

ANNUAL REPORT 2016

SUCCESS IS DIGITAL.

Your strong IT partner.
Today and tomorrow.

BECHTLE

REVENUE:

€3.094 billion

(PLUS 9.3%)

EBT:

€145.1 million

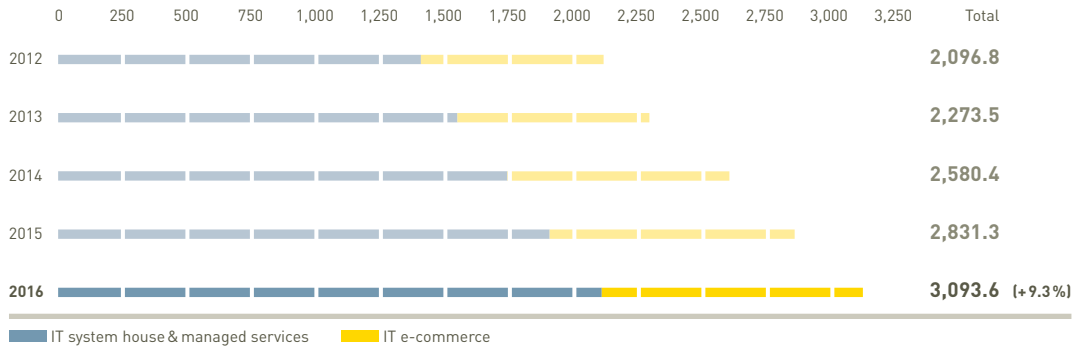
(4.7% MARGE)

5 YEARS IN BRIEF

REVENUE

€m

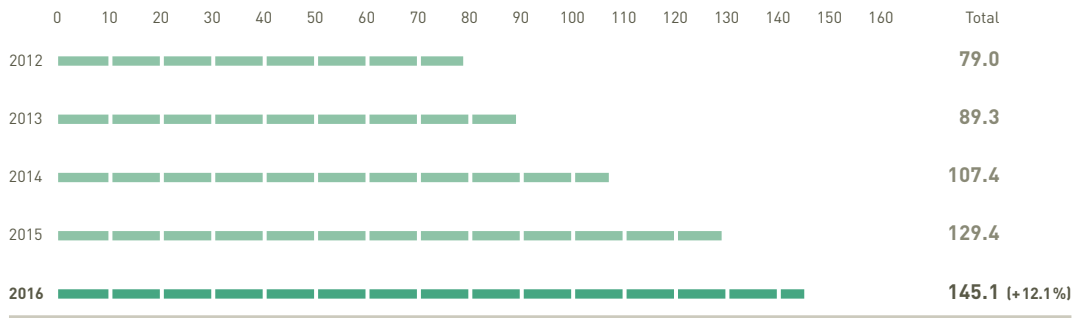
For revenue performance see page 67 f



EBT

€m

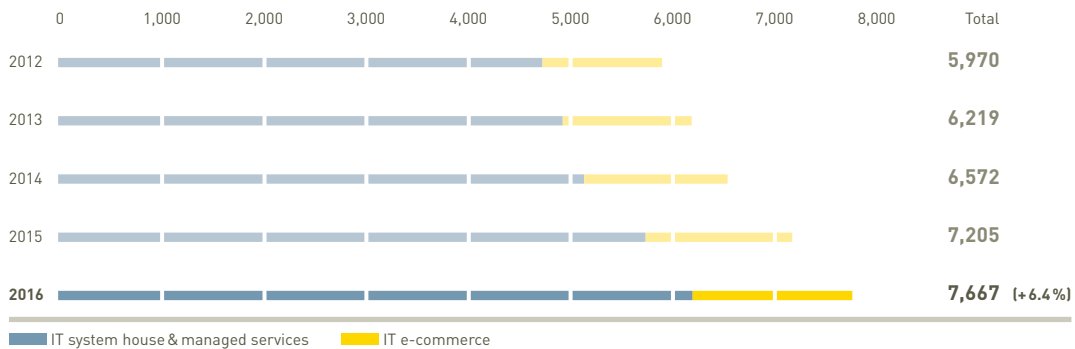
For earnings situation see page 68 ff



EMPLOYEES

as of 31 December

For development of employee numbers see page 43 ff



EPS:

€4.92

(PLUS 11,3%)

DIVIDEND:

€1.50¹

(PLUS 7,1%)

01. 5 YEARS IN FIGURES

		2012	2013	2014	2015	2016	Change in % 2016-2015
Revenue	€k	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	9.3
IT system house & managed services	€k	1,394,455	1,535,316	1,727,073	1,889,494	2,089,749	10.6
IT e-commerce	€k	702,380	738,169	853,375	941,809	1,003,830	6.6
EBITDA	€k	102,013	113,541	132,251	155,920	171,798	10.2
IT system house & managed services	€k	62,205	74,214	88,083	101,831	116,351	14.3
IT e-commerce	€k	39,808	39,327	44,168	54,089	55,447	2.5
EBIT	€k	80,265	91,048	108,498	129,484	144,083	11.3
IT system house & managed services	€k	44,320	56,185	68,907	80,293	93,459	16.4
IT e-commerce	€k	35,945	34,863	39,591	49,191	50,624	2.9
EBIT margin	%	3.8	4.0	4.2	4.6	4.7	
IT system house & managed services	%	3.2	3.7	4.0	4.2	4.5	
IT e-commerce	%	5.1	4.7	4.6	5.2	5.0	
EBT	€k	79,001	89,308	107,385	129,404	145,100	12.1
EBT margin	%	3.8	3.9	4.2	4.6	4.7	
Earnings after taxes	€k	56,358	63,397	76,194	92,877	103,371	11.3
Earnings per share	€	2.68	3.02	3.63	4.42	4.92	11.3
Dividend per share	€	1.00	1.10	1.20	1.40	1.50 ¹	7.1
Equity ratio	%	54.5	55.1	54.5	53.9	54.7	1.4
Cash and cash equivalents²	€k	146,155	156,105	156,000	206,660	162,781	-21.2
Working capital	€k	211,595	234,624	291,326	294,872	375,645	27.4
Cash flow from operating activities	€k	56,669	73,098	55,965	115,945	53,363	-54.0
Cash flow per share	€	2.70	3.48	2.67	5.52	2.54	-54.0
Number of employees (as of 31.12)		5,970	6,219	6,572	7,205	7,667	6.4
IT system house & managed services		4,754	4,953	5,164	5,766	6,125	6.2
IT e-commerce		1,216	1,266	1,408	1,439	1,542	7.2

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

For more key figures see multi-year overview, page 204 ff

02. REVIEW BY QUARTER 2016

		1st quarter 01.01-31.03	2nd quarter 01.04-30.06	3rd quarter 01.07-30.09	4th quarter 01.10-31.12
Revenue	€k	704,905	723,393	730,027	935,254
EBITDA	€k	33,846	39,318	42,230	56,404
EBIT	€k	26,956	32,261	35,159	49,707
EBT	€k	26,915	32,095	36,266	49,824
EBT margin	%	3.8	4.4	5.0	5.3
Earnings after taxes	€k	19,115	22,711	25,826	35,719



From 10 May 2017, you can find the latest figures for the first quarter of 2017 at bechtle.com/reports



Chi-Mai Bach, Dell Product Management, is one of 7,667 colleagues who keep us and our customers fit for the future.

The hashtag is a symbol of what we work on and what will be increasingly important in the future: digitisation.

With new architecture concepts such as the Software Defined Data Centre, Bechtle ensures failsafe, future-ready data centres. We automate the control of IT resources with smart management tools and efficient storage systems.

Digitisation is also a central subject at Bechtle's subsidiaries: ARP has established the Digital House, an innovation lab that will assist the entire Bechtle Group in digitising the customer journey and developing the cross-channel strategy.

Since 2015, Modus Consult GmbH has supplemented Bechtle's solution offer. Among other things, the company develops custom-tailored ERP applications for various industries. Systems for enterprise content management and business intelligence enable customers to engage in smart data management. With future-ready standards in individualised forms.



Cross reference
within the Annual Report



Cross reference
to other printed works
and other literature



Cross reference
to information on the Internet



Reference to non-financial
performance indicators

1

TO OUR SHAREHOLDERS

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Q1

1.1.2016: 7 partners  31.3.2016: 10 partners

Global IT Alliance
now comprises 10 partners.



JAN The future begins

now. At the logistics centre at the headquarters in Neckarsulm, Bechtle launches an augmented reality solution with smart glasses. This is the world's first productive use of the

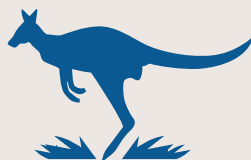
mobile app SAP AR Warehouse Picker. Since 2014, Bechtle and SAP have worked on a project for the integration of future-oriented digital technologies in warehouse logistics. **Two awards.** Citrix honours our successful customer projects and strong virtualisation competence at the partner conference in Las Vegas. Moreover, HP again designates us as Platinum Partner. Since the introduction of this top partner level, we have regularly qualified for this label. A good reason to be proud!

FEB Samba and fiesta.

Within the framework of the global IT alliance, Bechtle forms two new partnerships in Latin America. In Brazil, Microware is added as a partner. The company has locations in the strategically significant cities of Brasilia, São Paulo and Rio de Janeiro, from where it serves customers throughout the country. In Mexico, Bechtle cooperates with Compucentro, headquartered in Mexico City.

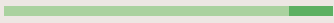
MAR Down under.

Bechtle enters a new cooperation with Data#3 Limited in Australia. Headquartered in Brisbane, the company has more than 1,100 employees at 14 locations in Australia.



Awards, awards, awards. At its partner conference in Windsor, UK, AppSense names Bechtle as the Partner of the Year 2015 for the EMEA region. The award draws attention to Bechtle's outstanding performance in the fields of new business, revenue growth and solution implementation. At the Cisco Partner Summit 2016 in San Diego, Bechtle receives three awards: Capital Partner of the Year Germany, Capital Partner of the Year Central Europe and Enterprise Networks Partner of the Year Germany. Moreover, at the partner conference in München, the software manufacturer Symantec designates Bechtle as "Core Security Partner of the Year 2016".

Q2

Closing price 30.12.2015: €88.06  Closing price 1.6.2016: €101.65

Bechtle share
exceeds €100 for the first time.

APR Bechtle Competence Day sees record attendance.

On 6 and 7 April, more than 2,500 people attend the Bechtle Competence Day at the group headquarters, setting a new record. Apart from more than 70 presentations by Bechtle experts, the customers are given the opportunity to inform themselves about the opportunities of promising technologies by means of live demonstrations and in personal discussions.



Take two. Lenovo honours Bechtle for the excellent integration of Lenovo PC Group and Lenovo Datacenter Group. Attention is drawn to Bechtle's implementation competence, experience and integration strength. At the partner conference in Rome, Bechtle receives an award from Cisco in the "New Business" category for the highest number of newly gained customers.

MAY Everything from one source.

Henceforth, Bechtle will offer customers its own financing solutions. CSS AG, which was acquired in 2015, is fully integrated in the group and renamed Bechtle Financial Services AG. **Awards from EMC.** For the second time in a row, Bechtle receives the EMC Solution Provider Partner of the Year Award for the EMEA region. The award is conferred in recognition of last year's significant revenue growth with EMC solutions. Bechtle also receives the EMEA Global Service Delivery Award for its excellent performance in the service business.

Switzerland on top.

For the third time, Microsoft Switzerland designates Comsoft direct as "Partner of the Year" in the Software Asset Management category. Additionally, Microsoft honours Comsoft as "Most Engaged WorkSpace Partner" due to its exemplary use of the WorkSpace infrastructure.

JUN Annual General Meeting: (learning) success.

About 650 shareholders and interested visitors attend the Annual General Meeting in Heilbronn. All agenda items are adopted with an overwhelming majority, including the election of Sandra Stegmann as a new member of the Supervisory Board. The visitors include more than 130 high-school students who watch how an Annual General Meeting works and get an impression of Bechtle.



€100 mark passed. For the first time since its IPO, the price of the Bechtle share surpasses the mark of €100. **Austria on top.** The Bechtle system house Austria receives the "Channel Partner of the Year" award from Fujitsu.

Q3



More than 160 young people embark on their training at Bechtle.

JUL Welcome, Steffen. In Switzerland, Bechtle merges with Steffen Informatik AG, Mägenwil, Aargau. The IT system house, which was established in 1989 and is well established and successful in the Swiss market, has about 120 employees at five locations. **President's Club 2016.** Microsoft grants its most successful international partners seats in the President's Club 2016. Bechtle is one of them. **AUG Share on top.** The Bechtle share reaches a new all-time high of €104.55. **New data centre.** Henceforth, Bechtle will operate its data centre on Europe's largest data centre campus. For this purpose, the IT enterprise has agreed a long-term partnership with e-shelter, thereby transferring

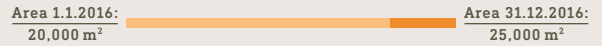


most of its internal IT systems from Neckarsulm to e-shelter locations in the Frankfurt (Main) region. In this way, Bechtle also establishes the technical preconditions for offering comprehensive hosting for customer systems and a wide spectrum of cloud services. **SEP Career start.** More

than 160 trainees and students on integrated degree programmes embark on their career with Bechtle. **Investor relations on top.** In recognition of its steady dividend development ever since its IPO 16 years ago, Bechtle is conferred the "DividendenAdel Award", which is presented by Deutsche Börse and the independent research platform DividendenAdel. In the "Investors' Darling" contest, Bechtle reaches second place in the TecDAX and 16th place in the overall ranking of all 160 DAX companies, outperforming many renowned enterprises. **Recruiting – go for gold!** For the third time, Bechtle receives the gold award as "Best Recruiter".



Q4



Expansion of our central warehouse by 5,000 m².

OCT Visitors. The Bechtle Shareholder Days always attract numerous visitors. About 100 guests travel to Neckarsulm to take a closer look at the company and enjoy coffee and cake in a pleasant setting after the official programme. **Golden October.** At the Jabra partner conference, Bechtle is designated as the best EMEA reseller. As one of Switzerland's best ICT training companies, Steffen Informatik AG qualifies for the ICT Education & Training Award. **NOV Reinforcement.**

Bechtle acquires C-CAM GmbH in Chemnitz, stepping up its competencies in the field of manufacturing-oriented application solutions. The CAD, CAM and PDM software specialist becomes part of Solid-Line AG, which has belonged to the Bechtle Group since 2011, thereby further developing its presence in Germany's eastern federal states. **Hustle and bustle.** A Take-Your-Kid-to-Work Day is held at the group headquarters in Neckarsulm for the second time. About 200 sons and daughters of Bechtle employees see where their parents work and rev up the company. **Ground broken.** The ongoing headcount increase requires further construction measures at the facilities on Bechtle Platz. By mid-2017, a car park with



1,600 additional parking spaces will be built next to the logistics building. **Some more awards.** At this year's Fujitsu Forum, Bechtle receives the "Best Corporate Reseller EMEA 2016" award. Bechtle also collects three awards at the Cisco Partner Summit 2016 in San Francisco. **DEC Construction finished.**

The expansion of the central warehouse in Neckarsulm is completed. The total space now amounts to 25,000 m². The space is urgently needed, as can be seen from the 2.1 million parcels shipped from the Bechtle logistics building this year. Even more shipments are expected to be processed in 2017. **Last but not least.** Bechtle is the first and only IT reseller to qualify for the highest HP Supplies Platinum status.



LETTER FROM THE EXECUTIVE BOARD

Dear Stockholders,

When did you last ask yourselves whether you are satisfied? Satisfied with your environment, your decisions and, yes, also satisfied with your future prospects? I have got into the habit of consciously and regularly asking this question when looking at our business figures, because I do not wish to agree offhand that “we’re satisfied”. Especially when the temptation is as great as it is this year.

In 2016, we were able to outstrip three major targets. In the Group we generated revenue of more than three billion euros, in the IT System House & Managed Services segment we have crossed the two billion euro threshold for the first time and in IT E-Commerce our accounts show the first billion in revenue.

It is not just the figures themselves that are remarkable, but rather the fact that we have resolutely refused to go for “revenue at any price”. The outstanding, above-average development of earnings shows that we never lost sight of profitability as a target. This is an indispensable prerequisite for stability and financial strength – and, at the same time, an approach that is typical of Bechtle’s entrepreneurial spirit.

Gearing up for future challenges. In many areas and in numerous projects we are currently engaged in finding new, additional sources of income for Bechtle. At the same time, our financial strength today gives us the freedom to intensively explore the opportunities of tomorrow. Nevertheless, this is not an easy situation – it is more of a balancing act between experience and courage, but also between increasing earnings and investing in the future. Confidently striking this balance will be critical for our success in the coming years.

There can be no question about it, the pace of change in the increasingly digital economy is fast. But we at Bechtle are well prepared for new developments. For the digital economy needs a solid foundation in order to be economically viable. My impression is that the willingness to accept change is greater than ever at the moment – perhaps because we are actually seeing and feeling Bechtle’s strength in so many places. It is my conviction that the secret to our future success will continue to be our openness to new developments and a healthy pinch of cool-headedness in the face of technological hype, based on our previous success and business experience. With a view to a strong future, this is the “Bechtle Way” – striking the right balance between continuity and change. This also means managing to preserve the cultural elements that have made Bechtle so successful to date and thus “different” in a positive sense, despite our size.

Many new developments have been initiated. The reporting period is marked by a number of major projects and many structural improvements. We have moved our data centre to a new site, have invested heavily and, in technological terms, are now state of the art. The development of a far-reaching digital Bechtle marketplace is progressing smoothly, too. This is a rewarding feat of strength for the entire organisation, because with our decision to develop a digital platform, we have set our sights on making Bechtle one of Europe’s leading digital IT solutions providers. There can be no doubt that this is a flagship project on our voyage of transformation. It is based on the idea of making our entire portfolio of products and services visible on the web together with Bechtle’s broad knowledge and vast experience, and of offering all this to our cus-

tomers. In this way, we are combining the present regional proximity of our system houses with a digital presence, and are creating a further modern sales channel that addresses Bechtle's entire service portfolio in the medium to long term. We can well imagine providing various highly standardised services in digital form as well. It is very important to realise that with this platform we are creating additional opportunities for contact in the sense of a modern, networked and demand-oriented means of communicating with our customers. This enables us to unlock new business potential which we are not yet able to adequately exploit at the moment.

A second, highly exciting project concerns cloud computing. With Bechtle Clouds we will be launching a promising enhancement to our portfolio onto the market in 2017. The timing is good. The products of the vendors have meanwhile reached a high level of standardisation, customers have an increasingly differentiated cloud strategy with many points of reference for Bechtle, and IT and technical budgets are increasingly being invested in cloud services. All these are creating a favourable climate for profitable growth. In order to respond to this market development and to fully cater to our customers' demand for cloud services, we have, with Bechtle Clouds, developed a comprehensive program with the aim of establishing Bechtle in the market as a multi-cloud service provider. Incidentally, this is being done without neglecting our traditional business in all aspects of IT infrastructure and IT architecture. We have invested in these areas as well, not least with the extension of our logistics hall, which was completed a few weeks ago, and we are now benefiting from greater capacities and further improved processes. Growth and development wherever you look. Diverse innovations that are being accepted and driven forward by our staff with great motivation and much commitment. We owe them a big "thank you".

Bechtle has a promising future. I personally have never known a company to develop with such successful dynamism. A unique feature here is certainly our networked and decentralised organisation, which gives us entrepreneurial responsibility and bonds us together at the same time. In a digitised world this is perhaps the decisive recipe for success. But above all it is people, their values and attitudes, their passion and commitment, their ideas and pragmatic energy that are making Bechtle an impressive, forward-looking company which I have been very pleased to serve for the last ten years, and will be very pleased to serve in the future – and yes, it can be said, with great satisfaction.

I thank you most sincerely for your loyalty to Bechtle, both on my own behalf and, explicitly, in the name of my two colleagues on the Executive Board, and I hope that you will continue to participate in this impressive success story. Be curious about what is coming – and stay well disposed towards us.

On behalf of the Executive Board of Bechtle AG

Yours sincerely,



Dr. Thomas Olemotz

Chairman of the Executive Board (CEO)

Neckarsulm, 14 March 2017

Jürgen Schäfer

Dr. Thomas Olemotz



Michael Guschlbauer



Smart glasses instead of rose-coloured glasses. The devices that appear at first glance to be plain eyeglasses are actually smart glasses that Bechtle employs in its warehouse logistics.

Jointly pushed ahead by Bechtle and SAP, the Neckarsulm facilities have seen the world's first productive use of the mobile app SAP AR Warehouse Picker since early 2016. This augmented reality solution with data glasses makes Bechtle a digitisation pioneer in the field of logistics.

By contrast, our figures are highly conservative: deep in the positive range and grown significantly in all areas.



Dr. Matthias Metz

JÜRGEN SCHÄFER

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

DR. THOMAS OLEMOTZ

Chairman of the Executive Board, responsible for finance, controlling and risk management, human resources and staff development, IT, corporate communications and investor relations, mergers & acquisitions, legal and compliance. Born 1962, married, two adult children. Upon completion of his training as a banker and studies in business economics, Dr. Thomas Olemotz entered Giessen University as a scientific staff member. After obtaining his doctoral degree, he first served as assistant to the Executive Board of Westdeutsche Landesbank and then moved on to the Deutsche Bank group. At Deutsche Gesellschaft für Mittelstandsberatung, he became the division head responsible for medium-sized mergers and acquisitions. His next professional milestones were a position as head of business development at Delton AG and a position as a member of the Executive Board responsible for finance and human resources at Microlog Logistics AG, in which Delton AG holds the majority interest. In March 2007, he stepped over to Bechtle AG, where he first served as CFO and, after about two years, as Executive Board spokesman. He has been Chairman of the Executive Board of Bechtle AG since June 2010.

MICHAEL GUSCHLBAUER

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

DR. MATTHIAS METZ

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

REPORT OF THE SUPERVISORY BOARD

DEAR SIR OR MADAM,

The performance exhibited by Bechtle AG in 2016 was excellent. We have completed another record year whose constantly high growth dynamics provide striking evidence for the company's strength. However, we would not have been able to achieve all of this without the continuous commitment and motivation of the entire team. On behalf of all stakeholders, the Supervisory Board would therefore like to express its gratitude to all Bechtle employees for their extraordinary contribution. Bechtle's strategy and management have always been geared to the group's long-term success and continued existence. Apart from the review of the reporting period, the outlook on the years to come is very important. In line with its duties, the Supervisory Board will continue to provide advice and guidance on this path of sustainable growth.

In the reporting period, the Supervisory Board meticulously performed all audit and controlling duties imposed on it by law and as required by the Articles of Incorporation. The Supervisory Board regularly provided the Executive Board with advice concerning the administration of the group and closely monitored and guided the company's management and development. In 2016, the discussions mainly addressed the group's long-term development and, in this connection, the further expansion of the Bechtle Group and its business segments, especially the implementation of a comprehensive portfolio of cloud services under the name Bechtle Clouds. Other focus areas included the relocation of the data centre from the group headquarters in Neckarsulm to a partner company in Frankfurt as well as the future positioning of the Comsoft direct brand in the market and within the Bechtle Group. Furthermore, we advised the Executive Board on the realignment of the Bechtle system houses in Switzerland and the merger of their activities with the newly acquired Steffen Informatik and in connection with the review of acquisition options. The collaboration between the boards was characterised by open and constructive dialogue.

The Executive Board regularly, promptly and comprehensively informed the Supervisory Board about all aspects relevant to the company as well as all transactions subject to approval. This included particularly the group's business performance, major investment projects, the risk situation and the opportunity and risk management, as well as fundamental issues related to corporate planning and strategy.

Especially the Chairman of the Executive Board maintained close contact with individual Supervisory Board members and primarily with the Chairman of the Supervisory Board even outside the regular meetings. Additionally, the Executive Board informed the Supervisory Board as a whole about key operational indicators, the fulfilment of business plans and the employment situation of the group, segments and all major subsidiaries on a monthly basis. Moreover, we intensively discussed the respective past quarter and the short and medium-term perspectives at quarterly meetings.

At its meetings, the Supervisory Board regularly looked into the business performance of the group as well as the assets and financial position and the implementation of the corporate strategy. Moreover, we continually dealt with the risk situation and actively participated in the further development of the control and risk management system of Bechtle AG.

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

MEETINGS AND CENTRAL ISSUES

In the reporting period, the Supervisory Board held five ordinary plenary sessions: on 29 January, 14 March (balance sheet meeting for the annual and consolidated financial statements for 2015), 9 June, 29 July and 28 October 2016.

Apart from the resolutions adopted at the meetings, the Supervisory Board or its committees also adopted resolutions via circular procedure where operationally necessary, especially in urgent cases. We discussed all measures and transactions that required the approval of the Supervisory Board or its committees in detail at Supervisory Board and committee meetings. At its balance sheet meeting on 14 March 2016, the Supervisory Board approved the annual financial statements and the consolidated financial statements of the prior year (thereby adopting the annual financial statements) and accepted the Executive Board's proposal for the appropriation of profits and the business planning for 2016.

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

- Group strategy and target achievement in connection with the implementation of the strategy
- Economic development of the group
- Vision 2020 and its target achievement
- Due diligence of acquisition projects
- Business planning for 2016
- Implementation of the Bechtle Clouds portfolio
- Restaffing of the vacated seat on the Supervisory Board
- Internal control and risk management system

STAFFING OF THE SUPERVISORY BOARD AND EXECUTIVE BOARD

In the reporting period, the staffing of the Executive Board of Bechtle AG did not undergo any changes. For personal reasons, Supervisory Board member Dr. Walter Jaeger stepped down from his office as of the end of the Annual General Meeting on 9 June 2016. The General Meeting on 9 June 2016 elected Sandra Stegmann to the Supervisory Board for the remainder of Dr. Jaeger's term of office.

COMMITTEE WORK

To fulfil its duties, the Supervisory Board has formed three committees. The audit committee came together on 28 January, 11 March, 9 June, 28 July and 27 October 2016. Additionally, it held telephone conferences on 12 May, 10 August and 10 November 2016. In 2016, the committee dealt intensively with transactions that require approval, such as acquisitions and long-term agreements. Other subjects discussed included the interim financial reports, the preliminary audits of the annual and consolidated financial statements, the proposal for the appropriation of profits and the review of the internal control and risk management system. The meetings also focused on the monitoring of the auditor's independence, the definition of the main issues to be audited, the agreement of the audit fee and the corporate governance.

In 2016, the personnel committee came together at four meetings: on 28 January, 11 March, 11 July and 27 October. The meetings of the personnel committee mainly focused on the Executive Board compensation system.

The arbitration committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG) was not convened in 2016.

The staffing of the audit committee underwent a change. Following the departure of Dr. Walter Jaeger, the Supervisory Board elected Kurt Dobitsch as a committee member on 9 June 2016. No changes occurred in the other committees.

The Supervisory Board regularly and meticulously evaluates its activity according to the guideline "Efficiency Audit in the Supervisory Board" of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. Recommendations for action were developed on the basis of the ideas received from the board members. These recommendations for action were presented at the plenary session and, after intensive review, included in the work of the Supervisory Board. We consistently monitor the implementation of these recommendations in the Supervisory Board. The basic results of last year's efficiency audit revealed that the workflows and processes in the Supervisory Board are efficient and target-oriented.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

We intensively reviewed the set of rules of the German Corporate Governance Code (DCGK). To ensure compliance with the German Corporate Governance Code (DCGK), we checked the implementation of the recommendations. Together with the Executive Board, we issued the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in January 2017. Deviations from the recommendations of the Government Commission are explained in detail in the Corporate Governance Report. All declarations of conformity of the last five years and other documents concerning the corporate governance have been and continue to be made permanently available to the shareholders on the Internet at bechtle.com/investors/corporate-governance. In the fiscal year ended, there were no conflicts of interests of Executive Board or Supervisory Board members that, according to the code, would have had to be disclosed to the plenum without delay and about which the General Meeting would have had to be informed.



Corporate Governance Report, see page 48 ff



Declaration of Conformity, see bechtle.com/investors/corporate-governance

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2016

The General Meeting appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Heilbronn, as auditor of the annual and consolidated financial statements for the fiscal year 2016. Following the engagement by the Supervisory Board, the auditor audited the annual financial statements of Bechtle AG as well as the consolidated financial statements and the management reports of Bechtle AG and of the Bechtle Group for the fiscal year 2016, including the accounts and the risk management and early detection system, and awarded unqualified auditor's certificates. The audit also included the monitoring system for early identification of risks, which is to be set up by the Executive Board, and the internal audit and risk management system with respect to the accounting process. The auditor confirmed that the installed systems are suitable for identifying developments endangering the company's going concern at an early stage.

The documents related to the financial statements, the proposal of the Executive Board for the appropriation of profits and the auditor's audit reports were duly sent to the members of the Supervisory Board and discussed in detail in the audit committee and in the board as a whole. The auditor of the annual and consolidated financial statements also participated in the balance sheet meeting on 14 March 2017. It reported in detail on the material results of its audit and comprehensively answered all questions of the Supervisory Board.

Following its own review of the annual financial statements, consolidated financial statements, management report and group management report, the Supervisory Board agreed to the result of the audit conducted by the auditor. According to the final result of its audit, there were no objections. At the balance sheet meeting on 14 March 2017, the Supervisory Board therefore approved the annual financial statements and the consolidated financial statements, thereby adopting the annual financial statements pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG). The Supervisory Board agreed to the Executive Board's proposal for the appropriation of the net profit and payment of a dividend of €1.50 per share. We approve the management report and the group management report of the Executive Board and consider the proposal for the appropriation of profits to be appropriate.

The Supervisory Board sincerely thanks all employees at Bechtle, the Executive Vice Presidents and Managing Directors of the group companies as well as the members of the Executive Board for their steady efforts and willingness to give their best for the company. Bechtle is excellently positioned for the challenges of the future. Nevertheless, the tasks that lie ahead of us must not be underestimated. This includes especially the Vision 2020, which over the course of time is gradually losing its visionary nature to become a medium-term plan. The targets formulated in the vision are ambitious, but realistic for a company as healthy as Bechtle. The Supervisory Board is looking forward to advising and guiding the company on its path.

On behalf of the Supervisory Board

A handwritten signature in blue ink, reading "Matthias Metz".

Dr. Matthias Metz,
Chairman

Neckarsulm, 14 March 2017

2

GROUP MANAGEMENT REPORT

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COMPANY

GROUP STRUCTURE

Bechtle is Germany's largest independent IT system house and one of Europe's leading partners for IT architectures. Its organisational and management structure is aligned with the group's size and international positioning as well as with the corporate strategy, the business model and the growth targets. Efficiency, controllability and scalability are key criteria of Bechtle's group structure.

LEGAL STRUCTURE



A chart of the organisational structure is available on page 218

The Bechtle Group has a conventional holding structure. Bechtle AG, headquartered in Neckarsulm, Germany, is the parent company and holding for the entire group of companies, and thereby responsible for the business planning and strategic business development as well as the central tasks of controlling and risk management, finance and taxes, corporate communication and investor relations, IT and data protection, human resources and staff development, as well as the Academy, central project management, quality management, legal and compliance, mergers & acquisitions and event and environment management. The purchasing, European purchasing & services, warehouse/logistics, marketing, product management, address management competencies as well as the returns and spare part management are organised for the whole group under Bechtle Logistik & Service GmbH, which also belongs to the holding.

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

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

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



For a list of subsidiaries see Notes, page 193 ff

Objectives of this two-level holding structure:

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

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

MANAGEMENT STRUCTURE

The company’s management and executive structure is primarily aligned with the needs of operations and the economic framework conditions of the markets. The hierarchical separation of the strategic group management by the Executive Board from the leadership of the operational units in the daily business remains the key characteristic of the management structure. In this way, Bechtel strengthens the principle of a decentralised network, which is rooted in the business model, and takes the extensive and continually growing management tasks and the highly dynamic business environment into consideration. Moreover, this structure ensures highly efficient control and management of the group, better support of the decentralised operational units by the central divisions and implementation of the executive organisation required for the further growth of Bechtel AG.



“70 regional system houses with a common goal: That’s networked decentralisation.”

Niklas Bachmann, Presales consultant, Würzburg system house



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

In both business segments, the operational units are headed by Executive Vice Presidents. Apart from the Executive Vice Presidents who are in charge of the cross-segmental public sector division and the central finance department, the Executive Vice Presidents in the IT system house & managed services segment are responsible for the activities of the Bechtle IT system houses in the northern/eastern, western, central and southern regions in Germany as well as for managed services. In the IT e-commerce segment, they control the trading business of the ARP and Bechtle direct brands.

