolios, which are characterised by short innovative cycles. At the same time, it is by means of these fulfilment agreements

with all leading manufacturers and distributors that the expectations of the customer in being supplied quickly can be met in an optimal manner.

In addition to its central logistics department in Neckarsulm, the group is building an independent logistics department in Rotkreuz, Switzerland, which will attend to all of the Swiss locations in the future. Complex customs formalities as well as the large number of locations to be serviced within Switzerland make centralisation in Germany particularly unattractive.

Inventory retention primarily applies to products for project transactions of the system house segment and items which are characterised by high levels of warehouse turnover. As a further precaution against market price fluctuations, Bechtle enters into agreements, where necessary, concerning warehouse value equalisation, which guarantees reimbursement over an agreed timescale in the case of price changes. Over the year as a whole, the storage of Bechtle Logistik & Service GmbH was turned 45 times. In the previous year the turnover factor was 44. The average value of ware-housed items for 2006 was Million Euros 11.5.

The proven inventory management system controls the purchasing and logistics process electronically on a Group-wide basis. Bechtle thus has at its disposal standards that not only constitute a competitive advantage, but can also be easily expanded to include new Group companies. The concept allows for the rapid integration of newly acquired companies which can access the entire Bechtle system within a matter of weeks.

## CORPORATE STRUCTURE AND ORGANISATION

In operative business, Bechtle allocates its subsidiaries to the two segments IT system house and IT e-commerce. Bechtle AG wholly owns all the subsidiaries either directly or via its holding companies. PSB AG and its subsidiaries, in which Bechtle has a 98.3 per cent stake, is the only exception.

As a holding for the company Group, Bechtle AG assumes the strategic corporate planning and the central tasks in respect of personnel, finances and controlling, corporate communication, investor relations, marketing, data centre and academy. Bechtle Logistik & Service GmbH holds central responsibility for purchasing, warehouse, installation and product management. The objective consists of freeing up distributions in each case from the administrative tasks and simultaneously utilising synergies – in purchasing and logistics via established processes, above all scale effects – through grouping.

Through the Group's company structure, the managing directors run the operating companies as entrepreneurs with a high degree of responsibility in their respective regional markets. In this regard the earnings-oriented remuneration system supports greater responsibility on the part of the managing directors. The Group's common strategic alignment is specified by the Group Executive Board, and implementation is guaranteed via ongoing reporting and communication between the Executive Board, the divisional managers and the managing directors.

**NEW ALIGNMENT OF ORGANISATIONAL STRUCTURE**  
Following a dynamic growth phase with numerous acquisitions and start-ups, Bechtle implemented a realignment of the organisational structure in February 2006, the full implementation of which should be completed during the ongoing 2007 fiscal year.

Prime importance is attached to two aspects: securing the decentralised approach that is strategically important for Bechtle, and establishing scalable modular structures gea-

red towards Bechtle's future growth. The most important element of the new organisational structure is the separation of the strategic Group management by the Executive Board (within the meaning of §§ 76 ff of the German Stock Corporation Act) from the management of the operative units by divisional managers. Bechtle will therefore not only be addressing the increasing size of the company, it will also be paving the way for continued high levels of efficiency when it comes to controlling and managing the Group. In addition, the new structure guarantees a certain continuity in the decentralised responsibilities of the Bechtle Group's subsidiaries.

In the IT system house segment, divisional managers coordinate the activities of the Bechtle system houses, divided into the four regional areas of responsibility Germany North/East, Central and South as well as Switzerland. Furthermore, the Public Sector Line of Business (LoB ÖA), which specialises in institutional clients, and the teams of specialists (e.g. for software solutions and services) in Germany and Switzerland, are each led by a divisional manager.

In IT e-commerce, Bechtle is further pursuing a multiple brand strategy, which is also reflected in the responsibilities of the two divisional managers, one of whom is responsible for the Bechtle direct companies and their specialists and the other for the ARP companies.

In the case of the units grouped together under "Central Services", the new organisational structure envisages a separation in a divisional management finances for all EU companies and the Group consolidation, and in a divisional management finances, which holds responsibility for the financing of all Swiss companies. The central Logistics & Service division will not be changed in management allocation. The other central service units Personnel, IT and Investor and Public Relations will remain directly under the responsibility of the Group Executive Board

The divisional managers report directly to the Group Executive Board.



Reference Date 31.12.

Annual average



## EMPLOYEES

As of 31 December 2006 the Bechtle Group had a total of 3888 employees in the nine European countries (2005: 3908) a figure which does not include temporary staff. The number of employees is therefore roughly equivalent to that of the previous year. On average, 3868 employees were active on behalf of Bechtle in the year under review, not including temporary staff. Compared with the previous year (3616 employees), this amounts to an increase of 252 employees or 7.0 per cent. As in the previous year, the increase in the Group's employees is largely attributable to the acquisitions carried out in 2005 and 2006.

In Germany the number of employees at the end of the year decreased by 2.7 per cent from 2850 to 2772. The number of employees working in Bechtle's foreign-based companies increased by 5.5 per cent, from 1058 to 1116. In total, 71.3 per cent of the employees therefore perform their work in Germany and 28.7 per cent in the foreign-based companies. In the previous year, the ratio was 72.9 per cent in Germany and 27.1 per cent abroad.

Divided according to tasks on a Group-wide basis, and excluding temporary employees and those on either maternity leave or performing their obligatory military or civilian service, 1944 (previous year: 2003) employees worked in services, 1190 (previous year: 1136) in distributions and 695 (previous year: 713) in administration. Considered by segment, and excluding temporary employees, at the end of the year 3077 employees (previous year: 3239) were allocated to IT system houses and 811 employees (previous year: 669) to IT e-commerce. Compared with the previous year, this amounts to a decrease in the system houses of 5.0 per cent and an increase in e-commerce of 21.2 per cent, which is almost entirely attributable to new hires. Also a contributing factor is the employees taken on board via the acquisitions during the reporting period.

## INCREASED SHARE OF PERSONNEL EXPENSES

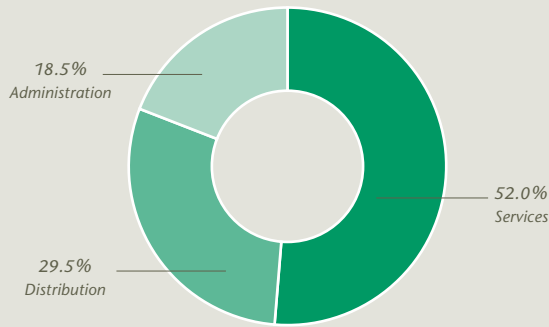
The expenses for salaries and wages including social security payments increased in 2006 by 7.3 per cent due to an increase in the average number of employees, and amounted to Million Euros 192.6 (previous year: Million Euros 179.5). At the same time, personnel expenses increased disproportionately to revenue due to the high share of business accounted for by services. Thus the share of personnel expenses increased from 15.2 per cent to 15.8 per cent. The personnel intensity measured in terms of the contribution margin remained constant at 64.0 per cent.

The remuneration model in place at Bechtle for executive personnel and all employees entrusted with distribution tasks is based on a combination of fixed and variable parts. The amount of variable remuneration elements is based on the individual performance and achievement of performance targets defined in terms of operating profit. In the case of managing directors, remuneration is based on achievement of the EBT targets set with regard to their companies at the start of the year. Bechtle does not offer share option programs or staff shares.

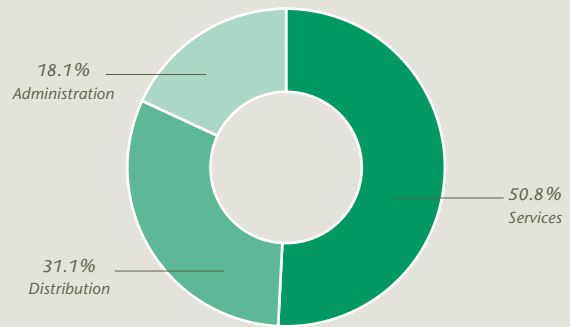
## FURTHER INCREASE IN TRAINING QUOTA

For Bechtle, the qualified training of young people is a central corporate obligation that the company has now been pursuing for 22 years. The already high training quota has thus been increased even further for 2006. In total 222 school leavers learned a total of 11 apprenticed professions at Bechtle in 2006 (in particular in system merchandising as well as wholesale and retail merchandising), in addition to technical fields (in particular in system electronics) and warehouse management. The apprentices also include students from the vocational academy. The apprenticeships focus on business computing and information technology. In total, Bechtle's high training quota saw a further increase in 2005 – from 5.5 per cent to 5.7 per cent.

The "Bechtle Academy", established in 1999, plays a key role in providing qualifications. It supplements the individual training provided at individual locations and accompanies the trainees in the form of a central program. This includes



Reference Date 31.12.2005



Reference Date 31.12.2006

practical training sessions and seminars on over-arching subjects such as corporate structure or special examination preparation courses. By means of such group events, networks are formed which can also be used in daily working life and which endure beyond the time spent together in training.

In addition, Bechtle provides each apprentice with an experienced mentor, who provides the trainees with support as contact persons concerning professional and organisational matters. Bechtle also provides security for the future through its training, and, as a rule, offers successful trainees a permanent position in the Group.

**SPECIFIC INFORMATION PURSUANT TO § 315 [4] HGB**

**COMPOSITION OF THE ISSUED CAPITAL**

On 31.12.2006 the Company's issued capital comprised a total of Euros 21,200,000. This is divided into 21,200,000 individual bearer shares. The amount of the ordinary share capital represented by each individual share is Euro 1.00. All company shares have been issued as bearer shares without any indication of the nominal value (common stock).

Different classes of shares do not exist.

The shares are identified as follows:  
International Securities Identification Number (ISIN): DE0005158703  
German securities ID No. (WKN): 515 870

**LIMITATIONS TO VOTING RIGHTS OR RESTRICTIONS ON TRANSFERABILITY**

The Executive Board is not aware of any limitations to voting rights or restrictions on the transferability of shares.

**PARTIES HOLDING MORE THAN A TEN PER CENT STAKE IN THE ISSUED CAPITAL**

As per 31.12.2006, the company is aware of the following shareholders who either directly or indirectly are holding

in excess of ten per cent of the voting rights:

- Karin Schick-Krief: 32.0 per cent.
- BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart: 18.47 per cent.

**SPECIAL RIGHTS**

There are no shares with special rights conferring powers of control.

**VOTING CONTROL OVER EMPLOYEES**

The company has no voting control over shareholding employees.

**PROVISIONS GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD**

The appointment and dismissal of members of the Executive Board is governed by § 84 of the German Stock Corporation Act. Members of the Executive Board are appointed by the Supervisory Board for a maximum of five years, by means of a resolution by the latter. The renewal of an appointment or an extension of his or her term for a maximum of another five years is possible. This requires another resolution by the Supervisory Board, which can be adopted at the earliest one year prior to the conclusion of the previous term of office. Only in the event of an appointment of less than five years a prolongation of the term of office can take place without a corresponding resolution of the Supervisory Board, subject to the condition that, in doing so, the whole term of office does not exceed five years. This applies in a general manner for the corresponding employment contract, which can stipulate that, in the event of such prolongation of the term of office, it shall continue to remain in force until the expiry thereof. If more than one person is appointed to the position of Member of the Executive Board, the Supervisory Board can nominate one of them as Chairman of the Board. The Supervisory Board has exercised this prerogative and nominated Ralf Klenk as Chairman of the Executive Board.

The Supervisory Board can revoke the appointment to Member of the Executive Board or the nomination as Chairman in the event of good cause. Good cause would, for

example, be constituted by dereliction of duty, incapacity to exercise orderly management functions or a vote of no confidence by the Annual General Meeting, unless this vote has taken place for reasons which are clearly unsubstantiated. Such revocation shall have legal effect until the contrary has been found in a legally binding manner.

Paragraph 5.1.2 of the German Corporate Governance Code sets out a number of additional principles with regard to the appointment of the Executive Board. In accordance therewith, the Supervisory Board is to work together with the Executive Board in order to achieve long-term succession planning. For initial appointments, the maximum possible period of five years should not be the rule. Re-appointment prior to the end of the year before expiry of the appointment period carried out in tandem with the abrogation of the current appointment should only take place under special circumstances. An age limit for Executive Board Members should be established. The internal regulations of the Executive Board of Bechtle AG set an age limit of 65 years.

The Articles of Incorporation do not contain further rulings governing the appointment or dismissal of Members of the Executive Board.

#### PRINCIPLES GOVERNING REMUNERATION FOR THE EXECUTIVE BOARD

Remuneration for the Executive Board is made up of a combination involving a fixed element and a variable element dependent on the Group's results. No stock option plans exist.

#### PRINCIPLES GOVERNING REMUNERATION FOR THE SUPERVISORY BOARD

Remuneration of the Supervisory Board only involves a fixed component.

#### PROVISIONS GOVERNING AMENDMENTS TO THE ARTICLES OF INCORPORATION

The conditions subject to which amendments to the articles of incorporation can be made are primarily set out in

§§ 179 to 181 of the German Stock Corporation Act. Any amendment to the articles of incorporation shall require a resolution adopted by at least a three-quarter majority of the share capital represented when voting on such a resolution from the Annual General Meeting, as well as a corresponding entry recording the amendment to the articles of incorporation in the Commercial Register. The articles of incorporation can stipulate another majority requirement of shareholders as well as setting out additional conditions, however only a large majority of shareholders can change the Group's purpose. The articles of incorporation of Bechtle AG do not contain any such special ruling.

The authority to make amendments, which only concern a given version, can be conferred to the Supervisory Board by the Annual General Meeting. This has occurred with regard to Paragraph 10.4 of the articles of incorporation.

The amendment to the Articles of Incorporation shall only enter into force upon being published in the Commercial Register at the registered domicile of Bechtle AG.

#### POWERS OF THE EXECUTIVE BOARD, IN PARTICULAR THE POWER TO ISSUE OR BUY BACK SHARES

The Executive Board directs the Company on its own responsibility (§ 76 [1] of the German Stock Corporation Act). It is required to carry out the executive management and represent the Company (§§ 77 and 78 of the German Stock Corporation Act respectively). The Supervisory Board has stipulated certain kinds of corporate acts which the Executive Board is only allowed to carry out with the consent of the Supervisory Board. The Supervisory Board represents the interests of the Company vis-à-vis the Members of the Executive Board (§ 112 of the Stock Corporation Act).

#### AUTHORISED CAPITAL

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital on one or several occasions until 10 June 2009 by Euros 10,600,000.00 through the issue of new shares made out to bearer against cash contributions or contributions in kind (Authorised Capital).

The Executive Board decides, with the consent of the Supervisory Board, to exclude a subscription right as well as the modalities governing the issuing of new shares. The exclusion of the subscription is permissible:

- in order to exclude fractional amounts from the shareholders' subscription right;
- in order to issue shares against contributions in kind especially for mergers, or for the acquisition of companies, parts of companies or equity interests in companies;
- in the event of capital increases against cash contributions to a total of 10 one-hundredths of the ordinary share capital, subject to the condition that the issuing price does not fall significantly below the market price;
- in the event of a capital increase for the purpose of issuing employee shares, if the pro rata amount of the new shares, for which a subscription right is excluded, does not exceed ten per cent of the ordinary share capital at the time of issue.

#### REPURCHASE OF OWN SHARES

A share buy-back is only permissible in accordance with § 71 (1) of the German Stock Corporation Act in the event of one of the exceptional circumstances listed therein. The Company is authorised, on the basis of a resolution adopted at the Annual General Meeting held on 20 June 2006, to repurchase its own shares pursuant to the eighth subparagraph of § 71 (1) of the German Stock Corporation Act. Said authorisation became effective on 20 June 2006 and will remain in force until 19 November 2007. The repurchase of own shares must be carried out via the stock market or in the context of a public offering. The purchase price per share paid (excluding transaction costs) by the Company may not be more than 10 per cent above or below the average closing price of the Company's shares in the XETRA securities trading system on the fifth trading day prior to the share buy-back or, in the event of a public offering, on the day prior to publication thereof. The scope of said authorisation is limited to ten per cent of the ordinary share capital. Said share buy-back is only be permissible in order to achieve the objectives set out in the resolution.

#### AGREEMENTS WITH THIRD PARTIES IN THE EVENT OF A CHANGE OF CONTROL

There are no significant agreements on the part of the Company which are contingent on a change of control as a result of a takeover offer.

#### REMUNERATION AGREEMENTS OF THE COMPANY WITH MEMBERS OF THE EXECUTIVE BOARD FOR THE CASE OF A CHANGE IN CONTROL AS A RESULT OF A TAKEOVER OFFER

The Supervisory Board has not concluded any agreements on behalf of the Company with Members of the Executive Board, for the event of a change in control as a result of a takeover offer.

#### REPORT ON ENVIRONMENTAL PROTECTION

As a commercial and service company, Bechtle is less affected by environmental protection requirements than companies in the manufacturing sector. Bechtle is not confronted by any particular problems in the context of noise and pollutant emissions.

However, environmental protection is an important subject for Bechtle in the overall society context. This includes, in particular, measures aimed at conserving resources at its various locations. The principles of environmental compatibility and recycling opportunities are observed for disposing of used consumables and packaging materials.

#### ELECTRICAL AND ELECTRONIC APPLIANCE ACT

The Electrical and Electronic Appliance Act, which entered into force in 2005, requires first and foremost that manufacturers and importers of electrical and electronic appliances are responsible for taking back and disposing of the appliances they bring into circulation goods it imports itself into the European Union and/or Germany.

In order to comply completely with its statutory obligations under the Electrical and Electronic Appliance Act while at the same time being able to provide its customers with the desired level of transparency, Bechtle registered as early as November 2005 with the competent body, the Electrical Used Equipment Register (EAR). The corresponding EAR registration number of the central procurement and service company of the Bechtle Group in Germany, namely Bechtle Logistik & Service GmbH, in Neckarsulm, is WEEE-Reg.Nr. DE 55471086.

## OPPORTUNITIES AND RISKS / DETAILS ON RISK MANAGEMENT

The central tasks of a value-oriented, responsible company management include making use of entrepreneurial opportunities and simultaneously using foresight to control the risks involved.

The Bechtle Group has access to numerous economic opportunities based on the broad and international range of services it offers. The further development of the company is conditional on identifying such opportunities and potential risks in good time, and assessing them so as to be able to react promptly and appropriately.

### OPPORTUNITIES FOR BECHTLE

As a market participant in the IT service and e-commerce market, opportunities arise for Bechtle out of the sectoral and general economic development, and its own corporate structure.