Logistik & Service GmbH is directly supervised by the Chairman of the Executive Board of Bechtle AG, as are the other central functions finance, controlling and risk management, human resources and staff development, IT, corporate communications and investor relations, mergers & acquisitions, CIO organisation as well as legal and compliance.

LOCATIONS

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



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

In the consulting-intensive service business of the IT system house & managed services segment, on-site customer contacts are vital. For this reason, we have a dense network of IT system houses at about 70 locations in Germany, Austria and Switzerland. In this structure, the Managing Directors of the operating subsidiaries act in the capacity of independent entrepreneurs with a high level of personal responsibility in their local markets. In this context, a consistently performance-oriented compensation system supports and promotes the entrepreneurial activities of the Managing Directors.



See Notes,
Scope of Consolidation,
page 127

In the reporting period, the group further strengthened its extensive market presence in the IT system house & managed services segment in Switzerland. As of 1 July 2016, Steffen Informatik AG, headquartered in Mägenwil (Aargau) and with four other locations, joined the Bechtle Group. This merger was the starting point for the repositioning of Bechtle's activities in Switzerland. Since 1 January 2017, the previous Swiss Bechtle IT system houses and the locations of Steffen Informatik jointly operate under the name Bechtle Steffen Schweiz AG. The activities of the two system houses have been

combined at the existing Bechtle locations in German-speaking Switzerland. The locations in Mägenwil, Pratteln (Basel-Land) and Zug have been added. The business is managed by the previous executive team of Steffen Informatik AG. The repositioning created a uniform framework for the targeted growth of the system house network as a one-stop provider of modern IT solutions.

03. SYSTEM HOUSE LOCATIONS OF BECHTLE AG

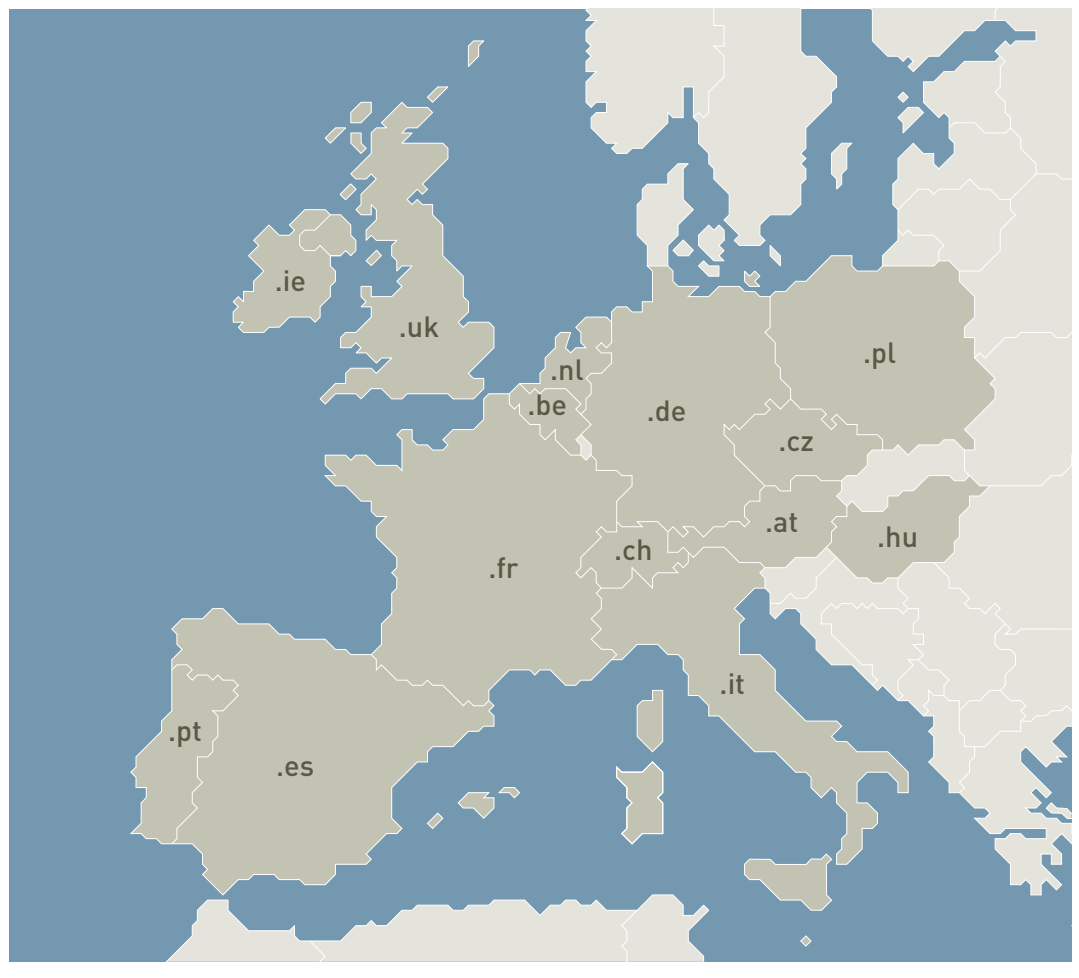




See
Business Activity,
page 27
and Forecast Report,
page 101

Under its Bechtle direct brand, Bechtle AG has IT e-commerce locations in 14 European countries. The group is present in six European countries with its trading brand ARP. Moreover, ARP operates a purchasing company in Taiwan. In the reporting period, the Comsoft direct brand was active in seven countries. However, Bechtle changed the positioning of Comsoft as of 1 January 2017, adapting it to the changed business model and the requirements on the software market.

04. E-COMMERCE LOCATIONS OF BECHTLE AG



For a list of
subsidiaries
see Notes,
page 193 ff

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

BUSINESS ACTIVITY

Bechtle combines the direct sale of IT products with comprehensive IT services. The company is present locally with about 70 IT system houses in Germany, Austria and Switzerland, runs IT trading companies in 14 European countries and operates around the globe through IT alliance partners on all continents. The portfolio comprises a broad spectrum from IT strategy consulting to comprehensive aftersales services, from individual projects to full operation of the IT with managed services. Additionally, Bechtle has 47 highly specialised, supraregional competence centres and 23 training centres for IT training. Apart from the conventional IT infrastructure, the portfolio also includes mobility, cloud and data centre solutions. Bechtle is a certified partner of all renowned IT manufacturers. More than 70,000 hardware and software products are offered in the online shop, on customer-specific online platforms and via telesales.

BUSINESS SEGMENTS

Bechtle AG is an IT service provider and IT reseller. We offer a one-stop, vendor-independent, comprehensive IT portfolio to our more than 73,000 customers from the fields of industry and trade, the public sector and the financial industry. Bechtle's activities are divided into two segments. In the IT system house & managed services segment, Bechtle – as a one-stop provider – offers customers an extensive portfolio that features IT strategy consulting services, hardware and software, project planning and roll-out, system integration, IT services and training, cloud services and complete IT operation. The IT e-commerce segment comprises the group's telephone and Internet-based hardware and software trading activities. With the ARP and Bechtle direct brands, Bechtle pursues a multi-brand strategy in this segment. Comsoft direct, the software licence management specialist, is another brand. Until the end of the reporting period, all activities of Comsoft direct had been allocated to the IT e-commerce segment. However, the business model of the Comsoft companies has changed, also due to strategic changes on the manufacturer side. Apart from the pure trading business, more and more customers are asking for consulting and other services. The transition to the service-driven system house business is smooth. In order to be able to continue to offer our customers everything from one source, we have therefore decided to intensify the integration of the Comsoft direct business with our system house activities as of 1 January 2017. In the three countries in which we have system houses (Germany, Austria and Switzerland), Comsoft will therefore belong to the IT system house & managed services segment in future.



For information on the business model see Management Structure, page 23 f



"No magic involved: the repositioning of Comsoft."

Christof Tonidis, Senior VIPM Dell, Logistics & Service

In Spain and Belgium, the Comsoft companies will be integrated into the existing activities of Bechtle direct. In France and in the Netherlands, the well-established Comsoft companies will continue to operate as previously. Their activities will continue to be part of the IT e-commerce segment.



"For us, the future is already daily routine:
I use the data glasses every day."

Manda Bjelokr, Warehouse logistics
specialist, Logistics & Service

Our efficient logistics also contribute to our competitive edge in both segments. At Bechtle, the areas of product management, purchasing and warehousing for all EU countries are taken care of by Logistics & Service in Neckarsulm. The activities of the Swiss system houses, of ARP and of the two Comsoft direct companies allocated to the e-commerce segment are controlled by the logistics centre in Rotkreuz, Switzerland. To maintain its competitive edge in the future, Bechtle continually implements logistics optimisation measures. Thus, the augmented reality (AR) solution with smart glasses on the basis of SAP, which had been introduced in the logistics centre in Neckarsulm back in 2015, was further optimised. In this continuous process, Bechtle evaluates the results from the live operation together with the vendor of the smart glasses and SAP in order to implement use of the AR glasses throughout its facilities. Currently, the central shipping warehouse in Neckarsulm has a total area of approximately 25,000 m² and room for 10,500 euro pallets. Of the 70,000 products that are offered, about 11,000 items are constantly available on stock. In the reporting period, the average warehouse output amounted to 8,300 parcels a day.

SERVICE SPECTRUM AND PROCESSES: IT SYSTEM HOUSE & MANAGED SERVICES

Bechtle's service portfolio in the IT system house & managed services segment spans the entire IT value chain. The main focus is on the technology concepts cloud computing, mobility and dynamic data centre, popular IT solutions and IT services. The service portfolio is characterised by the fact that Bechtle is a "one-stop provider". By putting together individual offers from various services and service levels that can be freely configured, Bechtle is able to develop the most suitable solution for every customer. The service and solution portfolio is subject to ongoing review and adaptation to market and customer requirements.



Premium qualification
thanks to vendor
certifications

More than 3,500 service team members, certified specialists and system engineers offer customers expertise, advanced specialised competence, many years of IT project experience and the ability to rapidly implement individual requirements by means of IT services. Bechtle has bundled specialist know-how in competence centres that are active throughout the country. Numerous certifications of all renowned vendors guarantee premium qualification of our services.

■ **Bechtle IT solutions.** Bechtle IT solutions feature a fully integrated portfolio focusing on the following subjects:

■ **Client management.** Client management solutions from Bechtle standardise and optimise the IT workplace landscape at the customer, thereby establishing the technical preconditions for future-proof provisioning concepts. The offer features services such as roll-out, migration, mobile and print solutions, software deployment, virtual clients and client life-cycle management. With its managed workplace services, Bechtle takes over the entire functional and cost responsibility, while optimising and constantly modernising the customer's IT workplaces.

■ **Server & storage.** A modern IT infrastructure is expected to fulfil numerous demands, such as stability, efficiency and permanent availability, along with flexibility and scalability to accommodate new requirements. Bechtle offers these features through virtualisation, automation and flexibilisation of data centres. The offer comprises vendor-independent architecture advice, project planning and operation of virtualised server and storage systems plus hybrid computing. By selecting a suitable infrastructure solution with respect to technological performance, power supply, cooling and active energy management, Bechtle enables its customers to cut IT and energy costs significantly.

■ **Networking solutions.** Simplified network administration, WLAN optimisation, the consolidation of LAN (local area network) and SAN (storage area network) as well as sufficient bandwidth in the network and in the data centre represent the focus areas of a sustainable, efficient network infrastructure. The objective is to reduce the complexity and save costs. From network analysis to the configuration and connection of networks to network operation, certified Bechtle experts ensure high infrastructure availability and efficiency. Bechtle also integrates state-of-the-art collaboration tools. Due to the possibility of accessing the corporate network via various channels, a comprehensive security concept is indispensable for networking solutions.

■ **Virtualisation.** To make the IT flexible and thus scalable and future-proof while achieving significant energy and cost savings, companies are turning to virtualisation as the base technology. Bechtle offers advice, implementation and the operation of virtualisation solutions for servers, storage, clients and applications. Based on conventional consolidation and optimised availability, security and management, we enable our customers to achieve the highest-possible degree of virtualisation in the data centre. What is more, virtualisation paves the way into the cloud. Bechtle's competence in this area is backed by numerous awards.



More information about individual Bechtle IT solutions is available at bechtle.com/it-solutions



"Just one of our many IT solutions: Server & Storage."

Michael Schade, System Engineer – Server & Storage, Systemhaus Karlsruhe

IT security. Threats from malware, data espionage and theft necessitate an integrated security strategy. IT security from Bechtle combines technical security with information security, thereby providing comprehensive protection. Our certified IT security experts plan and develop IT security strategies, implement IT security infrastructures and supervise these with 24/7 monitoring. Moreover, we offer corporate data protection solutions. Qualified data protection officers with practical experience, IT security officers and legal experts take care of the consulting, design and implementation in a competent and reliable manner.

Software. Here, Bechtle combines expert licence-management consulting services with extensive know-how of market-leading application solutions. With more than 750 software certifications, our application experts roll out software projects with solutions from the fields of CAD, ERP, CRM, SAP, BI, DMS, groupware and SharePoint. Our more than 50 certified licence specialists review the software that is already deployed at the customer and ensure correct and audit-proof licensing. In this way, we guarantee a transparent software inventory, efficient licence management and legal certainty.



For further information on the Bechtle technology concepts, see bechtle.com/portfolio-en/technology

Bechtle technology concepts. Here, Bechtle has established three future-oriented subjects that combine infrastructure solutions, management and processes. We take care of all necessary planning, architecture and implementation services in connection with the establishment of the technology concepts on behalf of our customers. Our certified IT business architects record the current status at the customer and then elaborate concepts for the technological implementation of the business requirements. Below is an overview of technology concepts:

Mobility. Bechtle offers a fully integrated solution portfolio in the field of mobility, from the planning to the provision and management to protection and support. Our experienced mobility experts and IT consultants provide the customer with vendor-independent advice on current mobility technology and document the requirements. On this basis, we develop a strategic action recommendation and the optimum mobility roadmap in collaboration with the customer. Bechtle takes care of the secure integration and efficient administration of the mobility landscape and assumes responsibility for the security or the support for technical questions pertaining to warranty services.



bechtle.com/cloud-computing-en

Cloud computing. Bechtle addresses modern requirements for increased business flexibility and mobility along with cost optimisation by providing special cloud services and cloud technologies on the basis of a dynamic infrastructure. In this area, the company has a comprehensive service portfolio that includes consulting services, integration and operation of cloud technologies as well as complete turnkey solutions. Certified specialists and business architects identify the need for cloud-capable IT services and determine the optimum cloud strategy and cloud architecture for the customer on this basis. Moreover, we operate as a vendor-independent general contractor and take on responsibility for the complete cloud infrastructure or the operation of the implemented solutions in the form of managed cloud services. In this area, Bechtle assumes the role of a broker that filters and organises the various offers of large market players such as Amazon, Google and Microsoft for its customers. In

the reporting period, Bechtel started consolidating its cloud computing offers, implementing a central marketing concept under the name "Bechtel Clouds". In 2017, Bechtel Clouds is to be rolled out entirely.

Dynamic data centre. IT infrastructures are facing growing pressure: Employees need fast and mobile access to data, services and applications at all times. At the same time, the amount of data is growing without let up – as is the desire to use the information potential of these digital resources more effectively. This requires highly adaptable systems and processes. In this area, concepts such as the software-defined data centre or convergent infrastructure solutions help reduce the complexity in the data centre and make IT resources available in accordance with the needs. A higher degree of automation boosts the efficiency when performing routine tasks. The management, departments and users reliably obtain access to the IT services they need. Bechtel supports its customers with services such as management and automation, provision of intelligent storage solutions and establishment of a data centre network.

Managed services. With more than 600,000 managed IT workplaces and more than 250,000 data centre systems under maintenance agreements, we are specialised in the provision of cost-effective managed services. Bechtel assumes responsibility for defined operating tasks related to the customers' IT. In this context, coordinated service level agreements ensure the availability of the IT infrastructure. Through remote operation or on-site supervision of servers, clients, printers and networks on the basis of standardised operating concepts and comprehensive, multilingual user services for the customer IT infrastructure, Bechtel guarantees optimum operability of the IT systems along with cost efficiency over the entire life cycle. The technical solutions are complemented by individual financing models such as leasing.

Maintenance & repair. The IT infrastructure of businesses is often very heterogeneous. The individual vendors only accept responsibility for their own products and usually offer very different service levels. Often, the customer is left with the overall responsibility as well as the coordination and control of the many contacts. Providing a central point of contact and an integrated warranty and spare parts procurement, Bechtel ensures efficient handling of all service processes. For the smooth performance of international maintenance & repair services, we make use of an established global partner network.

Managed cloud services. Especially in medium-sized businesses, enterprise customers are looking for entry-level solutions that are easy to integrate, flexible and uncompromising in terms of data security. In response to these requirements, Bechtel offers custom-tailored solution modules as managed cloud services, which support the business processes of our customers as effectively as possible. Based on our managed cloud services, we deliver needs-oriented solutions that make the IT of our customers more cost-efficient and future-proof. The services are provided on the Bechtel cloud platform and are billed according to the actual needs. The data always remain in the country of origin.



"We pull out all the stops for your dynamic data centre."

Harald Lorch, Product manager,
CC Infrastructure, Logistics & Service

■ **Managed IT & outsourcing.** Bechtle is specialised in managed IT & outsourcing services. In this area, Bechtle takes care of the professional provision of workplace and data centre environments under strict service-level agreements. The group is capable of offering customers sustainable, adaptable IT concepts that effectively combine on-site services, support on demand and remote services. Bechtle makes use of a modular range of offers comprising more than 500 predefined services, ensuring maximum standardisation.



bechtle.com/portfolio-en/it-services

05. MANAGED SERVICES PORTFOLIO

BECHTLE MANAGED SERVICES		
Maintenance & Repair	Managed Cloud Services	Managed IT & Outsourcing
<ul style="list-style-type: none"> ■ Clients ■ Printers ■ Servers ■ Storage ■ Network 	<ul style="list-style-type: none"> ■ Infrastructure as a Service ■ Software as a Service 	<ul style="list-style-type: none"> ■ Service Desk ■ Managed Workplace ■ Managed Print Solutions ■ Managed Data Centre ■ Managed Network & Security ■ Managed Application

■ **Professional services.** Bechtle offers professional services from the client installation to the data centre optimisation. We provide customers with advice on the IT strategy, integrate new application solutions, optimise IT systems or support the operation with our expert support. With a holistic perspective of business models and value chains, Bechtle's certified IT business architects design future-proof IT landscapes.

■ **Training services.** The custom-tailored seminar concept of the 22 Bechtle training centres throughout Germany is precisely aligned with the market needs. The offer covers a wide spectrum, with more than 15,000 seminar dates for 500 hot IT topics. For customers with several branches, this presence enables uniform training on site.

■ **Competence centres.** The competence centres constitute an important pillar of Bechtle's service portfolio. The reasoning behind them is that certain specific technological services require deeper specialist knowledge that cannot be made available at every system house location of the Bechtle Group. To be able to offer these services to all customers, the Bechtle Group bundles this know-how in competence centres. In their capacity as internal service units, they render services for all locations.

Remarketing. Bechtle Remarketing is the group company that is specialised in the remarketing of second-hand IT. The experienced Bechtle Remarketing specialists check and evaluate the legacy equipment that is to be replaced and take over the hardware directly at the customer's location. As a reliable IT logistics partner, we combine the delivery of new equipment with the collection of the legacy equipment, ensuring the secure removal of the systems. Data security is also an important factor when handling old equipment. The Bechtle Security concept covers the entire process chain in this area, from the collection from the customers to the erasure of the data in the specialised, certified Remarketing facilities. The highly automated processes enable up to 1,000 secure, legally compliant erasures to be performed concurrently. All compliance and data protection regulations are observed. We either prepare the legacy systems for resale or duly dispose of them in accordance with environmental regulations.

SERVICE SPECTRUM AND PROCESSES: IT E-COMMERCE

Hardware and Software. In the IT e-commerce segment, the Bechtle Group serves as a competent dealer that offers customers a wide range of IT products ranging from hardware to software to peripherals, thereby covering all common IT areas. The Bechtle direct brand is represented in 14 European countries and has gained an excellent competitive position in all markets. With its more than 70,000 products, the Bechtle direct online shop provides customers with a one-stop IT infrastructure portfolio. Every week, about 230 new products are added to the product range. In this way, customers can find any conceivable product needed in connection with the IT operation in the Bechtle shops. The ARP brand is represented in six European countries. The offer of the ARP companies focuses on medium-sized businesses and the public sector. The portfolio comprises all common IT products and is supplemented by the original "ARP Brand". ARP's main focus is on digitisation. In the reporting period, ARP established a Digital House as an innovation lab in order to promote the implementation of the cross-channel strategy. This will enable ARP and thus the Bechtle Group as a whole to exploit the potential of digitisation. One key aspect in this connection is the conversion of the existing data to information. Using the knowledge gained, it is possible to support and systematically guide the customer throughout the customer journey. In this way, it is also possible to individualise the customer's shopping experience and to assist them in their search for products and information. This enables trends to be identified at an early stage, and optimisation potential to be derived for the company.

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



"With over 70,000 products, we have something for everyone."

Sabrina Armbruster, Account Manager,
Bechtle ÖA direct



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

On the other hand, the segment has established highly process-controlled lean order processing workflows that are crucial to success in e-commerce. To some extent, the underlying processes are even part of the actual service. For example, many of the purchase orders in IT e-commerce are processed according to the fulfilment principle: Bechtle forwards incoming purchase orders directly to vendors or distributors, who then ship the goods to the customers in the name, and for the account, of Bechtle. Bechtle ensures the shipping quality – which is determined mainly by the speed – by means of agreements with partners and daily audits. The customer benefits in several ways: The networking of the online shops with the warehouse stock of vendors and distributors ensures high, up-to-date availability. The delivery time is also aligned with the customer's needs: Purchase orders received by 4 p.m. are shipped on the same day and are usually delivered on the next day. By means of lean processes, Bechtle ensures that process costs are minimised. This enables the customer to benefit from competitive prices and allows Bechtle to earn an attractive margin. Furthermore, by applying the fulfilment principle, Bechtle keeps its stock level low, thereby reducing the risk of devaluation of IT products, which are characterised by very short innovation cycles.



"Unique: our international line-up."

Mario Sommer, Account Manager,
Bechtle ÖA direct

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

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

In this context, the product database, which is standardised across all national companies, is extremely important. This database is one of Bechtle's unique selling points, as no other competitor – not even the large vendors – has achieved such a level of uniformity in 14 European countries.



Up-to-date prices
and availabilities

Another key business process concerns the goods and pricing system and the uniform product database, which are accessed by all European subsidiaries. Every night, the European pricing system (EPS) developed by Bechtle loads more than 48 million pieces of pricing and availability information from IT vendors and distributors and calculates the respective national prices. Suppliers are primarily selected on the basis of the lowest price and the ability to ship immediately across Europe. Up-to-date market-specific product information is automatically available online for the country-specific webshops.



bios® stands for
Bechtle Information &
Ordering System,
for further information
see Glossary,
page 208

E-procurement. The bios® shops are a special feature of Bechtle direct. This online procurement system is tailored to the needs of the customers and serves to reduce order and flow times, to ensure optimal use of framework agreements throughout the entire company, to manage IT stocks automatically and thus save time and money. About 24,000 Bechtle customers throughout Europe have substantially reduced their process costs in connection with the procurement and management of IT products with the help of bios®. Today, more than 50 per cent of all trading orders of the Bechtle Group are already processed via bios® platforms. The services offered are not limited to the supply of hard-

ware and software, but begin with comprehensive guidance on products and solutions and the establishment of customised procurement concepts in the form of defined shopping carts and framework agreements. Customers who use bios® benefit from high flexibility in the product selection as well as from standardisation, and can thus ensure uniformity of their IT infrastructure in all purchase orders.

In the public-sector division, Bechtel also consistently maintains its customer-specific approach with its bios® shops. By means of the subdivision in administration, health care, research & education, and church & welfare, the group makes greater allowance for the heterogeneous structure of the public sector. Individual federal and state authorities, municipalities, chambers, associations and educational institutions thus have access to special terms of vendors even without tenders and further negotiation.

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

Software licence management. As already mentioned above, Comsoft will only continue to operate as part of the e-commerce segment in two countries starting from 2017. The Comsoft business in Spain and Belgium will be taken over by Bechtel direct. In the field of software licensing and management, the software specialists at Bechtel and Comsoft will continue to provide customers with a vendor-independent, full-service solution portfolio for software licences. The offer covers the entire software life cycle, including consulting, sales, procurement, maintenance and project management. This expertise is important, as the licence and pricing models of the vendors have recently undergone significant changes. Moreover, there is a wide range of options for procuring software apart from the conventional purchase of licences. The software professionals at Bechtel and Comsoft select the most suitable licensing models from an extensive portfolio and enable customers to use their software applications as effectively and inexpensively as possible. The offer in this segment includes the analysis of the customers' licensing situation, in order to quickly achieve the optimum balance which avoids both illegal under-licensing and unnecessary, cost-intensive over-licensing.

Using a modular, cost-efficient software asset management solution (SAM), we ensure professional inventory management of the software licences employed by the customer. The available IT inventory information can be accessed to gain a comprehensive picture of the software deployed throughout the company, including the frequency of use and distribution. In connection with the current company situation and the planned development, this enables the realisation of extensive consulting potential resulting in licence optimisation for the customer. In this way, the entire complexity of the software life cycle is covered – from purchase planning to financing, procurement, distribution, provision and maintenance up to the replacement.



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



"Available to all customers: streamlined, fully-electronic processes in the customised bios-shop."

Navid Parsa, Account Manager,
Karlsruhe system house



Professional inventory management with SAM

RESEARCH AND DEVELOPMENT

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

The software & application solutions division also offers customers the design, development and implementation of software, e.g. in SharePoint or ERP projects. In the reporting period, Bechtle acquired C-CAM GmbH in Chemnitz, strengthening its position in the field of manufacturing-oriented application solutions. Founded in 1997, Eastern Germany's most successful independent SOLIDWORKS reseller C-CAM offers the full spectrum of services related to the SOLIDWORKS 3D CAD solutions and the CAM software Edgcam.



"Haven't we done a great job?
Our in-house developments."

Priyanka Sahu, Application Operation
Manager, CIO Organisation, Bechtle AG

Modus Consult AG, which joined the Bechtle Group in 2015, performs more extensive development activities. Among other things, it develops ERP solutions based on Microsoft Dynamics for various industries in the fields of manufacturing, trade and services. Solutions in the fields of enterprise content management (ECM) and business intelligence (BI) are also used in customer projects.

In the ERP environment, industry solutions based on Microsoft Dynamics NAV and Microsoft Dynamics AX are available in the following areas:

- Modus Foodvision® for the food and beverages industry
- Modus Engineering for machine and plant engineering
- Modus Plastics for the plastics and process industry
- Modus Furniture for furniture production and trade
- Modus Bauvision for the primary and secondary construction trades
- Modus Industry for the supplier industry

Apart from individual work in connection with customer projects, development work with respect to the update of the solutions also went into all industry solutions listed above in order to integrate them in the latest version of the underlying ERP solution.

Products of ELO (Elektronischer Leitz Ordner) and Microsoft (SharePoint) products are used in the ECM projects. In this area, Modus Consult has also developed its own standard modules for use in customer projects. If necessary, these modules can be customised to accommodate customer needs.

Modus Consult addresses the subject of business intelligence with QlikView from Qlik®. Based on the Qlik standard, a number of Modus View Solutions have been created for use and possible customisation in customer projects.

Programming work was also done at Bechtle Softwarelösungen GmbH for the internally developed software solutions Belos, Bechtle NAV Connect and Bechtle BI Datawarehouse. Belos is an event management application for planning and conducting events, training, room management and other useful modules. The software was developed on the basis of Lotus Notes for the company's internal needs and has now spread to more than 50 customers on the basis of Notes. Due to the demand for a solution that offers the same functionality with Outlook integration, Bechtle's competence centre Business Collaboration has developed a web/Java-based Belos version that meets this requirement. The main modules were completed in the year under review and have already been marketed successfully. Bechtle NAV Connect – an application that is also based on Microsoft Dynamics NAV – was designed especially for use in the storage and logistics industries. This solution enables the implementation of processes such as incoming/outgoing goods, picking, stock transfer and inventory with mobile barcode scanners. The application is fully integrated in the ERP system Microsoft Dynamics NAV and thus also supports complex process flows of the stock administration system via MDE barcode scanner. The Bechtle BI Datawarehouse was developed on the basis of Microsoft SQL Server database technologies and is connected to the ERP solution Microsoft Dynamics NAV via Microsoft SQL services. The objective is to provide key figures from Microsoft Dynamics NAV via ETL (extract, transform, load) in a processed form for controlling/evaluation purposes. The users can systematically perform evaluations and create performance indicator dashboards with Microsoft Excel or business intelligence solutions such as Microsoft Power BI, QlikView, etc. The software solutions are subject to regular maintenance and further development. Additionally, the competence centre Business Collaboration develops individual applications for Lotus Notes, web environments and mobile devices.

The webshops of our trading brands ARP and Bechtle direct represent internally created intangible assets and are capitalised accordingly. These shops, which are developed and designed by Bechtle, require ongoing development work in connection with the maintenance and update of our webpages.

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

MARKETS

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

06. INDUSTRY SEGMENTATION OF BECHTLE AG BY REVENUE

%



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



See Locations,
page 24 ff

Geographically, Bechtle's IT system house & managed services segment operates in Germany, Austria and Switzerland. The sales office established in Bruxelles, Belgium, in 2011 represents an exception. In the IT e-commerce segment, the Bechtle Group is active throughout Europe and is represented in 14 countries. Through GITA, which was further expanded in the reporting period, Bechtle also has a network of partner enterprises outside Europe.

COMPETITIVE POSITION



destatis.de

According to information of the Federal Statistical Office, more than 80,000 IT companies in Germany, which differ greatly in terms of size, service spectrum and specialisation, offer products and services in the fields of IT hardware, software and IT services. Most of these companies operate only locally and seldom exceed annual revenues of €5 million. According to the German Federal Statistical Office, the group of medium-sized IT companies with annual revenues of approximately €50 to 250 million comprises about 140 companies. Only about 20 companies, including Bechtle, are on the list of larger system houses that are active in Germany.

In Germany, Bechtle enjoys an excellent market position. According to the industry journal "ChannelPartner", Bechtle was the Number 1 independent system house in terms of domestic revenue in 2016. Bechtle has further expanded its lead over the competition. Competitive strength is even more important than revenue. According to a survey, also conducted by "ChannelPartner" among German system houses for the purpose of identifying the most significant competitors, Bechtle is the most frequently mentioned company, at over 50 per cent.

The market research institute EITO currently estimates the total volume of the German IT market in 2016 at €75.1 billion. With its annual revenue of about €2.2 billion in Germany, the market share of Bechtle currently amounts to about 3 per cent. Germany's ten-largest system houses, which the industry journal "ChannelPartner" assesses every year, occupy a market share of about 20 per cent. These figures show how fragmented the German IT market is. Small and medium-sized companies still account, by far, for the largest market share. However, the consolidation pressure remained high in the reporting period, so that a slight shake-out can be expected in the long run.

According to its own information, Bechtle is one of the market leaders in the system house business in Switzerland. In Austria, Bechtle AG is currently present with five system house locations. The company intends to further expand its market position there.

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

SUSTAINABILITY

The success of Bechtle depends on our always keeping the big picture in mind instead of focusing on fragmented interests. Bechtle has always been an enterprise with a long-term focus. We are driven by strong goals that are formulated in a measurable vision. From the onset, sustainability has been part of our strategic orientation, regardless of the zeitgeist and trends. We believe that economic, environmental and social responsibility belong together. This means that we can only be successful if we manage to keep business and social interests in a healthy balance. As early as 2013, Bechtle elaborated a sustainability code that brings home our responsibility towards society as a whole and the important guiding principles to all Bechtle employees and business partners. In the year under review, Bechtle published a sustainability report for the first time and will continue to do so every year. The sustainability report can be accessed and downloaded online from bechtle.com/sustainability.



"Competitive strength: not a problem for us. Bechtle is #1."

Carolin Rapp, Sales back office,
Karlsruhe system house



See Locations,
page 26



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

CORPORATE MANAGEMENT

Bechtle has always been an enterprise with a long-term focus. The company is driven especially by strong goals that are formulated in a measurable vision. However, sustainable operations also comprise the ability to handle current and future economic, social and ecological challenges, risks and opportunities in such a way that the growth and profitability targets that the corporate vision aims at are achieved by means of a responsible, sustainable approach. Therefore, precise controlling instruments are essential for the business management.

OBJECTIVES AND STRATEGY

In the Vision 2020, the Executive Board of Bechtle AG has set itself ambitious growth targets. By 2020, the group intends to generate total revenue of €5 billion, with an EBT margin of 5 per cent and an increase of the workforce to 10,000. This goal requires an average revenue growth of just under 13 per cent a year along with an above-average increase in profitability of about 15 per cent. By comparison: In the years from 2012 to 2016, Bechtle achieved average annual revenue growth of 10.2 per cent and EBT growth of 16.4 per cent.



"Moving ever closer: our vision 2020."

Kludia Müll, Sales back office,
Karlsruhe system house

The goals of the Vision 2020 are to be achieved both organically and by means of acquisitions. Organically, we can build on our experience in the IT market, which meanwhile stretches back 33 years, and the high market penetration. From 2006 to 2016, Bechtle achieved an average annual organic growth rate of 10 per cent.

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

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

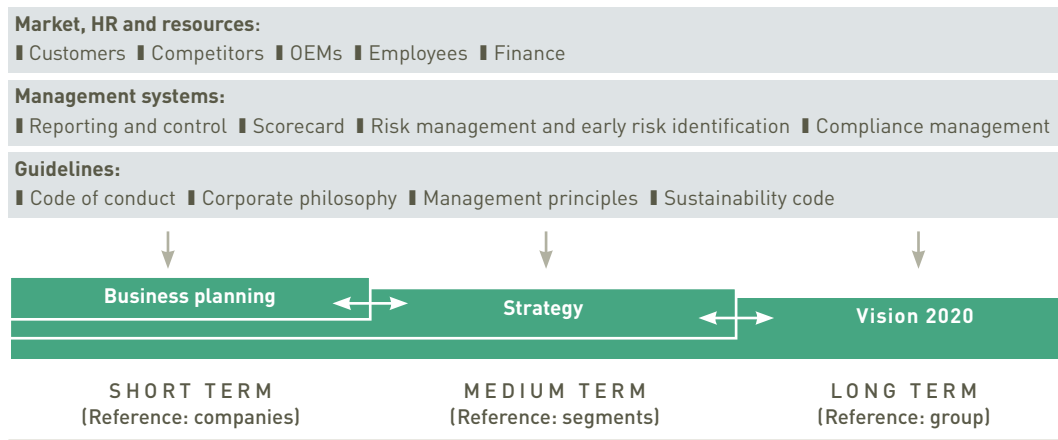


See Group Structure,
page 26

In the IT e-commerce segment, Bechtle pursues a consistent internationalisation approach on the basis of a multi-brand strategy. The company is already represented in 14 European countries. By 2020, the group will further expand its leading position in e-commerce in Europe. By means of the Global IT Alliance (GITA), which was established in 2014, Bechtle will push ahead the internationalisation beyond Europe. In 2016, we gained two new partners in Latin America.

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

07. CORPORATE GOVERNANCE OF BECHTLE AG



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



Our basic values
provide orientation

SYSTEMS AND INSTRUMENTS

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

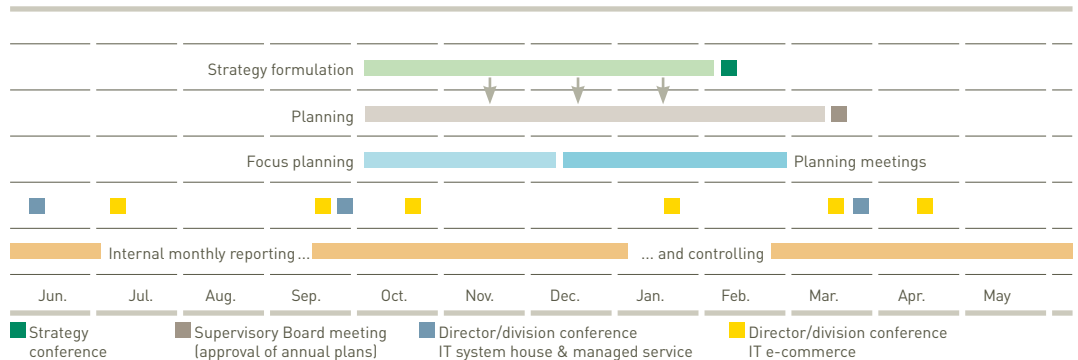
The short and medium-term planning for the management of the operational units and the resulting measures are derived from the long-term corporate planning. However, they are also geared to the development of competitors and of the market environment. For the employees of the Bechtle Group, the top priority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

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

Various reporting systems ensure that all units always have an overview of the performance indicators relevant for them and can manage the business operations accordingly. At group level, the consolidated data for all operational units from the various reporting systems are used for the coordination of investment and financing decisions, early identification of target/actual variances and initiation of suitable measures.

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

08. PLANNING AND REPORTING PROCESS OF BECHTLE AG



See
Competitive Position,
page 38 f

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



Training, employee
motivation and staff
development for successful
customer retention

Combined with target-oriented staff training, these analyses help Bechtle to continue to provide customers with comprehensive, flexible and competent consulting services. Personnel-related data, such as fluctuation and qualification details, are used as internal key performance indicators. The aim is to systematically develop the employees in all fields of qualification and to increase the motivation in order to improve employee loyalty. Bechtle's one-digit fluctuation rate is below the industry average.

EMPLOYEES

We view the success of Bechtle as a joint achievement of the entire team. It is based on their competence, their commitment and continuous further development. The business model also promotes personal entrepreneurial responsibility. Executives and employees have a lot of leeway and are able to leave their personal mark on the daily business. At the same time, the regional proximity enables a close link to customers and business partners. Moreover, Bechtle puts a lot of emphasis on training. Besides the initial training of young people, the Bechtle Academy offers all employees a comprehensive further training programme. By means of systematic measures, Bechtle regularly recruits qualified staff. In the reporting period, more than 450 new colleagues joined the company.

DEVELOPMENT OF THE EMPLOYEE NUMBERS

As of 31 December 2016, the Bechtle Group had 7,667 employees. Compared to the prior year, with a total of 7,205 employees, the total workforce grew by 462, an increase of 6.4 per cent. On average, 7,428 employees worked for Bechtle during the reporting period (prior year: 6,924 employees), an increase of 7.3 per cent. The increase in the number of employees is the result of acquisitions and, most importantly, new recruitment.

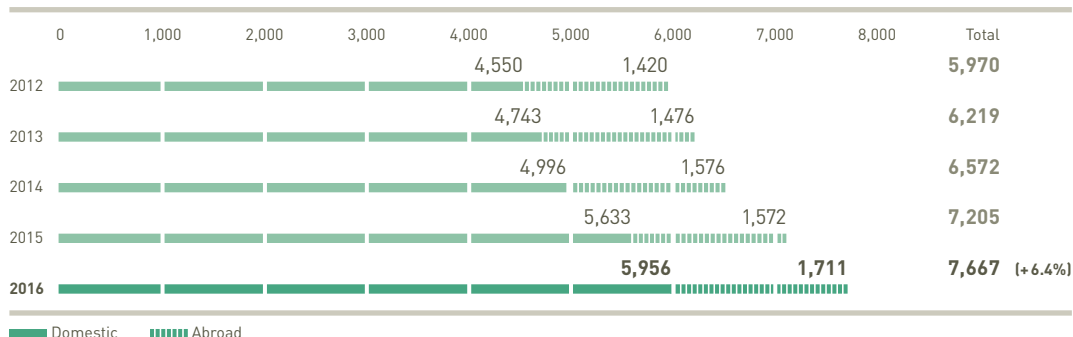


See Notes,
Employees,
page 187 f

In Germany, the number of employees increased by 323 or 5.7 per cent to 5,956 as of the end of the year (prior year: 5,633 employees). The number of employees active abroad went up 139 or 8.8 per cent to 1,711 (prior year: 1,572 employees). As previously, more than three quarters of all employees thus work in Germany.

09. EMPLOYEES BY REGIONS

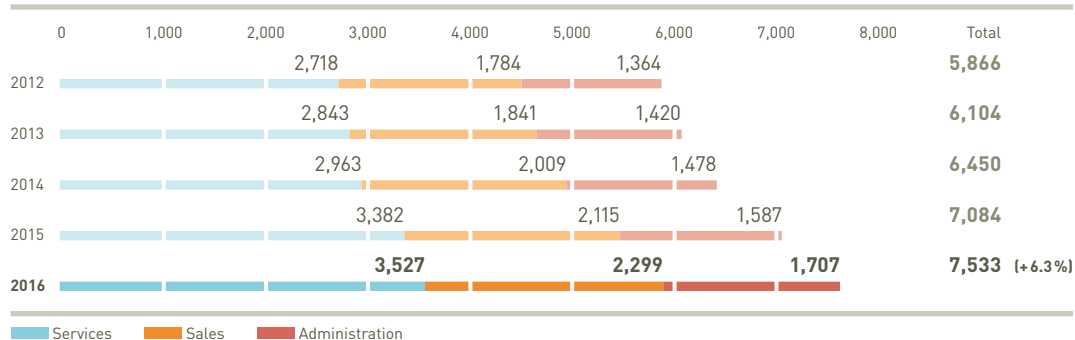
as of 31 December



Divided by functional areas, the greatest headcount increase took place in the field of sales. In 2016, 2,299 employees worked in this area throughout the group, 184 or 8.7 per cent more than in the prior year. In the administration, the number of employees went up by 120, an increase of 7.6 per cent. The number of service employees increased by 145, a growth of 4.3 per cent.

10. EMPLOYEES BY AREAS

as of 31 December

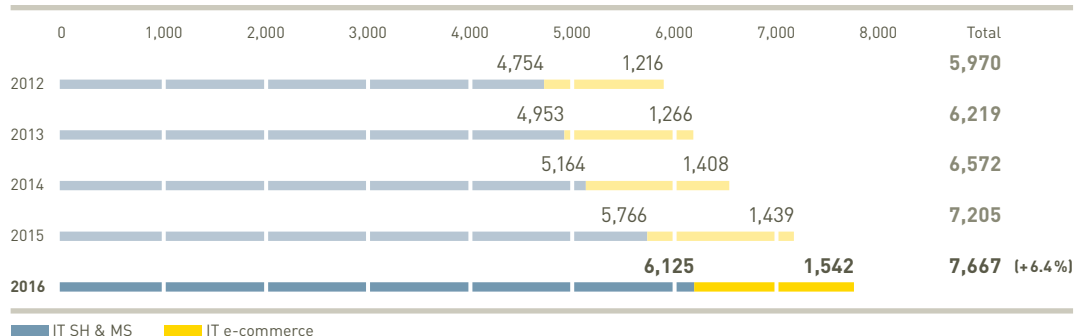


For internal costing reasons, the staff information by areas does not take employees on parental leave into consideration.

At business segment level, the number of employees increased to 6,125 in the IT system house & managed services segment, compared to 5,766 in the prior year. The number of employees in the IT e-commerce segment amounted to 1,542 (prior year: 1,439). The growth of 6.2 per cent in the IT system house & managed services segment was slightly lower than in IT e-commerce, which saw a headcount increase of 7.2 per cent.

11. EMPLOYEES BY SEGMENTS

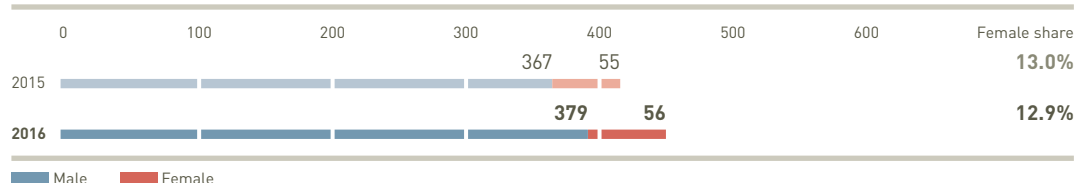
as of 31 December



As an IT enterprise active throughout Europe, Bechtle already has a balanced proportion of various cultures and nationalities and of men and women. We are convinced that the diversity of the employees promotes team performance, making an effective contribution to the business success. Currently, women account for approximately 26 per cent of all employees, thus, the overall female ratio has remained steady. As in the prior year, among the executives, 13 per cent of all employees are female; among the trainees, the proportion of females amounts to 25 per cent. In the field of training, the female ratio has increased significantly due to the higher number of female trainees. At 49 per cent, the central divisions account for the highest share of women, followed by 38 per cent in the e-commerce segment. The quota in the system house segment is 20 per cent.

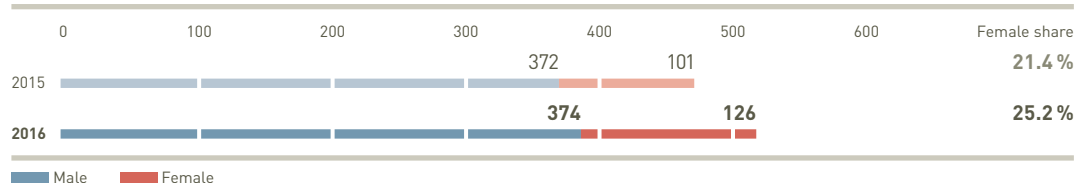
12. EXECUTIVES: SHARE FEMALE/MALE

as of 31 December



13. TRAINEES: SHARE FEMALE/MALE

as of 31 December



PERSONNEL EXPENSES AND SALARY MODEL

In 2016, expenses for wages and salaries including social contributions underwent a below-average increase of 8.6 per cent to €459.4 million (prior year: €423.0 million). Thus, the personnel expense ratio dropped marginally from 14.9 per cent to 14.8 per cent. In relation to the gross profit, the personnel intensity declined to 61.0 per cent (prior year: 61.1 per cent).

14. PERSONNEL EXPENSES

	2016	2015	2014	2013	2012
Personnel and social expenses	€m 459.4	423.0	388.8	348.8	326.3
Personnel and social expenses per employee ¹	€k 62.9	62.2	61.7	58.5	57.5
Personnel expense ratio	% 14.8	14.9	15.1	15.3	15.6

¹ Without employees on parental leave

The salary model of almost all Bechtel employees consists of fixed and variable components. The amount of the variable compensation depends on the target achievement level in the particular field of responsibility or on the performance of the group. For sales staff, the variable component is calculated according to the amount of the contribution margin achieved, while the revenue serves as the indicator for employees in the service sector. In the administration, the variable component is calculated according to the earnings before taxes. As a matter of principle, the performance-related compensation of Managing Directors is calculated on the basis of the achievement of the earnings and revenue targets defined at the beginning of the year.

EDUCATION AND TRAINING



bechtle-azubit.de

Bechtle continuously puts a lot of emphasis on training young people, thereby securing its supply of qualified junior personnel. We consider training as an investment in the future for the purpose of actively forestalling a shortage of qualified staff. Over time, we have become a renowned training company for various administrative and technical professions. In collaboration with cooperative universities, we also offer integrated degree programmes in various economic and technical subjects.



500 people
in training

As of the end of the reporting period, Bechtle had 500 young trainees (prior year: 473), including 65 abroad. At 25 per cent, the proportion of female trainees is far above the industry average. Technical training professions (231 trainees) outweigh administrative training professions (185 trainees). Moreover, 46 young people studied on an economic degree programme and 38 on a technical degree programme at a cooperative university. The training quota in Germany amounted to 7.3 per cent (prior year: 7.4 per cent). At the headquarters in Neckarsulm, the training ratio dropped slightly to 9.5 per cent (prior year: 9.7 per cent).



"An important step towards the future for Bechtle and for me: Training at Bechtle."

Max Günther, Trainee application developer, Bechtle AG

By providing needs-oriented training, Bechtle makes an important contribution towards securing its own future. Our goal is to raise the training ratio in Germany to 12 per cent in the medium run. To reach this ambitious goal, Bechtle invests in innovative training marketing. With the training initiative AZUBIT – which consists of various components that supplement each other – we convince high-school students of our future-oriented, hands-on training concept, in which trainees can quickly assume responsibility and contribute their own ideas. Numerous high-school students also benefit from the comprehensive offer of high-school internships in various departments of group headquarters. The cooperation with schools is another opportunity for drawing the attention of young people to Bechtle as an attractive training company. By means of applicant training, school class visits to our group headquarters and presentations in school classes, we give high-school students an authentic glimpse into the training at Bechtle and establish personal contact with the young people. Furthermore, Bechtle makes use of numerous recruiting events to present itself as a training company.

To facilitate the first steps in the company and day-to-day business, all trainees participate in the MIKADO programme for trainees. During the two-day introductory event, novices get to know Bechtle and especially group headquarter with its service units. During their training, a tried-and-tested mentoring model, regular meetings and cross-locational seminars give the young people the opportunity to engage in interchange and network. The fact that upon graduation, we are able to offer virtually all trainees and students on integrated degree programmes employment contracts is a visible sign of our successful investments in training.

The Bechtle Academy, which was established by the company back in 1999, complements the individual training at the group locations, offering all employees a comprehensive programme ranging from ongoing training measures to the acquisition of special skills to interdisciplinary seminars. The monthly introductory events for new employees are also supervised by the Bechtle Academy. In terms

of the organisation, the activities of the Academy are integrated in staff development, whose main task consists of supporting the achievement of the targeted growth of the Bechtle Group by means of suitable strategic staff development measures. In the reporting period 2016, the Bechtle Academy conducted 354 events with a total of 4,498 participants (prior year: 293 events with 3,886 participants).

To continually improve the quality of the training offer and thus the competence of the employees, we offer both on-site academy events as well as the sales-oriented learning management concept iLEARN. iLEARN was introduced back in 2009 as a training offer for newcomers and experienced employees. In October 2016, iLEARN was launched from a new platform that, among other things, provides all Bechtle employees with simplified access to the offers. It features individual courses, e.g. on the subjects of work methods and techniques, expertise, management and leadership, as well as ERP in up to ten languages for all 14 countries in which Bechtle has employees. The objective of iLEARN is to ensure uniform, state-of-the-art knowledge at all locations, thereby further expanding our competitiveness. Moreover, it helps us to achieve flexibility in terms of the place and time and increases the satisfaction of the participants, who are able to learn at their own speed. Moreover, we reduce emissions and costs caused by business trips for training purposes.

In 2013, staff development introduced the junior management programme, which conveys action and decision-making skills for executives at the middle management level. In 2016, 28 young employees successfully completed this programme. At the same time, 18 participants embarked on a new round. In the reporting period, 13 participants completed the general management programme, a two-year programme for the development of junior executives which has existed since 2011. Both programmes serve to establish a talent pool in order to be able to continue to man strategically important executive positions with excellent managers from our own ranks.

Bechtle offers ambitious newcomers with a knack for IT an attractive trainee programme that focuses on "Sales (industry)", "Sales (public sector clients)" and "IT system engineering/IT consulting". Once again, the programme was successful in 2016. Following an intensive quality audit by Absolventa GmbH in collaboration with Ludwig Maximilian University (LMU) in Munich, it was again awarded the "Career-promoting & fair trainee programme" label. In 2016, ten participants completed the programme.



bechtle.com/career

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

Last year, the largest recruiting survey in the German-speaking countries again examined the recruiting qualities of 500 employers in Germany, 500 in Austria and 500 in Switzerland. For the third time in a row, Bechtle AG was awarded the "Best Recruiter" label in gold as the best enterprise in its industry. This award corroborates the recruitment strategy of our company.

CORPORATE GOVERNANCE REPORT

From the outset, responsible entrepreneurship has been the guiding principle of Bechtle's business operations and thinking – long before these concepts were even put down in the form of codes. All decision-makers at Bechtle have always been, and continue to be, aware of the expectations of the employees, customers, shareholders and all other stakeholders, and of the social responsibility involved. This grown self-image is a key orientation standard for the Executive Board and the Supervisory Board. We also see it as the responsibility of the company management to identify the various interests and expectations of the stakeholders and for taking them into consideration in a differentiated manner within the scope of the company's long-term strategic orientation, in compliance with applicable law and international behavioural standards. This expressly includes dealing carefully with potential target conflicts and looking for ways to enable the company to operate successfully on the market in the long run.



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

In this section, the Executive Board and Supervisory Board jointly report on corporate governance at Bechtle AG according to Section 3.10 of the German Corporate Governance Code (DCGK). Bechtle AG publishes the declaration on corporate governance pursuant to Section 289 a of the German Commercial Code (HGB) on its website.

SHAREHOLDERS AND ANNUAL GENERAL MEETING



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

All shares of Bechtle AG are no-par bearer shares and grant the same voting rights. To enable shareholders to safeguard their interests at the Annual General Meeting, the Executive Board appoints a proxy that the shareholders can authorise to exercise their voting rights. Bechtle ensures that the proxy can be reached even during the Annual General Meeting. Electronic proxy authorisation is possible. The agenda as well as the reports and documents required for the Annual General Meeting are made available on the Internet for review and download. The Articles of Incorporation of Bechtle AG do not provide for postal votes.

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

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

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

In the German dual system, the company management (i.e. the Executive Board) and the controlling unit (i.e. the Supervisory Board) are separated from each other. Nevertheless, these two boards collaborate closely for the good of the company. The Supervisory Board is involved in all major corporate decisions and assists the Executive Board by providing advice whenever necessary. The Executive Board regularly, duly and comprehensively informs the Supervisory Board of all material issues of the business development, business planning, strategy, risk management, potential risks and opportunities of the business performance and compliance-related subjects. The information and reporting obligations are specified in detail in the Rules of Procedure of the Executive Board. The Executive Board informs the Supervisory Board without delay about any extraordinary events that are of importance to the assessment of the situation, development or management of the company. The Supervisory Board and especially the Chairman of the Supervisory Board also obtain information about the company's situation and important business transactions outside the scope of the regular Supervisory Board meetings. Thus, the Supervisory Board has a useful information base for monitoring operations with valuable suggestions and recommendations. As a matter of principle, the Executive Board forwards its documents to the Members of the Supervisory Board in coordination with the Chairman of the Supervisory Board in good time before Supervisory Board meetings, in order to enable the members to duly prepare for the meetings. According to the Rules of Procedure of the Supervisory Board, important business transactions are subject to the approval of the Supervisory Board.



See Report of the Supervisory Board, page 16 ff

EXECUTIVE BOARD

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

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

Under the "Act on the Equal Participation of Women and Men in Executive Positions in the Private Economy and in the Public Sector", an obligation was imposed on the affected companies in 2015 to determine targets for the proportion of women on the Executive Board and at the two lower executive levels. The Supervisory Board of Bechtle AG has addressed the subject of determining a target quota for the Executive Board. The board firmly believes that bonding the Members of the Executive Board to the company and keeping them in the company on a long-term basis serves the company's interests. Therefore, changing the staffing of the Executive Board solely for the purpose of increasing the proportion of women has been and remains out of question. Bechtle AG always endeavours to operate as efficiently as possible in all parts of the enterprise and at all hierarchy levels. Therefore, increasing the number of Members of the Executive Board for the mere sake of ensuring a certain female quota is not a viable option. Currently, the proportion of women on the Executive Board is 0 per cent. From the current perspective, we consider a change of this proportion to be unrealistic in the medium term. Therefore, the Supervisory Board has determined a target quota of 0 per cent for the proportion of women on the Executive Board until 30 June 2017.



bechtle.com/executive-supervisory-boards

In accordance with the law, the Executive Board of Bechtle AG has defined the two executive levels under the Executive Board. For the staffing of the two executive levels under the Executive Board, the qualification is the top priority. Moreover, the objective is to bond employees to Bechtle on a long-term basis. The first executive level under the Executive Board comprises the Executive Vice Presidents. Currently, the proportion of women at this level is 0 per cent. For the said reasons, it is unlikely that this quota will change noticeably in the coming years. Therefore, the Executive Board has determined a target quota of 0 per cent for the proportion of women at the first executive level under the Executive Board until 30 June 2017.

The second executive level under the Executive Board comprises the decision-makers in managerial positions as well as other executives that report directly to a Member of the Executive Board. The proportion of women at this level amounted to 4.48 per cent as of 31 July 2015 and 4.11 per cent as of 31 December 2016. The Executive Board has determined a target quota of 5 per cent for the second executive level. The deadline for reaching this target quota is 30 June 2017.

The target quotas determined by the Supervisory Board and Executive Board illustrate two aspects:

- The long-term focus of all entrepreneurial and strategic decisions at Bechtle AG
- The absolute priority of the company interests in all decisions

Irrespective of statutory requirements, Bechtle always pays attention to diversity and especially to the due consideration of women when staffing executive teams. Bechtle's proportion of women in executive and management positions below the two executive levels mentioned in the act is much higher. For executive positions as a whole (first two levels under the Executive Board and other levels with executive and management positions), the proportion of women amounts to 13 per cent, an excellent figure compared to the rest of the industry (IT industry: 4 per cent).

EXECUTIVE BOARD COMPENSATION

In the reporting period, the total compensation of the Members of the Executive Board consisted of a fixed basic salary and a performance-related variable compensation that comprises a short-term component and a long-term component (moving calculation) with a three-year horizon. The criteria for the assessment of the variable compensation include EBT, revenue growth, the EBT margin and, for the long-term compensation component, a minimum return on equity. Apart from this, the Supervisory Board may, at its own discretion, grant the Executive Board a special bonus. As in the past, the company did not make any pension commitments to Members of the Executive Board in the reporting period.

Since the fiscal year 2015, Bechtle AG has presented the compensation of the Executive Board in individualised form, making use of the standard DCGK tables. These disclosures are made in the Notes.

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

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

The employment contract of the Chairman of the Executive Board provides for payment of a one-time severance in the event of justified exercise of the special right of termination by him in the case of a change of control. The compensation is capped at an amount that corresponds to the compensation for three years.

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

SUPERVISORY BOARD

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

For personal reasons, Supervisory Board member Dr. Walter Jaeger stepped down from his office as of the end of the Annual General Meeting on 9 June 2016. The Annual General Meeting on 9 June 2016 elected Sandra Stegmann to the Supervisory Board for the remainder of the term of office of the departed member. The Supervisory Board elected Kurt Dobitsch to replace Dr. Walter Jaeger as a member of the audit committee.



See Notes,
Members of the
Supervisory Board,
page 200 f

Bechtle AG is required by law to ensure a female quota of at least 30 per cent on the Supervisory Board. The percentage of women on Bechtle's Supervisory Board is currently 33 per cent.

Contrary to the recommendation of section 5.2 (2) of the German Corporate Governance Code (DCGK), the Chairman of the Supervisory Board of Bechtle AG also serves as Chairman of the audit committee. He engages in intensive exchange with the Executive Board and is closely acquainted with the goings-on in the company. Thus, the company does not consider a separation of the executive positions of the Supervisory Board and of the audit committee to be necessary.

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

The Supervisory Board endeavours to fulfil its duties with due care. Every three years, the Supervisory Board has the efficiency of its activity comprehensively audited on the basis of the guideline of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. An audit conducted in the reporting period confirmed the efficiency of the Supervisory Board's work. Should the Supervisory Board come to the conclusion that the efficiency has deteriorated, the audit will be conducted on an annual basis.

Under consideration of Section 5.4.1 (2) of the German Corporate Governance Code (DCGK), the Supervisory Board has set down goals concerning its composition in writing. The Supervisory Board thus intends to ensure that at least two Members of the Supervisory Board fulfil the criterion of internationality to a special degree. However, the Supervisory Board does not see any necessity to fix the number of independent Members of the Supervisory Board. Currently, most of the Members of the Supervisory Board fulfil the criterion of "independence", as they do not have any personal or business relationship with the company, its organs, a controlling shareholder or a company affiliated with a controlling shareholder and do not exercise any advisory or organ function for customers, suppliers, creditors or other business partners of Bechtle AG. Nevertheless, the Supervisory Board will continue to propose representatives of business partners as Supervisory Board members if their specific skills are more beneficial to the company than potential conflicts of interests could be detrimental. Moreover, the Supervisory Board does not see any need for the definition of specific goals for the handling of potential conflicts of interests. In respect of diversity, the Supervisory Board has not determined any goals. Moreover, the Supervisory Board has not determined any standard limit for the affiliation with the Supervisory Board. In this area too – as in the case of the staffing of the Executive Board and executive positions and in its dealings with all employees – Bechtle AG aims at long-term cooperation. In the past, Bechtle AG often benefited from the long-standing expertise of experienced Members of the Supervisory Board. This is to remain the case in the future as well.

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

The Rules of Procedure of the Supervisory Board provides for an age limit of 70 for election to the Supervisory Board.

SUPERVISORY BOARD COMPENSATION

The regulations concerning the compensation of the Supervisory Board were adjusted by resolution of the General Meeting of 9 June 2016 and are explained in Article 11 of the Articles of Incorporation of Bechtle AG. The amendments to the Articles of Incorporation entered into force as of 14 June 2016 upon entry in the trade register. The compensation structure takes the responsibility and scope of activity of the individual members into account. The chairmanship, vice-chairmanship and committee activities, as well as committee chairmanship, are taken into consideration. Success-oriented compensation is not planned. Bechtle AG presents the compensation of Members of the Supervisory Board in individualised form. These disclosures are made in the Notes.



bechtle.com/satzung

Members of the Supervisory Board have not been granted any loans, and no liability has been assumed on their behalf. The same applies to Members of the Executive Board. During the reporting period, the company did not have any share option programmes or similar securities-oriented incentive systems.

D&O INSURANCE

The Executive Board and the Supervisory Board observe the generally accepted corporate governance principles. Should they culpably violate their duty to exercise due care, Bechtle AG may assert damage claims against them. To cover this risk, the company has taken out directors & officers liability insurance for the Members of the Executive Board and of the Supervisory Board. A deductible of 10 per cent has been agreed for the Executive Board in line with the statutory provisions, but not for the Supervisory Board. Bechtle AG does not believe that a deductible would contribute to an improved sense of responsibility and motivation of the Supervisory Board.

CONFLICTS OF INTEREST

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



See Notes,
Members of the
Supervisory Board,
page 200 f

TRANSPARENCY

Bechtle attaches great importance to open, trusting communication with shareholders and other stakeholders, and therefore engages in fair, timely and reliable dialogue with all stakeholders. For the Executive Board and the Supervisory Board, openness and transparency are key principles of conduct. All relevant information is published simultaneously in English and German. Financial dates, financial reports, press releases and presentations are also made available on the company's website. Moreover, Bechtle offers its shareholders the possibility of learning the latest details about the performance of the Bechtle share and important analyst and press opinions by means of a weekly report.

SHAREHOLDING OF BOARD MEMBERS

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

15. NUMBER OF BECHTLE AG SHARES – EXECUTIVE BOARD

Name	shares	
	31.12.2016	31.12.2015
Dr. Thomas Olemotz	0	0
Michael Guschlbauer	0	0
Jürgen Schäfer	4,000	4,000

16. NUMBER OF BECHTLE AG SHARES – SUPERVISORY BOARD

Name	shares	
	31.12.2016	31.12.2015
Shareholder representatives		
Kurt Dobitsch	0	0
Prof. Dr. Thomas Hess	0	0
Dr. Walter Jaeger (until 9 June 2016)	–	0
Dr. Matthias Metz	0	0
Karin Schick	7,353,287 ¹	7,353,287 ¹
Sandra Stegmann (from 9 June 2016)	0	–
Dr. Jochen Wolf	0	0
Employee representatives		
Uli Drautz	0	0
Daniela Eberle	0	0
Barbara Greyer	0	0
Martin Meyer	0	0
Volker Strohfeld	2	2
Michael Unser	0	0

¹ 960,272 shares for Schick GmbH, 340,115 for Amaury Krief

FINANCIAL ACCOUNTING AND AUDITING OF ANNUAL FINANCIAL STATEMENTS

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

The annual and consolidated financial statements were audited by the audit firm Ernst & Young GmbH, Heilbronn, Germany, which the General Meeting had appointed as auditor for the fiscal year 2016.

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

The auditor participates in the Supervisory Board discussions on the annual and consolidated financial statements, attends the balance sheet meeting on 14 March 2017 and reports the results of its audit. Moreover, the auditor provides additional information and answers questions of the Supervisory Board concerning the audit.

SHARE

For the stock markets, 2016 was a year of contrasts. Economic worries, the oil price slump, fears of terror, the Brexit referendum and the US presidential elections created a negative impact. On the other hand, the decisions of the large central banks pushed up the share prices around the globe. Significant initial price losses were followed by a volatile stock market phase that carried the global indices to record levels in a year-end rally. The Bechtle share was also affected by this turbulence, but closed the trading year with a gain of more than 12 per cent, thereby perpetuating its generally successful price performance.