The system house market in Germany and Switzerland has been witnessing a consolidation phase for the past several years. Bechtle AG was able to benefit from this development due to its financial strength, and has reinforced its market position through numerous acquisitions. Against the backdrop of ongoing consolidation in the sector, and Bechtle's sustained and solid assets and sound financial situation, the opportunity for strengthening its position and rounding it off with additional acquisitions will arise in the future as well.

In the case of sector trends, opportunities arise for Bechtle to further expand the existing strong position in the German system house market, and generate growth. Corporate customers increasingly expect IT service providers to provide complete solutions "from a single source". With its combination of commercial operations and services, and the mixture of project and service business within the services, Bechtle possesses the preconditions necessary to benefit from this trend. Outsourcing is the fastest growing IT service sector. Through acquisitions, strategic agreements and special competence centers, Bechtle has positioned itself for this trend and reinforced its position with qualified employees. The outsourcing and managed service projects may, in the future, therefore produce increases in company revenue and earnings. Customer relations in this so-called sales business are normally of a long-term nature, which favors the ability to plan the business development in this area.

Many companies and, above all, public sector clients have been reluctant to invest in their IT infrastructure over the past few years. This defensive approach has existed for a comparatively long period, and increases the chances for increased willingness to invest, against the backdrop of improved cyclical underlying conditions as well as numerous statutory compliance requirements. The public sector clients could once again become increasingly active. As early as 2004, Bechtle organisationally orients to public sector clients through the establishment of a so-called line of business, in order to combine existing experience in the service and commercial operations in this area. This results in better opportunities for further orders.

The corporate structure itself also affords better opportunities for Bechtle. The almost area-wide presence in Germany and Switzerland has enabled Bechtle to address by the means of the regional system houses local SMBs and – in its capacity as the Bechtle Group – to win over as customers, supra-regional companies and groups which require a large IT service provider. In addition, the Group is in a position to benefit from the significant scale effects due to the acquired size, the centralised administrative tasks and purchasing and logistics processes. Furthermore, Bechtle utilises the advantages of an international Group for cooperation and partnerships with leading IT manufacturers. As regards knowledge transfer, Bechtle benefits from the possibility to combine know-how via competence centers and specialised product management teams that is then available centrally to all locations. On the basis of the acquired market position and the combination of decentralised and centralised company divisions, Bechtle has, overall, created good preconditions to be able to actively seize the opportunities presented by the market.

### RISK MANAGEMENT

Pursuant to Article 91 (2) of the German Stock Corporation Act, the Executive Board of Bechtle AG has, in its overall responsibility for the Group, set up a monitoring system for the early recognition and assessment of risk positions. The early risk recognition system is an integral part of the planning, controlling and reporting process.

Bechtle's risk strategy is based on the company's principles and the strategic company objectives which all employees are aware of and which determine the company's day-to-day activities and serve as a guide to all decisions. In addition, the guidelines that apply on a Group-wide basis are part of a systematic and efficient risk management system.

Bechtle has fixed the following, central, risk principles:

Efficient risk management ensures that employees and resources are used in a manner which does not jeopardise the company's objectives and the implementation of its vision. A risk management system is not aimed at avoiding all potential risks. Moreover, risks are to be taken responsibly and limited to an acceptable level with a view to cost optimisation. In this regard, opportunities should not be missed.

At Bechtle, "risks" constitute the failure to reach objectives or the failure to successfully implement strategies. This applies to all internal and external events, actions or failures that constitute a potential threat for Bechtle's success. In this respect, the term risk is not limited to unexpected, negative, developments or events. It also refers expressly to the failure of or faulty use of positive developments or opportunities.

The early recognition, analysis and communication of risks is the responsibility of the management of the subsidiary companies as risk taker. Due to the direct presence of the individual Group companies at the customers' premises on site on the one hand, and ongoing market observation on the other, risks can be identified at an early stage in the direct environment and outside the Bechtle AG business area. All companies are subject to identical parameters which, in the case of systematic application, result in appropriate and effective risk management. Given the decentralised structure the companies inform the centrally responsible unit for risk management in a "bottom-up" manner, as to the occurrence or status of as well as any changes to significant risks. In this way, the operational units are closely integrated into the risk management process.

Controlling assumes the central position in risk management through specifying guidelines, methods and tools for risk management and the control of risks involved. The notification of risks from the subsidiary companies therefore converge in one department, and as a result of the accumulation of similar risks reflect the Group's risk situation. In the ongoing risk management process, Controlling also reviews the plausibility of the notified risks and the feasibility of the instituted measures. By way of random samples, it establishes whether the existing and identified risks are regularly investigated and notified accordingly. In addition, the monthly assessment of the contribution margin generated via the inventory management system and the financial accounting is a key controlling instrument aimed at identifying risks. Controlling draws up internal

reports on the basis of the business data of all consolidated companies.

Controlling files regular, comprehensive and timely reports to the Executive Board on possible risks for the entire Group. Risks that occur at short notice, and risks with effects for the entire Group, are also communicated directly to the Executive Board in urgent cases, irrespective of customary reporting procedure. Bechtle has specified the methods applied to risks in a risk manual that is available to all employees in electronic form.

The auditors review on an annual basis the adherence to, functionality and efficiency of the early-recognition risk system, and its ongoing further development and integration in business processes. The information gathered in this context is used for further optimisation of early risk recognition and management. Furthermore, the Supervisory Board regularly reviews whether the Executive Board has set up a functioning and efficient risk management system. In this regard it also refers to the auditor's report.

#### OVERALL ECONOMIC RISKS

Bechtle sells IT products in nine western European countries and in addition provides IT services in Germany and Switzerland. Because the business activities involve the business-to-business and business-to-government area, Bechtle is dependent on the willingness of companies and the public sector to invest. In the case of persistently weak economic development in the relevant countries, the general tendency to invest in the case of purchasing IT products and in the case of awarding contracts for IT services may fall or delay the time planning for such capital expenditure. A mediocre economic dynamic can therefore exert a negative influence on the revenue and earnings situation. Bechtle counters this risk by reinforcing business divisions with above-average growth potential – such as Managed Services. In addition, the company endeavors to create growth through winning further market shares, even when there is weak or stagnating sector development. In addition, dependency on the domestic market is mitigated by a presence in different markets abroad, which constitute roughly one-third of revenue.

#### MARKET RISKS

The entire IT market continues to find itself in the grips of a consolidation phase as a result of insolvencies, takeovers and mergers. The IT trading and service sector is characterised by increasing competition. Products and increasingly services are coming under margin pressure, which is increasing in the light of a greater competition and the

strained economic situation of many market participants. By means of continued optimisation of the procurement, throughput and sales process, Bechtle is minimising the market risk of expensive warehousing or the depreciation of stored goods. Here, the situation calls for goods to be procured shortly before delivery to the customer, or commissioning distributors as fulfillment partners. To avoid bottlenecks in the case of extremely restrictive warehousing, the procurement processes are closely linked with the manufacturers' and distributors' systems. This guarantees a high level of availability and makes it possible to offer customers an expedient delivery service. In addition, Bechtle benefits from scale effects that exert a positive influence on the earnings situation through volume grouping via the central procurement and logistics processes.

#### CUSTOMER DEPENDENCY

Although individual Bechtle Group companies are dependent on individual customers, the entire Group enjoys a wide range of customers, and as a whole its existence is therefore not considerably dependent in type or manner on any individual customer. The sector's high customer diversity also spreads the risk of dependency on individual sector economies.

#### RISKS DUE TO ACQUISITIONS

The Bechtle Group will continue to reinforce its market position through acquisitions. As a rule, the decision to acquire a company and its integration are associated with a business risk. By the same token, it cannot be ruled out that a company's performance will fall short of expectations. Bechtle takes such risks with comprehensive and cautious due diligence. Acquisitions are prepared, implemented and controlled according to specified and differentiated authorisation regulations and approval processes. In addition, the company's management has at its disposal long-standing experience in integrating companies and has established the necessary structures in this respect. The rapid growth of the Bechtle Group and the new company employees resulting from the acquisitions, tie up personnel and organisational resources during the integration phase. However, such risks are combined with considerable entrepreneurial opportunities for the Group's further development. Following the integration phase, the new companies can play a part in the company's growth through synergies and scale effects, and supplementing the Bechtle portfolio.

#### SUPPLIER DEPENDENCY

Bechtle procures its products from all key, well-known manufacturers and distributors operating in the IT sector.

That means more than 290 manufacturers and more than 400 distributors throughout Europe. If a partner serving as supplier is lost, Bechtle is in a position to provide replacement products at short notice. In existential and economic terms, the Group is not dependent on any supplier. The manufacturer Hewlett Packard is, however, a major supplier. Developments on the IT market point to a high degree of competitive pressure also among manufacturers. The competitive pressure leads to a situation in which the expectations they have vis-à-vis their distribution partners is growing. Bechtle is aware of these rigorous expectations and strives to work together with manufacturers in a partner-like and professional manner, so as to meet the expectations of customers and manufacturers as best as possible. In order to support it in its cooperative efforts with strategic manufacturers, Bechtle has established so-called Vendor Integrated Product Managers (VIPM), who simultaneously represent the interests of the manufacturer and Bechtle and thus contribute to optimising the achievement of the joint goals of both partners. In this manner, for instance, information from the manufacturer can be channeled to the responsible employee in the distribution and in the services areas centrally, target-orientated and without delay. This also leads to an increase in the quality of customer advisory services by Bechtle and creates immediate benefits for the customer resulting from manufacturer and product activities. At the same time, such close contact to the manufacturer can be used in order to nip in the bud any conflict situations with customers in the event of product complaints. Manufacturers also benefit from this initiative, since it affords them real-time feedback with regard to their products and any sales measures taken. Bechtle has thereby taken the organisational measures required in order to avoid its business relations with manufacturers becoming operationally compromised.

#### WARRANTY AND LIABILITY RISKS

In the IT system house segment, Bechtle provides a contractual warranty obligation for supplied systems that is customary in the sector. In this context, Bechtle passes on the manufacturer's warranties. Furthermore, Bechtle directly processes warranty extensions in dealings with customers. Appropriate provisions have been created to hedge the risk involved. In addition, the statutory warranty is applicable. The risk of customers lodging claims against Bechtle as part of the warranty – without recourse to the manufacturer – is to be estimated as rather slight. Insofar as Bechtle renders own services and provides a warranty in this respect, its third-party liability insurance provides adequate coverage, including financial damages.

#### IT AND INFORMATION RISKS

Fundamental information risks arise from the operation of computer-supported databases and from the use of systems for inventory management, controlling and financial planning. An availability risk could arise if the operational readiness of IT systems required for smooth operations is no longer guaranteed. Possible causes would be the loss of hardware, operating errors or disruptions in the case of equipment used for electronic data processing.

In addition, the likelihood and scope of damage by viruses and hackers cannot be estimated. Unauthorised access to the IT systems could, in addition, create a confidentiality risk. An integrity risk, which might arise in general due to incorrect processing, loss of data or faulty data storage, does not concern Bechtle, as far as such risk can be identified. Bechtle protects systems through inter alia, firewalls and strict security measures. The availability of the IT systems complies with the latest state-of-the-art technology. The company secures operations by way of redundant data lines. All the network links to locations are equipped with back-up lines. With regard to the stability of the e-commerce systems, Bechtle uses several providers with mutual security functions. All key manufacturing systems are in place in duplicate and are subject to a high availability contract entered into with the manufacturer. In addition, the systems are secured through an uninterruptible power supply and an emergency power system.

Bechtle uses coding and authorisation technologies as well as firewalls for electronically forwarding confidential information. Even if the introduced protective mechanisms and security standards comply with the latest state-of-the-art technology, there is a risk such information could be used unlawfully if such precautionary measures are by-passed.

#### CREDIT RISKS

Bechtle reduces credit risks by entering into transactions only within specified limits and via banks which enjoy very good credit ratings. Payment transactions are also processed via such banks.

#### INTEREST RATE RISK

The risks which arise due to fluctuations in interest rates for variable interest rate loans have been eliminated by interest swaps, which are to be considered as 100 per cent effective in hedging against the risk of interest rate changes.

#### LIQUIDITY RISKS

Appropriate liquidity must be available at all times to honor payment obligations. The occurrence of a liquidity risk is limited, due to the current financial situation of the

Bechtle Group, which has at its disposal cash and cash equivalents and securities of the current assets of Million Euros 39.4, unused credit lines of Million Euros 43.0 and a positive cash flow from operating activities of Million Euros 26.9. Furthermore, Bechtle AG has at its disposal authorised capital of up to Million Euros 10.6 to increase the equity base where necessary.

#### RISKS DUE TO LOSS OF RECEIVABLES

In the IT system house and e-commerce segments, Bechtle supplies customers with goods or renders services on account. As a general rule, bad debts may occur in the event of customer insolvency. Strict central controlling and ongoing creditworthiness checks minimise the risk at Bechtle.

#### FOREIGN CURRENCY RISKS

The foreign currency risk is primarily limited to Swiss francs given that a significant amount of the business carried out overseas takes place in Switzerland. With the exception of Switzerland, goods are procured almost entirely in the Eurozone and in euros. Only in extremely rare, exceptional cases are payments effected in dollars. As a general rule an appropriate currency risk applies in connection with taking out loans in Swiss francs. Indirect hedging is provided, in that the cash flows in Swiss francs generated in Switzerland can be used to repay such loans. Insofar as appropriate funds are available, the risk is therefore limited.

#### LEGAL RISKS

As a globally active Group, Bechtle is required to comply with different national laws. This may give rise to risks in respect of legal transactions – for example in respect of the preparation of contracts – which Bechtle deals with, where applicable, by way of legal council. The company is currently not involved in litigations that could result in considerable negative effects on the Group result.

#### LIABILITY RISKS

Bechtle has taken out insurance policies with coverage against various liability risks. The scope of the insurance coverage is reviewed on an ongoing basis and adjusted where necessary. Financial effects of insurable risks should, therefore, be ruled out or be limited.

#### PERSONNEL RISKS

Bechtle's economic success is conditional, to a large degree, on its employees' commitment and know-how. If executive personnel or qualified employees leave the company and an adequate replacement cannot be found quickly enough, this may have a detrimental effect on Bechtle's business development in the affected areas. The objective therefore



consists of winning specialists and executive personnel for the company, successfully integrating them and establishing loyalty on a permanent basis.

Due to the strong consolidation in the IT market, there is currently no shortage of well-trained distribution employees. In contrast, finding replacements for highly-qualified IT specialists can be more difficult in individual departments. In such cases this may result in a risk for the operative business development. However, in the sector Bechtle is seen as an attractive and stable employer, which is not least demonstrated by the sharp increase in the number of qualified and experienced applicants.

#### OVERALL RISK

As in the case of any globally active company, Bechtle faces numerous business opportunities while at the same time being exposed to various risks. In the final analysis, it is clear that for Bechtle, prime importance is attached to the constant consolidation of the relationship with the manufacturers and to the market risk resulting from cyclical-dependent investment cycles. Bechtle carefully controls the internal tasks and business processes, and these are therefore less risk-prone. Furthermore, detailed planning and control processes – which include daily business development assessments – limit such risks for Bechtle.

According to Bechtle, the existing risks are limited and manageable. They do not constitute a danger to the company's existence. This is underscored by a risk assessment carried out by a third party. In addition to the internal risk assessment, the creditworthiness or risk of bad debts on the part of Bechtle are permanently assessed and monitored among others by banks and credit investigation agencies. In this respect Bechtle is assessed with a low likelihood of bad debts of 0.09 per cent to 0.30 per cent (in relation to the one-year period that is customary in the market). This matches the creditworthiness assessments for Bechtle AG which are available at the credit investigation agencies Bürgel and Creditreform (creditworthiness index Bürgel: 1.1 and Creditreform: 110, status: March 2007). Based on these bad debt probabilities, Bechtle's rating on the Standard & Poor's scale, employed globally in the financial markets, is calculated at BBB+. In the bank-wide sixtier rating scale IFD (Initiative for Germany as a Financial Location), Bechtle enjoys the best rating I (loss of bad debts up to 0.3 per cent per year).

Bechtle's liquidity base is healthy, while the equity as a percentage of total assets is above-average at 60.0 per cent. Overall, no risks exist that threaten the continuation of the company's existence. The Executive Board is therefore con-

vinced that the challenges and opportunities resulting from Bechtle's leading position in the relevant markets, the committed employees and the efficient processes will be successfully utilised in the future as well.

#### SUPPLEMENTARY REPORT

In January 2007, Bechtle AG acquired the system house ITZ Informationstechnologie GmbH. This company, with its registered domicile in Essen is primarily of interest due to its expertise in the area of IT services. With this acquisition, the Bechtle Group has strengthened its services business. Founded in 1994, ITZ provides services in Bechtle's core business area of IT consulting for established SMB customers, and has also been active for larger companies. In 2006 the company achieved revenue of approximately Million Euros 20. The range of services on offer by ITZ will, in future, include the complete PC Lifecycle from desktop and server systems, the realisation of communications, security and software development projects as well as the operation and development of support, out-tasking, outsourcing and enterprise solutions.

With effect from 1 March 2007, the Supervisory Board of Bechtle AG appointed Dr. Thomas Olemotz to the Executive Board. The 44 year-old Dr. Olemotz shall take over responsibility for finances from the Chairman of the Executive Board Ralf Klenk. After having worked for the Westdeutsche Landesbank and the Deutsche Bank Group, Dr. Olemotz was active in the Bad Homburger Delton AG group of companies, before moving to Microlog Logistics AG. It was there that, for roughly five years, he was responsible for finances and personnel in the Executive Board. With his appointment to the position of CFO, the realignment of the organisational structure embarked upon in February 2006 has achieved another important milestone.

Apart from the above, no further occurrences of any significance to the Bechtle Group transpired in the period of time spanning the balance sheet reference date and the drafting of the present Report.

## OUTLOOK

Estimates by the EU assume that the Eurozone economy will be slightly weaker in 2007. These estimates predict that the GDP growth in the current year will be around 2.1 per cent. The reason for this weak growth figure is a cooling in the global economy and in particular a cyclical downturn in the US. Growth will primarily be driven by the uninterrupted rise in domestic demand, in particular in capital expenditure. Risks for the economy are in the form of a continued downward spiral in the US economy and a rise in oil prices as a result of geopolitical tensions. In addition to this, restrictive monetary policies by the European Central Bank could put growth at risk.

In Germany too, economic growth is again expected to weaken in the current year. Whereas it may be true that the feared collapse at the start of the year due to the rise in VAT did not take place, it is equally true that in February the ifo-business confidence index fell further than expected. On the whole, GDP growth for 2007 is expected to be in the vicinity of 1.5 per cent.