STOCK MARKET

The worries about substantial economic weakening in China and the oil price slump initially made prices on the German stock market decline at the beginning of the year. The DAX alone lost about 2,000 points in the first six weeks. Further into the year, the stock markets recovered, partly due to the repeated interventions of the European Central Bank, whose measures included a reduction of the key interest rate to 0 per cent in March. Following the UK vote in June in favour of an exit from the EU, the stock markets again slumped by about one tenth.

In the second half of the year, negative external factors such as the failed coup in Turkey, the outcome of the US presidential elections and, last but not least, the government crisis in Italy had surprisingly little effect on the stock market. In a year-end rally, the indices even reached their highest levels in December. During the course of the year, the DAX and MDAX gained a total of almost 7 per cent, the SDAX rose by 4.6 per cent. The TecDAX, however, recorded a loss of 1 per cent.



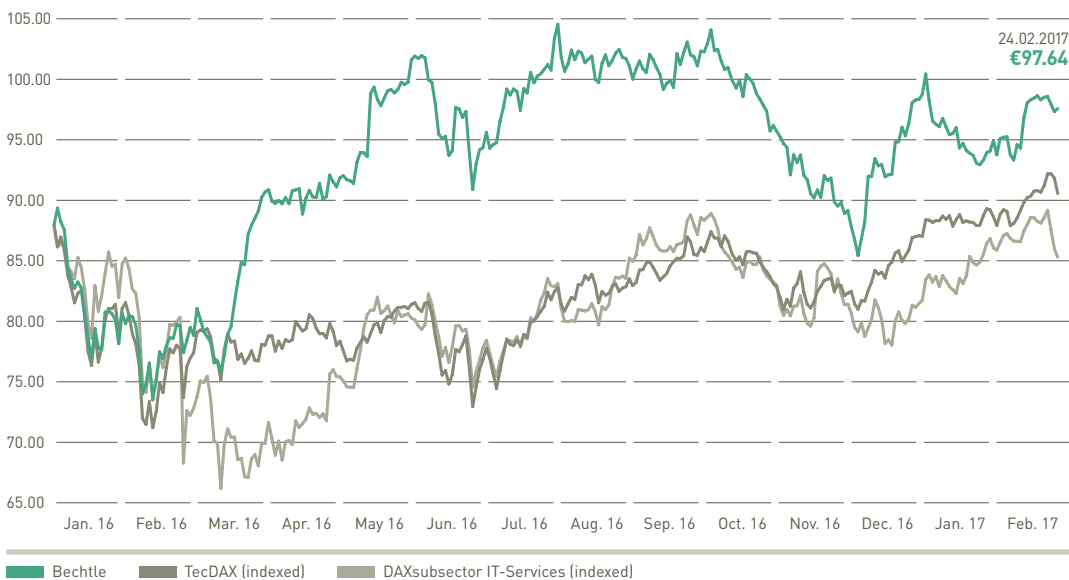
"Hats off: The Bechtle share passes €100 mark for the first time."

Yvonne Nürrenberg, Junior VIPM
Plantronics, Cologne System House

SHARE PERFORMANCE

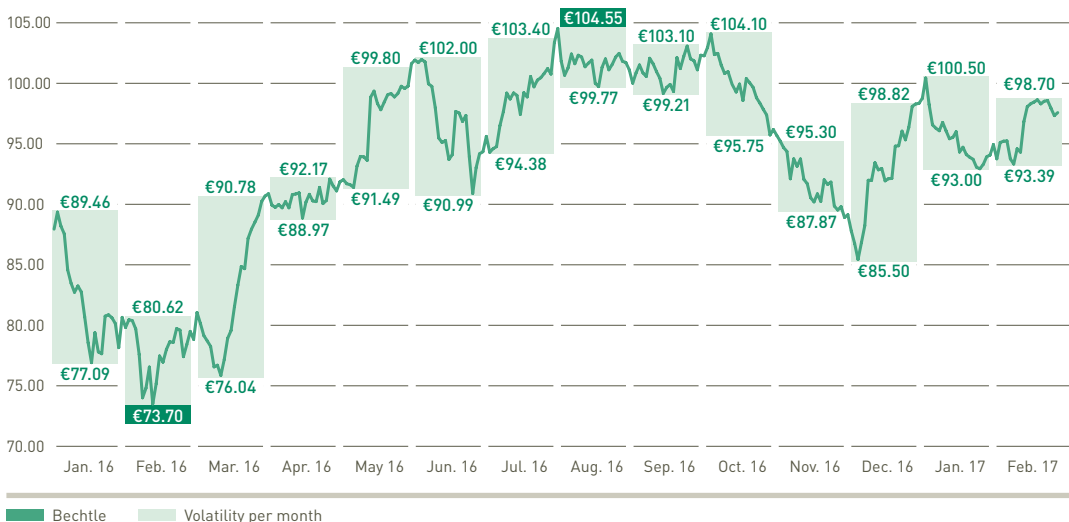
As in prior years, the price of the Bechtle share also performed well in the fiscal year 2016. Starting from a closing price of €88.06 on 31 December 2015, our share first coasted along with the general market trend, sustaining some losses at the beginning of the year. The annual low of €73.70 was reached on 11 February. From mid-March, the share jumped to a value of more than €90. The share price remained steadily at this level for several weeks before topping the €100 mark for the first time on 1 June. Thereafter, profit-taking and the Brexit referendum caused the share price to fall.

17. THE BECHTLE SHARE – PERFORMANCE FROM JANUARY 2016 TO FEBRUARY 2017



See bechtle.com/investors/share for the current share price

18. THE BECHTLE SHARE – HIGHS AND LOWS FROM JANUARY 2016 TO FEBRUARY 2017



In July, the price of the Bechtle share again went up continually, reaching a new all-time high of €104.55 on 1 August. Until autumn, the price evened out at levels slightly above €100. Starting in the last quarter of 2016, a temporary downward trend at the stock exchanges caused our share to decline as well. By 5 October, the share had dropped to €85.50, a price that was even lower than the share price at the beginning of the year. However, the Bechtle share picked up again towards the end of the year, closing the trading year at €98.82 on 30 December. In total, our share gained 12.2 per cent in 2016.

The market cap progressed on par with the prices. At the end of the year, the market cap was €2,075.2 million, €225.9 million more than at the end of 2015 (€1,849.3 million). In the ranking of Deutsche Börse as of 31 December 2016, Bechtle reached the 12th place in terms of the market cap in the TecDAX, as in the prior year.

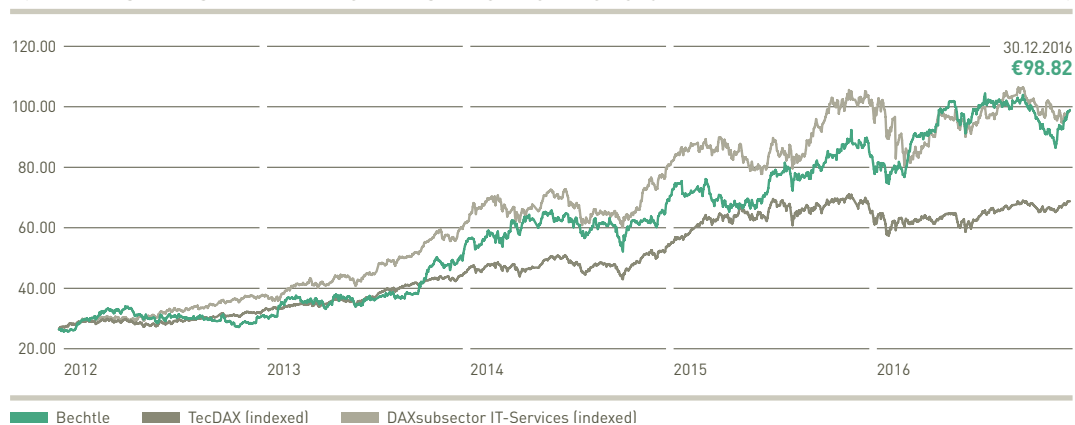
19. TRADING DATA OF THE BECHTLE SHARE

		2016	2015	2014	2013	2012
Annual closing price	€	98.82	88.06	65.98	49.47	30.65
Performance	%	+12.2	+33.5	+33.4	+61.4	+17.0
High	€	104.55	92.64	65.98	50.95	35.10
Low	€	73.70	64.49	49.33	30.07	25.50
Market cap – total	€m	2,075.2	1,849.3	1,385.6	1,038.9	643.7
Avg. turnover/trading day ¹	shares	30,515	46,580	41,281	34,201	42,143
Avg. turnover/trading day ¹	€	2,789,577	3,452,399	2,452,888	1,364,142	1,281,620

¹ All German stock exchanges

By contrast, the stock exchange turnover declined. The trading volume dropped considerably as far as the number of shares was concerned. On average, 30,515 Bechtle shares were traded per day in the fiscal year 2016 (prior year: 46,580). Accordingly, the average stock exchange turnover also dropped to €2,789.6 thousand (prior year: €3,452.4 thousand) despite the higher prices. In the December ranking of Deutsche Börse, Bechtle ranked 18th in terms of its stock exchange turnover in the TecDAX, one place lower than in the prior year.

20. THE BECHTLE SHARE – PERFORMANCE FROM 2012 TO 2016



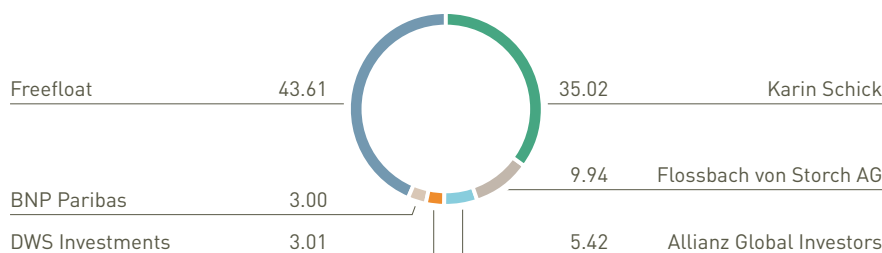
SHAREHOLDER STRUCTURE

Karin Schick, still the company’s largest shareholder, holds an interest of 35.02 per cent. This figure comprises the shares of Schick GmbH, of which Karin Schick is a partner, and shares belonging to Karin Schick’s son. As of the end of the reporting period, the free float still amounted to 64.98 per cent. These shares are held by a wide spectrum of private and institutional investors in Germany and abroad.

Flossbach von Storch AG, headquartered in Köln, Germany, remains the second-largest shareholder. According to the voting right notification of 15 December 2015, this company holds almost 10 per cent of the shares.

21. SHAREHOLDER STRUCTURE

%



As of 31 December 2016

DIVIDEND

Since its IPO in 2000, Bechtle has been pursuing a shareholder-friendly dividend policy focused on continuity. In the TecDAX, Bechtle is one of the few companies that have continued to distribute profits to shareholders year after year without interruption since their IPO. In recognition of its steady development and continuous increase of its dividend, amongst other things, Bechtle received the “DividendenAdel Award” (presented by Deutsche Börse and the independent research platform DividendenAdel) in the reporting period.

Following the outstanding results achieved in 2016 and in view of the company’s excellent liquidity position, the Executive Board and the Supervisory Board have agreed to propose a dividend of €1.50 per share for the fiscal year 2016 to the Annual General Meeting. In the prior year, Bechtle AG had paid out a dividend of €1.40 per share. Subject to the approval of the Annual General Meeting, the payout proposal represents an increase of the dividend by €0.10 or 7.1 per cent.

As of 31 December 2016, the number of shares with dividend entitlement was 21,000,000. Thus, the sum to be paid out for the fiscal year 2016 amounts to €31.5 million. This means a payout ratio of 30.5 per cent of the consolidated earnings after taxes (prior year: 31.7 per cent). In relation to the annual closing price of our share, the dividend yield amounts to 1.5 per cent, slightly under the level of the prior year (prior year: 1.6 per cent).

EARNINGS PER SHARE

See Earnings Position, page 66 ff and Notes, Section III, Earnings per Share, page 129

The improvement of the operating earnings was accompanied by a corresponding rise in the earnings per share (EPS). With an unchanged number of voting rights of 21.0 million shares and earnings after taxes of €103.4 million, EPS amounted to €4.92, 11.3 per cent or €0.50 more than in the prior year (€4.42).

22. SHARE PERFORMANCE INDICATORS

For further key figures, see Multi-year Overview, page 204 ff

		2016	2015	2014	2013	2012
Shares with dividend entitlement ¹	shares	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Earnings per share	€	4.92	4.42	3.63	3.02	2.68
Amount distributed	€m	31.5 ²	29.4	25.2	23.1	21.0
Dividend payout ratio	%	30.5 ²	31.7	33.1	36.4	37.1
Cash dividend per share	€	1.50 ²	1.40	1.20	1.10	1.00
Dividend yield ¹	%	1.5 ²	1.6	1.8	2.2	3.3
Price/earnings ratio ¹		20.1	19.9	18.2	16.4	11.4

¹ As of the end of the year

² Subject to approval of the General Meeting

ANNUAL GENERAL MEETING

On 9 June 2016, the Executive Board and the Supervisory Board welcomed about 750 shareholders and guests to the 16th Annual General Meeting of Bechtle AG at the "Harmonie" concert and congress centre in Heilbronn. The attendees represented 75.36 per cent of the company's entire issued capital. The voting results, which document the great trust placed in the management, contributed to the success of the event. All of the agenda items that were addressed were adopted with an overwhelming majority, including the election of Sandra Stegmann as a new member of the Supervisory Board. She assumed her office in the place of Dr. Walter Jaeger, who left the Supervisory Board for personal reasons after eight years.



"The perfect introduction to Bechtle: Around 130 students attended the general meeting as guests."

Karina Gense, Integrated degree student, business administration, Bechtle AG

COMMUNICATION WITH THE CAPITAL MARKET

The way that analysts view a company has a major impact on shareholder and investor opinion. In 2016, a total of nine institutions reported on Bechtle in detailed surveys and ad-hoc analyses: Baader Bank, Bankhaus Lampe, Commerzbank, Deutsche Bank, DZ Bank, Hauck & Aufhäuser, Kepler Cheuvreux, Landesbank Baden-Württemberg and M.M. Warburg. Kepler Cheuvreux started to cover the company in July 2016. Bechtle's regular constructive dialogue with all institutions is enhanced by analyst visits to the headquarters, various conferences and joint road shows.



bechtle.com/research

In 2016, contacts with existing and potential investors took place again on numerous occasions. In individual discussions, road shows and investor conferences, Bechtle provided information about the company's economic situation, business strategy and outlook. Furthermore, many investors made use of the opportunity to inform themselves about Bechtle during a visit to group headquarters in Neckarsulm. In September, about 20 interested analysts and investors attended an Investor Day on the subject of digitisation at the headquarters in Neckarsulm.

Personal contact with private investors is an important element of the investor relations activities. Apart from the Annual General Meeting, Bechtle's agenda in the fiscal year ended included the introduction of the group to private shareholders within the scope of the Shareholder Days, which were held for the twelfth time. By means of a presentation and a tour of the headquarters, Bechtle AG gives its shareholders a deeper insight into the company, thereby enhancing the relationship with its shareholders.

The website of Bechtle AG is an important and intensively used information platform for communication with shareholders and the capital market. Additionally, the financial market communication makes use of the various social media channels of Bechtle AG. Thus, we regularly keep our investors up to date with relevant information via Facebook and Twitter.



bechtle.com

[facebook.com/
BechtleAG](https://www.facebook.com/BechtleAG)

[twitter.com/
Bechtle_AG](https://twitter.com/Bechtle_AG)

For the second time in a row, Bechtle took second place in the "Investors' Darling" capital market contest of "Manager Magazin" in the TecDAX. In the overall ranking, Bechtle achieved 16th place, an excellent result. The survey analyses all 160 DAX companies with regard to their financial communication, i.e. their performance in the fields of reporting, investor relations and capital markets.

TAKEOVER-RELATED DISCLOSURES

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

As of 31 December 2016, the company's issued capital amounted to €21,000,000, divided into 21,000,000 no-par bearer shares (ordinary shares). The pro-rata amount of the issued capital that is allocated to each share is €1.00. All shares have voting rights and are entitled to dividends. The rights and obligations associated with the ordinary shares are as specified in the German Stock Corporation Act (AktG).

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



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

The company is aware of the following direct or indirect capital interests exceeding 10 per cent of the voting rights as of the balance sheet date:

Karin Schick, Gaildorf, Germany: 35.02 per cent, thereof 28.82 per cent directly and 6.19 per cent indirectly.

No changes occurred until 27 February 2016, the reporting date.

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

There are no employee share ownership plans or similar schemes under which employees hold interests in the capital without directly exercising their control rights.

The appointment and dismissal of members of the Executive Board is governed by Sections 84 ff of the German Stock Corporation Act (AktG) and Section 31 of the German Co-determination Act (MitbestG). The regulations of the Articles of Incorporation do not deviate from these statutory provisions. In accordance with Article 6.1 of the Articles of Incorporation, the Executive Board consists of one or several persons. The number of Executive Board members is determined by the Supervisory Board. According to Article 6.4 of the Articles of Incorporation, the Supervisory Board may appoint a Member of the Executive Board as the Chairman or Spokesman of the Executive Board.



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

The conditions for amendments to the Articles of Incorporation are outlined in Sections 179 to 181 of the German Stock Corporation Act (AktG). The General Meeting of Bechtle AG has delegated the authority to make amendments that merely concern the wording of the Articles of Incorporation to the Supervisory Board (see Article 10.4 of the Articles of Incorporation).



See Notes,
Issued Capital,
page 148 f

Pursuant to Sections 202 ff of the German Stock Corporation Act (AktG), the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's issued capital by a total of up to €10,500,000 by issuing new bearer shares against cash contributions and/or contributions in kind until 4 June 2019 (authorised capital according to Article 4.3 of the Articles of Incorporation). Detailed information on this subject is available in the Notes.

The purchase of treasury shares is only permissible according to the provisions of Section 71 (1) of the German Stock Corporation Act (AktG). Based on the resolution of the Annual General Meeting of 16 June 2015, the Executive Board is authorised to purchase treasury shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). This authorisation is valid until 15 June 2020. Treasury shares must be purchased via the stock exchange or within the framework of a public purchase bid or via a public invitation to the shareholders to submit offers for sale. The price the company pays per share shall, in the case of purchase via the stock exchange, not exceed or fall under the price of the company's share on the Xetra trading of the Frankfurt stock exchange (or a similar successor system), which is determined by the opening auction, or, in the case of a public purchase bid or a public invitation to the shareholders to submit offers for sale, shall not exceed or fall under the average closing prices of the company's share on the five stock exchange trading days prior to the decision on the publication of the public purchase bid or the publication of the invitation to submit offers for sale by more 10 per cent (without transaction costs). The scope of the authorisation is limited to 10 per cent of the issued capital. Other shares of the company that it has already purchased and still possesses or that are attributable to it pursuant to Sections 71 ff of the German Stock Corporation Act (AktG) shall be taken into consideration. The redemption authorisation has been granted for any purpose permitted by law.

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

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

FRAMEWORK CONDITIONS

MACROECONOMY



ec.europa.eu

In the reporting period, the economy in the EU proved to be very robust. Despite numerous potential crisis scenarios such as the referendums on Brexit and about a constitutional amendment in Italy, gross domestic product (GDP) performed well. However, the momentum decreased slightly compared to the prior year. According to figures published by the European Commission, GDP throughout the EU grew 1.8 per cent in 2016. In the prior year, the growth had amounted to 2.2 per cent. Among the Bechtle markets in the EU, the growth varied considerably. In terms of GDP growth, Italy (0.7 per cent) and Portugal (0.9 per cent) were at the bottom of the scale. Spain (3.2 per cent) and Ireland (4.1 per cent) were at the top of the scale. In 2016, investments in equipment – an indicator that is relevant to Bechtle – experienced above-average growth of 3.9 per cent. Compared to the growth of 4.8 per cent in the prior year, the dynamics slackened in this area as well.



destatis.de

In 2016, the German economy underwent a positive development and experienced improved dynamics, despite the general trend. As reported by the German Federal Statistical Office, GDP increased 1.9 per cent in the reporting period (prior year: 1.7 per cent). Investments in equipment grew 1.7 per cent, considerably less than in the prior year (3.7 per cent). In Germany, the growth of government investments amounted to 4.2 per cent, compared to 2.7 per cent in the prior year. The tense economic situation in Switzerland also recovered to some extent. According to an estimate by the Swiss expert group for federal economic forecasts, the country's GDP growth in 2016 amounted to 1.5 per cent, compared to only 0.8 per cent in the prior year.

INDUSTRY



eito.com

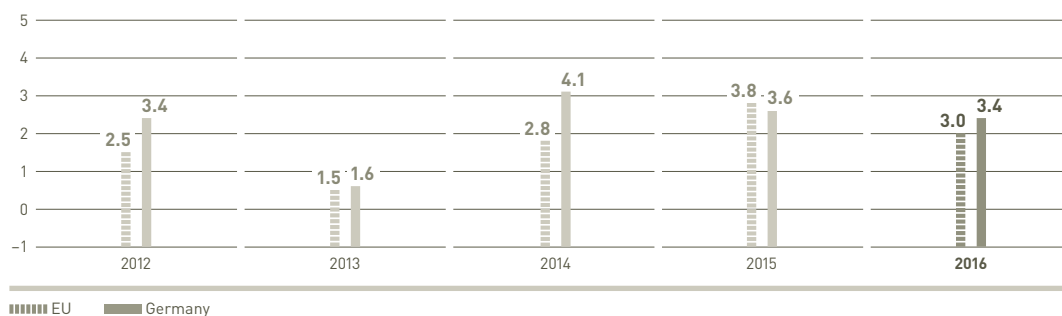
The IT market was again one of the growth drivers of 2016. However, the dynamics of this sector – as those of the overall economy – slackened in the reporting period. The market research institute EITO estimates the growth of the IT market in the EU at 3.0 per cent, compared to 3.8 per cent in the prior year. All three sub-segments contributed to this development. Service revenue climbed 2.7 per cent, and software even 6.2 per cent. The hardware segment, which EITO's forecasts at the beginning of the year and even in July had projected to be negative, grew 1.3 per cent. Though desktop PC sales declined, this was compensated by growth in the mobile devices segment and other product groups. In the countries in which Bechtle is active, hardware sales diverged greatly in 2016. The sales declined significantly especially in Portugal and the Eastern European markets. Poland reported the greatest decline of 10.4 per cent. However, many countries experienced growth, particularly the large IT markets of Germany, France and the United Kingdom. The list was headed by Ireland (+4.1 per cent) and Austria (+6.4 per cent).

In Austria, hardware was thus the growth driver. As a whole, the Austrian IT market grew 3.8 per cent. Services grew 2.6 per cent, and software 4.3 per cent. With a plus of 3.4 per cent, Switzerland exhibited good growth. After a hiatus of three years, hardware sales went up again, namely by 2.6 per cent. Services increased 2.8 per cent, and software 4.8 per cent.

In 2016, the German IT market largely retained its high growth rate. The market grew 3.4 per cent, compared to 3.6 per cent in the prior year. The hardware business grew 1.3 per cent, especially thanks to high growth rates in the mobile product groups business laptops and tablets as well as storage. Software increased 6.2 per cent, and service revenue 2.7 per cent.

23. IT MARKET PERFORMANCE

%



OVERALL ASSESSMENT

In the reporting period, the macroeconomic situation was positive. Growth was at a high level, though the dynamics slowed in the EU and in most countries in which Bechtle is active. GDP in Germany bucked this trend, growing slightly more in 2016 than in the prior year. The IT industry also recorded high growth rates, though the dynamics declined. Compared to GDP, the overall IT market grew at an above-average rate. The hardware market also contributed to the growth, refuting the originally negative forecasts.

Thanks to its competitive market positioning and high solution competence in all relevant IT subjects, Bechtle AG made good use of these economic impulses. In all regions and in both segments, revenue increased more than the IT market in general. Owing to this above-average growth, Bechtle outperformed the growth of many competitors. Bechtle AG was thus able to further expand its market share in the reporting period.

In 2016, apart from the macroeconomic development and the economic trend in the industry, the Bechtle markets did not witness any significant events outside the company that had a noteworthy impact on business performance.



"We don't mind where the wind blows.
But are faster if it's behind us."

Vanja Stanar, Account Manager,
Karlsruhe system house

EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

For Bechtle, 2016 was another successful year marked by high growth. Both at group level and in both segments, important thresholds were surpassed in the reporting period. For the first time, the group revenue exceeded the three-billion-euro mark. In the IT system house & managed services segment, the revenue climbed to more than €2 billion, and the IT e-commerce segment cracked the one-billion-euro mark. The disproportionately high earnings growth of 12.1 per cent was especially pleasing. The group EBT margin of 4.7 per cent is steadily drawing closer to the target mark of 5 per cent as formulated in the Vision 2020.

ORDER POSITION

Most of the contractual relationships for the sale of IT products and services that Bechtle enters into are of a short-term nature. The IT e-commerce segment is characterised almost entirely by the conclusion of pure trading deals with very short order and delivery times, while project transactions in the IT system house & managed services segment may take up to one year. However, framework and operating agreements in the fields of managed services and cloud computing usually have much longer terms. Though framework agreements do not specify specific purchase quantities, they do determine the terms and conditions for future deliveries and services. They are only included in the order backlog and in the order position to the extent that specific purchase orders have already been received from the customer.

Incoming orders during a fiscal year largely correspond to the revenue in this period. In the reporting period, this figure amounted to €3.16 billion, some 11 per cent more than in the prior year (€2.84 billion). In this context, the incoming orders in the IT system house & managed services segment climbed from €1.92 billion to €2.14 billion, and in the IT e-commerce segment from €0.92 billion to €1.03 billion.

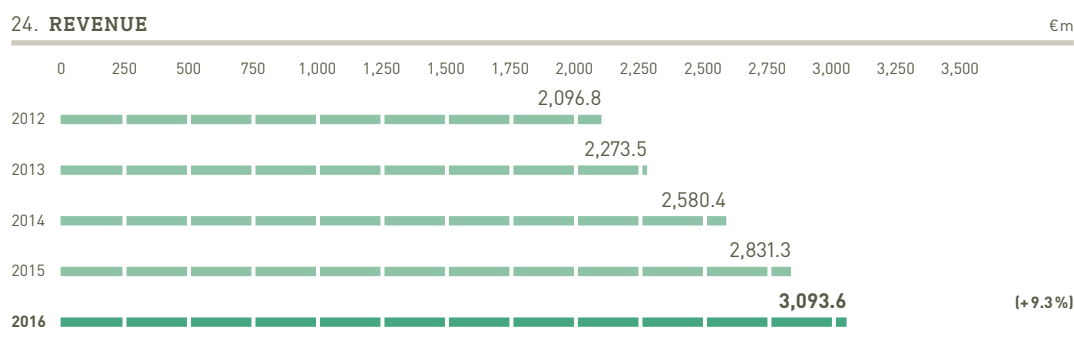
As of the end of the year, the group's order backlog was worth approximately €463 million, compared to €350 million in the prior year. Of this amount, the IT system house & managed services segment accounted for €379 million (prior year: €296 million), and the IT e-commerce segment for €84 million (prior year: €54 million). The order backlog in the IT system house & managed services segment is approximately two months. In the trading segment, the order backlog is about four weeks, as direct and fast delivery of the goods is the main priority.

REVENUE PERFORMANCE

In the fiscal year 2016, Bechtle surpassed the three-billion-euro mark for the first time, boosting its revenue from €2,831.3 million to €3,093.6 million. With an increase of 9.3 per cent, Bechtle maintained the high level of the prior year. Most of the growth (7.9 per cent) was organic.



See Notes,
Revenues,
page 137



The domestic system houses were the main growth drivers. With an increase of 11.3 per cent, the dynamics were even slightly higher than in the prior year. Owing to Bechtle's high competence in relevant technology fields, the service share in the group increased slightly.

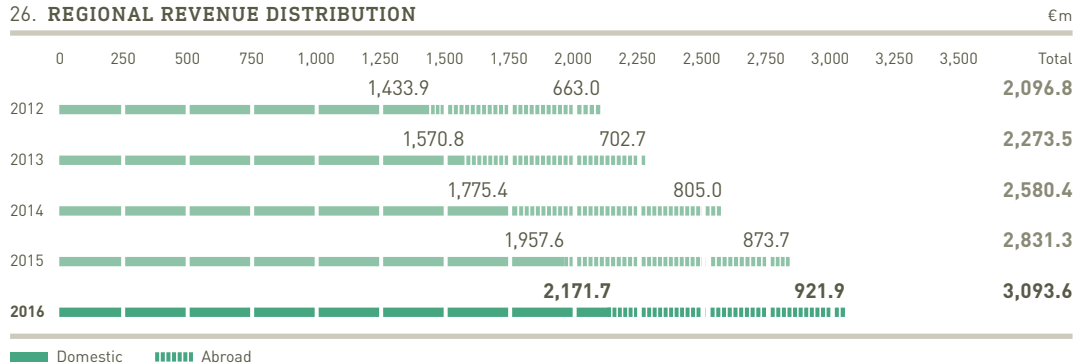
Growth rates varied throughout the year. After a very good start to the year with an increase of 13.2 per cent, the dynamics slackened somewhat. Thus, Bechtle recorded a growth rate of 5.4 per cent in the second quarter and 6.4 per cent in the third quarter. In the final quarter, the company achieved two-digit growth of 11.8 per cent despite the strong base effect of the excellent prior year.

25. REVENUE PERFORMANCE €m

	Q1		Q2		Q3		Q4	
	2016	2015	2016	2015	2016	2015	2016	2015
Group revenue	704.9	622.5	723.4	686.1	730.0	686.2	935.3	836.6
% of total annual revenue	22.8	22.0	23.4	24.2	23.6	24.2	30.2	29.6

At 7.5 per cent, the average headcount of full-time and part-time employees increased at a lower rate than the revenue. In the reporting period, Bechtle thus further increased its productivity. Based on a number of 6,855 full-time and part-time employees (prior year: 6,376), the revenue per employee amounted to €451 thousand, compared to €444 thousand in the prior year.

26. REGIONAL REVENUE DISTRIBUTION



Germany recorded an above-average revenue increase of 10.9 per cent. Germany thereby remains Bechtle's most important market. The share in the total revenue increased slightly from 69.1 per cent to 70.2 per cent. In absolute terms, domestic revenue surpassed the two-billion-euro mark for the first time, reaching €2,171.7 million (prior year: €1,957.6 million). The revenue generated abroad was €921.9 million (prior year: €873.7 million), only slightly below the one-billion-euro mark.

COST AND EARNINGS PERFORMANCE

See Notes,
Expense Structure,
page 137

Cost of sales. In the reporting period, gross earnings went up by an above-average 10.5 per cent to €474.5 million (prior year: €429.4 million). Compared to the revenue, the cost of sales developed at a disproportionately low rate of 9.0 per cent. At 9.2 per cent, the material costs increased at a slightly lower rate than the total revenue. The personnel expenses for the employees in the field of services, whose personnel expenses are included in the cost of sales, increased at the same rate. The gross margin thus increased slightly to 15.3 per cent (prior year: 15.2 per cent).

27. COST OF SALES/GROSS EARNINGS

		2016	2015	2014	2013	2012
Cost of sales	€m	2,619.1	2,401.9	2,197.2	1,933.1	1,778.2
Gross earnings	€m	474.5	429.4	383.2	340.4	318.7
Gross margin	%	15.3	15.2	14.9	15.0	15.2

See Employees,
page 45

Distribution costs and administrative expenses. In 2016, distribution costs merely underwent a below-average increase of 7.4 per cent to €196.3 million (prior year: €182.8 million). Thus, the distribution cost ratio declined slightly from 6.5 per cent to 6.3 per cent. Administrative expenses underwent a disproportionately high increase of 10.6 per cent from €138.4 million to €153.0 million. The ratio remained at 4.9 per cent.