### IT MARKET

According to market researchers, the IT market (business and consumer segment) is set to show further overall growth in 2007. The EITO experts predict 4.2 per cent growth for Western Europe. This was admittedly the estimate for the previous year where the growth rate actually achieved was only 3.3 per cent. Software (with 6.4 per cent) and IT services (with 5.3 per cent) are again expected to be the main drivers of growth. The hardware market is expected to recover somewhat, with growth of 0.8 per cent predicted.

In Switzerland, market growth is expected to be at 4.2 per cent. Whereas IT services and software are expected to make an especially strong contribution to growth, the hardware market is expected to take a significant turn for the better at 1.8 per cent. Here, more than anything else, the continued increase in demand for servers is expected to contribute to growth.

EITO predicts growth in Germany of 3.5 per cent. This is also almost the exact same figure for 2006, which only saw growth of 2.8 per cent. Above average growth is expected in the area of software (5.7 per cent) as well as IT services (5.0 per cent). In the service sector, revenue volume is predicted to be th. Million Euros 29.5 in 2007. The trend towards outsourcing is expected to be the main driver of

growth. Revenue in the hardware sector, on the other hand, is expected to continue its downward course due to stiff price competition, with negative growth predicted at -0.3 per cent. Whereas sales of desktop computers are expected to fall by 4.0 per cent, growth in sales of laptops is expected to be only 3.0 per cent.

### REVENUE AND EARNINGS TARGETS 2007

Implementation of the measures put into effect is clearly of a higher priority in 2007 than continued strong expansion, particularly by means of large acquisitions. The Executive Board expects that the comprehensive structural measures initiated in 2006/2007 shall come fully to bear in 2008.

Nevertheless, the Executive Board expects revenue growth in 2007 to exceed that of the market. Revenue is predicted to climb to somewhere between th. Million Euros 1.30 and th. Million Euros 1.35 in 2007. The Executive Board also expects earnings before taxes to continue to rise by roughly five per cent, so that earnings are somewhere in the vicinity of Million Euros 48.

How business effectively unfolds will again only be discernable at the end of the fourth quarter, given that the seasonal character of the sector is underscored by an extremely strong final quarter for Bechtle. In 2006, the final quarter contributed roughly 40 per cent to earnings. This underlines how incalculable the preconditions for reliable forecasts are.

### ACQUISITIONS AND START-UPS

Even if one acquisition has been carried out in the course of the current fiscal year, acquisitions are not a high priority until the conclusion of the consolidation and restructuring process. As a rule, they are not out of the question and takeovers are certainly conceivable where attractive opportunities should present themselves to strengthen the market position of Bechtle's services offering.

In any event, as of 2007 a number of start-ups in the context of the expansion strategy for the ARP brand are to be undertaken, whereby the next step is entry into the French market as per 1 May.

### CAPITAL EXPENDITURE

The planned capital expenditure in the maintenance, extension and rationalisation of business operations for 2007 will not differ substantially from those carried out in the previous year. During the current year, only the usual replacement capital expenditure is scheduled, for which around Million Euros eleven have been earmarked.

#### FINANCIAL STATUS

The Bechtle Group has a solid balance sheet structure, and is endowed with ample financial resources to grow organically. The planned capital expenditure can be financed with internal resources, rendering additional financial requirements unnecessary. Provided that no substantial acquisitions occur in the current fiscal year, the balance sheet structure will see no significant changes.

#### EMPLOYEES

With an unchanged consolidation basis, the Executive Board assumes that the number of employees will only change marginally in 2007. Given the possibility of further acquisitions, the number of employees could be liable to increase accordingly .

#### DIVIDENDS

Bechtle wishes to continue its continuity-oriented dividend policy during 2007. When calculating dividends, the Executive Board will in future continue to consider shareholders' entitlement to direct participation in the success of the business, as well as looking at financing requirements for continued corporate growth.

#### OUTLOOK UP TO 2010

In the medium to long-term Bechtle expects the positive trend in business developments to continue, whereby the Executive Board is betting primarily on organic growth in IT e-commerce, whereas at the same time the IT systems house segment will expand its regional and technical position by means of selected acquisitions. In addition, Managed Services and an increasing amount of activity on behalf of the public sector should contribute to growth in the system house segment. The Executive Board believes firmly that Group revenue up to 2010, accompanied by growing profitability, will reach the th. Million Euros 2 mark by 2010. The condition for doing so is, first and foremost, the concerted and successful implementation of the measures from the ongoing process, but also a sustained positive and stable economic cycle.

Corporate strategy, designed to secure market position over the long term, primarily pursues the sustainable acquisition of market share. In developments over the short term, integration expenses may arise, emanating primarily from acquisitions , which negatively affect the earnings.

Neckarsulm, March 2007

Bechtle AG

The Executive Board

# // CONSOLIDATED FINANCIAL STATEMENTS

*as of 31 December 2006*

Consolidated Income Statement

Consolidated Balance Sheet

Statement of recognised Income and Expense

Consolidated Cash Flow Statement

// **CONSOLIDATED INCOME STATEMENT**  
*from 1 January to 31 December 2006 (2005)*

*in th. Euros*

	NOTES	01.01.–31.12.2006	01.01.–31.12.2005
Revenue	(18)	1,220,138	1,178,269
Cost of sales	(19)	1,046,557	1,020,414
<b>Gross profit</b>		<b>173,581</b>	<b>157,855</b>
Distribution cost	(19)	73,739	68,545
Administrative cost	(19)	62,732	55,546
Other operating income	(20)	8,620	7,431
<b>Operating profit</b>		<b>45,730</b>	<b>41,195</b>
Interest income		962	943
Interest cost		833	966
<b>Earnings before taxes</b>		<b>45,859</b>	<b>41,172</b>
Income taxes	(21)	15,134	11,886
<b>Earnings after taxes</b>		<b>30,725</b>	<b>29,286</b>
Minority interest of earnings after taxes		-45	-50
<b>Earnings after taxes without minority interest</b>		<b>30,680</b>	<b>29,236</b>
<b>Net earnings per share (basic) in Euro</b>	(22)	<b>1.4472</b>	<b>1.3791</b>
<b>Net earnings per share (diluted) in Euro</b>	(22)	<b>1.4472</b>	<b>1.3791</b>
<b>Weighted average shares outstanding (basic) in thousand</b>		<b>21,200</b>	<b>21,200</b>
<b>Weighted average shares outstanding (diluted) in thousand</b>		<b>21,200</b>	<b>21,200</b>

## // CONSOLIDATED BALANCE SHEET

as of 31 December 2006 (31 December 2005)

in th. Euros

ASSETS	Notes	31.12.2006	31.12.2005
<b>NON-CURRENT ASSETS</b>			
Goodwill	(1)	97,412	89,519
Other intangible assets	(2)	18,681	20,195
Property, plant and equipment	(3)	18,784	18,567
Investment property	(4)	0	2,646
Tax receivables		173	0
Prepaid expenses and other non-current assets	(5)	1,893	1,946
Deferred taxes	(6)	5,386	7,432
<b>Total non-current assets</b>		<b>142,329</b>	<b>140,305</b>
<b>CURRENT ASSETS</b>			
Inventories	(7)	39,006	41,829
Trade receivables	(8)	181,086	164,291
Securities	(9)	2,642	3,736
Tax receivables		1,494	2,801
Prepaid expenses and other current assets	(10)	14,236	12,806
Cash and cash equivalents	(11)	36,710	48,178
<b>Total current assets</b>		<b>275,174</b>	<b>273,641</b>
<b>Non-current assets held for sale</b>	(4)	<b>2,579</b>	<b>0</b>
<b>Total assets</b>		<b>420,082</b>	<b>413,946</b>

in th. Euros

EQUITY AND LIABILITIES	Notes	31.12.2006	31.12.2005
<b>EQUITY</b>			
Issued capital	(12)	21,200	21,200
Capital reserve	(12)	143,454	143,454
Revenue reserves	(12)	87,090	72,549
<b>Equity before minority interest</b>		<b>251,744</b>	<b>237,203</b>
Minority interest on equity	(12)	289	244
<b>Total equity</b>		<b>252,033</b>	<b>237,447</b>
<b>NON-CURRENT LIABILITIES</b>			
Pension provisions	(13)	5,384	559
Other provisions	(14)	212	620
Non-current loans, less current portion	(15)	9,050	14,772
Other non-current liabilities	(16)	643	900
Deferred income	(16)	2,667	2,510
Deferred taxes	(6)	6,662	7,519
<b>Total non-current liabilities</b>		<b>24,618</b>	<b>26,880</b>
<b>CURRENT LIABILITIES</b>			
Other provisions	(14)	7,749	7,592
Current loan and current portion of non-current loan	(15)	5,416	7,008
Prepayments received		4,453	4,638
Trade payables		84,472	92,378
Tax payables		4,100	5,578
Other current liabilities	(17)	30,521	26,840
Deferred income	(17)	6,720	5,585
<b>Total current liabilities</b>		<b>143,431</b>	<b>149,619</b>
<b>Total equity and liabilities</b>		<b>420,082</b>	<b>413,946</b>

## // STATEMENT OF RECOGNISED INCOME AND EXPENSE

from 1 January to 31 December 2006 (2005)

in th. Euros

	01.01.–31.12.2006	01.01.–31.12.2005
Actuarial profit/loss in pension provisions	-4,725	0
Deferred taxes	925	0
Unrealised profit/loss on financial derivatives	228	107
Deferred taxes	-82	-34
Changes in difference from foreign currency translation	-1,885	-345
Unrealised profit/loss on securities	0	63
<b>Income and expense recognised directly in equity</b>	<b>-5,539</b>	<b>-209</b>
Earnings after taxes	30,680	29,236
<b>Total recognised income and expense after taxes</b>	<b>25,141</b>	<b>29,027</b>
Of which:		
Shareholders of Bechtle AG	25,096	28,977
Minority interests	45	50
on total recognised income and expense after taxes		

A further explanation of equity is available in the notes to the consolidated financial statement under section III, no. 12.



**// CONSOLIDATED CASH FLOW STATEMENT**  
from 1 January to 31 December 2006 (2005)

in th. Euros

	01.01.–31.12.2006	01.01.–31.12.2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Earnings before taxes</b>	45,859	41,172
Depreciation and amortisation in intangible assets and property, plant and equipment as well as in investment property	14,456	11,926
Loss on disposals of intangible assets and property, plant and equipment	36	53
Changes in net working capital including provisions	-18,019	-13,130
Other non-cash income / expenses	-990	-155
<b>Cash flow from ordinary operations</b>	<b>41,342</b>	<b>39,866</b>
Income taxes paid	-14,476	-11,743
<b>Net cash from operating activities</b>	<b>26,866</b>	<b>28,123</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash paid for the acquisition of consolidated entities less cash acquired	-11,303	-14,180
Cash paid for investments in intangible assets and property, plant and equipment	-10,849	-8,551
Cash received from sale of intangible assets and property, plant and equipment	950	1,008
Cash paid for investments in securities and non-current assets	-189	-80
Cash received from sale of securities and non-current assets	1,229	902
Interest payments received	819	699
<b>Net cash used in investing activities</b>	<b>-19,343</b>	<b>-20,202</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash received from current and non-current loans	25	290
Cash paid for current and non-current loans	-6,865	-12,023
Dividends paid	-10,600	-8,480
Interest paid	-888	-1,004
<b>Net cash used for financing activities</b>	<b>-18,328</b>	<b>-21,217</b>
Net foreign exchange difference in cash and cash equivalents	-664	-23
<b>Changes in cash and cash equivalents</b>	<b>-11,469</b>	<b>-13,319</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>48,178</b>	<b>61,497</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>36,709</b>	<b>48,178</b>

# // CONSOLIDATED FINANCIAL STATEMENTS

*as of 31 December 2006*

Notes to the Consolidated Financial Statements 2006 Fiscal year

## I. BASIC COMPANY INFORMATION

Bechtle AG, Bechtle Platz 1, 74172 Neckarsulm, is a public company under German law with subsidiaries in Germany and Switzerland in the area of system houses as well as in nine European countries in the area of commercial IT products.

Since 2000, Bechtle has been registered in the Prime Standard segment of the stock exchange and since 2004 has been listed on the technology index TecDax. The company's shares are traded on all the German stock exchange markets.

The Consolidated financial statements for Bechtle AG for the 2006 fiscal year were released for publication by the Executive Board on 12 March 2007.

Bechtle AG published a declaration of compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act. The current version of the declaration is published on the company website.

## II. SUMMARY OF KEY ACCOUNTING AND CONSOLIDATION PRINCIPLES

### Accounting Principles

As a publicly listed company, the parent company Bechtle AG prepares its Consolidated financial statements on the basis of article 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and adopted by the EU.

All International Financial Reporting Standards obligatory for the 2006 fiscal year have been adopted. In addition, the details required by article 315a section 1 of the German Commercial Code (HGB) are disclosed in the notes.

The Consolidated financial statements were prepared, in principle, on the basis of historical costs. Exceptions were securities and derivative financial instruments which were valued at their fair value. The Consolidated financial statements were prepared in the Euro currency and were rounded up to full thousands, unless otherwise stipulated.

### Consolidation Principles

The Consolidated financial statements are based on the annual accounts of Bechtle Aktiengesellschaft and the included subsidiaries, which were prepared according to standard group accounting and measurement methods. Capital consolidation is carried out by offsetting investment carrying amounts against the proportionately revalued equity of the subsidiaries at the time of acquisition.

In accordance with IFRS 3.51, positive differences are accounted as goodwill. Negative differences are recognised in the income statement according to IFRS 3.56 (b). Profits and losses of acquired companies are taken into account in the consolidated income statement from the acquisition date, i.e. from the date the parent company is in control. Inclusion into consolidated financial statements ends once the subsidiary is no longer subject to the parent company.

Intragroup profits and losses, revenue, expenses and income, plus accounts receivables and liabilities have been eliminated. The necessary tax deferrals for the consolidation transactions were made.

### Change in the Presentation Layout

The Consolidated Financial Statements for the 2006 fiscal year and the comparative figures have been changed somewhat in the way they are presented. From the group's perspective the change in layout of the balance sheet and the new order in which maturities are listed makes it possible to better present the assets and financial situation. The notes reflect the order of the balance sheet and profit and loss items and have therefore been rendered more informative. These changes have been implemented in view of IAS 8. Pursuant to IAS 8.14b, and in spite of the principle of continuity, accounting methods may and should be changed if this results in improved presentational layout of the assets, earnings and financial situation.

### Deferred Income

In the 2006 fiscal year, all deferrals for the performance of services charged in advance were posted to the balance sheet as deferred income. In the previous year deferrals in the context of warranty extensions and / or expansions were posted to the balance sheet under "other provisions". These have now been posted under deferred income for the comparative period 2005.

### Impact of new and changed accounting standards

#### Impact of new and changed accounting standards

Bechtle has used the following new and / or changed standards and interpretations for the first time.

- IFRS 6 Exploration for and Evaluation of Mineral Resources;
- Change of IAS 21 The Effects of Changes in Foreign Exchange Rates – Net investment in a Foreign operation;
- Change of IAS 39 Financial Instruments Recognition and Measurement: Cash Flow Hedge Accounting and Fair Value Option;
- Change of IAS 39 Financial Instruments Recognition and Measurement as well as IFRS 4 Insurance Contracts – Financial Guarantees;
- IFRIC 4 Determining Whether an Arrangement Contains a Lease;
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds; and
- IFRIC 6 Liabilities Arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment.

The first-time application of these communiqués did not result in any significant implications for the assets, earnings and financial situation or the cash flow statement.

In addition to the above, Bechtle also applied IAS 19 Employee Benefits in the fiscal year. During the revision of IAS 19 a further option was created for the handling of actuarial profits and losses. These can now be recognised directly in equity in the period in which they arise. Bechtle exercised this option on 1 January 2006. The revenue-neutral amounts recorded are listed amongst the statement of recognised income and expense.

The actuarial losses recognised directly in equity registered in the reporting period, taking into consideration deferred taxes, comprised th. Euros 3,800.

### New and / or Changed Accounting Standards that have not been Adopted

The following standards and interpretations, which Bechtle has not applied in advance for the 2006 fiscal year, had been published by the IASB and the IFRIC up to the balance sheet date, some of which have been recognised by the European Commission. With the exception of additional information in the Notes and Segment Report, the first-time application thereof is not expected to have any significant impact on the Consolidated financial statements of Bechtle AG.

STANDARD / INTERPRETATION	DATE OF ENTRY INTO FORCE
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IFRS 8 Operating Segments	1 January 2007
Change IAS 1 Presentation of Financial Statements – Capital disclosure	1 January 2007
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2007
IFRIC 8 Scope of Application of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11 Group and Treasury Share Transactions pursuant to IFRS 2:	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2007

### Scope of Consolidation

Bechtle AG, Neckarsulm and all its majority owned and controlled subsidiaries are included in the consolidated entity. Bechtle AG holds, either directly or indirectly all the shares of the companies included hereunder. One exception hereto is PSB AG for Programming and Systems Consulting, Neckarsulm (formerly Ober-Moerlen) and its subsidiaries, in which Bechtle owns, either directly or indirectly, a 98.3 per cent stake.

The following companies were included in the scope of consolidation for the first time during this reporting period:

COMPANY	Registered Domicile	Time first consolidated	Acquired / Founded
ARP Datacon B.V.	Maastricht, Netherlands	01.01.2006	Founded
Artikona Nederland B.V.	Maastricht, Netherlands	01.01.2006	Acquired
Artikona Facilities B.V.	Maastricht, Netherlands	01.01.2006	Acquired
Artikona Supplies B.V.	Maastricht, Netherlands	01.01.2006	Acquired
Masy micro advantage system S.à.r.l.*	Renens, Switzerland	01.01.2006	Acquired
Bechtle Management AG	Rotkreuz, Switzerland	20.11.2006	Founded
SOS Developers SAS	Valbonne, France	31.12.2006	Acquired

\* Per Agreement dated 28 June 2006 Masy micro advantage system S.à.r.l. was merged with ARP Datacon AG, Rotkreuz, Switzerland with retroactive effect as per January 1, 2006.

A comprehensive list of the investments it owns is notified, together with the Financial statements of Bechtle AG, in the electronic federal gazette.

### Foreign Currency Translation

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

Assets and liabilities are translated into the functional currency, Euros, at the mean closing rate in accordance with IAS 21. Revenue and expense accounts have been translated at the mean rate of the reporting period. Equity is determined on the basis of historical rates. Resulting deviations are quoted as separate items.

Capital gains and losses resulting from currency fluctuations during foreign currency transactions are recognised in profit or loss. For the reporting period, a total of th. Euros 408 (2005: th. Euros 407) have been recognised as in profit.

### Accounting Principles

#### Goodwill as well as other Intangible Assets

##### *Goodwill*

Goodwill from a merger is initially measured at cost of the acquisition, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised in accordance with IFRS 3. Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified nor separately recognised.

Goodwill shall not be amortised according to IFRS 3. Instead, in accordance with IAS 36 it is at least annually tested for impairment.

##### *Other Intangible Assets*

Intangible assets include acquired customer bases and brands, plus bought-in and home-grown software, as well as customer service contracts.

##### *Customer bases*

Customer bases are measured at cost. Customer bases acquired as part of corporate acquisitions are measured at an amount that represents the benefit to be obtained from the customer bases. Customer bases are amortised 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 rights acquired as part of corporate acquisitions are measured at an amount that represents the benefit to be obtained from the brand rights. An unlimited useful life is assumed since, according to an analysis of all the relevant factors, there is no foreseeable limit to the period in which these brand rights are expected to generate Net Cash Flows for the Bechtle Group. Consequently, according to IAS 38, the brand rights cannot be amortised, rather must, according to IAS 36, be tested for impairment at least once a year.

##### *Bought-In Software*

Bought-in software is measured at cost and amortised in a straight line over its expected useful life of three to eight years.

### ***Home-grown Software***

In accordance with IAS 38, home-grown software and other product development costs must also be recognised. Home-grown 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 recognised according to the provisions of IAS 38 if both the technical and commercial feasibility of the newly developed products are established and they generate future economic benefits for the Group. This recognition takes place in the Bechtle Group at strictly defined cost which contains directly attributable individual costs and appropriate allowances for overheads and depreciation. The costs incurred during the period before technical feasibility must be recognised immediately in "Expenses" as development costs. Linear amortisation of these recognised costs takes place from the date of commercial use of the asset over a useful life of three to five years. Amortisation is included in sales, distribution and administrative costs, depending on its cause.

### ***Customer Service Contracts***

Customer service contracts are measured at cost. Customer service contracts acquired as part of corporate acquisitions are measured at an amount that represents the benefit to be obtained from the customer service contracts. Customer service contracts are amortised over the remaining time to maturity in accordance with the benefit obtained from them.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accrued depreciation. The assets of property, plant and equipment are depreciated over their estimated useful life using planned depreciation methods based on the economic useful life.

The useful lives 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 property, plant and equipment with a cost of purchase less than Euros 410 in a total amount of th. Euros 491 (2005: th. Euros 740) are fully depreciated in the year of acquisition and treated as disposals.

### **Non-current assets held for sale**

According to IFRS 5, assets held for sale are to be classified as such, where the corresponding carrying amount is primarily realised by a sales transaction and not by means of continued use. According to IFRS 5.15, non-current assets are to be measured at the lower of carrying amount and fair value less costs to sell. These assets are then no longer subject to planned depreciation. Assets and liabilities held for sale are to be indicated separately in the Group balance sheet.

### **Investment Property**

Measurement takes place in accordance with the cost model (IAS 40.56) and thus pursuant to IAS 16, i.e. at costs net of accumulated depreciation and accumulated impairment losses. The period of useful life used as the basis for calculating straight-line depreciation is the same as that for the previously self-used property prior to the change of use.

### Impairment of Assets

According to IAS 36, property, plant and equipment and certain intangible assets must be tested 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 carrying amount of the asset with the estimated future inflow of funds generated by the asset (value in use). The depreciation requirement corresponds to the amount by which the carrying amount of the asset exceed the fair value. Assets that no longer serve the needs of the business are valued at carrying amount or lower fair value less costs to sell.

Maintenance costs are recognised as expense at the time incurred.

Goodwill as well as intangible assets with an unlimited useful life, shall be at least annually tested for impairment. Impairment tests on assets held by the Bechtle Group are always based on value in use, which, in turn, is based on the current business plans drafted by the Management. Planning propositions are adjusted to the actual state of knowledge. At the same time, reasonable assumptions on macroeconomic trends as well as historical developments are taken into account. The expected growth rates of the respective markets are used as the basis for calculating the Cash Flows.

For the impairment test of goodwill it must be allocated to the corresponding cash generating units. In the Bechtle Group, there are two cash generating units that are identical to the two segments "IT system house" and "IT e-commerce" as known from the segment reporting.

### Lease

In the case of operating lease contracts, the leasing rates or leasing payments are entered directly as expenses in the income statement.

With regard to finance 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 simultaneously lead to a financial asset in one company and to a financial liability in another. 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:

- Assets which are classified as "held for trading" are recognised at market value as expense,
- Held-to-maturity capital expenditure,
- Loans and receivables,
- Available-for-sale financial assets.

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. Extended credits and receivables are recognised as amortised costs.

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 little or no initial investment and are settled at a future date. Examples 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 policy on the settlement date at market values. The market values are calculated by means of standardised 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 in the income statement together with the change in the value of the basic transaction. In the case of interest swaps of the company which are classified as a cash flow hedge, the changes in the market value of the financial derivatives are reported without effect on 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.

#### **Receivables and Other Assets**

Receivables and other assets are measured at their costs of purchase net of adequate allowances for all identifiable single risks. Also, the general credit risk is considered through corresponding allowances, as far as verifiable.

#### **Liabilities**

Liabilities are recognised at amortised costs.

#### **Inventories**

In accordance with IAS 2, merchandise was measured at average cost of purchase. Interest on loan capital is not recognised. Allowances to the lower net realisable value have been taken to the extent required. In addition to a valuation without losses, these allowances also cover all other inventory risk. If the reasons which led to a write-down in inventories in the past no longer exist, a reversal of an impairment loss will be carried out.

#### **Deferred Taxes**

In accordance with IAS 12, deferred taxes 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 differences, as well as for tax loss carryforwards, are only recognised if it can be assumed with sufficient probability that these differences will produce the corresponding benefit in future. 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 passed, changes in the tax rates are taken into account.

#### **Treasury Shares**

Treasury shares to the amount of the cost are reported separately as a reduction in equity. The number of outstanding, i.e. publicly held shares of the Company, is reduced according to the number of shares held in treasury shares. The number of emitted shares remains unchanged. Gains or losses arising from the resale of treasury shares will be offset against the capital reserve.

#### **Pension Provisions**

The accounting of pension provisions and similar obligations is performed according to IAS 19. In doing so, a distinction is made between defined contribution plans and defined benefit plans.

For defined contribution plans Bechtle is not subject to any further obligations in excess of the payment of regular contributions. No actuarial assumptions are necessary in order to calculate obligations or expenses, nor can any actuarial profits or losses be incurred.

On the contrary, obligations resulting from defined benefit plans are to be evaluated by means of actuarial assumptions and calculations taking into account biometric principles. In doing so, actuarial profits or losses may be incurred.

Pursuant to IAS 19.93A, Bechtle records the actuarial profits and losses of all defined benefit plans in a uniform manner without effect on income under equity taking into consideration deferred taxes (revenue reserves). These actuarial profits and losses are recorded in the breakdown of "statement of recognised income and expense".

#### **Other Provisions**

Other provisions are formed if there is a current obligation towards third parties from a past event. It must be possible to reliably estimate this 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, non-current provisions with a term of more than one year were discounted on the basis of the corresponding interest rates on the balance sheet date.

#### **Preparation of Income Statement using the Cost-of-Sales Method**

The income statement is prepared using the cost-of-sales method.

#### **Revenue Recognition**

Sales occur in the IT system house and IT e-commerce segments whereby services and goods are differentiated between.

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

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

Maintenance contracts and other goods and services invoiced in advance are, taking the provided services into account, deferred encompassed over the duration.

#### **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 on home-grown software.

#### **Earnings per Share**

Earnings per share (or EPS) were calculated according to IAS 33. IAS 33 stipulates that earnings per share be disclosed for all companies that have issued ordinary shares. Ordinary EPS are earnings after tax without minority interest divided by the weighted average of the outstanding ordinary shares.

## Main Assumptions and Estimates

Drafting the Consolidated financial statements for the Group requires a number of assumptions and estimates on the part of the Executive Board, all of which inevitably impact the size of the assets, liabilities, earnings and expenses set out in the Consolidated financial statements as well as influencing how other financial commitments and contingent liabilities are presented. The results effectively achieved may differ from these estimates. All estimates and assumptions are made to the best of the Board's knowledge and in good faith, so as to provide a true and fair view of net assets, financial position and results of operations of the Group.

The most important future-orientated assumptions, as well as any other sources of uncertainty for estimates made, and which form the basis of a significant risk of having to adjust the carrying amount of assets and liabilities in the next fiscal year, have been set out below.

The measurement of **property, plant and equipment** as well as **intangible assets** is linked to estimations made with a view to determining the amount attainable for the asset in question. The recoverable amount corresponds to the higher value of the fair value less costs to sell and the value in use. The recoverable amount and the fair value are, as a rule, determined by means of the discounted cash-flow method, which is influenced by reasonable assumptions of market participants. An estimate of future discounted cash flows for an asset (value in use) contains major assumptions such as the future levels of sales prices and sales volumes, costs and discounting rates. Despite the fact that the management assumes that its estimates of the expected period of use, its assumptions regarding the economic parameters and trends for the sector in which Bechtle operates, and its estimates of the future discounted cash flows are all reasonable, it is true that a change in the assumptions or circumstances can also result in a change of analysis becoming necessary. This in turn could result in additional impairments or reversal of impairments in the event that the estimates made by the Executive Board should prove to be inaccurate.

At least once per year the Bechtle Group tests the **goodwill** for impairment. In order to do so requires an estimate of the values in use of the cash-generating-units to which the goodwill in question is attributed. In addition, the expected future cash flows of the cash-generating-units are to be estimated. A reasonable discounting rate so as to determine the present value of these cash flows must be selected. Underlying these assumptions could be various unforeseen changes which may lead to future impairments.

For doubtful **receivables** valuation allowances are made so as to account for estimated losses, which may result from customer insolvency. The underlying principle used for determining the reasonableness of valuation allowances to doubtful receivables is the maturity structures of the outstanding balances, past experiences with writing off receivables, customer-creditworthiness as well as changes to payment terms. In the event of a deterioration of the customer's financial situation the effective extent of receivables which need to be written off can exceed expectations.

**Pension liabilities** are, as a rule, covered by plans which are classified as defined benefit plans and entered as such on the balance sheet. Measurement of pensions is based on statistical and other factors so as to thus be able to anticipate future events. These factors include, inter alia, actuarial assumptions such as e.g. the discounted interest rate, expected increases in value to plan assets, expected increases to wages and pensions, mortality rates and early retirement ages. Given that such plans are very long-term in nature, they are subject to considerable uncertainty.

Given that the Group operates in and generates revenue in numerous countries, it is subject to various tax jurisdictions and corresponding tax laws. Thus significant evaluations are necessary in order to determine the Group's **income taxes**. There is no guarantee that the effective outcome of tax-related imponderables will correspond to the original estimates, despite the fact that the

Executive Board assumes that its estimates regarding such tax-related imponderables are reasonable. Any discrepancies could have an impact on tax liabilities and on deferred taxes. Deferred tax assets are recorded for all unused tax losses to the extent to which it is likely that taxable income will be available, so that loss carryforward can in effect be used. In order to determine the amount of deferred tax assets significant discretion of the Executive Board is required in estimating the expected maturity date and the scale of the taxable income as well as to future tax planning strategies. The effective deferred tax assets may be less in the event that the estimates underlying the planned taxable income and the tax advantages available under the tax planning scenarios will be reduced or where changes to the prevailing tax legislation limit the framework conditions or the scope by which future tax advantages can be realised.

The approach taken towards and the measurement of provisions and the extent of **contingent liabilities** are to a great degree reliant on estimates. A determination quantifying the possible extent of payment obligations is based on the prevailing situation and factual elements. Provisions are created for obligations where losses loom, seem likely and can be reliably estimated. Given the uncertainty underlying such estimates, the effective obligations can differ from the amount set aside in reserves.

### III. FURTHER NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

#### (1) Goodwill

The goodwill recorded on the balance sheet up until 31 December 2006, in the amount of th. Euros 97,412 is comprised of the corresponding amount on the balance sheet as per 31 December 2005 (th. Euros 89,519), the goodwill accumulated during the reporting period due to acquisitions (th. Euros 6,388) retroactive sales price adjustments (th. Euros 1,997) and differences in currency translation (th. Euros -492).

The specific changes in goodwill during the reporting period as well as their allocation amongst the two cash-generating-units can be seen from the following table.

*in th. Euros*

CASH-GENERATING UNIT	IT system house	IT e-commerce	Group
<b>Per 01.01.2006</b>	<b>72,391</b>	<b>17,128</b>	<b>89,519</b>
<b>Increases from Acquisitions (IFRS 3)</b>		<b>6,388</b>	<b>6,388</b>
Artikona Nederland B.V., Artikona Facilities B.V. and Artikona Supplies B.V.		4,152	4,152
Masy micro advantage system S.à.r.l.		243	243
SOS Developers SAS		1,993	1,993
<b>Retroactive Sales Price Adjustments (IFRS 3.34)</b>	<b>992</b>	<b>1,005</b>	<b>1,997</b>
Artikona Nederland B.V., Artikona Facilities B.V. and Artikona Supplies B.V.		1,005	1,005
SGB Servicegesellschaft für Geld- und Banksysteme mbH (first consolidated 2004)	200		200
Gate Informatic AG (first consolidated 2004)	95		95
CDC IT Group (first consolidated 2005)	697		697
<b>Differences in Currency Translation (IAS 21.47)</b>	<b>- 335</b>	<b>- 157</b>	<b>- 492</b>
<b>Per 31.12.2006</b>	<b>73,048</b>	<b>24,364</b>	<b>97,412</b>

The previous impairment tests for goodwill pursuant to IAS 36 did not indicate an impairment for either the cash generating unit "IT system house" or the cash generating unit "IT e-commerce".

The values in use, as determined for the goodwill in the course of the impairment tests, are based on a discount factor which corresponds to the required return on equity or the cost of capital within the Bechtle Group. We have established through sensitivity analyses that, even in the case key assumptions deviate within realistic limits, no need for impairment would be incurred for goodwill.

Further details on the goodwill from acquisitions which resulted in the reporting period as well as detailed sales price allocations are set out under section VII "Acquisitions".

Changes in goodwill are otherwise depicted in Appendix A to the Annex.

## (2) Other Intangible Assets

in th. Euros

	31.12.2006	31.12.2005
Customer bases	11,947	13,654
Brands	3,350	2,750
Customer service contracts	241	659
Home-grown software	44	132
Online-Shop	0	647
Other standard software	3,099	2,353
<b>Other intangible assets</b>	<b>18,681</b>	<b>20,195</b>

The brands do not have a defined useful life, and are assigned to the cash generating unit of IT e-commerce.

The values in use, as determined for the brands in the course of the impairment tests, are based on a discount factor which corresponds to the required return on equity, i.e. the cost of capital within the Bechtle Group. We have established through sensitivity analyses that, even if key assumptions deviate within realistic limits, no need for impairment would be incurred for the brands.

in th. Euros

CUSTOMER BASES	2006
Carrying amount as at 31.12.2006	11,947
Amortisation period (weighted average)	8,6 years
Remaining useful life (weighted average)	5,0 years
Cumulative planned amortisation	7,943
Cumulative impairment under IAS 36	728
Differences in currency translations for the cumulative amortisation	-84
Planned amortisation 2006	2,669
Impairment 2006 under IAS 36	728

The cause of the impairment recorded for customer bases (IAS 36), in the amount of th. Euros 728 is, on the one hand the closing of the office in Kassel as well as reduced revenue expectations from the customers obtained with the acquisition of the MVis informationssysteme GmbH, Mannheim, in 2003 and the system houses acquired in Switzerland in 2004 and 2005. In addition to this, an estimated useful life has been shortened, which is expressed in terms of an additional th. Euros 117

in planned amortisation. In the context of recorded impairment (IAS 36) damage compensation payments have been collected, which are recognised as other operating income.

*in th. Euros*

<b>HOME-GROWN SOFTWARE</b>	<b>2006</b>	<b>2005</b>
Carrying amount as at 01.01.	132	333
Amortisation for the reporting period	88	201
<b>Carrying amount as at 31.12.</b>	<b>44</b>	<b>132</b>

Changes for other intangible assets are set out in detail in Appendix A to the Annex.

### **(3) Property, Plant and Equipment**

*in th. Euros*

	<b>31.12.2006</b>	<b>31.12.2005</b>
Miscellaneous equipment and fixtures	14,434	13,046
Property and buildings	4,321	5,485
Plant and machinery	29	36
<b>Property, plant and equipment</b>	<b>18,784</b>	<b>18,567</b>

Compared to the previous year, up until 31 December 2006, th. Euros 1,077 (carrying amount) in tenant installations were transferred from the item property and buildings, to equipment and fixtures. In addition, th. Euros 225 (carrying amount) in inventories were recorded under miscellaneous equipment. These transfers serve to promote the uniform presentation of items in the Group Consolidated financial statements.

#### **Finance Lease**

Under miscellaneous equipment as per 31 December 2006, leased assets worth th. Euros 521 (31 December 2005: th. Euros 984) are contained pursuant to IAS 17.20 and 17.25 (finance lease). The present value of future minimum lease payments per 31 December 2006, amounts to th. Euros 511. In the 2007 fiscal year lease payment in the amount of th. Euros 397 are payable. The present value of these payments is th. Euros 380. In the medium term, lease payments in the amount of th. Euros 133 are to be paid. The present value of these medium-term payments is th. Euros 131.

Upon expiry of the basic contract term, which represents 60 per cent of the useful life of the leased objects, the lessee can become the owner of the leased goods or can opt to prolong the contract term. The lessor is entitled, upon expiry of the basic contract term, to sell the leased goods. Ninety per cent of the proceeds from said sale are to be credited to the lessee's outstanding obligation.

Changes of property, plant and equipment are set out in detail in Appendix A to the Annex.

#### (4) Non-current Assets held for Sale

Under this item and for the first time per 31 December 2006, the non-operationally necessary property in Renens, Switzerland, has been listed, since its sale is being planned shortly and the search for a potential buyer has begun. The property is in a suitable condition for immediate sale under normal market conditions. The sale is most likely and expected to be concluded by autumn 2007.

Previously the property had been recorded on the balance sheet, since its change in designated use (end of own use) and in accordance with its removal from property, plant and equipment as per 1 December 2005, to investment property (IAS 40), i.e. in the reporting period, as in the previous year, the property had been subject to linear depreciation over a useful life of 50 years.

The changes in property with regard to the carrying amount and the corresponding balance sheet position can be seen in the following table.