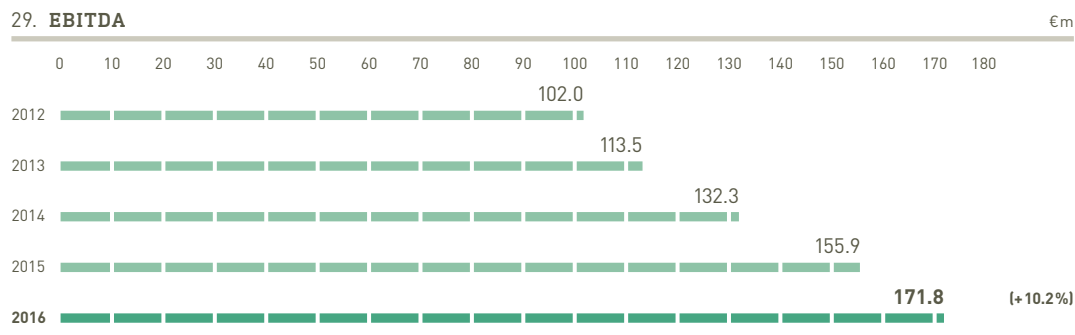
Other operating income receded from €21.3 million to €18.9 million. This was due mainly to the absence of one-time effects compared to the fiscal year 2015 (e.g. sale of Gate Informativ in Switzerland).

28. DISTRIBUTION COSTS/ADMINISTRATIVE EXPENSES

		2016	2015	2014	2013	2012
Distribution costs	€m	196.3	182.8	166.6	151.5	145.4
Distribution cost ratio	%	6.3	6.5	6.5	6.7	6.9
Administrative expenses	€m	153.0	138.4	124.0	110.5	104.3
Administrative expense ratio	%	4.9	4.9	4.8	4.9	5.0

Earnings situation. In the reporting period, earnings before interest, taxes, depreciation and amortisation (EBITDA) climbed 10.2 per cent to €171.8 million (prior year: €155.9 million). The increase is mainly attributable to the disproportionately low increase of 8.6 per cent in personnel expenses and the above-average increase of the contribution margin. The EBITDA margin improved from 5.5 per cent to 5.6 per cent.

29. EBITDA



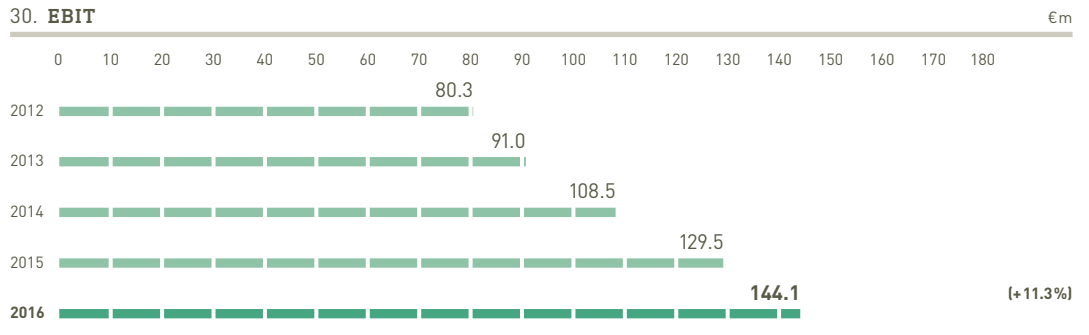
In 2016, depreciation and amortisation amounted to €27.7 million, 4.8 per cent more than in the prior year (€26.4 million). Software and property, plant and equipment accounted for the bulk of the figure, totalling €22.8 million (prior year: €21.4 million). Property, plant and equipment mostly consisted of purchased assets such as the buildings at the headquarters in Neckarsulm, the company's own IT, tenant installations and office equipment. Moreover, assets used by customers under long-term maintenance agreements were depreciated. Customer bases and customer service agreements accounted for amortisation amounting to €4.3 million (prior year: €4.2 million).

At 0.9 per cent, the depreciation and amortisation rate remained at the prior-year level and was rather insignificant compared to the other expense items. For 2016, the goodwill impairment test again did not reveal any need for impairment.



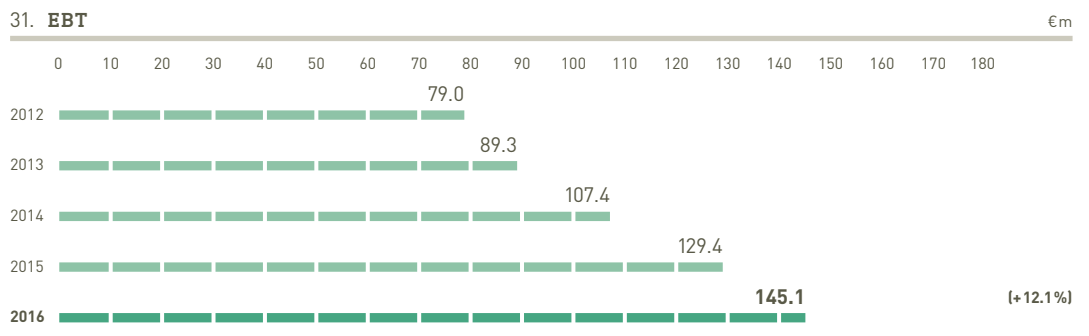
See Measurement,
page 78

Earnings before interest and taxes (EBIT) improved 11.3 per cent to €144.1 million (prior year: €129.5 million). The EBIT margin climbed from 4.6 per cent to 4.7 per cent.

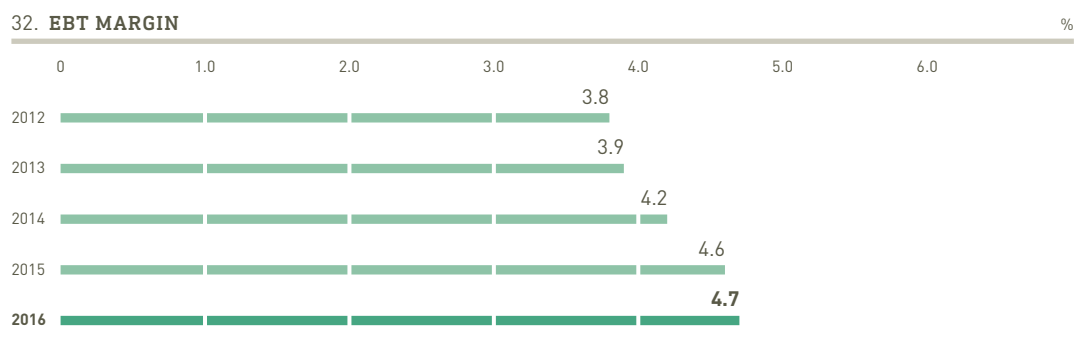


The financial earnings are marked by a positive one-time effect of €1.6 million, resulting from a large-scale forfeiting by Bechtle Financial Services. The financial income thus improved slightly from €2.6 million to €3.5 million, while the financial expenses declined. The financial earnings amounted to plus €1.0 million (prior year: minus €0.1 million).

Earnings before taxes (EBT) climbed 12.1 per cent to €145.1 million (prior year: €129.4 million). In terms of the distribution throughout the year, the increase was particularly strong in the first half of the year, while the high base effect from the prior year was noticeable with still good, but slightly weaker, dynamics in the second half of the year.



In the reporting period, the EBT margin was 4.7 per cent, compared to 4.6 per cent in the fiscal year 2015. Thus, Bechtle achieved an excellent profitability in the system house market, steadily approaching the target margin of 5 per cent as defined in the Vision 2020.

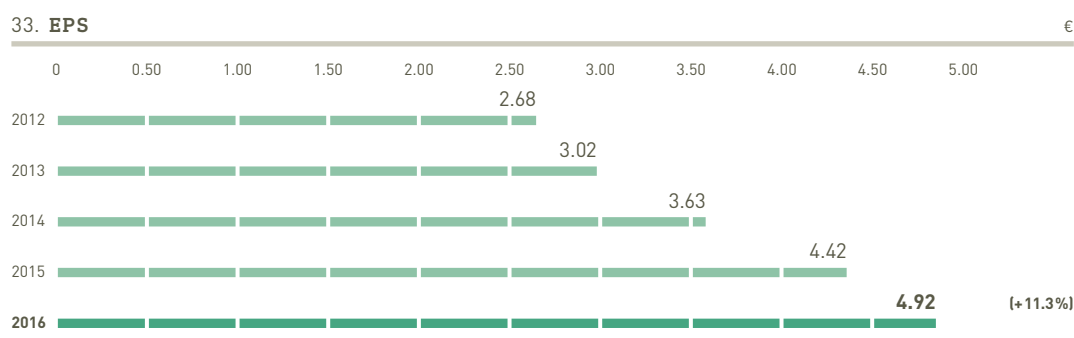


In the reporting period, income tax expenses increased 14.2 per cent to €41.7 million (prior year: €36.5 million). The tax rate advanced slightly from 28.2 per cent to 28.8 per cent. This was due to the higher domestic earnings share with its relatively high tax rate.



See Notes,
Income Taxes,
page 138 f

Earnings after taxes amounted to €103.4 million, 11.3 per cent more than in the prior year (€92.9 million). Accordingly, earnings per share (EPS) climbed from €4.42 to €4.92.



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



See Foreign Currencies,
page 100

In view of this good development, the Executive Board proposes to the Supervisory Board to pay out a dividend of €1.50 per share to the shareholders. Compared to the prior year, the dividend is thus 7.1 per cent higher, and the dividend payout ratio amounts to 30.5 per cent.



See Dividend,
page 59

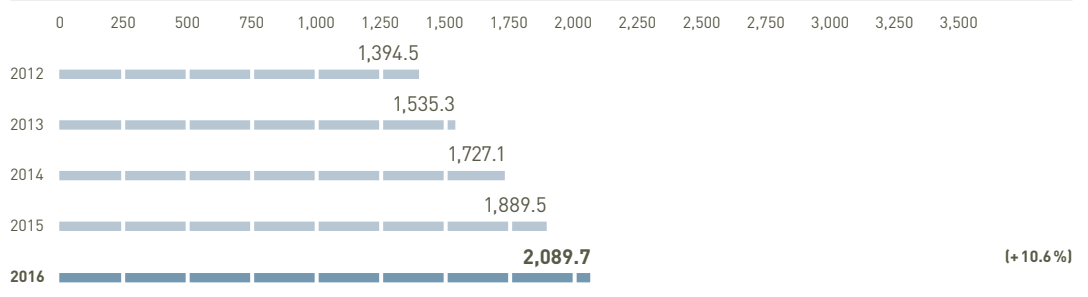
SEGMENT REPORT

See Notes,
Segment Information,
page 174 f

IT system house & managed services. In the service segment, Bechtle surpassed the two-billion-euro mark for the first time in 2016, generating revenue of €2,089.7 million (prior year: €1,889.5 million), an increase of 10.6 per cent. In total, the IT system house & managed services segment accounted for 67.6 per cent of the group revenue (prior year: 66.7 per cent).

34. SEGMENT REVENUE IT SYSTEM HOUSE & MANAGED SERVICES

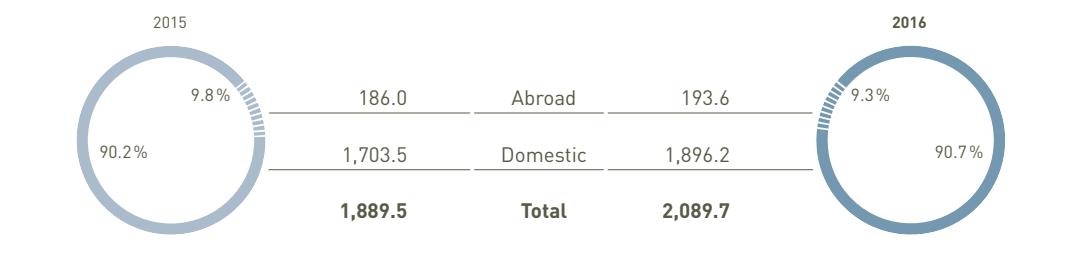
€m



Again, the domestic system houses were the growth drivers, with an increase of 11.3 per cent. In this area, the comprehensive service offer of the Bechtle system houses delivered a noticeable demand impulse. Abroad, the growth was 4.1 per cent.

35. REVENUE DISTRIBUTION IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m

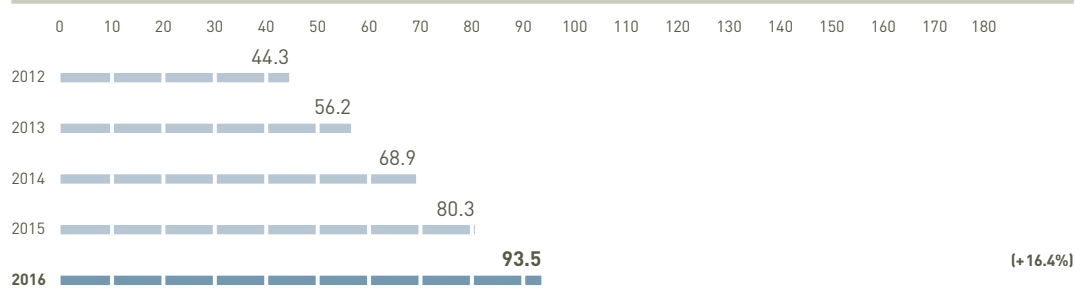


The productivity in the IT system house & managed services segment increased as a result of the below-average headcount increase compared to the revenue growth. Based on an average number of 5,467 full-time and part-time employees (prior year: 5,055 employees), the revenue per employee amounted to €382 thousand (prior year: €374 thousand).

In 2016, EBIT in the IT system house & managed services went up 16.4 per cent to €93.5 million (prior year: €80.3 million). This was due, amongst other things, to the below-average increase in personnel expenses and the higher service share. Accordingly, the EBIT margin increased to 4.5 per cent (prior year: 4.2 per cent).

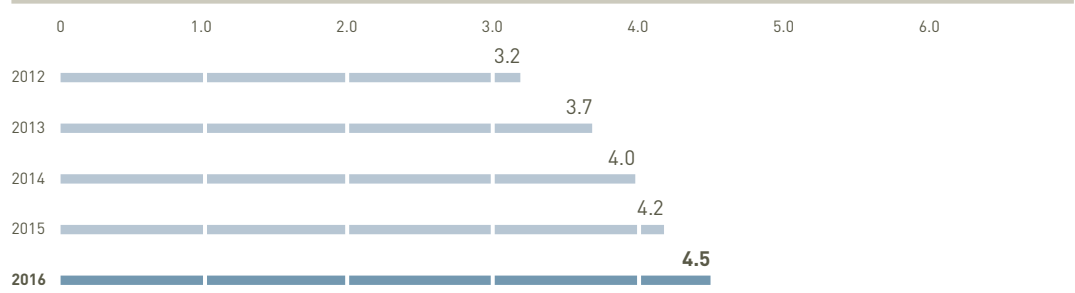
36. EBIT IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

€m



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

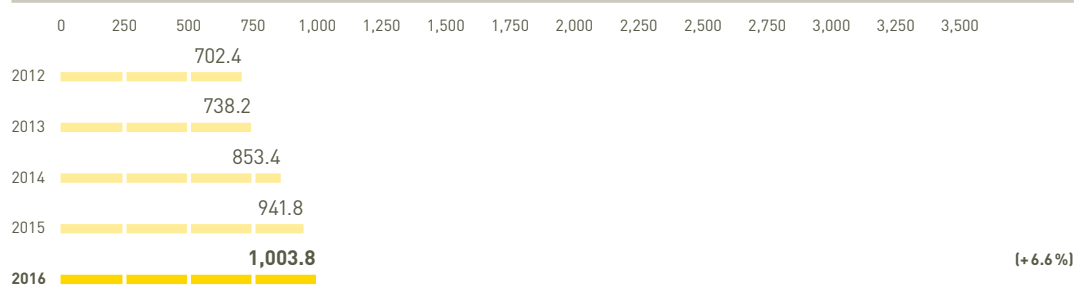
%



IT e-commerce. In the reporting period, the IT e-commerce segment stepped up its revenue by 6.6 per cent, exceeding the one-billion-euro mark for the first time with a figure of €1,003.8 million (prior year: €941.8 million).

38. SEGMENT REVENUE IT E-COMMERCE

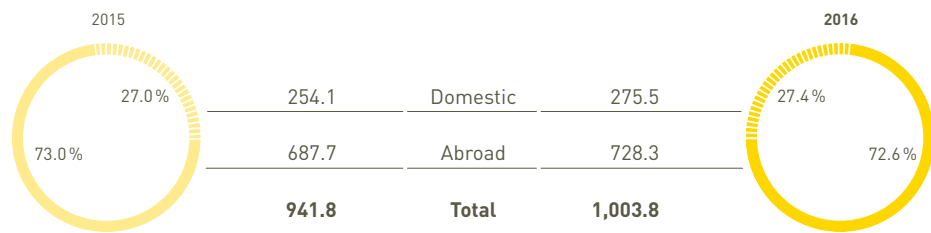
€m



Germany was the growth driver in this segment as well. In the reporting period, the German companies generated revenue of €275.5 million, 8.4 per cent more than in the prior year (€254.1 million). The trading companies in other countries grew 5.9 per cent to €728.3 million (prior year: €687.7 million).

39. REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT

€m

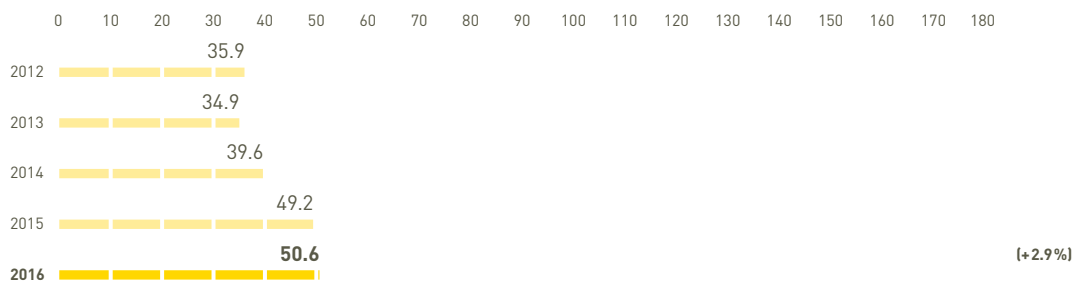


The revenue per employee also increased in the reporting period. Based on an average of 1,388 full-time and part-time employees (prior year: 1,321), it increased to €723 thousand (prior year: €713 thousand).

The personnel expenses in the IT e-commerce segment merely underwent a below-average increase of 4.4 per cent. However, the composition of the product mix also merely resulted in a below-average increase of the contribution margin in the reporting period, so that the segment EBIT went up 2.9 per cent to €50.6 million (prior year: €49.2 million).

40. EBIT IN THE IT E-COMMERCE SEGMENT

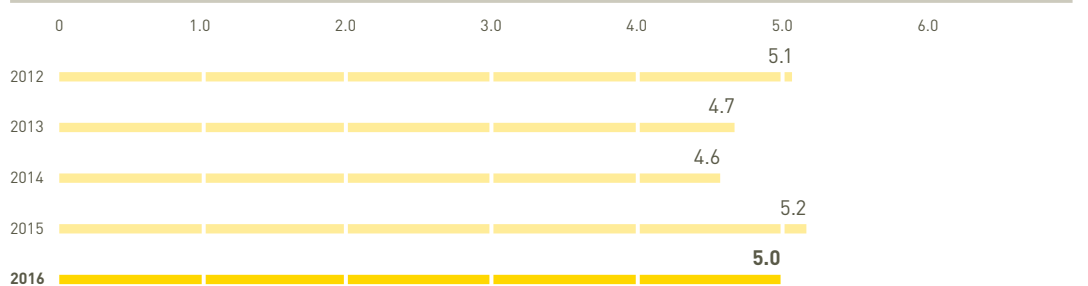
€m



The EBIT margin thus dropped from 5.2 per cent to 5.0 per cent. However, it is still at a very high level.

41. EBIT MARGIN IN THE IT E-COMMERCE SEGMENT

%



ASSETS POSITION

Bechtle's balance sheet is sound and financially strong. Indicators such as the excellent equity ratio of 54.7 per cent and the liquidity of more than €160 million secure the independence required for long-term development and guarantee reliability and stability. The return on equity of more than 17 per cent and the return on total assets of almost 10 per cent are also evidence of an attractive return on the capital.

Mainly owing to the greater business volume and the growth in retained earnings, the balance sheet total of the Bechtle Group went up in the reporting period. As of the reporting date 31 December 2016, this figure amounted to €1,269.3 million, 10.3 per cent more than in the prior year.



Concerning the assets position of the segments, see Notes, page 175

42. CONDENSED BALANCE SHEET

	2016	2015	2014	2013	2012
€m					
Assets					
Non-current assets	368.2	344.4	321.9	299.2	296.1
Current assets	901.1	806.0	694.7	611.1	547.9
Equity and liabilities					
Equity	694.1	620.7	554.0	501.6	459.6
Non-current liabilities	118.0	119.2	95.9	90.8	96.6
Current liabilities	457.3	410.6	366.7	318.0	287.8
Balance sheet total	1,269.3	1,150.4	1,016.6	910.3	844.0

On the assets side, non-current assets amounted to €368.2 million, 6.9 per cent more than in the prior year. This item was affected especially by the increased goodwill due to acquisitions. Property, plant and equipment as well as other intangible assets also increased due to the investments made in the reporting period, such as the expansion of the logistics building and the relocation of the company's own data centre. At €39.6 million, the expenses for investments were thus significantly higher than in the prior year (€21.8 million). The investment ratio increased to 28.5 per cent (prior year: 17.1 per cent). On the other hand, time deposits and securities fell due to the reclassification as current assets because of the shorter terms to maturity. Trade receivables also declined due to shorter maturities and especially due to the scheduled forfeiting of long-term receivables by Bechtle Financial Services.

During the reporting period, the capitalisation ratio only receded slightly to 29.0 per cent as of the reporting date 31 December 2016 (prior year: 29.9 per cent). In the reporting period, the coverage of the non-current assets by the equity increased from 180.2 per cent to 188.5 per cent.



"Expansion of logistics, relocation of data centre: Bechtle continued to invest in the future in 2016."

Jutta Bachmeier, Order and Transport Management, Logistics & Service

Current assets went up €95.1 million or 11.8 per cent to €901.1 million. This item was affected primarily by the increase of €96.1 million in trade receivables and the increase of €30.2 million in inventories. This development was caused by the higher business volume towards the end of the year, especially in the time just before the reporting date 31 December. Due to the position of the holidays in the reporting period with a complete working week before Christmas and almost a complete working week before New Year, the revenue realised shortly before the balance sheet date was significantly higher than in other years. Due especially to the reduction of non-current receivables, the days sales outstanding (DSO) amounted to 39.7 days, a level very close to that of the prior year (39.9 days). The ratio of inventories to revenue went up from 5.3 per cent to 5.8 per cent. However, this figure still indicates that Bechtle ties up only a small amount of capital in the form of stock on hand. Moreover, most of the inventories are linked directly to projects and are pre-financed on behalf of the customer. Cash as well as short-term time deposits and securities declined. This is attributable to the pre-financing of the high business volume towards the end of the year.



"The many working days before Christmas and New Year were a boon for our year-end business."

Mario Biebel, Team Leader Break and Fix/Onsite, Karlsruhe system house

Nevertheless, the liquidity of the Bechtle Group – including short and long-term time deposits and securities – amounted to a still high figure of €162.8 million (prior year: €206.7 million). In addition to the total liquidity, Bechtle had liquidity reserves of €36.2 million in the form of unused cash and guarantee credit lines.

Inflation and currency changes did not have any material impact on the amount of the assets. The inflation rates in the reporting period remained at a low level in the key markets, and the balance sheet items are mostly held in euros. In 2016, the net assets decreased €1.3 million (prior year: plus €4.1 million) due to currency translation differences recognised outside profit or loss and the hedging of net investments in foreign operations.

In the business of Bechtle AG, which does not involve a great deal of property, plant and equipment, the ROCE (return on capital employed) is usually largely affected by the development of current assets and liabilities, on the one hand, and the earnings performance on the other. During the reporting period, ROCE amounted to 24.0 per cent, compared to 23.7 per cent in the prior year. The improvement was caused by the earnings increase of 11.3 per cent compared to an increase of only 10.0 per cent in the average capital employed.

43. ROCE/CAPITAL EMPLOYED

		2016	2015	2014	2013	2012
ROCE	%	24.0	23.7	22.3	20.6	19.6
Capital Employed	€m	601.0	546.4	486.4	442.1	410.0

Year on year, the working capital surged 27.4 per cent. In relation to the balance sheet total, the figure increased from 25.6 per cent to 29.6 per cent. This item was affected by the unusually high increase in trade receivables and inventories shortly before the balance sheet date, as described above.

44. WORKING CAPITAL

		2016	2015	2014	2013	2012
Working capital	€m	375.6	294.9	291.3	234.6	211.6
In % of the balance sheet total		29.6	25.6	28.7	25.8	25.1

On the equity and liabilities side, current liabilities increased €46.7 million or 11.4 per cent to €457.3 million. For reasons related to the reporting date, trade payables underwent the greatest increase of €38.1 million. This too was due to the high business volume in the last weeks of the year. Other liabilities went up €11.3 million. Though acquisitions also played a role, the increase was caused mainly by personnel liabilities, as the positive business performance resulted in higher performance-based compensation components of the employees.

As of the reporting date, non-current liabilities amounted to €118.0 million, 1.0 per cent or €1.2 million less than in the prior year. Pension provisions underwent the greatest increase of €4.0 million. In this area, Bechtle took over the provisions of the two companies acquired in Switzerland in the reporting period. Due to maturities reached, financial liabilities dropped €4.6 million to €51.7 million. The share of non-current liabilities in the balance sheet total decreased from 10.4 per cent to 9.3 per cent.

In the reporting period, the equity grew 11.8 per cent to €694.1 million. The increase was the result of the €73.5 million increase in retained earnings. The equity ratio advanced from 53.9 per cent to 54.7 per cent. By contrast, the return on equity decreased slightly from 17.2 per cent to 17.1 per cent.

45. RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

		2016	2015	2014	2013	2012
Return on equity		17.1	17.2	15.6	14.2	13.7
Return on total assets		9.6	9.5	8.9	8.2	7.9

The debt ratio dropped from 85.4 per cent to 82.9 per cent as of 31 December 2016. The net debt remains negative, i.e. on a de-facto basis, Bechtle is free of debt. It amounted to minus €101.3 million (prior year: minus €140.6 million).

As a result of the improved earnings, the return on assets, a key performance indicator that reflects the return on the total assets employed, climbed from 9.5 per cent to 9.6 per cent in the reporting period.

VALUE INFORMATION



See Notes,
page 135 f

In almost all cases, the fair value of the current assets and liabilities and the short-term and long-term securities correspond to the carrying amount. Within the scope of the non-current assets, the intangible assets with a limited useful life, the property, plant and equipment as well as the trade receivables, the income tax receivables, the other assets as well as the time deposits and deferred taxes are measured at amortised cost. The carrying amounts of the goodwill and of the brands presented under other intangible assets are reviewed for impairment by means of annual impairment tests on the basis of the value in use. As the values in use significantly exceeded the carrying amounts, no impairment was applied to these assets. Non-current liabilities are carried at amortised cost.



For value in use of
the goodwill, see Notes,
page 140

INTANGIBLE ASSETS



Qualitative assets:
Employees and close supplier
relationships

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

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

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

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



Broad market acceptance
and market penetration

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

FINANCIAL POSITION

For many years, Bechtle has generated the funds required for its dynamic growth under its own steam. However, the indicators of the cash flow statement are greatly affected by the respective reporting date. In the reporting period, a significantly higher business volume and the associated high inventory levels and receivables were combined with significant investments and less credit financing. To ensure sustainable business development, Bechtle pays even more attention to a permanently reliable financial basis than to the reporting date-specific indicators. It continues to ensure the necessary flexibility in order to continue to be able to react quickly to opportunities, and hence grow above average and gain further market shares.

FINANCIAL MANAGEMENT PRINCIPLES AND OBJECTIVES

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

As a matter of principle, Bechtle uses derivative financial instruments exclusively for hedging its operating activities. In the reporting period, these were currency futures, currency options, interest swaps and currency swaps. The hedging of the euro – the group currency – represents a key subject of the financial management. The company uses instruments that protect the equity in euros and that do not have any effect on profit or loss in the income statement, as well as instruments that hedge cash flows in foreign currencies, thereby largely minimising the currency risk in the income statement. Hedging measures are taken for Swiss francs and pound sterling, as asset items and cash flows outside the euro area are largely held and generated in this currency. In individual cases and projects, purchase prices in other foreign currencies or prices that depend on the exchange rate are hedged with the help of derivatives.

For the investment of excess liquidity, quick availability is more important than maximum yield, e.g. in order to be able to access available cash and cash equivalents in the event of acquisitions or major project pre-financing measures. Thus, purely financial goals – such as the optimisation of the financial income – are subordinate to the acquisition strategy and the company growth. This financial




See Notes,
page 128 ff and
page 163 ff

flexibility forms the basis for success in a highly consolidating market. The liquidity situation is centrally managed and monitored by the treasury.

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

CASH FLOW STATEMENT

Following the extraordinary high prior-year figure, the cash inflow from operating activities returned to normal in 2016 and amounted to €53.4 million (prior year: €115.9 million). The cash flow was affected mainly by the higher earnings before taxes and the development of the net assets. In the reporting period, the increase of €71.6 million in the cash outflow for trade receivables and the increase of €14.7 million in the cash outflow for inventories were of particular impact. This was due to the aforementioned high business volume, which continued even in the last two weeks of the year. Thus, these items could no longer be reduced prior to the reporting date 31 December.


See Assets Position,
page 75

The cash outflow from investing activities amounted to €41.4 million, compared to €34.5 million in the prior year. This item was affected mainly by the payments for investments in intangible assets and property, plant and equipment, which increased €18.5 million to €39.9 million. The money was spent on the extension of the logistics building, the construction of a car park at the headquarters in Neckarsulm and the relocation of the data centre to Frankfurt.


See Notes,
page 176 ff

In 2016, the negative cash flow from financing activities climbed from €25.7 million to €36.3 million. This item was affected especially by the decline in the inflow from the assumption of financial liabilities from €17.1 million in the prior year to €5.0 million in the current year, and the €4.2 million increase for dividends paid out.

The free cash flow dropped from €78.6 million to minus €7.0 million. This was due mainly to the decline of the cash flow from operating activities. However, the greater investment volume also left its mark. Overall, the figure – as well as the operating cash flow – was influenced greatly by on the reporting date.

46. CASHFLOW	€m				
	2016	2015	2014	2013	2012
Cash flow from					
operating activities	53.4	115.9	56.0	73.1	56.7
investing activities	-41.4	-34.5	-25.9	-10.2	-56.0
financing activities	-36.3	-25.7	-30.0	-35.0	-17.3
Cash and cash equivalents	140.4	164.8	106.7	105.8	78.2
Free cash flow	-7.0	78.6	29.3	43.1	19.5

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



See Notes,
page 159

At Bechtle AG, off-balance-sheet financing instruments primarily concern operating leases. Details are presented in the Notes to the Consolidated Financial Statements.



See Notes,
Operating Leases,
page 185

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

STRATEGIC FINANCING MEASURES

In 2016, the current business and necessary replacement investments were financed with cash and cash equivalents and the operating cash flow. The funds required for the acquisitions in the fiscal year ended were largely covered by cash and cash equivalents.

The company has a relatively high equity ratio of 54.7 per cent. This reflects a financing strategy that is based on the policy of maintaining maximum independence from outside creditors. Nevertheless, the financing strategy provides for continuous monitoring and, if necessary, optimisation of the capital structure. In 2016, no major measures were taken in this area. In the reporting period, current and non-current financial liabilities dropped from €66.0 million to €61.5 million. As of the reporting date 31 December 2016, they accounted for 4.8 per cent (prior year: 5.7 per cent) of the group's balance sheet total. The debt ratio amounted to 82.9 per cent (prior year: 85.4 per cent). Apart from improving the leverage and optimising the capital structure, a stable equity ratio also forms the basis for a higher borrowing potential and financial flexibility, especially in order to make use of acquisition opportunities that arise at short notice. Apart from non-current time deposits and securities worth €7.0 million, Bechtle therefore keeps €155.8 million, i.e. the major part of its funds, in the form of cash as well as time deposits and securities that are available at short notice.

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

OVERALL ASSESSMENT

The Executive Board of Bechtle AG considers the company's economic position as of the reporting date to be excellent, as previously. The figures achieved in 2016 and the high growth dynamics deliver impressive evidence of the economic strength of Bechtle AG. All forecasts published in the fiscal year 2016 were fulfilled.