*in th. Euros*

	Non-current assets held for sale	Investment property	Property, plant and equipment
<b>Per 01.01.2005</b>	<b>0</b>	<b>0</b>	<b>2,788</b>
Additions			33
Differences in currency translations			-13
Depreciation (planned)			-162
Transfer		2,646	-2,646
<b>Per 31.12.2005</b>	<b>0</b>	<b>2,646</b>	<b>0</b>
<b>Per 01.01.2006</b>	<b>0</b>	<b>2,646</b>	<b>0</b>
Additions		182	
Differences in currency translations		-87	
Depreciation (planned)		-162	
Transfer	2,579	-2,579	
<b>Per 31.12.2006</b>	<b>2,579</b>	<b>0</b>	<b>0</b>

No liabilities exist in the context of the non-current assets held for sale.



The rental income, depreciation and other expenses which arise in the context of these properties can be set out as follows

*in th. Euros*

	2006	2005
Rental income	223	352
Depreciation	-162	-162
Other expenses	-85	-50
<b>Total</b>	<b>-24</b>	<b>140</b>

#### (5) Prepaid Expenses and other Non-current Assets

*in th. Euros*

	31.12.2006	31.12.2005
Loan made to an investment and leasing company	850	809
Tax-privileged job creation reserves in Switzerland, which are deposited on a blocked bank account	776	779
Rental deposits	157	107
Receivables from personnel	57	117
Trade Receivables	25	0
Other	18	69
<b>Other non-current assets</b>	<b>1,883</b>	<b>1,881</b>
Non-current prepaid expenses	10	65
<b>Total</b>	<b>1,893</b>	<b>1,946</b>

## (6) Deferred Taxes

Below the deferred tax assets and liabilities are set out. In addition to changes incurred in the current year, this also shows deferred tax assets incurred by means of the companies acquired and subject to first-time consolidation, as well as tax effects from profit-neutral changes in equity.

*in th. Euros*

<b>DEFERRED TAX ASSETS</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
Loss carryforwards	4,544	7,977
Pension provisions	987	0
Property, plant and equipment	244	147
Other provisions	195	381
Interest Swaps	0	29
Other	0	10
<b>Deferred tax assets before allowance</b>	<b>5,970</b>	<b>8,544</b>
Valuation allowances	584	1,112
<b>Deferred Tax Assets</b>	<b>5,386</b>	<b>7,432</b>

*in th. Euros*

<b>DEFERRED TAX LIABILITIES</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
Goodwill	2,627	2,207
Customer bases	2,465	2,567
Properties	369	379
Tax-deductible depreciation on investments	294	184
Receivables	243	525
Provisions	199	374
Loans	105	0
Customer Service Contracts	93	253
Property, plant and equipment	85	351
Inventories	53	374
Interest-Swaps	53	0
Recognised software	17	50
Liabilities	0	79
Other	59	176
<b>Deferred Tax Liabilities</b>	<b>6,662</b>	<b>7,519</b>

Valuation allowances are made against the carrying amount of the deferred tax assets if it is not sufficiently likely that the expected advantages from the deferred taxes will be realised. The evaluation made is subject to change over time. These changes can result in the reversal of valuation allowances in subsequent reporting periods. The valuation allowance in the amount of th. Euros 584 relates to the deferred tax assets from loss carryforwards.

The domestic tax rate used in principle for the accrual of deferred taxes is approximately 38 per cent.

The calculation of deferred tax receivables on foreign loss carryforwards is based on the actual tax rate.

Tax loss carryforwards amounting in total to th. Euros 20,644 at 31 December 2006 (31 December 2005: th. Euros 34,995), on which the deferred tax assets were determined, refer to domestic and foreign subsidiaries. A total of th. Euros 11,072 (31.12.2005: th. Euros 20,536) are accounted for losses of foreign companies. Domestic tax loss carry-forwards are in accordance with the present tax regulations currently regarded as having no time limitation. The limited use of tax loss carryforwards (minimum taxation) in German tax legislation 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.

## (7) Inventories

The Company's stock essentially consists of retail goods.

*in th. Euros*

	31.12.2006	31.12.2005
Inventories, gross	40,536	43,120
Valuation allowances	1,530	1,291
<b>Inventories</b>	<b>39,006</b>	<b>41,829</b>

The carrying amount of the value adjusted inventories amounted to th. Euros 3,537 on 31 December 2006.

## (8) Trade Receivables

*in th. Euros*

	31.12.2006	31.12.2005
Trade receivables, gross	183,541	167,356
Valuation allowances	2,430	3,065
	<b>181,111</b>	<b>164,291</b>
Non-current trade receivables	25	0
<b>Current trade receivables</b>	<b>181,086</b>	<b>164,291</b>

To cover the general credit risk, appropriate valuation allowances are made based on past experience.

Trade receivables 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 losses on payments by individual customers or groups of customers.

### (9) Securities

Securities are classified as “available for sale” and are therefore not derivative financial assets. In accordance with IAS 39, they must be measured at fair value, the stock market and market value.

*in th. Euros*

	31.12.2006	31.12.2005
Cost	2,589	3,593
Stock market and market value	2,642	3,736
Accrued interest	53	143

### (10) Prepaid expenses and other current assets

*in th. Euros*

	31.12.2006	31.12.2005
Expected bonuses and marketing development funds	5,108	4,919
Other receivables from suppliers	3,126	2,153
Credit notes outstanding	2,146	2,662
Car-prepayments	800	0
Loans extended	750	0
Receivables of social security	706	875
Receivables from personnel	183	264
Unrealised profits from financial derivatives	137	0
Rental deposits	128	32
Other	615	1,078
<b>Other current assets</b>	<b>13,699</b>	<b>11,983</b>
Prepaid Expenses	537	823
<b>Total</b>	<b>14,236</b>	<b>12,806</b>

## **(11) Cash and cash equivalents**

The cash and cash equivalents amounting to th. Euros 36,710 (31 December 2005: th. Euros 48,178) include current deposits with banks and cash balances, as well as financial capital expenditure that can be translated into cash at short notice with original maturity dates of three months or less from date of acquisition.

## **(12) Equity**

### **Issued Capital**

The ordinary share capital of Bechtle AG as of 31 December 2006 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 31 December 2005.

The number of outstanding shares remained totally unchanged in the period under review in comparison with 31 December 2005. Calculated according to IAS 33, the weighted average of the outstanding shares in the period under review consequently comes to 21,200,000 shares (2005: 21,200,000 shares).

### **Authorised Capital**

In accordance with Article 4 Paragraph 3 of the Articles of incorporation of the Bechtle AG, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital until 10 June 2009 by th. Euros 10,600 through the issue of new shares made out to bearer (Authorised Capital).

Capital increases can be made against cash contributions and/or contributions in kind. The Executive Board is authorised, with the consent of the Supervisory Board to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is further authorised, with the consent of the Supervisory Board, to exclude subscription right, if (case 1) the capital increase is made in the form of contributions in kind for the acquisition of companies or equity interests in companies, or (case 2) the capital increase is in the form of cash contributions, does not exceed ten one-hundreds of the ordinary 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 employee shares and the pro rata amount does not exceed ten one-hundreds of the ordinary share capital at the time of issue.

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

### **Contingent Capital**

The Annual General Meeting on 1 June 2001 resolved to increase the Company's share capital by a nominal amount not exceeding th. Euros 2000 by issuing up to 2 000 000 new shares with profit entitlement from the beginning of the fiscal 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 Annual General Meeting resolution on 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).

No stock options were issued on 31 December 2006 or 31 December 2005.

### Dividends

The Annual General Meeting on 20 June 2006 decided to pay a dividend of Euro 0.50 per share with full dividend rights for the fiscal year 2005 (sum of dividend th. Euros 10,600).

Dividends may only be paid from balance sheet retained earnings and the revenue reserves of the Company as disclosed in the German financial statements of Bechtle AG. These amounts deviate from the total of the 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 Annual General 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, capital expenditure will be necessary and, where possible, will be financed internally. The Executive Board will submit to the Supervisory Board to propose to the Annual General Meeting the payment of a dividend of Euro 0.50 per share for the fiscal year 2006.

### Retained Earnings

The retained earnings as stated in the commercial financial statements of Bechtle AG have developed as follows during the fiscal year under review:

*in th. Euros*

Balance on 1 January 2006	10,600
Dividend payments	-10,600
<b>Profit carried forward</b>	<b>0</b>
Earnings after tax 2006	15,507
Allocation to revenue reserves	-4,907
<b>Balance on 31 December 2006</b>	<b>10,600</b>

### Capital reserves

Capital reserves contain essentially the capital surplus (agio) arising from increases in share capital carried out, and remain unchanged compared with 31 December 2005 at th. Euros 143,454.

### Treasury Shares

The Executive Board was last authorised by a resolution of the Annual General Meeting on 22 June 2005 as well as on 20 June 2006 to acquire company treasury shares with the consent of the Supervisory Board in accordance with Article 71 Paragraph 1 no. 8 AktG. Acquisition of treasury shares is to meet the conditions contained in the resolution of the Annual General Meeting.

In the reporting period there were no transactions in treasury shares so that by 31 December 2006 just like by 31 December 2005, the company held no treasury shares.

## Other comprehensive income

The following table summarises the other comprehensive income on the balance sheet date.

in th. Euros

	31.12.2006	31.12.2005
Actuarial Profits and Losses from Social Security	-3,800	0
Differences from Currency Translations	-2,494	-609
Unrealised losses from financial derivatives	84	-62
<b>Other comprehensive income</b>	<b>-6,210</b>	<b>- 671</b>

The enclosed statement of changes in equity shows in detail the development of the company's consolidated equity.

in th. Euros

	Issued Capital	Capital reserves	Revenue reserves		Equity without minority interests	Minority Interests	Total equity
			Retained Earnings	Other comprehensive income			
<b>Equity as of 1 January 2005</b>	<b>21,200</b>	<b>143,454</b>	<b>52,464</b>	<b>-462</b>	<b>216,656</b>	<b>505</b>	<b>217,161</b>
Dividends paid for 2004			-8,480		-8,480		-8,480
Earnings after tax			29,236		29,236	50	29,286
Income and Expenses recognised directly in equity				-209	-209		-209
Changes to minority interest on equity					0	-311	-311
<b>Equity as of 31 December 2005</b>	<b>21,200</b>	<b>143,454</b>	<b>73,220</b>	<b>-671</b>	<b>237,203</b>	<b>244</b>	<b>237,447</b>
<b>Equity as of 1 January 2006</b>	<b>21,200</b>	<b>143,454</b>	<b>73,220</b>	<b>-671</b>	<b>237,203</b>	<b>244</b>	<b>237,447</b>
Dividends paid for 2005			-10,600		-10,600		-10,600
Earnings after tax			30,680		30,680	45	30,725
Income and Expenses recognised directly in equity				-5,539	-5,539		5,539
Changes to minority interest on equity					0		0
<b>Equity as of 31 December 2006</b>	<b>21,200</b>	<b>143,454</b>	<b>93,300</b>	<b>-6,210</b>	<b>251,744</b>	<b>289</b>	<b>252,033</b>

### (13) Pension provisions

With the exception of the pension plans at Bechtle Holding Schweiz AG (formerly ARP Holding AG), Rotkreuz, Switzerland, and its subsidiaries as well as at PSB Service GmbH, Gaildorf, no defined benefit pension plans exist in the Bechtle Group.

#### **Bechtle Holding Schweiz AG with subsidiaries**

The pension plans of Bechtle Holding Schweiz AG and its subsidiaries have been contractually agreed as defined contribution plans, but they nevertheless have to be recognised in the balance sheet as defined benefit plans in line with IAS 19, as, if there were insufficient funds, a financial contribution of the companies cannot be excluded.

The retirement provision financed via employer and employee contributions was effected until 31 December 2005 via external state (Germany and Austria) and private (Switzerland) pension institutions independent of the Group (collective insurance companies) or partially autonomous collective trusts (Delec Personalvorsorgestiftung). Due to insufficient information on the part of the collective insurance companies, the pension plans have not been reported in the balance sheet as defined benefit plans in line with IAS 19.30.

Since 1 January 2006, the "Bechtle Pension Fund", which is partially autonomous and independent of the Group, has existed for the companies belonging to Bechtle Holding Schweiz AG based in Switzerland. This is a trust as defined by article 80 ff. of the Swiss Civil Code, article 331 ff. of the Swiss Law of Obligations and article 48 ff of the Federal Law on Occupational Benefit Plans concerning Old-Age, Survivors and Invalidity (BVG), which is based in Rotkreuz. The companies belonging to Bechtle Holding Schweiz AG which are not based in Switzerland are covered by external state (Germany and Austria) and private pension institutions (The Netherlands). In the case of the Bechtle Pension Fund, the necessary transparency has existed since the start of the year to be able to report the pension plans in the balance sheet as defined benefit plans in line with IAS 19.48 ff.

To this end, an actuarial report was commissioned for the first time for 1 January 2006. From a comparison of the plan assets (th. Euros 32,391) and liabilities from defined benefit plans (th. Euros 35,280), a shortfall was revealed in the amount of th. Euros 2,289, which was the result of actuarial losses. This shortfall and the net obligations required to be entered on the balance sheet to accommodate it was entered at the start of the period under review as pension provisions recognised directly in equity.

In the course of the period under review, additional actuarial losses in the amount of th. Euros 1,989 were incurred. Taking into account differences in currency translations in the amount of th. Euros -137 the total amount of actuarial losses recorded under revenue reserves as per 31 December 2006 was th. Euros 4,741 minus th. Euros 931 in deferred taxes.

In addition, during the reporting period, another th. Euros 162 were recorded in addition to the employer contributions, as net pension costs under operational expenditures with another th. Euros -4, in currency translation differences to be taken into account. As of 31 December 2006 the net balance sheet liabilities and the pension provisions are at th. Euros 4,899.

#### **PSB Service GmbH, Gaildorf**

The pension liabilities of PSB Service GmbH, Gaildorf are the result of a partial company takeover as of 1 October 2005 and were thereby for the first time recorded in the consolidated financial statements of Bechtle Group per 31 December 2005 on the basis of an actuarial report.

The liabilities of this defined benefit plan have been handled as direct corporate commitments whereby no funds are transferred from the reserves. This is a pension plan financed by means of



provisions without fund coverage. As per 31 December 2005 the balance sheet pension provisions were at th. Euros 559.

In the reporting period the pension provisions were reduced to th. Euros 485 on 31 December 2006. The decrease in the amount of th. Euros 74 was made up of th. Euros 61 in Personnel expenses, th. Euros 119 in lieu plan payments and th. Euros 16 in actuarial profits recognised directly in equity (deferred tax liabilities: th. Euros 6).

On the whole pension liabilities resulted at PSB Service GmbH and Bechtle Holding Schweiz AG, including subsidiaries, per 31 December 2006, on the consolidated balance sheet in the amount of th. Euros 5,384.

The adjusted account for the present value of the defined benefit plan obligations are set out as follows:

*in th. Euros*

	2006	2005
<b>Present value of the defined benefit obligations 01.01.</b>	<b>35,839</b>	<b>0</b>
Current service cost (for pension rights earned in the reporting period)	3,024	
Interest cost (for pension rights already earned)	1,156	
Employee contributions	1,836	
Actuarial profits / losses	492	
Plan cuts / in lieu payments	-119	
Business combination	-	559
Pension benefits paid out	-1,616	
Differences in currency translations	-1,249	
<b>Present value of the defined benefit obligations 31.12.</b>	<b>39,363</b>	<b>559</b>

Fair value of the plan assets have been adjusted as follows:

*in th. Euros*

	2006	2005
<b>Fair value of the plan assets 01.01.</b>	<b>32,391</b>	<b>0</b>
Return on plan assets	1,362	
Employee contributions	1,836	
Employer contributions	2,595	
Actuarial profits / losses	-1,481	
Pension benefits paid out	-1,616	
Differences in currency translations	-1,108	
<b>Fair value of the plan assets 31.12.</b>	<b>33,979</b>	<b>0</b>

The table below shows the adjusted account for the pension provisions set out on the balance sheet:

*in th. Euros*

	31.12.2006	31.12.2005
<b>Present value of the defined benefit obligations</b>	39,363	559
<b>Fair value of the plan assets</b>	33,979	-
Net liabilities	5,384	559
<b>Balance-sheet pension provisions</b>	<b>5,384</b>	<b>559</b>

The net pension costs recorded in the income statement for the defined benefit plans are set out below:

*in th. Euros*

	2006	2005
Current service cost (for pension rights earned in the reporting period)	3,024	
Interest cost (for pension rights already earned)	1,156	
Return on plan assets	-1,362	
Plan cuts / in lieu payments	- 119	
<b>Net pension costs for benefit commitments</b>	<b>2,699</b>	<b>0</b>

The defined benefit pension plans and their actuarial valuation are subject to the following parameters:

	Bechtle Holding Schweiz AG – Subgroup	PSB Service GmbH
Discount interest rate	3.25%; 3.00% as of 1.1.2007	4.25%
Inflation rate	1.50%	-
Expected long-term increase in value of planned assets	4.25% "net" (i.e. after admin expenses); 4.00% as of 1.1.2007	-
Credited interest for savings capital	3.50%; 2.50% as of 1.1.2007	-
Wage increases (incl. inflation rate)	1.50%	0.00%
Pension increases	0.00%	-
Probability of withdrawal, mortality, invalidity	BVG 2005	Heubeck Richttafeln 2005 G; Alters- und dienstzeitabhängige Austrittswahrscheinlichkeit
Probability of marriage	age difference husbands and wives is 3 years	Heubeck Richttafeln 2005 G
Earliest retirement age	Men and women at 100% at age 64	Men 62/63 and women 60/62 (after pension reforms of 1999)
Zuschlag für Langlebigkeit	None	None

The composition of the plan assets of Bechtle Holding Schweiz AG with regard to the different investment categories, is as follows:

	31.12.2006
Obligations	43.5 %
Shares	28.1 %
Property	15.7 %
Other	12.3 %
Liquidity	0.4 %

Based on experience, adjustments to the defined benefit commitments and the planned assets are as follows:

*in th. Euros*

	31.12.2006
Defined benefit commitments	40,002
Adjustments to defined benefits commitments based on experience (loss)	1,621
Plan assets	34,559
Adjustments to defined benefits commitments based on experience (profit)	869

The actuarial report for Bechtle Holding Schweiz AG and PSB Service GmbH forecasts the following values for the 2007 year:

*in th. Euros*

	2007
<b>Present value of the defined benefit commitments 01.01.</b>	<b>39,363</b>
Current service costs (for pension rights earned in the reporting period)	1,809
Interest cost (for social security Receivables already earned)	1,187
Employee contributions	1,832
Social security benefits paid out	-2
<b>Present value of the defined benefit commitments 31.12.</b>	<b>44,189</b>

*in th. Euros*

	2007
<b>Fair value of the plan assets 01.01.</b>	<b>33,979</b>
Return on plan assets	1,359
Employee contributions	1,832
Employer contributions	2,589
<b>Fair value of the plan assets 31.12.</b>	<b>39,759</b>

*in th. Euros*

	31.12.2007
<b>Present value of the defined benefit commitments</b>	<b>44,189</b>
<b>Fair value of the plan assets</b>	<b>39,759</b>
Net commitments	4,430
<b>Balance sheet pension provisions</b>	<b>4,430</b>

*in th. Euros*

	2007
Current service costs (for pension rights earned in the reporting period)	1,809
Interest cost (for social security Receivables already earned)	1,187
Return on plan assets	-1,359
<b>Net pension expenses for agreed benefit commitments</b>	<b>1,637</b>

## (14) Other Provisions

in th. Euros

	01.01. 2006	Redefini- tions / Re- entries	01.01. 2006 adjusted	Changes in scope of consoli- dation, differences in cur- rency- translation	Utilised	Released	Allocated	31.12. 2006
Other Personnel expenses	1,612	72	1,684	-2	1,542	52	1,753	1,841
Garanties	2,592	-833	1,759	16	1,384	313	1,395	1,473
Legal and consultation cost	1,131	0	1,131	-8	979	151	855	848
Customer bonuses	335	0	335	0	328	7	701	701
Investor Relations	0	271	271	0	271	0	349	349
Litigation expenses	205	25	230	0	205	0	0	25
Other	3,208	-406	2,802	-30	2,119	669	2,740	2,724
	<b>9,083</b>	<b>-871</b>	<b>8,212</b>	<b>-24</b>	<b>6,828</b>	<b>1,192</b>	<b>7,793</b>	<b>7,961</b>
<b>Other non-current provisions</b>	<b>620</b>		<b>620</b>					<b>212</b>
<b>Other current provisions</b>	<b>8,463</b>		<b>7,592</b>					<b>7,749</b>

**Other personnel expenses** basically include settlement payments, surcharge for not employing severely handicapped persons and salary back payments. Provisions for **guarantees** are set up for an expected claim on the basis of company-specific statements based on experience. **Legal and consultancy costs** mainly comprise external costs for the financial statements and consolidated financial statements as well as for legal and tax consultancy costs. The provisions for **investor relations** are mainly costs incurred in the context of the annual general meeting and the annual financial report. **Customer bonuses** relate to revenue-dependent rebates. The reduction of **litigation expenses** results from the release of provisions in light of a court dispute being decided in Bechtle's favor. **Other provisions** refer to the various administrative and sales costs which arise in the context of normal business activities, such as incidental rental costs, contributions and fees, as well as travel expenses.

## (15) Financial Liabilities and Financial Derivates

in th. Euros

	31.12.2006	31.12.2005
– Deutsche Bank AG, loan to acquire ARP Holding AG	7,576	10,440
– Landesbank Baden-Württemberg (Baden-Württembergische Bank), loan to acquire the IT system house Division of Eurodis Schweiz AG	2,986	4,628
– Sparkasse Schwäbisch Hall–Crailsheim, loan to acquire ARP Holding AG	3,732	5,143
– DaimlerChrysler Bank AG, loan for vehicle purchase	22	0
<b>Non-current loans, total</b>	<b>14,316</b>	<b>20,211</b>
Current portion	5,266	5,439
<b>Non-current loans, less current portion</b>	<b>9,050</b>	<b>14,772</b>

**The loan granted by Deutsche Bank AG** amounting to th. Euros 7,576 was denominated in Swiss francs (th. CHF 12,180) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-3M + 100 basis points) and is amortised with annual payments amounting to th. Euros 2,525 (th. CHF 4,060), payable on 1 April, beginning as of 1 April 2005. Security for the loan is provided in the negative covenant and in the equalisation 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 th. CHF 20,300, has been designated as a cash flow hedge and is 100 per cent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.50 per cent and receives the CHF-LIBOR-3M as a floating interest rate. The expiration date has been fixed at 1 April 2009. The market value of the interest swap as of 31 December 2006 amounted to th. Euros 93. 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 per cent.

**Two loans granted by the Landesbank Baden-Wuerttemberg (Baden-Wuerttembergische Bank)** amounting in total to th. Euros 2,986 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 as a cash flow hedge and are 100 per cent effective in hedging against the risk of interest fluctuations. With the exception of the reference amounts (initially a total of th. CHF 12,000), both interest swaps have identical conditions. Bechtle pays the fixed interest rate of 2.54 per cent and is given CHF-LIBOR-6M as the floating interest rate. The expiration date has been fixed at 30 December 2008. The market values of the two interest swaps as at 31 December 2006 amounted to th. Euros -2. 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 per cent.

**The loan granted by the Sparkasse Schwaebisch Hall-Crailsheim** amounting to th. Euros 3,732 was denominated in Swiss francs (th. CHF 6,000) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-6M + 90 basis points) and is amortised with annual payments amounting to th. Euros 1,244 (th. CHF 2,000), payable on 1 April, beginning as of 1 April 2005. Securities for the loan are provided in the negative covenant and in the equalisation 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 th. CHF 10,000 has been designated as a cash flow hedge and is 100 per cent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.49 per cent 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 of 31 December 2005 amounted to th. Euros 45. 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 per cent.

**The loan granted by the Daimler Chrysler Bank AG** amounting to th. Euros 22 was taken up for the purchase of vehicles and is due to mature on 15 December 2009.

The Company has global **credit lines** amounting to th. Euros 44,937 plus lines of credit by way of bank guarantee to the amount of th. Euros 900. At the balance-sheet date, cash advances amount to th. Euros 22 and bank guarantees amount to th. Euros 2,784 leaving an unused credit line of th. Euros 43,031.

### (16) Deferred income and other non-current liabilities

The other non-current liabilities are made up as follows:

*in th. Euros*

	31.12.2006	31.12.2005
Liabilities payable from purchase price increases of acquisitions	635	900
Other	8	0
<b>Other non-current liabilities</b>	<b>643</b>	<b>900</b>
<b>Non-current deferred income</b>	<b>2,667</b>	<b>2,510</b>

Deferred income mainly include prepaid expenses for maintenance contract and warranty extensions.

### (17) Deferred income and other current liabilities

The other current liabilities are made up as follows:

*in th. Euros*

	31.12.2006	31.12.2005
Personnel liabilities	13,273	11,483
Turnover tax	8,981	5,734
Liabilities to customers	2,773	2,109
Wage tax and church tax	1,872	2,082
Liabilities payable from purchase price increases of acquisitions	1,270	0
Social security payments	964	4,293
Other tax liabilities	113	0
Unrealised losses from financial derivatives	0	92
Vehicle liabilities	378	179
Other	897	868
<b>Other current liabilities</b>	<b>30,521</b>	<b>26,840</b>
<b>Current deferred income</b>	<b>6,720</b>	<b>5,585</b>

Deferred income mainly include prepaid expenses for maintenance contract and warranty extensions.

### (18) Revenue

Revenue amounting to th. Euros 1,220,138 (2005: th. Euros 1,178,269) contain the trade payables charged to customers – less revenue deductions and discounts.

The breakdown of revenue according to business segments and regions can be seen in the report by segment disclosures.

### (19) Classification of Expenses

in th. Euros

	Revenue costs		Distribution costs		Administrative costs	
	2006	2005	2006	2005	2006	2005
Cost of materials	919,296	898,663	0	0	0	0
Personnel expenses	95,416	90,652	56,106	51,511	41,059	37,328
Depreciation	6,577	5,119	3,949	2,938	3,930	3,869
Other operating expenses	25,268	25,980	13,684	14,096	17,743	14,349
<b>Total expenses</b>	<b>1,046,557</b>	<b>1,020,414</b>	<b>73,739</b>	<b>68,545</b>	<b>62,732</b>	<b>55,546</b>

Costs incurred in connection with dispatch and packaging in the amount of th. Euros 4,013 were spread out in 2005 between revenue, distribution and administrative costs within the other operational expenses. On subsequent reflection, for the 2006 fiscal year, these costs have been allocated to cost of materials and thus to revenue costs. The comparative figure for 2005 has been adjusted accordingly. In the same vein, a reallocation has been carried out from the other operating expenses to the Personnel expenses and the previous year has been retroactively allocated th. Euros 1,023 accordingly.

### (20) Other Operating Income

Other operating income for the period under review comprised th. Euros 8,620 (2005: th. Euros 7,431) and were made up as follows:

in th. Euros

	2006	2005
Marketing allowances	3,130	2,536
Earmarked marketing cost allowances	2,546	2,099
Cost reimbursements from suppliers	1,142	204
Damage compensation payments	585	0
Earnings from currency translation differences	529	462
Rental income	223	357
Disposals of assets from property, plant and equipment and intangible assets	168	372
Earnings from social security reserves	0	297
Refund of consultation expenses	0	160
Other	297	944
<b>Other operating income</b>	<b>8,620</b>	<b>7,431</b>



## (21) Income taxes

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

The tax expense incurring in the accounting period is composed as follows:

*in th. Euros*

	2006	2005
Current tax expense	13,740	12,202
Deferred taxes		
of temporary valuation differences	-1,380	-159
of tax loss carryforward	2,774	-157
<b>Income tax</b>	<b>15,134</b>	<b>11,886</b>

The balance for the accounting period between the actual tax expense and the amount arising from a weighted domestic and foreign tax rate of around 34 per cent (2005: 33 per cent) on earnings before taxes is as follows for the period under review:

*in th. Euros*

	2006	2005
Earnings before Taxes	45,859	41,172
<b>Expected tax expense</b>	<b>15,729</b>	<b>13,436</b>
Capitalised present value of corporate tax credits	-173	0
Tax expense from previous years	357	128
Tax income from previous years	-283	-111
Non tax-deductible operating expenses	487	467
Only tax-deductible goodwill amortisation	-917	-606
Depreciation / disposals of deferred tax assets	628	840
Appreciation of deferred tax assets	-652	-2,640
Other	-42	372
<b>Actual tax expense</b>	<b>15,134</b>	<b>11,886</b>

## (22) Earnings per share

The table below shows the computation of the earnings after taxes without minority interest per ordinary share:

	2006	2005
<b>Earnings after taxes without minority interest (th. Euros)</b>	<b>30,680</b>	<b>29,236</b>
Weighted average shares outstanding (number)	21,200,000	21,200,000
<b>Earnings per share (Euro)</b>	<b>1,4472</b>	<b>1,3791</b>

In accordance with IAS 33, earnings per share are calculated from group earnings after taxes without minority interest 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 financial statements figures 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 and success prospects as well as opportunities and risks of the different business segments of the Bechtle Group.

In accordance with IAS 14, the Group currently operates two business segments – IT system house and IT e-commerce. The segments differ from one another in their fields of activity and use different processes in the sale of IT products.

The Bechtle **IT system house** segment provides small and medium-sized businesses, corporations, financial service providers and public institutions with a comprehensive portfolio of products and services for all the IT infrastructure and IT applications needs. These range from IT strategy consultancy services to the supply of hardware and software, project planning and implementation, plus systems integration, various IT services right through to the complete operation of the IT itself. The decentralised organisation of the Bechtle IT system houses, with 60 locations providing full area coverage in Germany and Switzerland, ensures their proximity to the customers. Experts in 20 competence centres provide support to complement the range of products and services available from the individual system houses – this includes expertise in specialist fields such as IT security, storage, CAD, Enterprise Computing or solutions such as Navision. Bechtle also provides practice-based seminars, workshops and training courses at a total of 19 training centers; by request, these can be conducted on-site at the customer's premises.

In the **IT e-commerce** segment, the Bechtle Group distributes over the internet and by telephone and catalogue some 30,000 IT products in nine European countries under the brands Bechtle direkt and ARP Datacon. Daily prices and information on availability are provided for all IT articles offered through country-specific online portals. The manufacturer-independent product portfolio reflects the European IT market in terms of its range and diversity by offering customers hardware and software products, peripheral equipment and the necessary consumables for all applications. Bechtle helps customers to reduce their process costs for the procurement of IT products by using company-specific shopping baskets and paperless order processing. A key distribution instrument is the main catalogue with over 800 pages, which is published twice annually. The main catalogue has a circulation of over 180,000 and is sent to existing and prospective customers throughout Europe.

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

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

There are no major intersegment transactions.

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 cost and income basically arise here.

in th. Euros

BY SEGMENTS	2006			2005		
	IT system house	IT e-commerce	Total	IT system house	IT-e-commerce	Total
External revenue	816,998	403,140	1,220,138	811,042	367,227	1,178,269
Depreciation and amortisation	11,084	3,372	14,456	8,903	3,023	11,926
Net operating profit	22,597	23,133	45,730	18,607	22,588	41,195
Financial result			129			-23
Earnings before taxes			45,859			41,172
Capital expenditure	9,038	3,808	12,846	6,337	2,215	8,552
Capital expenditure due to changes in scope of consolidation	0	9,513	9,513	18,246	0	18,246

in th. Euros

BY SEGMENTS	2006				2005			
	IT system house	IT e-commerce	Non-segment specific	Total	IT system house	IT e-commerce	Non-segment specific	Total
Gross assets by segment	239,516	132,570	47,996	420,082	245,891	113,338	54,717	413,946
Liabilities by segment	68,015	47,020	53,014	168,049	70,797	46,947	58,755	176,499

in th. Euros

BY REGION	2006			2005		
	Domestic	Foreign	Total	Domestic	Foreign	Total
External revenue	815,876	404,262	1,220,138	784,169	394,100	1,178,269
Capital expenditure	5,791	7,055	12,846	6,094	2,458	8,552
Capital expenditure due to changes in scope of consolidation	0	9,513	9,513	9,514	8,732	18,246

in th. Euros

BY REGION	2006				2005			
	Domestic	Foreign	Non-region specific	Total	Foreign	Ausland	Non-region specific	Total
Gross assets of the regions	214,531	157,555	47,996	420,082	207,776	151,453	54,717	413,946
Liabilities of the regions	41,770	73,265	53,014	168,049	48,302	69,444	58,755	176,499

The following applies for the segmentation:

Revenue are assigned to the country in which the subsidiary's registered office is located. Seen from the subsidiary's viewpoint, revenue are generated only in its own domestic market. Group external revenue show the shares of the segments in consolidated group revenue. No substantial transactions were effected between the segments. Segment assets include all assets directly allocated to the segment pursuant to IAS 14. Segment liabilities contain all liability items directly allocated to the segment pursuant to IAS 14.

Capital expenditure relate to the additions to property, plant and equipment and intangible assets. Depreciation and amortisation refer to property, plant and equipment, intangible assets and the property held as a financial investment.

## V. CASH FLOW STATEMENT

In accordance with IAS 7, the Cash flow Statement shows movements divided into fund inflows and outflows from operating, investing and financing activities for the 2006 and 2005 fiscal years. Cash flow was calculated on the basis of the indirect method from the consolidated financial statements. The cash in the Cash flow Statement includes all cash and cash equivalents 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 earning before taxes. 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 translation and changes in the scope of consolidation.

The interest payments received have been removed from the cash flow from operating activities and reallocated to cash flow from investing activities. The 2005 fiscal year has been adjusted accordingly. From the perspective of the Bechtle Group this better represents the factual situation of interest payments received.

## VI. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

### Operating Lease

In the context of rental contracts, commercial leases and leasing contracts, which are to be categorised as "operating leases" under IAS 17, the Group leases property, plant and equipment in the framework of leasing and rental contracts. The lease and rental payments which result herefrom are recorded directly as expenses on the income statement.

Bechtle has concluded non-cancellable rental contracts for office and storage space. The Company also rented buildings, vehicles and various services under operatelease arrangements that are non-cancellable during the basic term of the contract. Expenses for leases and rental contracts include payments amounting to th. Euros 14,363 (2005: th. Euros 14,626).

Future obligations with respect to the above-mentioned agreements as at 31 December 2006 amount to th. Euros 76,533 (31 December 2005: th. Euros 85,926).

*in th. Euros*

due within one year	15,445
due between one and five years	30,461
due after five years	30,627
<b>Minimum lease payments total</b>	<b>76,533</b>

Other financial lease obligations include th. Euros 39,009 from a lease for the central logistics and administration building in Neckarsulm, which was concluded in 2002. The owner of the building is Fabiana Grundstuecksverwaltungsgesellschaft mbH, Mannheim (Fabiana). The only business in which the company is engaged is that of leasing the building to Bechtle AG through the Suedleasing GmbH leasing agency. Fabiana has a share capital of th. Euros 25 and has financed the investment of th. Euros 31,150 primarily through loans. The Bechtle AG has neither a direct nor indirect investment in Fabiana.

When the leasing contract expires in 2022, the Bechtle AG has a purchase option on the building. According to IFRIC 4 there is no obligation to consolidate the company. In addition, no losses from the lease are expected, as the Bechtle AG is not compelled to exercise its purchase option.

On the other hand, Bechtle acts as lessor in the context of operating lease. This mainly involves the leases of IT equipment. The corresponding minimum lease payments from these agreements are, for the 2007 fiscal year th. Euros 6,380, and for 2008 until 2011 th. Euros 5,140 and thus, on aggregate, th. Euros 11,484.

### Contingent Purchase Price Adjustments for Acquisitions (IFRS 3.34)

On acquisition of Artikona Nederland B.V., Artikona Facilities B.V. und Artikona Supplies B.V., with their respective domiciles in Maastricht in the Netherlands, Bechtle committed contractually to the payment of conditional subsequent purchase price increases. The amount of these purchase price to be paid subsequently depends on the achievement of specific targets in earnings before taxes of the purchased companies in the 2006 and 2007 fiscal years and could comprise a maximum of th. Euros 2,005. Of this, th. Euros 1,005 has been accounted for up to 31 December 2006 as subsequent purchase price increases, so that another th. Euros 1,000 remain as conditional purchase price increases for the 2007 fiscal year.

On acquisition of the CDC IT Group, Pfaeffikon, Canton of Schwyz, Switzerland, in the 2005 fiscal year, Bechtle committed contractually to the payment of conditional subsequent purchase price increases. The amount of these purchase price to be paid subsequently depended on the achievement of specific targets in earnings before taxes in the fiscal years 2005 and 2006, and may amount to a maximum of th. Euros 1,286 in total. In the period under review, th. Euros 697 have been allocated as purchase price increases and the remainder has been contractually waived, so that at 31 December 2006 no more conditional purchase price increases existed.