47. COMPARISON OF THE ACTUAL AND PROJECTED BUSINESS PERFORMANCE

	Forecast AR 2015	Forecast Q3 2016	Actual 2016	Comparison
Revenue	Significant increase over 2015	Significant increase over 2015	Growth: 9.3%	Fulfilled
Cost of sales	In line with the revenue	-	Growth: 9.0%	Fulfilled
Distribution cost ratio	< 7%	-	6.3%	Fulfilled
Administrative expense ratio	< 5%	-	4.9%	Fulfilled
EBT	Significant increase over 2015, though with lower growth dynamics	Significant increase over 2015, though with lower growth dynamics	Growth: 12.1% (compared to 20.5% in the prior year)	Fulfilled
EBT margin	Prior-year level	Slight increase	From 4.6% to 4.7%	Fulfilled
Dividend	Dividend payout ratio of about one third of the EAT	-	Dividend payout ratio: 31.7%	Fulfilled

OPPORTUNITY AND RISK REPORT

Bechtle's opportunity and risk management is a key element of the company management. The objective is to identify opportunities and risks at an early stage and to duly assess them in order to make use of meaningful entrepreneurial opportunities and contain business risks. As an international enterprise in a highly dynamic market, Bechtle has access to diverse market opportunities. These must be exploited in a sound manner in order to ensure continued profitable growth and to continually increase the enterprise value.

OPPORTUNITY AND RISK MANAGEMENT

BASIC UNDERSTANDING

From the perspective of the Bechtle Group, opportunities and risks are closely interlinked. Usually, making use of an opportunity is implicitly associated with a risk – even if only of an investment-related nature. Accordingly, there is no comparable opportunity management alongside the risk management system. Rather, the opportunities are recorded and evaluated within the framework of the risk management system. Thus, all statements made below concerning the risk management apply largely to the opportunity management as well. However, opportunities that are not linked to any risk are also identified. The leaner opportunity management of Bechtle AG that has been established for this purpose is derived mainly from the strategy of the business segments and their goals. The direct responsibility for the early and continuous identification, assessment and control of opportunities is borne primarily by the group's Executive Board and the operational management in the individual business segments and holding companies, i.e. the Executive Vice Presidents and Managing Directors. Similar to the risk management, these tasks are an integral part of the corporate planning and control system. The management of Bechtle AG puts a lot of emphasis on detailed evaluations and comprehensive scenarios concerning the company's market and competitive position and critical success factors for the company's performance. From this, the potential for specific opportunities is derived for the individual business segments and discussed at planning meetings between the Executive Board and the executives with operating responsibility, and suitable measures and targets are agreed in order to exploit this potential.

Bechtle AG defines risk management as the entirety of all organisational arrangements and measures to identify risks and manage them. The main objective of the risk management is the timely identification of risks, their assessment and the initiation of suitable risk control measures in order to



"Behind many risks there are also opportunities. You just need to spot them."

Ralf Broeckelmann, Head of Returns and Service Parts Management, Logistics & Service



See **Objectives and Strategy**, page 40 f

avert or minimise possible harmful consequences of the occurrence of the risk for the company. The assessment ranges from minor risks to material and existential risks. Efficient risk management ensures that personnel and resources are deployed in such a way that the attainment of company goals is supported in the best way possible.



"Risk management is not about avoiding risks; it's about maintaining the right balance."

Markus Bickel, Team Leader Facility Management, Bechtle AG

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

ORGANISATION

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

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

■ **Process-independent monitoring.** This comprises the review of the operability of all processes.

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



See
Systems and Instruments,
page 41f

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

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



See
Collaboration between
the Executive Board and
the Supervisory Board,
page 49

GROUP ACCOUNTING

According to Section 315 (2) no. 5 of the German Commercial Code (HGB), the group management report of capital market-oriented companies must describe the key properties of the internal audit and risk management system with respect to the group accounting process, which also includes the accounting processes of the companies included in the consolidated financial statements. In this connection, Bechtle uses the definition of the Institute of Public Auditors in Germany (IDW). According to this definition, an ICS consists of the principles, procedures and measures that the management introduces in the company for the organisational implementation of the decisions of the management. The duties and goals of the ICS are as follows:



idw.de

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

The principles, the structural and process organisation and the processes of the accounting-related ICS are outlined in policies and organisational instructions that are continually adjusted to the latest external and internal developments. The controls defined throughout the group are outlined in a group accounting manual. The requirements in the guidelines and organisational instructions are based on statutory standards as well as on voluntarily defined corporate standards.



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

RISK IDENTIFICATION AND ASSESSMENT

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

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

RISK CONTROL

The company responds to identified risks on a case-specific basis and with different strategies.

- Risk avoidance: Refraining from activities involving risks may mean that opportunities cannot be used either;
- Risk limitation: Minimisation of the probability of occurrence;
- Risk reduction: Reduction of the average probability of occurrence;
- Risk compensation: The risk is borne by the company and economically compensated by an offsetting transaction;
- Risk transfer: Transfer of the risk to another (insurance) company;
- Acceptance of the risk: No countermeasures taken.

RISK REPORTING AND DOCUMENTATION

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

OPPORTUNITIES

MARKET AND COMPETITION

As an enterprise that operates on the IT market, Bechtle AG – like virtually all market players – depends on the sector performance and on the macroeconomic development. Of course, a positive economic development presents opportunities for further successful company growth. However, even in the event of macroeconomic or sector-specific stagnation or decline, Bechtle can benefit from the consolidation of the competitor landscape and expand its relative market share. Therefore, the group intensively conducts strategic market and competition analyses, deriving concrete growth options for its future development. Naturally, the examination also focuses on industry and technology trends that have a direct impact on the company's profitable growth.



See
Competitive Position,
page 38 f

The IT market is characterised by a high rate of innovation and short product cycles. Due to the advancing technologisation and the trend towards digitisation, the significance of information technology is on the rise. IT is increasingly becoming an integrated component of production processes and thus a key success factor of virtually all enterprises. At the same time, due to the complexity of IT, many enterprises need competent partners for the successful and secure operation of their IT infrastructures, especially for high-quality services such as managed services and cloud services. Therefore, even markets that are considered to be saturated, such as the countries in Western and Central Europe, continue to have a large and further increasing growth potential. Bechtle's product and service portfolio covers all current and presently foreseeable needs of industrial customers. This comprehensive offer distinguishes Bechtle from most of its direct competitors. Thanks to its strategic and structural positioning, Bechtle is able to exploit the resulting growth potential.



"IT is a fast-paced market. And we've been leading the pack for over 30 years."

Karlheinz Ebersoldt, Service engineer –
Onsite, Karlsruhe system house

For a number of years, the system house market – especially in German-speaking regions – has been undergoing a period of intense consolidation, which Bechtle is actively exploiting. Thanks to its solid financial resources and good reputation, the company has been able to perform more than 65 acquisitions since its IPO, thereby continually strengthening its market position. In view of the progressive thinning of the industry and the Bechtle Group's persistently excellent assets position and funding, the company will have further opportunity to continue to fortify its competitive position, e.g. by means of acquisitions or by expanding the product and service spectrum. In the reporting period, Bechtle again made use of this opportunity and acquired three companies.

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

CUSTOMERS

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



See chart
Industry Segmentation,
page 38

Bechtle also markets its services in the public sector, a division in which the company has consistently and continuously expanded its activities. Apart from the basic opportunity associated with the expansion of the customer portfolio and the achievable higher business volume, further opportunities are associated with the specialisation in the needs of public-sector clients and the consideration of the special aspects of the contract award practice in this segment, as the investment behaviour of this customer group is less susceptible to economic trends and is often even anti-cyclical.



Strong
customer bases

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



See Business Activity,
IT E-Commerce,
page 33 ff

VENDORS AND DISTRIBUTORS



bechtle.com/partner

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

To support the collaboration with strategic vendors, Bechtle has additionally appointed Vendor Integrated Product Managers (VIPM), who promote the interests of the vendors and of Bechtle alike. This concept provides various opportunities, e.g. due to the fact that information about the vendors can be forwarded to the responsible procurement, sales and service staff without delay in a centralised and target-oriented manner. This enables Bechtle to ensure that its customer offer reflects the state of the art at all times. In this way, the quality of the sales activities increases and customers also benefit immediately from innovative product promotions of the vendors. In return, the vendors promptly receive largely unfiltered user feedback about existing products and requirements for future products.

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

SERVICE SPECTRUM



See **Service Spectrum and Processes**, page 28 ff.

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

In connection with the procurement and operation of IT, many companies usually pay attention to several features, such as competitiveness, efficiency gain, modernisation and cost optimisation. To meet these diverse demands, Bechtle analyses the customer's existing corporate processes in order

to offer solutions and IT management models on this basis, e.g. outsourcing or cloud computing. Bechtle's wide portfolio enables the elaboration of solutions custom-tailored to the specific needs of every customer. As a one-stop provider, Bechtle has great advantages over smaller or niche providers. Furthermore, due to the high and further increasing relevance of IT to all corporate processes, on the one hand, and heightened security concerns, on the other, customers place great emphasis on the reliability of the company when choosing an IT partner. Apart from its 33 years of experience and high solution competence, Bechtle especially excels with its sound and strong financial position. These factors directly influence the choice of service providers, the prices and the question of how and from whom external services are procured. In view of its status as an economically stable, reliable partner with an excellent reputation, Bechtle can therefore gain access to attractive growth opportunities. Especially the customer relationships in the so-called operation business can benefit from this. These relationships are usually of a long-term nature, which facilitates the business performance planning. Moreover, the operation business can yield higher margins than the conventional trading or project business.

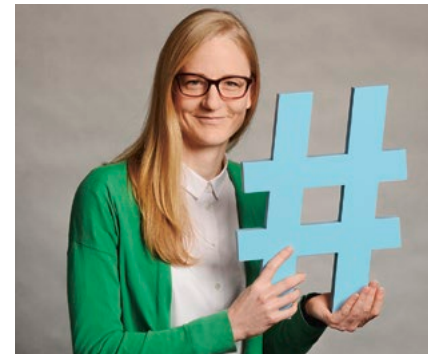
Cloud computing is an area with great growth potential. Meanwhile, cloud computing has become commonplace in large corporations. Though often still hesitant, medium-sized customers are increasingly embracing this trend. In cloud computing, processing performance, storage, applications and IT services are obtained in real time via data networks. In this context, the price of the individual services is determined by the actual usage. In the reporting period, Bechtle started consolidating, professionalising and expanding its cloud services under the name "Bechtle Clouds". The offer is to be made available to all customers from mid-2017. In this way, the company maintains and increases the opportunity of benefiting from the growing demand of medium-sized businesses for cloud services. In this area, Bechtle fulfils various functions: Firstly, it serves as a cloud enabler. This means that the customers are enabled to use cloud services in the first place. Secondly, Bechtle serves as a cloud broker, meaning that it serves as an intermediary between the large cloud providers and the user companies. Bechtle supplements the portfolio with its own cloud services.

Bechtle is active in the cloud computing market both in cooperation with renowned partners and with its own solution portfolio. In this connection, the Bechtle system houses offer an extensive portfolio of virtualisation and server technologies, infrastructure solutions and security-relevant applications, thereby creating the needed customer-specific conditions for procurement and operation of IT from the "cloud". The offer is supplemented with consulting and integration services for cloud computing, as the specific services often need to be integrated and networked with existing systems.

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



[bechtle.com/
cloud-computing](https://bechtle.com/cloud-computing)



"Our Bechtle Clouds offering will be available to all customers starting in mid-2017."

Carolin Lopez, Management assistant,
Karlsruhe system house

COMPANY ORGANISATION



See
Management Structure,
page 23 f

By consistently aligning the company structure with the strategy, an important precondition has been established for exploiting the opportunities resulting from the market developments described. The extensive geographic presence, with more than 65 locations in Germany and Switzerland and locations in Austria, enables us to address local medium-sized businesses on-site via the regional system houses and – from the perspective of the group as a whole – to attract businesses and corporations that operate on a nationwide scale and that prefer a large IT service provider as a reliable partner. Despite the great significance of decentralised responsibility and decision-making structures, the Bechtle Group benefits from economies of scale in the field of centralised administrative tasks and the combination of purchasing and logistics processes under Bechtle AG. Additionally, competence centres, specialised product management teams and segment heads bundle expertise that is made available centrally to all locations.



See
Competence Centres,
page 32

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



"Recruiting and retaining employees:
two central elements of our HR work."

Esther Völler, Assistant to the
Administration/HR,
Karlsruhe system house

PERSONNEL

Bechtle attaches great importance to long-term bonding of employees to the company, high motivation and a positive corporate culture. The applied management style is a key condition for a good atmosphere in the company. The company's management takes the lead in living the basic values rooted in the corporate philosophy and creates an open atmosphere of mutual trust. This includes short communication routes and open exchange between the divisions, locations and hierarchy levels. Through systematic employer branding, Bechtle has the opportunity of positioning itself as an attractive employer, gaining new employees for the company and retaining current employees on a long-term basis.

The shortage of experts is one of the challenges that Bechtle is faced with in the field of recruitment. However, the limited availability of qualified staff could also represent opportunities, for example if the company can train a sufficient number of experts internally and bind employees to the company on a long-term basis. For this reason, training is one of Bechtle's central themes in the field of HR work. In the medium term, Bechtle's goal is to increase the training ratio in Germany to approximately 12 per cent. Furthermore, Bechtle invests intensively in the training of its employees.



See
Forecast Report,
page 112

RISKS

The management believes that the risks described below could have a negative effect on the company's earnings, assets and financial position, its reputation and its valuation on the capital markets. Nevertheless, this list does not include all risks the Bechtle Group is exposed to. Risks that are not yet known or risks that are currently considered to be of little significance could also impair the company's performance. Risks are often associated with opportunities, and the management must examine the individual case and decide whether to take a risk or avoid the risk but thus miss an opportunity.

RISK ASSESSMENT

To take suitable risk management measures, especially for risks that could endanger the going concern, identified risks are assessed on the basis of their estimated probability of occurrence and the loss amount expected upon occurrence with respect to the earnings, assets and financial position of the Bechtle Group, and subsequently classified as "high", "medium" or "low" by means of a matrix. To ensure uniform understanding, the definitions used for the measurement are described below.



See Risk identification and assessment, page 86

48. RISK POTENTIAL PROBABILITY OF OCCURRENCE

Probability of occurrence	Description
High	Highly probable
Medium	Likely
Low	Improbable

49. RISK POTENTIAL LOSS AMOUNT

Expected loss amount in the event of occurrence of the risk	Definition of the loss amount
High	Substantial detrimental effects on the earnings, assets and financial position
Medium	Some detrimental effects on the earnings, assets and financial position
Low	Low detrimental effects on the earnings, assets and financial position

50. RISK MATRIX

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

MACROECONOMY AND INDUSTRY

Among other things, the willingness of customers to invest depends on the macroeconomic development in the individual national markets, in Europe and around the globe. Additionally, the trust that companies put in a positive economic development plays a major role. Bechtle AG generates about two thirds of its revenue in Germany and the remaining third on foreign markets. Thus, the development of the European economy as a whole and of the German economy in particular has a key impact on the growth of Bechtle. A weaker or, even worse, a declining economic trend could involve risks for the earnings, assets and financial position of the Bechtle Group.

Bechtle operates in a highly competitive and technologically short-lived market. Both the IT trading segment and the IT service segment are characterised by competition in terms of pricing, product quality and service quality. We are confronted with continually high price and margin pressure, partially weakening demand and growth cycles that are susceptible to economic trends. Furthermore, the IT market has been undergoing a period of consolidation for several years, which may culminate in stronger individual competitors and changed market shares. The company's earnings position largely depends on the extent to which Bechtle can exploit the industry consolidation as well as its own strength to achieve above-average growth, as well as on the effectiveness and, most importantly, on the efficiency with which the group succeeds in fulfilling the customers' growing need for smarter IT solutions. In this area, risks and opportunities for the company are in close proximity to each other.

In view of the current situation, we consider the probability of occurrence of the macroeconomic and industry performance risks to be medium. This could involve some negative effects on our business activity, our earnings, assets and financial position, as well as deviations from our revenue and earnings targets. We classify this risk as a medium risk.

BUSINESS ACTIVITY



See
Personnel Expenses,
page 45

Cost structure. The cost structure of the Bechtle Group is characterised by a high proportion of personnel expenses whose adjustment lags behind any changes in the capacity utilisation. In phases of a weaker economy or curbed investment affinity of customers, the company can only reduce functional costs to a certain extent in the medium term without significantly modifying the employment situation, e.g. by means of short-time work or by making use of the natural fluctuation. All measures affecting the personnel expenses must always take the existing or possible future personnel risk (lack of qualified staff) into consideration. Therefore, Bechtle wants to bind employees to the company on a long-term basis and be attractive for new applicants as a reliable employer. The often rather short-term risk of lower earnings is countered by the long-term opportunity of successful employer branding and bonding of qualified staff.

We consider the occurrence of the risk from the development of personnel expenses and of the salary level to be probable and cannot exclude the possibility of some detrimental effects on the earnings, assets and financial situation, and the business activity, of the Bechtle Group. We classify this risk as a medium risk.

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

Bechtle buys its products from all renowned IT vendors and distributors. Across Europe, the company cooperates with about 300 vendors and about 1,700 distributors. Should a partner be unable to supply goods, Bechtle can always offer comparable alternative products at short notice. In terms of its economic situation and existence, the group does not depend on any single supplier. In the event of supply bottlenecks, we counter this availability risk by means of active supplier management and adapted stock levels. The latter is possible even at short notice, especially due to the group's comfortable financial position.

We believe that risks from unilateral dependencies have a low probability of occurrence and cannot exclude the possibility of some detrimental effects on the earnings, assets and financial position as well as the business activity and deviations from earnings and revenue targets. We consider the risk to be low.

The development in the IT market is characterised by growing competitive pressure as well as price and margin pressure. Contrary to the trend that has been going on for many years, some vendors have been able to enforce price increases for certain product groups in recent years. The prices of individual products continued to rise in the reporting period. Bechtle is not always able to pass on such price increases to customers to the full extent. Therefore, especially long-term contracts and projects pose a risk to the group's earnings position, though in the past, the vendors' pricing policy usually did not have any major impact on Bechtle's business activity.

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



"Thanks to our unique network, we are able to deliver throughout Europe."

Ulrike Kittelmann, Head of European Purchasing & Services, Logistics & Service

Moreover, due to margin pressure or strategy changes on the vendor side, vendors may step up their conditions for paying bonuses, reduce bonuses in general, cancel them entirely or increasingly pay in kind (e.g. in the form of free training for employees). Depending on the degree of the change, such a development would affect the earnings position of Bechtle AG.

We consider the occurrence of this risk to be very probable. We would expect significant effects on our business activity, earnings, assets and financial position, and deviations from our revenue and earnings targets. We classify the risks from the bonuses granted by the vendors as high risks.

Bechtle AG endeavours to reduce the stocks that need to be kept to the absolute minimum. Larger warehouses exist only in Neckarsulm (for Germany) and in Rotkreuz (for Switzerland). About two thirds of the stocks are products tied to specific projects, i.e. stocks that Bechtle holds in connection with customer orders. Thus, Bechtle's price change risk is limited to the warehouse stock that has not been earmarked and is subject to depreciation.

We consider the occurrence of this risk to be probable and would expect some detrimental effects on the earnings, assets and financial position, as well as deviations from revenue and earnings targets in the event of occurrence of this risk. We classify this risk as a medium risk.



See Service Spectrum
and Processes,
page 28 ff

Service spectrum. The IT world is characterised by a high pace of technological progress, which results in constant change. As a player on this market, Bechtle must always be ready and able to identify new trends and adapt the portfolio accordingly if necessary. At the same time, it must regularly be checked whether existing processes, workflows, products and services are still needs-oriented. In this field, there is a risk of Bechtle noticing important new trends too late and hence being unable to offer customers a state-of-the-art product portfolio. However, in its history of over 30 years, Bechtle has shown that it is capable of keeping up with the high pace of the IT market and adapting to the market circumstances and customer needs at all times. As far as the future is concerned, this risk is largely minimised by the close interaction of Bechtle with all major vendors. Thus, Bechtle learns of important technological innovations at an early stage. The close contact that the sales team maintains with industry and public-sector clients also allows Bechtle to adjust its portfolio as soon as customer demand arises. However, it is also important not to lose sight of the traditional business. Bechtle still generates a large portion of its revenue in the trading and project business. To minimise risks, Bechtle will continue to operate on the market as a one-stop provider.

We consider the occurrence of this risk to be improbable. We cannot fully exclude the possibility of deviations from our revenue and earnings targets, and some negative effects on our business activity as well as on our earnings, assets and financial position. We consider this risk to be low.

On the IT market, Bechtle competes with numerous providers. Besides other conventional system houses and e-commerce providers, the range of competitors also comprises some vendors that engage in direct sales. Especially key accounts are already supplied directly by some manufacturers. Distributors are also making efforts to do business directly with end customers, thereby competing with Bechtle. Especially in the cloud business, multinational corporate groups also offer their services, endeavouring to interact directly with customers. However, due to its wide geographic coverage in Germany, Austria and Switzerland, Bechtle has an advantage especially in the medium-sized business segment, i.e. its core target customer group, both in terms of customer approach and customer bonding and with respect to the delivery and performance of services. Furthermore, vendors are unable to offer independent consulting services, and distributors cannot offer a portfolio bandwidth matching Bechtle's. By consistently focusing on efficient sales teams, Bechtle is determined to maintain its competitive edge in the medium-sized business segment, thereby reducing the risk of new competitors penetrating Bechtle's customer base.



"There are countless providers in the IT market. But none of them is like Bechtle."

Klaus Kratz, Head of Logistics,
Logistics & Service

We consider the occurrence of this risk to be probable and would expect some negative effects on our business activity, earnings, assets and financial position, and deviations from earnings and revenue targets. This risk is classified as a medium risk.

In the field of managed services, long-term contracts account for the lion's share of the business. Due to the long-term relationship and conditions that are usually fixed, the significance of such projects is great, especially in the case of large-volume contracts. Moreover, such contracts contain performance requirements with regards to the project flow and observance of deadlines. Especially in the initial phase, there is a risk that the requirements cannot be fulfilled and contractually agreed penalties must be paid or the fulfilment would result in reduced earnings. However, in view of the steep learning curve that Bechtle has demonstrated in this area, this risk appears to be largely manageable.

We consider the occurrence of such risks from long-term contracts to be improbable. We cannot exclude the possibility of some negative effects on our business activity, our earnings, assets and financial position, as well as deviations from our revenue and earnings targets. This risk is classified as a low risk.



See Markets,
page 38

Customers. Bechtle has about 73,000 customers across its two segments. Customer satisfaction is a (if not the) key criterion of our services. Only satisfied customers will be willing to place new orders with Bechtle and to expand the business relationship. Satisfied customers will also be inclined to recommend Bechtle, thereby helping the company to gain new customers. Starting from the offer stage, Bechtle pays attention to addressing customer needs and requirements as effectively as possible. During the implementation phase, project teams can get assistance from the central project management. Moreover, Bechtle regularly analyses the customer satisfaction in order to identify and realise any potential for improvement.

We consider the occurrence of this risk to be improbable. Substantial negative effects on our business activity, our earnings, assets and financial position, as well as deviations from our revenue and earnings targets, could arise. This risk is classified as a medium risk.

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

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

In the reporting period, Bechtle, in cooperation with a partner, relocated its data centre from the headquarters in Neckarsulm to the Frankfurt region in order to ensure maximum security.

In our opinion, the occurrence of IT security risks is not improbable despite the measures in place. Substantial negative effects on our business activity, our earnings, assets and financial position, as well as deviations from our revenue and earnings targets, could arise. These risks are classified as high.

Personnel. Training, motivation and commitment of the employees are key success factors of the Bechtle Group. Therefore, loss of expertise due to above-average fluctuation of qualified personnel and a lack of qualification and performance orientation on the part of the employees are some of the major personnel risks. Apart from creating a positive work environment, HR work therefore focuses on operational training and promotion of junior management staff by means of internal development programmes.



See Training,
page 46 f

Furthermore, especially in the fast-growing business fields, there is a risk that the demand for qualified personnel cannot be met sufficiently. For this reason, Bechtle is not only eager to sign qualified specialists and executive personnel for the company and integrate them successfully, but most importantly to bind them to the company permanently. Moreover, Bechtle will continue to invest heavily in the training of young people. In the medium term, the training ratio in Germany is to rise to about 12 per cent. In addition, Bechtle also endeavours to reinforce its reputation as a popular and reliable employer by means of employer branding in order to remain attractive for applicants in the future as well. The success of these measures is evident from the large number of qualified applications that Bechtle regularly receives.

The occurrence of fluctuation risks is considered to be probable. In this field, some detrimental effects on the business activity as well as on our earnings, assets and financial position cannot be fully excluded. We classify this risk as a medium risk. We also classify the recruitment risk as a medium risk, as the occurrence of this risk is probable and some negative effects on the earnings, assets and financial position, as well as deviations from revenue and earnings targets, cannot be excluded. We consider personnel development risks to be low. In the unlikely event of occurrence, some detrimental effects would have to be expected.

Liability. In the trading business, Bechtle assumes the standard liability and provides a contractual warranty for supplied hardware and software according to its General Terms and Conditions. However, the risk of warranty claims being asserted by customers against us is low, as Bechtle can usually forward the warranty claims to the vendors. Anyway, Bechtle does not grant any product-specific vendor warranty. In case warranty extensions or expansions need to be assumed directly towards customers, Bechtle can take recourse to contractual protection or adequate provisions that it has recognised in its balance sheet. In the service and project business, especially in the case of managed services contracts, Bechtle always endeavours to agree standard limitations of liability appropriate for the purpose of the contract in order to minimise liability risks. A process description that is binding throughout the group exists for the handling of liability risks. The set of rules provides the responsible parties with instructions concerning the key steps that are necessary and noteworthy for a balanced decision and economic execution of transactions with an increased liability risk under risk and opportunity considerations. D&O insurance pursuant to statutory regulations covers any liability claims resulting from mismanagement. The scope of the general insurance cover is checked regularly and adapted, if necessary. Thus, negative financial effects of insurable risks on the business are excluded or at least limited.



See
D&O Insurance,
page 53

FINANCIAL INSTRUMENTS



For a quantification of the risks see Notes, page 167 ff

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

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

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



See Notes, Currency Risk, page 167 ff

Foreign currencies. Currency risks exist especially in areas in which receivables, debts, cash and planned transactions exist or will accrue in currencies other than the local currency of the parent company. The foreign currency risk is mainly limited to Swiss francs, as a considerable portion of the international business is generated in Switzerland. Except for Switzerland, the United Kingdom and the Eastern European countries of Poland, the Czech Republic and Hungary, procurement mainly takes place in euro countries and in euros. In some cases, goods are purchased in US dollars or other currencies in order to take advantage of better prices. The Bechtle Group uses currency futures and options in order to hedge the currency risk. The hedging of generated cash flows and of assets held by foreign subsidiaries in foreign currencies is limited to Switzerland and the United Kingdom. In view of their current business volume, Bechtle companies in Eastern European countries are excluded from this hedging. Currency futures are used in individual cases to hedge the currency risk associated with other currencies when purchasing goods or when customers pay in foreign currency. In the case of one-time amounts with usually short terms to maturity, these economic hedges are not accounted for as hedges. For projects that run over a longer period and generally have several associated hedges, the hedge accounting regulations of IAS 39 are applied. The open currency transactions and the respective receivables and liabilities are analysed on a monthly basis and tested for effectiveness.



See Financial Position, page 79 ff

Liquidity. To ensure unlimited solvency, the company must have sufficient liquidity at all times. The liquidity situation is managed and monitored by the treasury as an integral part of group accounting. In view of the current financial position of the Bechtle Group as of the end of the year with cash, cash equivalents, time deposits and securities worth €162.8 million (prior year: €206.7 million), and unused cash and guarantee credit lines worth €36.2 million and a positive cash flow from operating activities amounting to €53.4 million (prior year: € 115.9 million), the occurrence of a liquidity risk is unlikely. Moreover, Bechtle AG has authorised capital of up to €10.5 million , which can be used to increase the equity capital base, if necessary.

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

Receivables. The solvency of our business customers plays an important role in the examination of the future risk situation. Bechtle could be exposed to bad-debt losses because customers may be unable to meet their payment obligations in due time or in full due to inadequate financial means. Detailed monitoring of customer relationships including ongoing solvency checks and proactive receivables management help avoid risks from bad-debt losses and eliminate the need for taking out trade credit insurance.

Potential risks in connection with the investment of cash equivalents are limited by exclusively executing investments with banks with an excellent rating and within the scope of defined limits. Payment transactions, too, are only handled via banks with best ratings.

Interest. As a matter of principle, financial assets and debts with terms of more than one year involve an interest rate risk. The interest rate risks of the Bechtle Group are centrally analysed, and the resulting measures are actively managed by the group's finance department. The procedure applied by the department is subject to regular auditing as determined by the management.

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



"Our liquidity guarantees our ongoing growth."

Anja Sigmund, Team Leader Content Management, Logistics & Service



See Assets Position, page 75 ff and Notes, Interest Rate Risk, page 169

OTHERS



See Locations,
page 24 ff

Acquisitions. Since its IPO in 2000, Bechtle AG has acquired more than 65 companies. Takeovers are an essential part of the corporate strategy, which is designed with long-term profitable growth in mind. Bechtle intends to further strengthen and expand its market position by means of targeted acquisitions. At the same time, however, the decision to purchase a company and integrate it in the group always involves an entrepreneurial risk. It is always possible that the expectations placed on the acquired company may not fully materialise. Bechtle addresses this risk by conducting extensive due diligence audits in advance. The preparation, implementation and audit of acquisitions take place in line with defined competence arrangements and approval processes. Moreover, Bechtle has many years of experience in integrating companies. We have established the structures and processes that are necessary for this and pursue a post-merger concept that meets the group's needs in connection with the integration of newly acquired companies in the best possible way. For Bechtle, the opportunities that acquisitions offer clearly outweigh the risks.



"Acquisitions have always been part of Bechtle's growth strategy."

Pascal Vaudran, Account Manager,
Konstanz system house

Nevertheless, we do not consider the occurrence of acquisition risks to be improbable, and we cannot fully exclude some negative effects on our business activity, our earnings, assets and financial position, as well as deviations from our revenue and earnings targets. This risk is classified as a medium risk.

Taxes. The group operates in 14 European countries and is therefore subject to different tax regulations. Changes in the tax legislation could result in higher tax expenses and higher tax payments. Furthermore, changed framework conditions could affect the tax receivables and liabilities as well as the company's deferred tax assets and liabilities. The group has a central tax department that ensures compliance with domestic tax laws and regulations. In other countries, external consultants are engaged.

In view of the measures in place, the occurrence of this risk is improbable. The possibility of moderate detrimental effects on our business activity, the earnings, assets and financial position, as well as deviations from our revenue and earnings targets, cannot be fully excluded. We consider the risk to be low.

Compliance. The subject of compliance plays an important role in contracts with the public sector, but increasingly also in relationships with the private sector. Many customers expect the IT partner to expressly undertake to observe applicable laws and regulations and to assure compliance with standards of respectable conduct. To fulfil these requirements and thus minimise the risk of potential misconduct towards business partners as far as possible, Bechtle AG introduced a code of conduct several years ago. The purpose of this code of conduct is to ensure compliance with applicable national and international laws and regulations in all activities of the company and to define minimum standards for responsible actions. Along with the code of conduct, Bechtle has also set up a compliance board consisting of the Executive Board of Bechtle AG and a permanent representative of the legal department. The employees can contact the compliance board via a dedicated hotline and a special e-mail account. Reports or violations are reviewed and assessed by the compliance board, which takes suitable measures if necessary. As a consistent further development of its own code of conduct, Bechtle elaborated and distributed a "code of conduct for suppliers of goods and services". This code contains the principles and minimum requirements from Bechtle's code of conduct that Bechtle's suppliers should also commit to in their statement.

In view of the measures in place, the occurrence of compliance risks from structures and processes is improbable. The possibility of moderate detrimental effects on our business activity, the earnings, assets and financial position, as well as deviations from our revenue and earnings targets, cannot be fully excluded. This risk is classified as a low risk.