On acquisition of Gate Informatic AG, Bern, Switzerland, in the 2004 fiscal year, Bechtle undertook a contractual obligation to pay conditional subsequent purchase price increases subject to the achievement of specific earning before tax targets in the 2005, 2006 and 2007 fiscal years. Due to the non-fulfillment of the condition for payment, th. Euros 643 of the subsequently payable purchase price increases – originally limited in total to an amount not exceeding th. Euros 1,800 – has lapsed. From the remaining th. Euros 1,157, th. Euros 95 were accounted for during the period under review as subsequent purchase price increases and the outstanding amount has been contractually waived so that at 31 December 2006 no more conditional purchase price increases existed.

On acquisition of SGB Servicegesellschaft fuer Geld- und Bankssysteme mbH, Aalen, in the 2004 fiscal year, which has in the meantime been merged with Bechtle GmbH in Cologne, Bechtle committed contractually to the payment of conditional subsequent purchase price increases. The amount of these purchase price to be paid subsequently depended on the achievement of specific targets in earnings before taxes in the fiscal years 2005, 2006 and 2007. These were originally limited in total to an amount not exceeding th. Euros 2,000. In the period under review, th. Euros 200 have been allocated as subsequent purchase price increases and the remainder has been contractually waived, so that at 31 December 2006 no more conditional purchase price increases existed.

### Contingent Liabilities

Pursuant to IAS 37.86, the company is unaware of any litigations that would have a substantial detrimental effect or had this effect in the last two years on its earnings, liquidity or financial position.

## VII. ACQUISITIONS

### Acquisitions in the reporting period

**Artikona Nederland B.V., Maastricht, Netherlands**  
**Artikona Facilities B.V., Maastricht, Netherlands**  
**Artikona Supplies B.V., Maastricht, Netherlands**

On 1 January 2006, by means of the newly founded ARP Datacon BV in Maastricht (NL), the entirety of the shares of Artikona Nederland BV, Artikona Facilities BV and Artikona Supplies BV were acquired in exchange for payment of th. Euros 9 in addition to incidental acquisition costs in the amount of th. Euros 10. The purchase price shall be subsequently increased in the event that specific targets are met with regard to earnings before taxes of the purchased companies in the 2006 and 2007 fiscal years. The purchase price increase shall comprise a maximum of th. Euros 2,005, so that the final aggregate purchase price would then comprise a maximum of th. Euros 11,015.

The acquisition was accounted for using the purchase method. The conditional purchase price increase could not be reliably valued with regard to the probability of it being payable or the amount it would comprise and has thus not been included in the cost of the acquisition (IFRS 3.34). With the total purchase price to be set at th. Euros 9,010, there was a difference amounting to th. Euros 6,005 resulting from the capital consolidation, taking into account the net assets taken over (th. Euros 3,005). In accordance with IFRS 3 in connection with IAS 38, th. Euros 1,500 of that amount was accounted for by the customer base, which will be amortised over five years and th. Euros 280 was accounted for by the acquired customer service contracts which are to be amortised over the course of their remaining term, as well th. Euros 600 in acquired brand rights with unlimited useful life. Deferred tax liabilities amounting to th. Euros 527 were accumulated in the course of the recognition of the customer base and the customer service contracts, which increased

the remaining difference and will be eliminated again along with the scheduled amortisation of the customer base and the customer service contracts over the useful life. The remaining difference amounting to th. Euros 4,152 could neither be allocated to an asset on the balance sheet nor included as a separate asset, so it was added as goodwill.

The three acquired IT companies employ a total of 49 employees in Maastricht and Amsterdam and are primarily focused on the sale of high-margin IT products like accessories and consumerables as well as printers, including service and maintenance contracts. With these acquisitions Bechtle has strengthened ARP's international expansion strategy in the IT e-commerce segment, which now for the first time disposes of locations outside of german-speaking countries.

In balance sheet terms the acquisition at the time of first consolidation was as follows:

*in th. Euros*

<b>NON-CURRENT ASSETS</b>	
Goodwill	4,152
Customer base	1,500
Customer service contracts	280
Brands	600
Property, plant and equipment	374
	<b>6,906</b>
<b>CURRENT ASSETS</b>	
Inventories	749
Receivables	2,163
Other current assets	89
Cash and cash equivalents	4,128
	<b>7,129</b>
<b>Total Assets</b>	<b>14,035</b>
<b>NON-CURRENT LIABILITIES</b>	
Deferred taxes	527
	<b>527</b>
<b>CURRENT LIABILITIES</b>	
Trade payables	1,502
Other current liabilities	2,996
	<b>4,498</b>
<b>Total Liabilities</b>	<b>5,025</b>
<b>Total Assets - Total Liabilities =</b>	<b>9,010</b>

Since it was acquired, ARP Datacon B.V., Maastricht, Netherlands, has achieved earnings after tax in the amount of th. Euros 789.

From the conditional purchase price increase amounting to a total of th. Euros 2,005, the partial amount of th. Euros 1,005 had been subsequently attributed, up to 31 December 2006, to the acquisition costs, given that this increase had become reliably valuable by this time, in terms of both the probability it would fall payable and the amount it would comprise. The purchase price increase in the amount of th. Euros 1,005 was allocated to goodwill accordingly.

A conditional purchase price increase in the amount of th. Euros 1,000 remains for 2007, which at present cannot be reliably valued with regard to either the probability it would fall payable or the amount it will comprise.

#### **Masy micro advantage system S.à.r.l., Renens, Switzerland**

Per 1 January 2006 the entirety of the shares of Masy micro advantage system S.à.r.l., Renens, Switzerland were purchased for the amount of th. Euros 1,440.

The acquisition was accounted for using the purchase method. The capital consolidation resulted in a difference of th. Euros 490 after taking into account the acquired net assets (th. Euros 950). In accordance with IFRS 3 in connection with IAS 38, th. Euros 296 of this amount were allocated to acquired customer base, which will be amortised over a five-year period. Deferred tax liabilities amounting to th. Euros 49 were accumulated in the course of the recognition of the acquired customer base, which increased the remaining difference and will be eliminated again along with the scheduled amortisation of the customer base over the useful life. The remaining difference of th. Euros 243 could neither be allocated to an asset on the balance sheet nor included as a separate asset, so it was added as goodwill.

With this acquisition the Bechtle Group has strengthened its presence in the IT e-commerce segment in French-speaking Switzerland. Masy (with four employees) is a specialist for printer supplies. By immediately complementing it with the ARP's palette and later with the French catalogue, the sales potential of Masy, appearing as of mid 2006 under the brand ARP Datacon, shall be strengthened.



In balance sheet terms the acquisition at the time of first consolidation was as follows:

*in th. Euros*

<b>NON-CURRENT ASSETS</b>	
Goodwill	243
Customer base	296
Property, plant and equipment	6
	<b>545</b>
<b>Current Assets</b>	
Inventories	103
Receivables	346
Other current assets	645
Cash and cash equivalents	228
	<b>1,322</b>
<b>Total Assets</b>	<b>1,867</b>
<b>NON-CURRENT LIABILITIES</b>	
Deferred taxes	70
	<b>70</b>
<b>CURRENT LIABILITIES</b>	
Trade payables	214
Other current assets	143
	<b>357</b>
<b>Total Liabilities</b>	<b>427</b>
<b>Total Assets -</b>	
<b>Total Liabilities =</b>	<b>1,440</b>

The company was merged with ARP Datacon AG, Rotkreuz, Switzerland in the course of the 2006 fiscal year. Given the small amount involved, no separate valuation of the earnings for this unit since being acquired has been undertaken.

#### **SOS Developers SAS, Valbonne, France**

By means of the purchase agreement dated 21 December 2006, the entirety of the shares of SOS Developers SAS, Valbonne, France, for the purchase price of th. Euro 4,500 plus incidental acquisition costs in the amount of th. Euro 17.

The breakdown of the purchase price pursuant to IFRS 3.36 ff. is currently being determined. Thus, the purchase of the company is being accounted for using the purchase method on the basis of provisional values (IFRS 3.62). At a total purchase price of th. Euro 4,517 for the meantime a diffe-

rence amounting to th. Euro 1,993 would result, from the capital consolidation, taking into account the net assets taken over at fair carrying amount (th. Euro 2,524), which is to be accounted for as goodwill.

In order to definitively determine the breakdown of the purchase price on the basis of the fair value of the assets and liabilities, additional intangible asset values from customer base are expected in addition to goodwill.

SOS Developers SA, founded in 1999 (36 employees), with its registered domicile near Nice and an office in Paris, is specialised in the sale of software and is Microsoft's largest MSDN partner in France. With this acquisition, the Bechtle Group has strengthened its presence in France in the IT e-commerce segment, particularly in the software and license businesses.

In balance sheet terms the acquisition at the time of first consolidation on the basis of provisional values, was as follows:

*in th. Euros*

<b>NON-CURRENT ASSETS</b>	
Goodwill	1,993
Property, plant and equipment	69
	<b>2,062</b>
<b>CURRENT ASSETS</b>	
Inventories	271
Receivables	5,161
Other current assets	65
Cash and cash equivalents	1,296
	<b>6,793</b>
<b>Total Assets</b>	<b>8,855</b>
<b>NON-CURRENT LIABILITIES</b>	
Deferred taxes	24
	<b>24</b>
<b>CURRENT LIABILITIES</b>	
Trade payables	3,384
Other current assets	930
	<b>4,314</b>
<b>Total Liabilities</b>	<b>4,338</b>
<b>Total Assets - Total Liabilities =</b>	<b>4,517</b>

Given the time of acquisition at the end of the reporting period, this acquisition has not had any impact on the Group income statement.

### Acquisitions after the balance sheet date

As per 1 January 2007 the entirety of the shares of ITZ Informationstechnologie GmbH Essen, were purchased for th. Euros 8. The company, with 95 employees and revenue comprising Million Euros 19.7 in 2006 shall primarily strengthen the Bechtle Group's services business thanks to its expertise in the area of IT services.

The allocation of the purchase price on the basis of the fair value of the assets and liabilities shall be carried out in the context of purchase price allocation which, at the time of preparation of the consolidated financial statements was not yet concluded. On the basis of the provisional values as per 31 December 2006, the acquisition was as follows in balance sheet terms:

*in th. Euros*

<b>Non-Current Assets</b>	1,857
<b>Current Assets</b>	2,182
<b>Total Assets</b>	<b>4,039</b>
<b>Current and Non-Current Liabilities</b>	4,031
<b>Total Liabilities</b>	<b>4,031</b>
<b>Total Assets - Total Liabilities =</b>	<b>8</b>

### VIII. PRO FORMA INFORMATION

If the companies acquired in the year under review had been acquired at the start of the fiscal year 2006, the Company's key figures would have been as follows:

*in th. Euros*

	01.01.– 31.12.2006
Revenue	1,240,558
Earnings after taxes	31,174
Earnings per share (in Euros)	1,4705

### IX. EMPLOYEES

Personnel expenses are composed as follows:

*in th. Euros*

	2006	2005
Wages and salaries	170,562	158,730
Social security payments and expenditure for staff pensions and support	22,019	20,761
<b>Total Personnel expenses</b>	<b>192,581</b>	<b>179,491</b>

Employees numbers are composed as follows:

*in th. Euros*

	31.12.2006	31.12.2005	01.01.– 31.12.2006	01.01.– 31.12.2005
Full-time employees	3,607	3,636	3,605	3,371
Employees in training	222	216	206	192
Employees on maternity leave, doing compulsory military or civilian service.	59	56	57	53
Temporary employees	104	104	104	88
<b>Total</b>	<b>3,992</b>	<b>4,012</b>	<b>3,972</b>	<b>3,704</b>

## X. AUDIT FEES

For services rendered by the auditors of the consolidated financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, the following fees have been recorded as expenses in the 2006 fiscal year:

*in th. Euros*

	2006
Audits	345
Audit-related confirmation services	116
Tax consultancy services	3
Other services rendered to Bechtle AG or subsidiaries	13
<b>Audit Fees</b>	<b>477</b>

The fees for the audits include in particular the fees for the consolidated financial statements as well as for auditing the financial statements of Bechtle AG and its domestic subsidiaries. The audit-related services include fees for auditing the financial statements of subsidiaries which are not subject to statutory audit.

## XI. RELATED PARTIES

### Transactions with Related Parties

According to IAS 24, persons or companies who are influenced by or have an influence upon the reporting company must be named insofar as they have not already been incorporated as consolidated companies into the consolidated financial statements.

Related persons in the Bechtle Group include, in principle, members of the Executive Board and Supervisory Board, as well as their relatives.

In the period under review, the shareholders of ITZ Informationstechnologie GmbH (ITZ), Essen, sold a company stake to the chairman of the Supervisory Board of Bechtle AG and made a binding offer of sale for the entirety of the remaining shares to Bechtle AG. The chairman of the Supervisory Board also made a binding offer of sale of the company shares he had acquired to Bechtle AG.

Both sales offers were accepted by Bechtle AG in January 2007. The chairman of the Supervisory Board did not obtain any personal advantages from the transaction, given that the purchase price offered to him, in the amount of th. Euros 8 corresponded to the purchase price paid by Bechtle AG.

In addition to the above, there were no transactions with related parties.

## XII. NOTIFICATIONS PURSUANT TO ARTICLES 21 AND 25 PARAGRAPH 1 OF THE OLDEDITION OF THE GERMAN SECURITIES TRADING ACT, WPHG (WERTPAPIERHANDELSGESETZ), OR ARTICLES 21 AND 26 PARAGRAPH 1 OF THE REVISED EDITION FROM 20 JANUARY 2007

In a letter of 8 April 2002, BWK GmbH Unternehmensbeteiligungsgesellschaft, 70173 Stuttgart, informed us as follows: "We herewith inform you in accordance with Article 41 Paragraph 2 sentence 1 of the WpHG that, as of 1 April 2002, we are entitled to 19.39% of the voting rights in Bechtle AG."

In a letter of 8 April 2002, Gerhard Schick, 74405 Gaildorf, informed us as follows: "I herewith inform you in accordance with Article 41 Paragraph 2 sentence 1 of the WpHG that, as of 1 April 2002, I am entitled to 7.06% of the voting rights in Bechtle AG."

In a letter of 5 March 2007, Karin Schick-Krief, 74405 Gaildorf, informed us as follows: "I herewith inform you in accordance with Article 41 Paragraph 4a of the WpHG that, as of 20 January 2007, I am entitled to 32.00% of the voting rights in the company. Of said voting rights, 3.82% are to be attributed to me in accordance with Article 22 Paragraph 1 sentence 1 (1) of the WpHG, and 1.60% are to be attributed to me in accordance with Article 22 Paragraph 1 sentence 1 (6) of the WpHG."

## XIII. EXECUTIVE AND SUPERVISORY BOARD

Members of the Executive Board

**Ralf Klenk**, CEO, Dipl.-Ing. (FH)

Place of residence: Heilbronn

responsible for Business Planning, Corporate Communications, Personell and IT.

- Chairman of the Supervisory Board of PP 2000 Business Integration AG
- Member of the Supervisory Board of the Volksbank Heilbronn eG
- Member of the Executive Board of PSB AG fuer Programmierung und Systemberatung, Neckarsulm (formerly Ober-Moerlen)
- Member of the IHK general assembly Heilbronn-Franken

**Gerhard Marz**, COO, Dipl.-Ing.

Place of residence: Speyer

responsible for the IT system house segment and Competence Centres.

- Member of the Supervisory Board of PP 2000 Business Integration AG, Stuttgart
- Member of the Executive Board of PSB AG fuer Programmierung und Systemberatung, Neckarsulm (formerly Ober-Moerlen)

**Jürgen Schäfer**, COO, Dipl.-Kfm.

Place of residence: Heilbronn

responsible for the IT e-commerce segment as well as the Logistics & Service division.

- Member of the Supervisory Board of PP 2000 Business Integration AG, Stuttgart

**Dr. Thomas Olemotz**, CFO, Dipl.-Kfm. (since 1 March 2007)

Place of residence: Rabenau

responsible for Finances

#### Number of Shares held in Bechtle AG

	31.12.2006	31.12.2005
Ralf Klenk	352,462	352,462
Gerhard Marz	6,916	6,916
Jürgen Schäfer	4,000	4,000

#### Remuneration of Executive Managers in Key Positions

The total remuneration of the Executive Board of Bechtle AG in the year under review amounted to th. Euros 1,303. The remuneration of the Executive Board consisted of a fixed and a variable component. The fixed component amounted to th. Euros 678 and the variable component amounted to th. Euros 625.

On the basis of a resolution of the Annual General Meeting of 20 June 2006, the Company declines to individually publish the remuneration of the Executive Board.

### Members of the Supervisory Board

All details relating to the Supervisory Board, which must be published to comply with legal requirements or a recommendation of the German Corporate Governance Codex are summarised in the Corporate Governance Report and in the attachment to these notes.

### XIV. EVENTS AFTER THE BALANCE SHEET DATE

In January 2007 the system house ITZ Informationstechnologie GmbH was acquired by Bechtle AG. The company, with its registered domicile in Essen, is of interest primarily due to its expertise in IT services. In acquiring the company, the Bechtle Group has strengthened its services business. Additional details can be found under Section VII Acquisitions.

Effective as of 1 March 2007 the Supervisory Board of Bechtle AG has appointed Dr. Thomas Olemotz to the Executive Board. He shall be responsible for finances.