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

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

OVERALL RISK ASSESSMENT

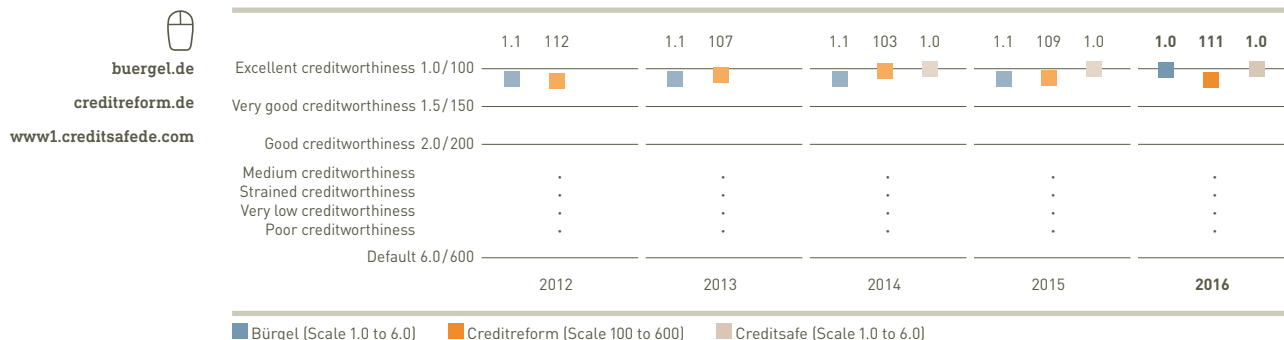
The evaluation of the group's overall risk situation by the Executive Board is based on an examination of all major compound and individual risks, if applicable under consideration of the opportunities that arise. Compared to the prior year, there were no major changes of the overall risk position or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



Excellent credit rating

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

51. CREDIT RATINGS BECHTLE AG



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

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

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

SUPPLEMENTARY REPORT

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Bechtle AG did not experience any special events after the balance sheet date 31 December 2016 that would have affected the company's earnings, assets and financial position.

FORECAST REPORT

In 2008, Bechtle published its quantitative targets under the title "Vision 2020". Moreover, in the first two months of every year, the company plans annual targets in collaboration with all subsidiaries. The interaction of long-term perspectives and short-term planning delivers guidelines that the company's business policy is aligned with. In addition, the forecast report considers facts that were known at the time of preparation of the consolidated financial statements and that could impact the future business performance. The assumptions made are also based on various sources of national and international business research institutes and accredited organisations.

FRAMEWORK CONDITIONS

According to a forecast of the European Commission from October 2016, the economy in the EU is to continue to grow dynamically in 2017, gaining 1.6 per cent. The outlook within the Bechtle markets in the EU is also good. The United Kingdom and Italy are at the bottom of the scale, but still expect growth of 1.0 and 0.9 per cent, respectively. As in previous years, Ireland is at the top of the list with 3.6 per cent, followed by Poland with 3.4 per cent. The forecast for investments in equipment is even more optimistic. Throughout the EU, this figure is expected to climb 3.0 per cent, though the dynamics are expected to drop compared to the prior year (3.9 per cent). Government investments in the EU is expected to grow 1.2 per cent. In 2018, GDP in the EU is forecast to grow at a slightly higher rate of 1.8 per cent. Investments in equipment are to grow at a more dynamic rate of 3.7 per cent.

For the current year, the Swiss federal expert group for economic forecasts predicts a slight upturn for Switzerland. GDP growth is expected to amount to 1.8 per cent, compared to 1.5 per cent in 2016. Investments in equipment are forecast to grow at a higher rate of 2.3 per cent, though less dynamically than in the reporting period (3.8 per cent). In 2018, GDP growth is expected to amount to 1.9 per cent and that of investments in equipment to 2.3 per cent.

The economic development in Germany is likely to recede slightly in 2017, though it is expected to remain at a high level. The European Commission predicts GDP growth of 1.5 per cent, compared to 1.9 per cent in the reporting period. Investments in equipment are expected to grow merely at a below-average rate of 1.1, and government expenditure is expected to increase 2.8 per cent. For 2018, the European Commission expects GDP in Germany to grow 1.7 per cent. Investments in equipment are expected to grow significantly by 3.6 per cent, and government expenditure by 2.5 per cent.

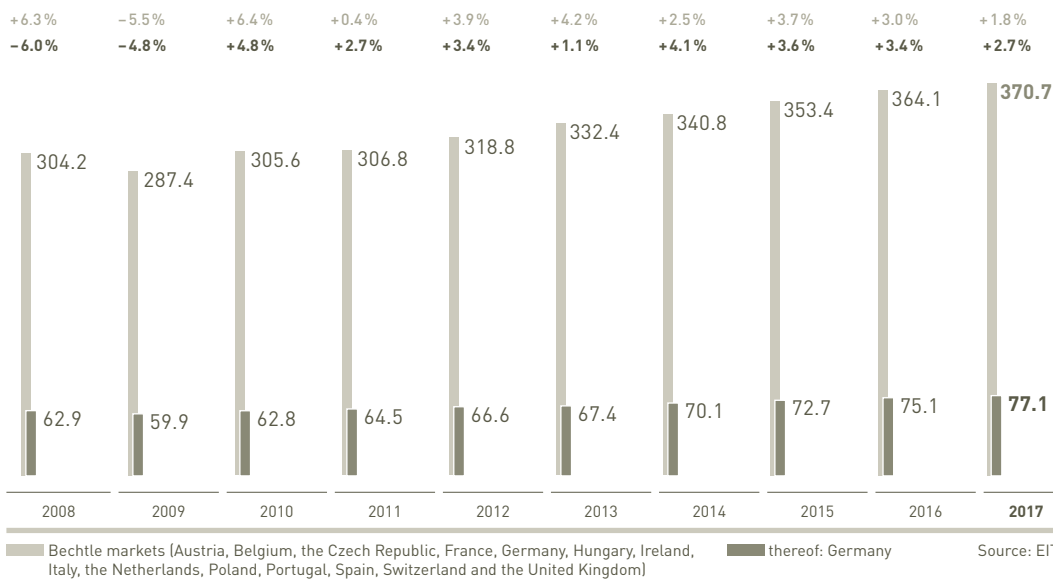
According to the figures of EITO, the IT market in the EU is to grow 1.9 per cent in 2017, after 3.0 per cent in the reporting period. Traditionally, hardware sales are expected to drop at the beginning of the year. Still, a growth of 0.7 per cent was recorded in 2016. The estimate for 2017 is minus 3.8 per cent. Services are to grow 2.8 per cent, and software 4.1 per cent. In the countries in which Bechtle is pre-

sent, hardware revenues are expected to diverge greatly. Growth of 0.5 per cent is forecast for Poland and 0.7 per cent for the Czech Republic. Negative figures are projected for all other countries. The greatest declines are to occur in France (minus 5.4 per cent) and the UK (minus 7.4 per cent). In Austria, the dynamics will slacken in 2017, due especially to the dampened forecast for the hardware market. The IT market as a whole is to grow 1.3 per cent, compared to 3.8 per cent in the prior year. Hardware sales are expected to drop 4.5 per cent, compared to plus 6.4 per cent in the reporting period. The expected dynamics in the fields of services (2.3 per cent) and software (3.4 per cent) are also below those of the prior year, though the difference is not that pronounced. In Switzerland, the IT market is forecast to grow at a high rate of 2.5 per cent in 2017. Hardware sales are to drop 4.0 per cent. In the reporting period, this figure grew 2.6 per cent. The growth figures forecast for services (3.1 per cent) and software (4.7 per cent) more or less correspond to those of the prior year.

In 2017, the German IT market is again expected to grow at a very high rate of 2.7 per cent, though not quite as dynamically as in the reporting period (3.4 per cent). The main reason for this is the hardware segment, whose growth is to amount to minus 2.5 per cent. Especially the PC market is expected to continue to lose momentum, and a drop is also expected in printer and server sales. By contrast, tablet, workstation and storage sales are to increase. Services and software are forecasted to grow 2.9 and 5.9 per cent, respectively, more or less as in the prior year.

52. IT EXPENDITURE IN THE BECHTLE MARKETS 2008–2017

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With respect to the forecast future economic situation in the relevant national markets, the Bechtle Group does not expect any major impact on demand due to changes in legal framework conditions or the implementation of environmental policy measures. The exchange rate development does not play a major role in most countries in which Bechtle is present, as they belong to the euro area and purchases are thus performed and billed in euros. Significant foreign-currency transactions are performed in Switzerland.

GROUP PERFORMANCE

PRODUCTS AND MARKETS

Due to the ongoing consolidation, the European IT market and especially the German market will remain dynamic. Especially smaller providers will continue to have difficulties supplying their customers services in the needed breadth and depth. The associated concentration trends will heat up the competition and result in constant price pressure in the industry. Bechtle AG will benefit from this development due to its financial strength, its competitive position, its decentralised structure and its close link to medium-sized industrial enterprises. Therefore, we are confident that we will be able to continue to expand our market share at a disproportionately high rate. In this connection, the product and service offering and the market presence are to be expanded through selective acquisitions.



See Service Spectrum
and Processes,
page 28 ff

To take technological trends in the IT segment into account and to meet growing customer requirements, Bechtle is constantly developing and establishing a product and service portfolio that consistently focuses on customer benefits. With its wide geographic presence and large sales force that maintains regular contact with customers, Bechtle is keenly aware of the needs and preferences of companies and public-sector clients. In the reporting period, Bechtle started consolidating, professionalising and expanding its cloud services under the name "Bechtle Clouds". The offer is to be made available to all customers from mid-2017. In this area, Bechtle fulfils various functions: Firstly, it serves as a cloud enabler. This means that the customers are enabled to use cloud services in the first place. Secondly, Bechtle serves as a cloud broker, meaning that it serves as an intermediary between the large cloud providers and the user companies. Bechtle supplements the portfolio with its own cloud services. In the coming years, Bechtle will also expand its range of special IT solutions in the IT system house & managed services segment. In this context, we regard subjects such as mobility, security, storage and IT as a service as market drivers. Moreover, digitisation and Industry 4.0 will play a major role. Bechtle boasts an excellent position in all said areas and is always able to offer customers solutions that satisfy the latest technological standards. Our portfolio is always aligned with our customers' demands.

To a certain extent, the high innovation rate in the IT industry, which is driven by the technological progress, is unlikely to abate regardless of the macroeconomic situation. Bechtle is therefore continuously intensifying its close collaboration with external partners, such as vendors and distributors, in the field of procurement and logistics. The interlinking with these partners throughout Europe is to be further improved, especially through partner programmes. The goal is to develop collaboration synergies by means of uniform purchasing conditions, product specifications and marketing measures at an international level. Multinational enterprises thus benefit from the advantages of central logistics, and Bechtle is able to guarantee the supply of identical products to customers at fixed conditions across national borders. Especially the close contacts with vendors enable Bechtle to offer customers state-of-the-art solutions and products at all times.

The Bechtle Group strives to drive its market position in the IT e-commerce segment primarily by expanding the existing companies. The establishment of further subsidiaries in Europe does not play any role in the short run. Nevertheless, Bechtle attaches great importance to the further internationalisation, which will be promoted by means of our Global IT Alliance. Thanks to our existing partnerships for the US market, Scandinavia, the Baltic states, Australia, New Zealand, Japan, China and South Africa, as well as the new partners gained in Brazil and Mexico in the reporting period, we are represented in most of the relevant economic regions around the globe.



See Locations,
page 24 ff

Apart from the rather market-driven developments described here, we will continue to focus on the market positioning of the Bechtle Group in 2017. The two most important subjects are as follows:

■ **Repositioning of Bechtle's activities in Switzerland.** Since 1 January 2017, the previous Swiss Bechtle IT system houses and the locations of Steffen Informatik, which was acquired in the reporting period, have jointly operated under the name Bechtle Steffen Schweiz AG. The business is headed by the previous executive team of Steffen Informatik AG. The new positioning establishes a uniform framework for the targeted growth of the system house network as a one-stop provider of modern IT solutions.

■ **Attachment of the activities of Comsoft direct to the Bechtle system houses.** Comsoft was fully allocated to the IT e-commerce segment by the end of the reporting period. However, the business model of the Comsoft companies has changed. Apart from the pure trading business, more and more customers are asking for consulting and other services, especially in connection with software asset management. In order to be able to continue to offer our customers everything from one source, we have therefore decided to intensify the integration of the Comsoft direct business with our system house activities as of 1 January 2017. In the three countries in which we have system houses (Germany, Austria and Switzerland), Comsoft will therefore belong to the IT system house & managed services segment in future. This will enable us to further expand our portfolio and lay the foundations for even more effective use of synergies between Comsoft and the system houses.



"Two become one: Bechtle Steffen in Switzerland."

Mathias Stark, Team Coordinator Sales,
Bechtle direct

KEY PERFORMANCE INDICATORS

Revenue. Since 2010, Bechtle AG has outperformed the IT market by significantly increasing its revenue at a compound annual growth rate (CAGR) of about 10 per cent. On a long-term average from 2006 to 2016, the CAGR also amounted to approximately 10 per cent. Bechtle has thus shown its ability to maintain its dynamics at a high level, regardless of any upward or downward spikes. In 2017, we again intend to grow faster than the IT market. In the IT e-commerce segment, intensified sales activities are to contribute to an increased market penetration of the existing companies. These measures are supported by our transcontinental partnerships. In this way, Bechtle is able to offer solutions to customers not only in Europe, but worldwide. This goal will also be supported by a very broad,

optimised service portfolio that is aligned with customer needs, the expansion and concentration of our cloud services portfolio within the scope of our new Bechtle Clouds offer, continuous expansion of the activities in the software & application solutions and managed services divisions and, in general, concentration on fast-growing technology themes in the system house segment.



"Within reach:
our Bechtle Clouds offering."

Anne Jürriens, Team Leader Sales,
Bechtle direct

Therefore, we are confident that in 2017, we will again be able to increase our revenue noticeably compared to the reporting period. In the Vision 2020 – which has meanwhile assumed the character of a medium-term plan – Bechtle targets group revenue of €5 billion, which means average annual growth of about 13 per cent. These dynamics are to be supported both by the organic development and by acquisitions.

In the coming years, the regional distribution will not undergo any major shifts. Due to the advancing internationalisation of the business and the strong growth of the foreign IT e-commerce companies, the group is experiencing an increase in the revenue generated abroad. On the other hand, the growth on the traditional home market will continue as a result of the strong competitive position and the market share gains, as well as German companies' ongoing high willingness to invest.

Costs. In recent years, the cost of sales always increased at more or less the same rate as the revenue. For several years, the gross margin has remained steady at a level of around 15 per cent. We do not expect this to change in 2017, and therefore expect the cost of sales to develop at the same pace as revenue. Therefore, we anticipate a gross margin of about 15 per cent, as in 2016. For Bechtle AG as a service provider, personnel expenses are of central importance. These expenses represent the largest cost items, accounting for approximately 80 per cent of the distribution costs and almost 70 per cent of the administrative expenses. Due to Bechtle's consulting-intensive business model and the shortage of qualified staff in some areas, flexible adjustment of the personnel expenses is not possible. To Bechtle, continuity – as an employer and in its customer relationships – is far more important than short-term cost optimisation. In the field of sales, the expenses are also closely related to the revenue performance. Especially in e-commerce, further growth can only be achieved with larger sales teams. In view of the growth in the group, the management expects the absolute expenses for the two functional areas sales and administration to further increase throughout this year and next. However, as we endeavour to prevent disproportionate growth, the ratios of these two items are to remain, at least, at the levels of the reporting period, i.e. at below 7 per cent and below 5 per cent of the revenue, respectively.

Earnings. Following the highly positive development in the two prior years, which saw substantial earnings growth of around 20 per cent, the dynamics dropped slightly to around 12 per cent in the reporting period. For 2017, the Executive Board expects the earnings growth dynamics to remain more or less constant compared to 2016. In the IT system house & managed services segment, we want to step up the share of higher-margin services. In e-commerce, the main objective is to maintain the high level, which has been achieved especially through efficient processes and modern logistics. For the group as a whole, we are confident that the EBT margin will reach at least the level of 2016. No major earnings effects are expected from the currency translation of Swiss francs or other currencies relevant to Bechtle, as exchange rate fluctuations are hedged. All in all, the Executive Board is confident that in future, Bechtle AG will be able to continually further expand its EBT margin, which is already above the industry average. By 2020, the group's EBT margin is to reach about 5 per cent.

Bechtle AG plans to continue to share its entrepreneurial success with its shareholders in the form of an attractive dividend. The dividend policy is mainly aligned with the group's earnings and liquidity position and provides for a dividend payout ratio of about one third of the earnings after taxes. The current dividend proposal of €1.50 per share for the fiscal year 2016 represents a ratio of 30.5 per cent, a figure that fully reflects the corporate policy. Since its IPO, Bechtle has paid out a dividend every year and has regularly increased it. So far, the dividend has never declined. This underscores the reliability of the shareholder-oriented distribution policy of Bechtle AG. There are no plans for fundamental changes to the company's dividend policy.

ASSETS AND FINANCIAL POSITION

Liquidity. Bechtle AG has a healthy balance sheet structure and outstanding liquidity. This financial strength is a vital precondition that enables Bechtle to continuously grow under its own steam and respond flexibly to the requirements of the markets. While the high liquidity provides a competitive advantage, the financial position and the stability of the IT partner are also vital from the customer perspective, especially in connection with the awarding of long-term projects. Therefore, Bechtle will continue to attach special importance to the cash management. In view of the outstanding balance sheet ratios, Bechtle AG has a substantial "rating-neutral" borrowing potential, in addition to free liquidity of €162.8 million. Combined with the continued positive development of the operating cash flow, Bechtle thus has the leeway needed for attaining its goals and financing the targeted above-average growth without any difficulties and under its own steam.

Financing. Liabilities and the associated interest payments will not undergo any material changes in 2017, except in the case of acquisitions. In 2017, smaller acquisitions can be financed from the current cash flow and available liquidity, as in the past. However, it is also possible to raise debt capital whenever necessary. Bechtle has unused cash and guarantee credit lines worth €36.2 million. The takeover of larger companies could result in a more drastic cash outflow, though in such a case, financing with debt capital or other debt financing options would be more likely, at least to a certain extent. The company could also resort to the equity financing options according to the adopted Annual General Meeting resolutions. Until June 2019, the Executive Board is authorised to increase the issued capital by issuing up to 10.5 million shares against cash or in-kind contributions.

Provided that no major takeovers occur in 2017, the balance sheet structure will not undergo any significant changes compared to the reporting date 31 December 2016.

Investments. The business of Bechtle AG, which comprises IT product trading and IT services, does not require high investments. In the last three years, Bechtle's investment ratio remained largely constant at about 20 per cent. In the reporting period, however, it climbed to about 28 per cent. This was due to investments for the expansion of the logistics building at the headquarters in Neckarsulm and the relocation of the data centre from Neckarsulm to Frankfurt am Main. In the current year, the investments will again be higher than usual. Firstly, the measures in connection with the relocation of the data centre need to be concluded. Secondly, the construction of a new car park at the headquarters in Neckarsulm, which started in late 2016, is to be completed in the current year. The Executive Board therefore again expects the investment ratio in the current year to be above the usual level of about 20 per cent.

Acquisitions will remain an integral element of the growth strategy in all business fields. In IT e-commerce, however, the Executive Board mainly relies on organic growth. In the IT system house & managed services segment, though, selective acquisitions will supplement the regional positioning and competence profile of Bechtle AG in a meaningful way.

Staff development and training will continue to play an important role in the group. With an expanded range of training measures and consistent continuation of the internal management programmes, Bechtle intends to continue to invest in the development of junior and executive staff. The Executive Board also plans to increase the headcount in 2017, regardless of acquisitions. Nevertheless, the increase is to remain below the revenue growth. Training young people will remain a central aspect of Bechtle's HR policy. In this connection, Bechtle AG has adopted the medium-term goal of expanding the training ratio in Germany to approximately 12 per cent in order to safeguard its future.



"We are facing the future and will continue to invest in 2017."

Manuela Hambrecht, Senior VIPM Acer,
Logistics & Service

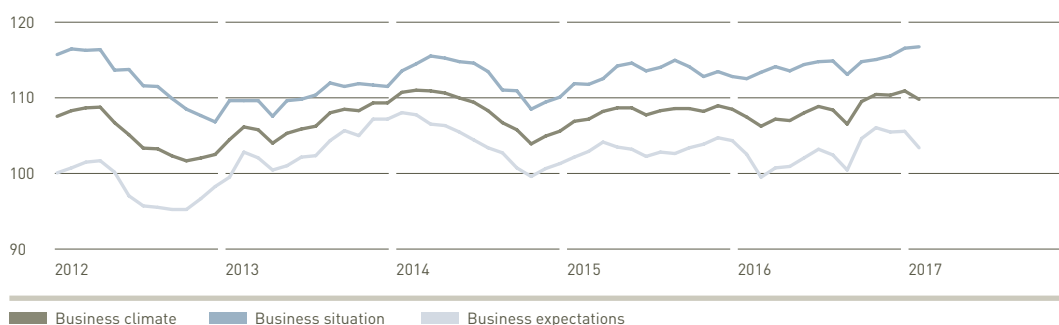
OVERALL ASSESSMENT

The macroeconomic situation remained positive at the beginning of 2017. According to the forecasts, the growth dynamics will be slightly weaker than in the reporting period, but will still reach a high level. GDP growth of more than 1 per cent is anticipated for all European countries relevant to Bechtle in 2017 and 2018. However, in view of the numerous crisis spots that persist around the globe, these forecasts are subject to major uncertainties. The mood in the economy was good at the beginning of the year. In the first quarter of 2017, the ifo indicator for the economic climate in the euro area surged from 8.2 to 17.2 balance points. The expectations are much more positive than in the prior quarter, and the assessment of the current situation is also much better. In Germany, the ifo business climate index for trade and industry remained at a high level, but was slightly lower than in the prior month. The assessment of the current situation reached the most positive level in five years. The expectations underwent a more noticeable decline. Nevertheless, they remain higher than in the first eight months of the reporting period.



ifo.de

53. IFO BUSINESS CLIMATE INDEX FOR THE COMMERCIAL ECONOMY IN GERMANY



The picture in the IT industry is very inconsistent. In every month of the fourth quarter of 2016, the assessments in the ifo index for IT service providers were subject to major fluctuations. From a decline in October to 38 points, the index climbed to an annual high of 44 in November and then dropped back to 37 in December. At the beginning of 2017, the index again increased slightly to 38. The assessment of the current situation is better than the expectations for the coming months.

Considering the sound economic situation in Germany and in the EU, the Executive Board is confident that the willingness of customers to invest will remain high. Even if the dynamics on the IT market decline as predicted vis-à-vis the reporting period, we expect the business performance of Bechtle AG to remain positive and above the industry average.

54. OVERVIEW OF FORECASTS ON THE EARNINGS POSITION FOR 2017

	Group	IT system house & managed services	IT e-commerce
Revenue	Significant increase over 2016	Significant increase	Significant increase
Cost of sales	In line with the revenue		
Gross margin	About 15 per cent		
Distribution cost ratio	< 7 per cent		
Administrative expense ratio	< 5 per cent		
EBT	Significant increase over 2016	Significant increase over 2016	Significant increase over 2016
EBT margin	At least level of 2016		
Dividend	Dividend payout ratio of about one third of EAT		

3

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55. CONSOLIDATED INCOME STATEMENT

		€k	
	Notes	2016	2015
Revenue	1	3,093,579	2,831,303
Cost of sales	2	2,619,082	2,401,917
Gross profit		474,497	429,386
Distribution costs	2	196,285	182,806
Administrative expenses	2	153,037	138,415
Other operating income	3	18,908	21,319
Earnings before interest and taxes		144,083	129,484
Financial income	4	3,512	2,607
Financial expenses	4	2,495	2,687
Earnings before taxes		145,100	129,404
Income taxes	5	41,729	36,527
Earnings after taxes (attributable to shareholders of Bechtle AG)		103,371	92,877
Net earnings per share (basic and diluted)	6	4.92	4.42
Weighted average shares outstanding (basic and diluted)		21,000	21,000
		in thousands	



See further comments in the Notes, in particular III., page 137 ff

56. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		€k	
	Notes	2016	2015
Earnings after taxes		103,371	92,877
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses on pension provisions	17	1,842	-6,311
Income tax effects		-77	989
Items that will be reclassified to profit or loss in subsequent periods			
Unrealised gains and losses on securities		7	-49
Income tax effects		-1	3
Unrealised gains and losses on financial derivatives		-1,385	388
Income tax effects		410	-100
Currency translation differences of net investments in foreign operations		0	0
Income tax effects		0	0
Hedging of net investments in foreign operations		-1,121	-5,387
Income tax effects		333	1,596
Currency translation differences		-527	7,849
Other comprehensive income	16	-519	-1,022
of which income tax effects		665	2,488
Total comprehensive income (attributable to shareholders of Bechtle AG)		102,852	91,855



See further comments in the Notes, in particular IV. no. 16 page 148 ff

57. CONSOLIDATED BALANCE SHEET

ASSETS		€k	
	Notes	31.12.2016	31.12.2015
Non-current assets			
Goodwill	7	193,521	166,398
Other intangible assets	8	35,338	29,161
Property, plant and equipment	9	111,666	101,870
Trade receivables	12	12,436	22,020
Income tax receivables		0	33
Deferred taxes	10	4,798	4,425
Other assets	14	3,467	3,495
Time deposits and securities	13	7,005	16,999
Total non-current assets		368,231	344,401
Current assets			
Inventories	11	180,652	150,415
Trade receivables	12	502,270	406,167
Income tax receivables		847	1,055
Other assets	14	61,562	58,738
Time deposits and securities	13	15,361	24,894
Cash and cash equivalents	15	140,415	164,767
Total current assets		901,107	806,036
Total assets		1,269,338	1,150,437



See
further comments
in the Notes,
in particular IV.,
page 140 ff

EQUITY AND LIABILITIES

€k

	Notes	31.12.2016	31.12.2015
Equity			
Issued capital		21,000	21,000
Capital reserves		145,228	145,228
Retained earnings		527,875	454,423
Total equity	16	694,103	620,651
Non-current liabilities			
Pension provisions	17	19,924	15,899
Other provisions	18	6,719	5,978
Financial liabilities	19	51,744	56,393
Trade payables	20	147	360
Deferred taxes	10	20,570	20,927
Other liabilities	21	5,874	7,293
Deferred income	22	12,981	12,346
Total non-current liabilities		117,959	119,196
Current liabilities			
Other provisions	18	6,657	6,416
Financial liabilities	19	9,745	9,627
Trade payables	20	242,120	204,067
Income tax payables		7,676	8,176
Other liabilities	21	115,314	104,052
Deferred income	22	75,764	78,252
Total current liabilities		457,276	410,590
Total equity and liabilities		1,269,338	1,150,437

58. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

	Issued capital	Capital reserves	Retained earnings		Total	Total equity (attributable to shareholders of Bechtle AG)
			Accrued profits	Changes in equity outside profit or loss		
Equity as of 1 January 2015	21,000	145,228	387,532	236	387,768	553,996
Distribution of profits for 2014			-25,200		-25,200	-25,200
Earnings after taxes			92,877		92,877	92,877
Other comprehensive income				-1,022	-1,022	-1,022
Total comprehensive income	0	0	92,877	-1,022	91,855	91,855
Equity as of 31 December 2015	21,000	145,228	455,209	-786	454,423	620,651
Equity as of 1 January 2016	21,000	145,228	455,209	-786	454,423	620,651
Distribution of profits for 2015			-29,400		-29,400	-29,400
Earnings after taxes			103,371		103,371	103,371
Other comprehensive income				-519	-519	-519
Total comprehensive income	0	0	103,371	-519	102,852	102,852
Equity as of 31 December 2016	21,000	145,228	529,180	-1,305	527,875	694,103



See further comments in the Notes, in particular IV. no. 16, page 148 ff

59. CONSOLIDATED CASH FLOW STATEMENT

	Notes	2016	2015
k€			
Operating activities			
Earnings before taxes		145,100	129,404
Adjustment for non-cash expenses and income			
Financial earnings		-1,017	80
Depreciation and amortisation of intangible assets and property, plant and equipment		27,715	26,436
Gains and losses on disposal of intangible assets and property, plant and equipment		176	3
Other non-cash expenses and income		1,283	-4,055
Changes in net assets			
Changes in inventories		-31,585	-16,872
Changes in trade receivables		-81,836	-10,198
Changes in trade payables		36,090	22,129
Changes in deferred income		-2,157	6,616
Changes in other net assets		2,083	-1,685
Income taxes paid		-42,489	-35,913
Cash flow from operating activities	23	53,363	115,945
Investing activity			
Cash paid for acquisitions less cash acquired		-23,519	-20,735
Cash received from divestments		0	2,446
Cash paid for investments in intangible assets and property, plant and equipment		-39,897	-21,361
Cash received from the sale of intangible assets and property, plant and equipment		3,004	2,295
Cash paid for the acquisition of time deposits and securities		0	-4,500
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets		19,525	11,800
Settlement of net investment hedges		-1,120	-5,387
Interest payments received		603	962
Cash flow from investing activities	24	-41,404	-34,480
Financing activities			
Cash paid for the repayment of financial liabilities		-9,523	-14,591
Cash received from the assumption of financial liabilities		4,993	17,138
Dividends paid		-29,400	-25,200
Interest paid		-2,388	-3,015
Cash flow from financing activities	25	-36,318	-25,668
Exchange-rate-related changes in cash and cash equivalents		7	2,250
Changes in cash and cash equivalents		-24,352	58,047
Cash and cash equivalents at the beginning of the period		164,767	106,720
Cash and cash equivalents at the end of the period		140,415	164,767



See further comments in the Notes, in particular V., page 161f

NOTES

I. GENERAL DISCLOSURES

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

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

On 27 February 2017, the Executive Board released the consolidated financial statements of Bechtle AG for the fiscal year 2016 for forwarding to the Supervisory Board (IAS 10.17)



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

Bechtle AG has issued a declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG). An up-to-date version of the declaration was published on the company's website.

II. SUMMARY OF KEY PRINCIPLES OF ACCOUNTING AND CONSOLIDATION

BASIS OF PREPARATION

The parent company Bechtle AG is a listed company and as such required under Section 315a of the German Commercial Code (HGB) to prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union. All International Financial Reporting Standards whose adoption is mandatory for the fiscal year 2016 have been adopted. The International Financial Reporting Standards adopted ahead of time are listed in the disclosures on the new accounting pronouncements. Furthermore, the disclosures required pursuant to Section 315a (1) of the German Commercial Code (HGB) are presented in the Notes.

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

NEW ACCOUNTING PRONOUNCEMENTS

New/amended standards and interpretations adopted for the first time. In the period under review, Bechtle adopted the new and revised standards and interpretations of the following new accounting pronouncements, which had been published by the IASB/IFRIC and endorsed by the EU. The effective dates specified for the mandatory adoption also originate from the respective EU directive:



Pronouncement	Publication by IASB/IFRIC	Endorsement (EU)	Effective date (EU)
Voluntary adoption of pronouncements ahead of time			
Amendments to IAS 1 Presentation of Financial Statements	18 December 2014	18 December 2015	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	12 May 2014	2 December 2015	1 January 2016
Amendments to IFRS 11 Joint Arrangements	6 May 2014	24 November 2015	1 January 2016
Amendments to IFRS: Improvements to International Financial Reporting Standards, 2012–2014 Cycle	25 September 2014	15 December 2015	1 January 2016

The standards whose adoption was mandatory for the first time in the EU did not have any significant effect on the consolidated financial statements for 2015 and 2016.

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

Pronouncement	Publication by IASB/IFRIC	Endorsement	Effective date ¹
Published pronouncements not yet adopted			
IFRS 9 Financial Instruments	24 July 2014	22 November 2016	1 January 2018
Amendments to IAS 7 Statement of Cash Flows	29 January 2016	Open	1 January 2017
Amendment to IFRS 2 Share-based Payment	20 June 2016	Open	1 January 2018
IFRS 15 Revenue from Contracts with Customers	28 May 2014	22 September 2016	1 January 2018
IFRS 16 Leases	13 January 2016	Open	1 January 2019
Amendments to IAS 12 Income Taxes	19 January 2016	Open	1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	8 December 2016	Open	1 January 2018
Amendments to IAS 40 Investment Property	8 December 2016	Open	1 January 2018
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	11 September 2014	Open	Open
Improvements to International Financial Reporting Standards, 2014–2016 Cycle	8 December 2016	Open	1 January 2017/ 1 January 2018

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

The standards relevant to the accounting of the Bechtle Group are listed below, and their effects are specified:

IFRS 9 Financial Instruments. The final version of IFRS 9 Financial Instruments contains the revised regulations concerning the classification and measurement of financial instruments, accounting of impairment of financial assets and hedge accounting. The standard is to fully replace IAS 39. The classification of financial instruments is based on the properties of the cash flows and the business model according to which they are controlled.