Neckarsulm, 12 March 2007

Bechtle AG

The Executive Board

## // CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

from 1 January to 31 December 2006 (Attachement A to notes)

in th. Euros

	COST OF PURCHASE						31.12.2006
	01.01.2006	Change in scope of consolidation	Other additions	Differences in currency	Disposals	Transfer restructure	
<b>I. Goodwill</b>	<b>89,519</b>	<b>6,388</b>	<b>1,997</b>	<b>-492</b>	<b>0</b>	<b>0</b>	<b>97,412</b>
<b>II. OTHER INTANGIBLE ASSETS</b>							
1. Software							
bought-in software	9,236	51	2,013	-63	290	0	10,947
home-grown software	3,717	0	0	0	0	0	3,717
2. Customer base	18,928	1,796	0	-190	0	0	20,534
3. Brands	2,750	600	0	0	0	0	3,350
4. Customer service contracts	1,200	280	0	-9	188	0	1,283
	<b>35,831</b>	<b>2,727</b>	<b>2,013</b>	<b>-262</b>	<b>478</b>	<b>0</b>	<b>39,831</b>
<b>III. PROBERTY, PLANT AND EQUIPMENT</b>							
1. Property and buildings	6,211	0	30	0	0	-1,463	4,778
2. Miscellaneous equipment and fixtures	35,046	398	8,806	-209	9,258	1,976	36,759
3. Plant and machinery	59	0	0	0	7	0	52
	<b>41,316</b>	<b>398</b>	<b>8,836</b>	<b>-209</b>	<b>9,265</b>	<b>513</b>	<b>41,589</b>
	<b>166,666</b>	<b>9,513</b>	<b>12,846</b>	<b>-963</b>	<b>9,743</b>	<b>513 *</b>	<b>178,832</b>

\* reallocated from inventories



CUMULATE DEPRECIATION							CARRYING AMOUNT		
	01.01.2006	Change in scope of consolidation	Other additions	Differences in currency	Disposals	Transfer restructure	31.12.2006	31.12.2006	31.12.2005
	0	0	0	0	0	0	0	97,412	89,519
	6,236	0	1,838	-28	198	0	7,848	3,099	3,000
	3,585	0	88	0	0	0	3,673	44	132
	5,274	0	3,397	-84	0	0	8,587	11,947	13,654
	0	0	0	0	0	0	0	3,350	2,750
	541	0	697	-8	188	0	1,042	241	659
	15,636	0	6,020	-120	386	0	21,150	18,681	20,195
	726	0	117	0	0	-386	457	4,321	5,485
	22,000	0	8,153	-135	8,367	674	22,325	14,434	13,046
	23	0	4	0	4	0	23	29	36
	22,749	0	8,274	-135	8,371	288	22,805	18,784	18,567
	38,385	0	14,294	-255	8,757	288 *	43,955	134,877	128,281

## // CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

from 1 January to 31 December 2005 (Attachement A to notes)

in th. Euros

	COST OF PURCHASE						31.12.2005
	01.01.2005	Change in scope of consolidation	Other additions	Differences in currency	Disposals	Transfer restructure	
<b>I. Goodwill</b>	<b>81,607</b>	<b>7,650</b>	<b>308</b>	<b>-46</b>	<b>0</b>	<b>0</b>	<b>89,519</b>
<b>II. OTHER INTANGIBLE ASSETS</b>							
1. Software							
bought-in software	7,509	58	1,738	-9	60	0	9,236
home-grown software	3,717	0	0	0	0	0	3,717
2. Customer base	14,941	3,847	165	-25	0	0	18,928
3. Brands	2,750	0	0	0	0	0	2,750
4. Customer service contracts	310	890	0	0	0	0	1,200
	<b>29,227</b>	<b>4,795</b>	<b>1,903</b>	<b>-34</b>	<b>60</b>	<b>0</b>	<b>35,831</b>
<b>III. PROBERTY, PLANT AND EQUIPMENT</b>							
1. Property and buildings	9,319	278	73	-33	565	-2,861	6,211
2. Miscellaneous equipment and fixtures	28,688	5,523	6,259	-27	5,397	0	35,046
3. Plant and machinery	55	0	9	0	5	0	59
	<b>38,062</b>	<b>5,801</b>	<b>6,341</b>	<b>-60</b>	<b>5,967</b>	<b>-2,861</b>	<b>41,316</b>
	<b>148,896</b>	<b>18,246</b>	<b>8,552</b>	<b>-140</b>	<b>6,027</b>	<b>-2,861 *</b>	<b>166,666</b>

\* reallocated to investment property

CUMULATE DEPRECIATION								CARRYING AMOUNT	
	01.01.2005	Change in scope of consolidation	Other additions	Differences in currency	Disposals	Transfer restructure	31.12.2005	31.12.2005	31.12.2004
	0	0	0	0	0	0	0	89,519	81,607
	4,350	0	1,945	-5	54	0	6,236	3,000	3,159
	3,384	0	201	0	0	0	3,585	132	333
	3,271	0	2,005	-2	0	0	5,274	13,654	11,670
	0	0	0	0	0	0	0	2,750	2,750
	38	0	503	0	0	0	541	659	272
	<b>11,043</b>	<b>0</b>	<b>4,654</b>	<b>-7</b>	<b>54</b>	<b>0</b>	<b>15,636</b>	<b>20,195</b>	<b>18,184</b>
	908	0	328	-4	291	-215	726	5,485	8,411
	19,699	0	6,939	-20	4,618	0	22,000	13,046	8,989
	22	0	5	0	4	0	23	36	33
	<b>20,629</b>	<b>0</b>	<b>7,272</b>	<b>-24</b>	<b>4,913</b>	<b>-215</b>	<b>22,749</b>	<b>18,567</b>	<b>17,433</b>
	<b>31,672</b>	<b>0</b>	<b>11,926</b>	<b>-31</b>	<b>4,967</b>	<b>-215*</b>	<b>38,385</b>	<b>128,281</b>	<b>117,224</b>

## // MEMBERS OF THE SUPERVISORY BOARD

Attachment B to the Notes

### Shareholders' Representatives

	Member since	Occupation	Membership of supervisory boards and other executive bodies within the meaning of Article 125, Paragraph 1, sentence 3 of the German Stock Corporation Act
Otto Beilharz	20 May 1999	CEO	Member of the Supervisory Board – of PSB AG fuer Programmierung und Systemberatung, Neckarsulm (formerly Ober-Moerlen) Chairman of the Advisory Council – of Karl Schuessler GmbH & Co. KG, Bodelshausen
Kurt Dobitsch	20 May 1999	Entrepreneur	Chairman of the Supervisory Board – of United Internet AG, Montabaur – of Nemetschek AG, Munich Member of the Supervisory Board – of 1&1 Internet AG, Karlsruhe – of PSB AG fuer Programmierung und Systemberatung, Neckarsulm (formerly Ober-Moerlen) – of DOCUWARE AG, Munich Member of the Administrative Board – of Hybris AG, Zurich, Switzerland
Gerhard Schick Chairman of the Supervisory Board	22 March 2004	Businessman	Chairman of the Supervisory Board – of PSB AG fuer Programmierung und Systemberatung, Neckarsulm (formerly Ober-Moerlen) Chairman of the Administrative Board – of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland
Karin Schick-Krief	(02.10.03 - 22.03.04) since 9 August 2004	Master of Arts	
Klaus Winkler	20 May 1999	CEO	Member of the Supervisory Board – of Sick AG, Waldkirch – of IMS Gear GmbH, Eisenach Member of the Advisory Council – of Dieffenbacher GmbH & Co., Eppingen – of Joma Polytec GmbH, Bodelshausen – of Reich Spezialmaschinen GmbH, Nuertingen
Dr. Jochen Wolf 2nd Deputy Chairman of the Supervisory Board	2 October 2003	CEO	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 Board – of E.G.O. Blanc & Fischer-Firmengruppe, Oberderdingen Member of the Advisory Council – of Bardusch GmbH & Co., Ettlingen

## Employees' Representatives

	Member since	Occupation	Membership of supervisory boards and other executive bodies within the meaning of Article 125, Paragraph 1, sentence 3 of the German Stock Corporation Act
Uli Drautz	15 October 2003	Clerical Staff Member	
Ralf Feeser Deputy Chairman of the Supervisory Board	15 October 2003	Senior Clerical Staff Member	
Barbara Greyer	15 October 2003	Head of IT districts division of the German public service union (ver.di) Baden-Wuerttemberg	
Peter Leweke	15 October 2003	Technical Staff Member	
Daniela Ludewig	15 October 2003	Clerical Staff Member	
Dr. Rudolf Luz	15 October 2003	Chief Representative of the Metal Workers' Union (IG Metall) Heilbronn-Neckarsulm	Deputy Chairman of the Supervisory Board - of Kolbenschmidt Pierburg AG, Neckarsulm Member of the Supervisory Board - of Rheinmetall AG, Duesseldorf - of Wirtschaftsfoerderung Raum Heilbronn GmbH, Heilbronn

## // AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by the Bechtle AG, Neckarsulm, comprising the income statement, the balance sheet, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Heilbronn, March 12, 2007

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Sohler  
German Public Auditor

Moschall  
German Public Auditor



## // GLOSSARY OF TERMS

### SPECIALIST GLOSSARY

#### BACK-UP LINE

Second line for security that assumes the task of transmitting data flows if the main line fails.

#### E-GOVERNMENT

E-Government is the simplification and implementation of information, communication and transactions within and between governmental institutions as well as between these institutions and citizens or businesses through the use of information and communication technologies.

#### ENTERPRISE COMPUTING

Enterprise Computing focuses on the IT organisation of large companies and refers to the use of high availability systems and a company-wide network infrastructure to deal with the special challenges of processing of large quantities of data.

#### E-PROCUREMENT

Refers to electronic, i.e. online web-based procurement. The aim is to improve quality and costs in purchasing.

#### FIREWALL

Selective filter software that only allows certain data to pass through and thus provides protection against attacks from outside or unauthorised access. It can be equated with passport checks at border crossings.

#### FULFILMENT PARTNER

The fulfilment partner handles the entire order processing system. The services provided range from taking the order to delivering the goods to the customer by the fastest possible means.

#### IP-TELEPHONY

IP-Telephony (Internet Protocol-Telephony; also Voice over IP (VoIP)) is telephoning via computer networks that are built to Internet standards.

#### CONFIGURATION

Certain programme or hardware computer component settings.

#### MANAGED SERVICES

Services aimed at assuming a company's tasks that are not part of its core business, such as supporting the IT infrastructure. In addition to reducing IT costs, the managed services partner ensures that the technology used is highly standardised and that the IT infrastructure provided is thus secure. See also Outsourcing.

#### OUTSOURCING

Outsourcing describes the forwarding of company tasks to third parties. Outsourcing is therefore a special form of outside procurement of a service that had been carried out internally.



#### OUT TASKING

Out tasking is a variation of the classic Outsourcing. It is not the complete business processes which are outsourced, but subtasks – such as the maintenance of technical machines.

#### REMOTE

The term has found its way into numerous descriptions in IT terminology. Remote Services, for example, are systems that carry out error recovery on the affected computer without the need for user intervention. Fundamental is the evaluation of trend data from the affected computer in real-time.

#### ROLLOUT

Rollout is used to describe the delivery of new or replacement of old hardware. In addition, the rollout process includes the disposal of used hardware, and the delivery and installation of operating systems and all desired applications.

#### SECURITY

In the IT world, this refers to all the hardware and software tools used to protect or monitor a computer or computer system.

#### SERVER

Central computer in a network that provides the workstations (clients) with data, storage space and resources, and that administers the network.

#### STORAGE

The rapid increase in the amount of data to be stored and the enormous demands placed on the information available are a severe challenge to a company's IT infrastructure and require intelligent storage networks.

#### SUPPORT

A problem-related consulting activity, e.g. in call centres. The objective consists of processing and dealing with support inquiries from internal or external customers via telephone, e-mail or other means of communication.

#### TELESALES

Sales from „afar“, meaning, for instance, by phone or via Internet shops.

#### VIRTUALISATION

Observation of a customer's IT structure, in its entirety with regard to processes, products, services and costs. Development of a virtualisation solution can result from it.

## FINANCIAL GLOSSARY

### AVAILABLE FOR SALE

This groups financial assets available for sale.

### BANK GUARANTEES

Bank guarantees are a type of loan in which a bank takes on an absolute guarantee against a third party on behalf of a customer. In return the bank is paid a loan security commission by the customer who does not receive the value of the loan.

### CASH FLOW

Cash flow is the balance of receipts and outgoings. Bechtle calculates the cash flow from operating activities according to the indirect method and as part of the cash flow statement. It shows a company's ability to generate the means of payment for capital expenditure, liabilities repayment and dividends to shareholders.

### CASH FLOW PER SHARE

Calculated from the cash flow from operating activities divided by the average numbers of shares in circulation in a given year.

### CORPORATE GOVERNANCE

The German Corporate Governance Code is designed to make the rules applicable to corporate management and monitoring more transparent for national and international investors, and so boost confidence in the management of German companies. Listed German companies must apply the recommendations in the Code and, where applicable, publish deviations from its principles.

### DERIVATIVES

Financial instruments whose price depends on fluctuations in value or price forecasts of other capital expenditure. Derivatives are constructed in such a way that fluctuations in the price of the underlying invested are magnified exponentially. They can thus be used to hedge against loss in price and to speculate on price gains for the underlying security. Certificates, options, futures and swaps are the principal types of derivative.

### DESIGNATED SPONSOR

Banks or other financial service providers guaranteeing liquid stockmarket trading in the securities they manage.

### DIRECTORS' DEALINGS

The notification and disclosure requirements contained in section 15 (a) of the Securities Trading Act require transactions in the securities of a listed company made by members of its executive and supervisory boards and their family members to be registered immediately with the respective company for subsequent publication if their value exceeds 5,000 euros in any one calendar year.

#### DIVIDEND PAYOUT RATIO

Bechtle calculates this from the sum of the dividend payout divided by the Group earnings after taxes excluding minority interests.

#### DUE DILIGENCE

Due diligence reviews are performed before the run-up to corporate acquisitions to ensure a solid information base. Companies are analysed based on economic, financial, legal, tax and environmental criteria.

#### EARNINGS PER SHARE

Earnings after taxes without minority interests divided by the average number of shares in circulation in a given year.

#### EBIT

Earnings before interest and taxes. The EBIT provides a more objective comparison of companies' operative earning power.

#### EBITDA

Earnings before interest, taxes, depreciation and amortisation.

#### EBITDA MARGIN

EBITDA divided by revenue.

#### EBT

Earnings before taxes.

#### EBT MARGIN

Earnings before taxes divided by revenue. The higher this figure the higher the company's earning power.

#### EQUITY RATIO

Percentage share of equity in the balance sheet total.

#### FREE FLOAT

Measured against the total number of issued shares, free float is the number or ratio of shares in a company which are not in fixed ownership and are thus available for trading on the stockmarket. Fixed ownership signifies a shareholding exceeding five per cent.

#### IFRS

Since 1 January 2005 all listed companies in the EU are required to publish their financial statements according to the IFRS. The International Financial Reporting Standards are accounting rules issued by the IASB (International Accounting Standards Board), a specialised international agency. The aim of the rules is to create a transparent and comparable accounting system on an international basis. Annual statements drawn up in accordance with the IFRS give investors relevant information about a company's assets and revenue.

#### MARKET CAPITALISATION

It determines a company's stock exchange value by multiplying its issued shares with the current market price. Besides stock exchange trading, this figure is an important criterion in adding a share to an index.

#### PREPAID EXPENSES AND DEFERRED INCOME

This is an accounting step in the financial statements to allocate assets in the income statement or balance sheet to the correct fiscal year. Prepaid expenses and deferred income are necessary to determine a company's performance during a specific period, for example if connected transactions require several bookings in different accounting periods.

#### PRIME STANDARD

Prime Standard companies must exceed the general standards as represented by the legal minimum requirements of the official or regulated market and meet high international transparency requirements.

#### RETURN ON EQUITY

Calculated by determining the ratio of earnings after taxes to the average equity on the balance sheet. It shows the return yielded by the company's equity.

#### RETURN ON REVENUE

Calculates the ratio of earnings after taxes to revenue.

#### RISK MANAGEMENT

Systematic approach to identifying and quantifying potential risks and selecting and employing measures to counteract them.

#### ROAD SHOW

Road shows are an Investor Relations instrument in which the company presents itself to potential or existing investors in financial centres.

#### SALES PER EMPLOYEE

Sales per average full-time employee.

#### SENSITIVITY ANALYSIS

A marginal analysis of earnings. involving the change of a parameter (or several parameters together). It checks the time that the target value was first passed going up or down.

#### TECDAX

Selective German index of 30 technology companies in the Prime Standard that follows the DAX in terms of order book turnover and market capitalisation. Bechtle AG is listed in the index.

#### TOTAL RETURN ON CAPITAL EMPLOYED

Sum of EBT and interest cost divided by the average total capital employed. The total return on capital employed indicates the interest on the total capital employed, including equity and debt capital.

#### WORKING CAPITAL

Is calculated from inventories plus trade receivables minus trade payables and prepayments. The figure indicates the "net equity" a business needs to generate revenue.

## // FINANCIAL CALENDAR

- // **RELEASE ANNUAL REPORT 2006**  
28 March 2007
- // **ACCOUNTS PRESS CONFERENCE**  
28 March 2007  
Steigenberger Hotel Graf Zeppelin, Stuttgart
- // **DVFA ANALYSTS' CONFERENCE**  
29 March 2007  
DVFA-Center, Frankfurt
- // **INTERIM REPORT 1st QUARTER 2007 (1 January to 31 March)**  
15 May 2007  
Conference Call with analysts, investors and media
- // **ANNUAL GENERAL MEETING**  
21 June 2007, 10.00 a.m.  
Harmonie Concert and Congress Centre, Heilbronn
- // **DIVIDEND PAYMENT FOR THE FISCAL YEAR 2006**  
22 June 2007  
*(subject to approval by the Annual General Meeting)*
- // **INTERIM REPORT 2nd QUARTER 2007 (1 April to 30 June)**  
10 August 2007  
Conference Call with analysts, investors and media
- // **INTERIM REPORT 3rd QUARTER 2007 (1 July to 30 September)**  
13 November 2007  
Conference Call with analysts, investors and media

### **Future-based statements**

This annual 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. This applies, for instance, to the future development of the market, the macroeconomic environment and the behaviour of market makers, as well as the integration of recently acquired companies and the realisation of expected synergy effects. Bechtle AG does not undertake any special obligation to update the future-based statements made in this report in order to bring them into line with developments and events that occur after the date of publication of this annual report.

## // IMPRINT

PUBLISHED BY  
Bechtle AG, Neckarsulm

EDITORIAL AND PRODUCTION  
Bechtle AG, Corporate Communications & Investor Relations

LAYOUT AND ILLUSTRATION  
Alessandra Dragna,  
atelier-2, Ludwigsburg

Magazine pages  
Ralf Schirmer,  
schirmer werbung. design. neuemedien. GmbH, Lampertheim

PHOTOGRAPHY  
Wolfram Scheible, Stuttgart  
Niels Schubert, Stuttgart  
PROTEC GmbH & Co. KG, Oberstenfeld

PRINT  
ColorDruck GmbH, Leimen

## // INVESTOR RELATIONS

Bechtle AG  
Bechtle Platz 1  
74172 Neckarsulm

Sabine Emich  
Head of Corporate Communications & Investor Relations  
Phone +49 (0) 71 32/9 81-41 15  
Fax +49 (0) 71 32/9 81-41 16  
sabine.emich@bechtle.com

Martin Link  
Corporate Communications & Investor Relations  
Phone +49 (0) 71 32/9 81-41 49  
Fax +49 (0) 71 32/9 81-41 16  
martin.link@bechtle.com

Ute Thamm  
Corporate Communications & Investor Relations  
Phone +49 (0) 79 71/95 02-24  
Fax +49 (0) 79 71/95 02-23  
ute.thamm@bechtle.com

This Annual Report is available in German and English. Both versions can be downloaded at [www.bechtle.com](http://www.bechtle.com). An online version is also available on the website. On request, we would be pleased to send you further copies of the printed German version free of charge.

The Annual Report 2006 was published on 28 March 2007.