Henceforth, not only losses incurred but also expected losses are to be recognised as impairment. In the case of trade receivables, all expected losses must already be taken into consideration upon initial recognition. Insofar as credit risks become evident within Bechtle’s trade receivables or leasing receivables, these are already accommodated by means of impairment. Moreover, due to its financial policy, which focuses on security and unlimited solvency, Bechtle only has securities and financial

investments whose credit risk is considered to be low. With respect to the recognition of hedges, IFRS 9 provides for elimination of the thresholds within the scope of the retrospective effectiveness testing. Henceforth, proof of the economic relationship between the underlying and the hedging instrument is to be furnished instead. Bechtle only takes out hedges that are 100 per cent effective and whose economic link is ensured. Thus, the adoption of the new standard will not have any significant effect on the assets, earnings and financial position. The date of first-time adoption is 1 January 2018.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 governs the revenue recognition for almost all contracts with customers. The core of the new IFRS 15 is the introduction of a five-step model in which the separate performance obligations contained in the customer contract are first identified. In the next steps, the transaction price is determined and allocated to the individual performance obligations. The revenue is recognised after the fulfilment of the individual performance obligation in the amount of the allocated pro-rata transaction price. As a matter of principle, trade and service revenue is recognised upon delivery or performance. A review of the effects of the first-time adoption of IFRS 15 showed that the accounting practice will remain almost unchanged for contracts in the IT e-commerce segment, whose revenue consists almost exclusively of trading business. As most of the revenue in the IT system house & managed services is also generated from trading business or project-related services, hardly any changes are expected here either. In connection with supplier refunds and subsidies, no significant changes are expected here either in connection with the accounting recognition. However, services performed under contracts for managed services might be subject to changes with respect to the ramp-up and ramp-down costs. According to IFRS 15, such costs must be capitalised and amortised over the contract term if they arise in connection with the fulfilment of a customer contract, result in an enhanced use of resources and are expected to be recovered over the contract term. Currently, these costs play a minor role at Bechtle. However, due to the increase in contracts for managed services, they will play a greater role in the future. At Bechtle, sales commission on trading business and services accrues at the time of delivery or performance and is thus recognised as an expense as of the time of recognition of the revenue. Generally, therefore, the adoption of IFRS 15 will not result in any changes. Changes could arise in connection with contracts for managed services if the time of accrual of the sales commission does not coincide with recognition of the revenue. This would be the case if the sales commission were to be due upon conclusion of the contract, or with regard to the performance of ramp-up and ramp-down costs in connection with contracts for managed services. As a whole, the capitalisation of contractual assets and customer acquisition costs will raise the group balance sheet total. Additionally, the disclosures in the notes will increase significantly. Apart from qualitative descriptions concerning significant discretionary judgments and uncertainties, the standard requires a breakdown of the total revenue, the opening and closing balances of the contractual net assets and liabilities, and specific information on the service obligations. Furthermore, accounting processes, IT systems and, under certain circum-

stances, business processes need to be adapted to the new situation. A reliable estimate of the quantitative effects is not possible before the analysis is completed throughout the group. The date of first-time adoption is 1 January 2018. The Bechtle Group intends to adopt the new standards as of the required effective date and to use the fully retrospective approach.

IFRS 16 Leases. On 13 January 2016, the IASB issued IFRS 16, the new accounting standard for lease accounting. With its fundamental changes, the standard especially concerns the recognition of leases by the lessee. For lessees, IFRS 16 results in major changes in the accounting. Apart for a few exceptions, assets and leasing liabilities need to be accounted for in connection with leases. For lessors, the classification as operating leases or finance leases according to IAS 17 is maintained in IFRS 16. Under IFRS 16, Bechtle is a lessee particularly with respect to rented business premises and company cars. In this context, the accounting will change according to IFRS 16. The new regulation will increase the consolidated balance sheet total. Non-current assets will increase due to the capitalisation of the right of use. At the same time, non-current financial liabilities will increase due to the recognition of the present value of the lease liability. According to initial determinations on the basis of the data currently available, the balance sheet total is expected to rise by no more than 10 per cent. Please refer to the current amounts of the existing operating leases in section X. Other Disclosures. The date of first-time adoption is 1 January 2019.

CONSOLIDATION PRINCIPLES

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

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

SCOPE OF CONSOLIDATION

The scope of consolidation comprises Bechtle AG in Neckarsulm and all subsidiaries in which it holds a controlling interest. As in the prior year, Bechtle AG directly or indirectly holds all interests and voting rights in all consolidated companies.



See Appendix A, Subsidiaries, page 193 ff

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

Company	Headquarters	Date of initial consolidation/ deconsolidation	Acquisition/ foundation/ liquidation
Niederer Engineering AG	Abtwil, Switzerland	1 January 2016	Acquisition
Comsoft direct S.r.l.	Bozen, Italy	31 March 2016	Liquidation
SI Management AG	Mägenwil, Switzerland	1 July 2016	Acquisition
Steffen Informatik AG	Mägenwil, Switzerland	1 July 2016	Acquisition
Steffen Informatik Human Sourcing AG	Mägenwil, Switzerland	1 July 2016	Acquisition
Steffen Informatik NW AG	Pratteln, Switzerland	1 July 2016	Acquisition
Steffen Informatik Enterprise Solutions AG	Zug, Switzerland	1 July 2016	Acquisition
Steffen Informatik Inc.	New Jersey, USA	1 July 2016	Acquisition
C-CAM GmbH	Chemnitz, Germany	25 November 2016	Acquisition
Bechtle Clouds GmbH	Neckarsulm, Germany	22 December 2016	Foundation

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



See page 176 ff

CURRENCY TRANSLATION

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

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

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

	Currency	Closing rate		Average exchange rate	
		2016	2015	2016	2015
Switzerland	CHF	1.08	1.08	1.09	1.07
UK	GBP	0.86	0.74	0.82	0.73
USA	USD	1.06	1.09	1.11	1.11

ACCOUNTING POLICIES

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

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

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

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



See page 36 f

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

Leases. Finance leases are handled as follows: Ownership is ascribed to the lessee in such cases where the latter essentially bears all the risks and rewards incidental to ownership (IAS 17). In cases in which Bechtle is the lessee, the leased assets are capitalised at the lower of the cost of purchase or the present value of the minimum lease payments, and a liability is recognised in the same amount. The leased asset is depreciated on a straight-line basis over the shorter of the useful life or the term of the lease. Subsequently, the liability is repaid and adjusted according to the effective interest method. In cases in which Bechtle is the lessor, a lease receivable is recognised in the amount of the net investment value.

Operating leases are handled as follows: The lease payments due are recognised as expense by the lessee and as revenue by the lessor. Where Bechtle is the lessor, the asset is recognised accordingly in the balance sheet and depreciated on a straight-line basis over the useful life.

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

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

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

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

Customer relationships acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the customer relationships. Customer relationships are amortised on a straight-line basis over a period that depends on the expected benefit for the company. As a matter of principle, it is assumed that customer relationships are of a long-term nature. The expected useful life is three to ten years.

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

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

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

Non-compete agreements are measured at cost. Non-compete agreements acquired in the context of company acquisitions are measured in accordance with the economic benefit resulting from the non-compete agreements. Non-compete agreements are amortised on a straight-line basis over the term of the non-compete agreement. At Bechtle, the useful life is two years.

For goodwill and other intangible assets with an unlimited useful life, an impairment test is performed at least once a year for the cash-generating unit that these assets are allocated to. In the case of intangible assets with limited useful lives and property, plant and equipment, an impairment test is performed if events or changes occur that suggest impairment. In the Bechtle Group, impairment tests are always conducted on the basis of the value in use determined by means of the discounted cash flow method. The basis for this is the current plan drawn up by the management for the next three fiscal years. The planning assumptions are duly adjusted to the current state of knowledge based on internal and external information available. In the process, appropriate assumptions on macroeconomic trends and historical developments are taken into account. As a matter of principle, the expected growth rates in the relevant markets are used as the basis for the calculation of cash flows.

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

Property, plant and equipment. Property, plant and equipment are measured at cost less scheduled depreciation. Most of the property, plant and equipment consists of land and buildings. These assets are held by a limited number of companies. In connection with the preparation of the annual

financial statements of these companies, no events or changed circumstances occurred that would have necessitated unscheduled impairment. Scheduled depreciation takes place on a pro rata temporis basis, and mainly on a straight-line basis according to the expected useful life. Scheduled depreciation is based on the following useful lives:

Office equipment	2–11 years
Furniture, fixtures and fittings	2–20 years
Vehicle fleet	2–7 years
Buildings	10–50 years

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

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

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

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

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

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

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

As a matter of principle, impairments of trade receivables are performed by means of allowance accounts. The decision as to whether a credit risk is to be taken into consideration through an allowance account or through a direct impairment of the receivable depends on the degree of reliability of the assessment of the risk situation. The portfolio managers are responsible for this assessment.

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

Time deposits and securities. Time deposits are measured as financial assets at amortised cost. They comprise time deposits and similar investments with banks and other financial service institutions, as well as investments in insurance policies with original maturities of more than three months from the date of purchase.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The initial recognition of financial instruments takes place at fair value. The subsequent measurement of financial assets and liabilities depends on their measurement category according to IAS 39:

- Loans and receivables at amortised cost on the basis of the effective interest method;
- Available-for-sale financial assets at fair value outside profit or loss;
- Financial assets and liabilities at fair value through profit or loss at fair value affecting earnings;
- Held-to-maturity financial investments at amortised cost on the basis of the effective interest method;
- Financial liabilities at amortised cost on the basis of the effective interest method.



See page 163 ff

The categorisation of the individual financial instruments within the balance sheet items is presented in section VI. Further Disclosures on Financial Instruments in Accordance with IFRS 7.

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

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

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

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

DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

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

III. FURTHER EXPLANATORY NOTES ON THE INCOME STATEMENT

1 REVENUE

The revenue amounting to €3,093,579 thousand (prior year: €2,831,303 thousand) includes the considerations charged to customers for goods and services less rebates and discounts.

In this context, the IT e-commerce segment exclusively generates IT trading revenue. The revenue in the IT system house & managed services segment consists primarily of IT trading revenue and an IT service revenue share of about 25 to 30 per cent. The service share in the IT system house & managed services segment was at the same level as in the prior year.

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

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



See page 172 ff

2 EXPENSE STRUCTURE

	€k					
	Cost of sales		Distribution costs		Administrative expenses	
	2016	2015	2016	2015	2016	2015
Material costs	2,359,367	2,160,011	0	0	0	0
Personnel and social expenses	203,704	186,518	156,601	143,768	99,072	92,754
Depreciation/amortisation	13,547	12,405	6,447	6,245	7,721	7,786
Other operating expenses	42,464	42,983	33,237	32,793	46,244	37,875
Total expenses	2,619,082	2,401,917	196,285	182,806	153,037	138,415

The predominant portion of the material costs corresponds to the costs for commodities. The material costs include a net income of €452 thousand from exchange rate fluctuations (prior year: €524 thousand).

Other operating expenses include the following:

- Vehicle costs amounting to €28,007 thousand (prior year: €26,573 thousand);
- Expenses for office and building rent amounting to €25,164 thousand (prior year: €22,950 thousand);
- Communication costs amounting to €7,312 thousand (prior year: €6,573 thousand);
- Marketing costs amounting to €7,229 thousand (prior year: €6,223 thousand);
- Legal and consulting costs amounting to €10,152 thousand (prior year: €6,140 thousand);
- Other costs incurred within the scope of the normal business operations.

3 OTHER OPERATING INCOME

	€k	
	2016	2015
Marketing allowances and other remuneration from suppliers	15,884	15,009
Income from operating a photovoltaic system	224	260
Rental income	242	249
Others	2,558	5,801
Other operating income	18,908	21,319

As in the prior years, the other operating income consists primarily of damages, insurance reimbursements and income from hedges. Moreover, a positive earnings effect of €3,022 thousand was achieved in the prior year from the deconsolidation of Gate Informativ AG.

4 FINANCIAL INCOME AND FINANCIAL EXPENSES

The total financial income of €3,512 thousand (prior year: €2,607 thousand) consists of interest income from call money, time deposits and financial receivables amounting to €3,235 thousand (prior year: €2,236 thousand) and income from securities, e.g. in the form of realised capital gains and interest income from bonds in the amount of €277 thousand (prior year: €371 thousand).

The financial expenses of €2,495 thousand (prior year: €2,687 thousand) include interest expenses for loans and financial liabilities. As in the prior year, the cash flow hedges did not have any ineffective portions, and the time deposits and securities were not subject to any impairment in the reporting period.

5 INCOME TAXES

The taxes paid and due on earnings and income as well as the tax deferrals are presented as income taxes.

The tax expenses are composed as follows:

	€k	
	2016	2015
Paid or due taxes		
Germany	35,417	30,675
Other countries	6,405	6,385
Deferred taxes		
from valuation differences in terms of time	-818	-261
from unused losses	725	-272
Income taxes	41,729	36,527

In Germany, the statutory corporation tax rate for the assessment period 2016 was 15.0 per cent. Including the trade tax and solidarity surcharge, the tax encumbrance amounted to 29.6 per cent (prior year: 29.6 per cent) on average. The current taxes of subsidiaries abroad are determined on the basis of the respective national tax law and at the tax rate applicable in the country of domicile. Deferred tax assets and liabilities are measured at the tax rates that are expected to be valid at the time of realisation of the asset or fulfilment of the liability.

For the reporting period, the reconciliation between the actual tax expenses and the amount that arises taking into account a weighted domestic and foreign tax rate of approximately 28.2 per cent (prior year: 28.0 per cent) on the profit before income taxes was as follows:

	€k	
	2016	2015
Earnings before taxes	145,100	129,404
Expected tax expense	40,985	36,276
Tax-free revenue	-87	-61
Tax rate change for deferred taxes	61	-37
Tax expense of earlier years	33	68
Tax income of earlier years	-155	-318
Non-deductible expenses	834	959
Allocation/addition deferred tax assets to loss carryforwards	-350	-735
Use of previously unrecorded unused losses	-278	-69
Unrecognised deferred taxes on unused losses for the current year	321	374
Devaluation of previously recognised deferred taxes on unused losses	242	24
Earn-out components	66	0
Others	57	46
Actual tax expense	41,729	36,527

6 EARNINGS PER SHARE

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

	€k	
	2016	2015
Earnings after taxes	103,371	92,877
Average number of outstanding shares	21,000,000	21,000,000
Earnings per share	4.92	4.42

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

IV. FURTHER EXPLANATORY NOTES ON THE BALANCE SHEET

7 GOODWILL



See page 176 ff for information on newly accrued goodwill

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

	IT system house & managed services	IT e-commerce	Group
Cash-generating unit			
As of 01.01.2016	133,920	32,478	166,398
Acquisitions in the reporting period	26,834	0	26,834
Niederer Engineering AG	545	0	545
SI Management AG	25,349	0	25,349
C-CAM GmbH	940	0	940
Currency translation differences	176	113	289
As of 31.12.2016	160,930	32,591	193,521

€k



For information on the assets and liabilities of the cash-generating units, see page 172 ff

Like the previous impairment tests, the annual impairment test of the goodwill as of 30 September 2016 in accordance with IAS 36 did not reveal any need for impairment, neither for the cash-generating unit IT system house & managed services nor for the cash-generating unit IT e-commerce.

Bechtel determines the recoverable amounts of its cash-generating units with the help of the discounted cash flow method. The risk-adjusted discount rates are determined on the basis of peer group information for beta factors, borrowing costs and the debt ratio. As of 30 September 2016, the cash-generating units had a weighted average cost of capital (WACC) of 4.5 per cent (prior year: 6.5 per cent) after taxes (WACC before taxes 4.7 per cent, prior year: 7.0 per cent). The cash flow forecasts used are based on individual revenue and cost plans for the coming year as approved by the management, which are thus also taken into consideration in the variable compensation systems for the executives and are in line with external information sources and past experience. For the planning, both the expected growth and the profitability of the products and services are made use of. The cash flows for 2017 and 2018 have been derived on the basis of the as-is data and the target data in accordance with the above-mentioned factors. All growth rates for later years were estimated with a great aversion to risk at 1.9 per cent. Sensitivity analyses have revealed that even in the case of substantially divergent key assumptions within a realistic framework, there would be no need for impairment of the goodwill. For example, there would be no need for impairment in the event of a reduction of the yearly free cash flow of the cash-generating units by more than 20 per cent each or an increase of the WACC to 10 per cent, if the other input parameters remained unchanged.



See Appendices B and C, Notes, page 198 f

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

8 OTHER INTANGIBLE ASSETS

	€k	
	31.12.2016	31.12.2015
Brands/licences	7,086	7,059
Customer bases	5,472	3,606
Purchased software	8,426	4,095
Internally developed software	4,824	4,596
Customer service agreements	9,347	9,030
Non-compete agreements	183	775
Other intangible assets	35,338	29,161

ARP (carrying amount €3,986 thousand) and Modus (carrying amount €1,900 thousand) – the brands presented in the balance sheet – have an unlimited useful life. This is due to the fact that both the companies of ARP and Modus Consult AG will continue to constitute a key element of the Bechtle Group along with their respective brands and particularly serve competition purposes as legal protection. The ARP brand is allocated to the cash-generating unit IT e-commerce and the Modus brand to the cash-generating unit IT system house & managed services.

The discount rate used to determine the value in use for the brands within the scope of the yearly impairment tests is based on input parameters derived from the market and was set at 4.5 per cent, as for the goodwill impairment test. The cash flow forecasts used are based on the revenue and cost plans approved by the management. Further growth rates are only assumed in the amount necessary to compensate the inflation. In the reporting period, as in prior years, the value in use that was determined for the brand surpassed the value in the balance sheet. Sensitivity analyses revealed that even in the case of divergent key assumptions within a realistic framework, there would be no need for impairment of the brands. The change in the carrying amount compared to the prior year is attributable to currency translation differences.

	€k	
	2016	2015
Customer bases		
Carrying amount (31.12)	5,472	3,606
Remaining useful life (weighted average)	3.5	1.7
Accumulated scheduled amortisation	2,765	6,855
Accumulated impairment as per IAS 36	330	309
Scheduled amortisation	2,100	2,673
Impairment according to IAS 36	330	0
Currency translation differences of accumulated amortisation	20	58

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



See Appendices B and C, Notes, page 198 f

9 PROPERTY, PLANT AND EQUIPMENT

	€k	
	31.12.2016	31.12.2015
Property and buildings	72,445	67,792
Other equipment, furniture, fixtures and fittings	32,004	33,679
Advance payments and construction in progress	7,217	399
Property, plant and equipment	111,666	101,870

As of 31 December 2016, there were no contractual obligations for the purchase of property, plant and equipment.

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

As in the prior year, the property, plant and equipment as of 31 December 2016 contained an insignificant amount of leased assets (finance leases).



See Appendices B and C, Notes, page 198 f

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

10 DEFERRED TAXES

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

	€k	
	31.12.2016	31.12.2015
Loss carryforwards	961	1,671
Liabilities	2,106	1,276
Pension provisions	3,991	3,152
Other provisions	1,269	1,424
Other intangible assets	371	386
Property, plant and equipment	5,920	4,496
Others	663	364
	15,281	12,769
Netting	-10,483	-8,344
Deferred tax assets (net)	4,798	4,425

	€k	
	31.12.2016	31.12.2015
Goodwill	14,417	14,236
Other intangible assets	6,291	6,305
Receivables	6,967	7,361
Property, plant and equipment	342	376
Inventories	79	262
Other provisions	239	229
Deferred income	2,390	0
Others	328	502
	31,053	29,271
Netting	-10,483	-8,344
Deferred tax liabilities (net)	20,570	20,927

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

Under current tax provisions, unused domestic tax losses are regarded as unlimited. The restricted use of loss offsetting possibilities (minimum taxation) under German tax law and time limits of foreign tax losses were taken into consideration in the assessment of the impairment of deferred tax assets on unused losses.

If a tax entity has a loss history in the recent past, deferred tax assets from loss carryforwards of this entity will be recognised only if there are sufficient taxable temporary differences or substantial indications of the realisation of such.

For the determination of the amount of deferred tax assets that can be capitalised, material assumptions and estimations of the management are required concerning the expected time of occurrence and amount of income subject to future taxation, as well as the future tax planning strategies. The capitalised deferred taxes on loss carryforwards at various companies that recorded losses in 2015 and/or 2016 amounted to €72 thousand (prior year: €965 thousand), and netted deferred tax liabilities at these companies amounted to €1 thousand (prior year: €678 thousand). Based on the planning of the companies and their current earnings performance, we believe that the deferred tax assets will be realised by means of adequate taxable profits.

Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to €4,311 thousand (prior year: €4,408 thousand) for corporation tax, €9,614 thousand (prior year: €9,095 thousand) for trade tax and €3,193 thousand (prior year: €5,035 thousand) for losses of companies abroad.

As in the prior year, as of 31 December 2016, no deferred tax liabilities had been recognised for taxes on profits of subsidiaries of Bechtle that had not been transferred, as these profits were either not subject to such taxation or are to be reinvested for an indefinite period.

The temporary differences in connection with interests in subsidiaries for which no tax liabilities were recognised amounted to a total of €14,318 thousand (prior year: €12,587 thousand).

Of the deferred taxes accounted for in the balance sheet, a total of €644 thousand (prior year: €3,447 thousand) was recognised in equity outside profit and loss. For details concerning the deferred taxes accounted for outside profit or loss, refer to chapter 16 Equity.

11 INVENTORIES

	31.12.2016	31.12.2015
Commodities	182,229	151,547
Work in progress	4,758	4,233
Advance payments on inventories	812	248
Impairment	-7,147	-5,613
Inventories	180,652	150,415

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

As of 31 December 2016, the carrying amount of the impaired inventories amounted to €14,767 thousand (prior year: €18,018 thousand). In the fiscal year under review, impairments amounting to €1,533 thousand (prior year: €437 thousand) were recognised as expense.

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

12 TRADE RECEIVABLES

	€k			
	31.12.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Trade receivables, gross	508,646	12,436	411,307	22,020
Impairment	-6,376	0	-5,140	0
Trade receivables	502,270	12,436	406,167	22,020

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

	Carrying amount	Individually impaired in full or in part	Individual impairment	Flat-rate individual impairment	Neither overdue nor impaired	Overdue and not impaired				
						less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	more than 180 days
31.12.2016										
Trade receivables	502,270	2,275	-2,002	-4,374	403,519	90,299	7,909	2,497	1,185	962
31.12.2015										
Trade receivables	406,167	1,983	-1,645	-3,495	318,636	79,252	7,776	1,793	1,231	636

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

Except for the common lien on receivables from the delivery of goods, the company's receivables are not collateralised. In accordance with the revenue structure, most of the presented receivables are receivables from the delivery of goods. The company is thus exposed to the risk of default up to the carrying amount. In the past, Bechtle suffered minor defaults of individual customers and customer groups. To hedge the general credit risk, reasonable provisions for bad debts are made in accordance with past experience.

The impairment of trade receivables developed as follows:

	€k	
	2016	2015
Impairment situation as of 1 January	5,140	4,402
Exchange rate differences/consolidation	118	279
Use	237	143
Reversal	716	825
Allocations (impairment expenses)	2,071	1,427
Impairment situation as of 31 December	6,376	5,140

Expenses from the immediate write-off of trade receivables amounted to €510 thousand (prior year: €538 thousand). Income from payments received on written-off receivables only existed to an insignificant extent.

For the disclosures in accordance with IFRS 7, the trade receivables are, depending on their maturity, allocated to the classes "current trade receivables" (€498,114 thousand) and "non-current trade receivables" (€2,941 thousand), and to the classes "current leasing receivables" (€4,156 thousand) and "non-current leasing receivables" (€9,495 thousand).

13 TIME DEPOSITS AND SECURITIES

	€k			
	31.12.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Time deposits	15,361	5,000	24,747	15,000
Securities	0	2,005	147	1,999
Time deposits and securities	15,361	7,005	24,894	16,999

The carrying amount of the time deposits contains accrued interest amounting to €38 thousand (prior year: €28 thousand). In the reporting period, time deposits and securities that had been classified as short-term investments as of 31 December 2015 reached maturity. Some of the assets were reinvested on a short-term basis. Furthermore, some of the time deposits that had been classified as long term in the prior year became short term.

As of the balance sheet date, financial investments included pension funds in the amount of €5,323 thousand (prior year: €5,199 thousand) as capital investments in addition to bond loans.

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

	€k	
	31.12.2016	31.12.2015
Acquisition costs	2,011	2,011
Carrying amount	2,005	2,146
Unrealised capital gains/losses	0	-8
Accrued interest including interest-like capital losses ¹	-6	143

¹ In the event of bonds purchased above par

Unrealised capital gains are recognised outside profit or loss. Apart from the interest calculated on an accrual basis, the accrued interest contains the capital losses recognised through profit or loss since the purchase that are included in the expected return when bonds are purchased above par. In the fiscal years 2015 and 2016, no material impairment (IAS 39.67 ff) was recorded due to credit events that occurred, or are likely to occur at the issuer.

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

- "time deposits: bonds" in the amount of €15,038 thousand (prior year: €25,028 thousand);
- "time deposits: fixed-term deposits" in the amount of €0 thousand (prior year: €9,520 thousand);
- "time deposits: insurances" in the amount of €5,323 thousand (prior year: €5,199 thousand);
- "securities" in the amount of €2,005 thousand (prior year: €2,146 thousand).

14 OTHER ASSETS

	€k			
	31.12.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Refunds and other receivables from suppliers	33,278	0	27,725	0
Unrealised gains from financial derivatives	3,166	0	3,801	0
Rental deposits	120	1,352	193	1,408
Loan extended to a leasing company	48	411	46	459
Insurance refunds	188	61	303	61
Due from staff	210	34	105	42
Others	1,133	0	1,002	0
Total financial assets	38,143	1,858	33,175	1,970
Accrued income for customer maintenance agreements	10,680	619	10,675	620
Accrued income	7,787	990	6,905	905
VAT receivable	2,337	0	3,729	0
Advance payments	1,920	0	2,113	0
Social security claims	551	0	1,777	0
Receivables from other taxes	144	0	364	0
Total non-financial assets	23,419	1,609	25,563	1,525
Other assets	61,562	3,467	58,738	3,495

The company's other assets are not collateralised. The company is thus exposed to the risk of default up to the carrying amount. Rental deposits have been furnished for rented business premises as collateral for the landlord.

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

	€k						
	Carrying amount	Neither overdue nor impaired	Overdue and not impaired				
			less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	more than 360 days
31.12.2016							
Financial assets	38,143	37,818	88	66	107	58	6
31.12.2015							
Financial assets	33,175	32,360	651	52	89	23	0

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

For the disclosures according to IFRS 7, financial instruments included in other assets are allocated to:

- “other financial assets” in the amount of €36,376 thousand (prior year: €30,839 thousand);
- “long-term lending” in the amount of €459 thousand (prior year: €505 thousand);
- “financial derivatives” in the amount of €3,166 thousand (prior year: €3,801 thousand).

15 CASH AND CASH EQUIVALENTS

The cash and cash equivalents amounting to €140,415 thousand (prior year: €164,767 thousand) include cash at banks and on hand and short-term realisable time deposits with initial maturities of less than three months from the date of acquisition.

For the disclosures in accordance with IFRS 7, all cash and cash equivalents are allocated to “cash and cash equivalents”.

16 EQUITY



See Consolidated
Statement of
Changes in Equity,
page 120

The development of the group equity is presented in the consolidated statement of changes in equity as an explicit component of the financial statements before the Notes to the consolidated financial statements.

SUBSCRIBED CAPITAL

As was the case on 31 December 2015, the company’s share capital as of 31 December 2016 was divided into 21,000,000 fully paid-up ordinary shares of a calculated nominal value of €1.00 each. Each share has one vote.

Authorised and contingent capital. Pursuant to Article 4 (3) of the Articles of Incorporation of Bechtle AG, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company’s share capital by up to €10,500 thousand by issuing new bearer shares (authorised capital according to the resolution of the Annual General Meeting of 5 June 2014) until 4 June 2019.

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

- 1. the capital increase is performed against cash contributions, does not exceed €2,100 thousand (10 per cent of the share capital) at the time of the issue and the issue price is not significantly below the listed price or,
- 2. the capital increase is performed for the acquisition of companies or interests in companies.

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

CAPITAL RESERVES

The capital reserves primarily include the offering premium (agio) from capital increases and amounted to €145,228 thousand as of 31 December 2016, the same value as on 31 December 2015.

RETAINED EARNINGS

Accrued profits. At the Annual General Meeting of 9 June 2016, a resolution was adopted to pay out a dividend of €1.40 per no-par share with dividend entitlement for the fiscal year 2015 (dividend total: €29,400 thousand). The dividend was paid out on 10 June 2016. In the prior year, a dividend total of €25,200 thousand was paid on 17 June 2015.

Dividends may only be paid from the net profit and the retained earnings of the company, as recognised in the Annual Financial Statements of Bechtle AG prepared in accordance with German commercial law. These amounts deviate from the total equity as presented in the consolidated financial statements in accordance with IFRS. The resolution for the payment of future dividends is jointly proposed by the Executive Board and Supervisory Board of the company and adopted by the Annual General Meeting. The decisive factors are in particular profitability, the financial position, capital requirements, business prospects and the general economic framework conditions of the company. Since Bechtle's strategy is geared towards internal and external growth, investments will be necessary for this purpose, which should – where possible – be equity-financed. The Executive Board has decided to propose to the Supervisory Board and to the Annual General Meeting to appropriate the net profit of €31,500 thousand for the fiscal year 2016 for the payment of a normal dividend of €1.50 per no-par share with dividend entitlement.

Apart from the dividend paid out, the retained earnings in the reporting period also changed by the comprehensive income of €102,852 thousand, consisting of earnings after taxes (€103,371 thousand) and other comprehensive income (–€519 thousand). Accordingly, the retained earnings amounted to €527,875 thousand as of 31 December 2016 (prior year: €454,423 thousand). Apart from the dividend payment, a change from the comprehensive income amounting to €91,855 thousand had taken place in the prior year.

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

€k

	31.12.2016			31.12.2015		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Actuarial gains and losses on pension provisions	-19,343	3,665	-15,678	-21,185	3,742	-17,443
Unrealised gains and losses on securities	-1	0	-1	-8	1	-7
Unrealised gains and losses from financial derivatives	1,715	-508	1,207	3,100	-918	2,182
Currency translation differences of net investments in foreign operations	0	0	0	0	0	0
Hedging of net investments in foreign operations	-16,635	4,879	-11,756	-15,514	4,546	-10,968
Currency translation differences	24,923	0	24,923	25,450	0	25,450
Other comprehensive income	-9,341	8,036	-1,305	-8,157	7,371	-786

€k

	01.01–31.12.2016			01.01–31.12.2015		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Items that will not be reclassified to profit or loss in subsequent periods						
Actuarial gains and losses on pension provisions	1,842	-77	1,765	-6,311	989	-5,322
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on securities	7	-1	6	-49	3	-46
Gains and losses that arose in the current period	7	-1	6	-4	0	-4
Reclassifications to profit and loss	0	0	0	-45	3	-42
Unrealised gains and losses on financial derivatives	-1,385	410	-975	388	-100	288
Gains and losses that arose in the current period	-933	276	-657	2,442	-709	1,733
Reclassifications to profit and loss	-452	134	-318	-2,054	609	-1,445
Currency translation differences of net investments in foreign operations	0	0	0	0	0	0
Gains and losses that arose in the current period	0	0	0	0	0	0
Reclassifications to profit and loss	0	0	0	0	0	0
Hedging of net investments in foreign operations	-1,121	333	-788	-5,387	1,596	-3,791
Gains and losses that arose in the current period	-1,121	333	-788	-5,387	1,596	-3,791
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	-527	0	-527	7,849	0	7,849
Other comprehensive income	-1,184	665	-519	-3,510	2,488	-1,022

Thus, the other comprehensive income amounted to –€519 thousand (prior year: –€1,022 thousand) of the comprehensive income in the reporting period. The other comprehensive income as well as the comprehensive income is due in full to the shareholders of Bechtle AG.

TREASURY SHARES

By resolution of the Annual General Meeting on 16 June 2010, the Executive Board was last authorised, subject to the approval of the Supervisory Board, to purchase treasury shares pursuant to Section 71 (1) no. 8 of the German Stock Corporation Act (AktG). The purchase of treasury shares must comply with the content of the resolution of the Annual General Meeting. This authorisation is valid until 15 June 2020.

In the reporting period, there were no transactions in treasury shares. Thus, as was the case on 31 December 2015, the company did not hold any treasury shares as of 31 December 2016.

As of 31 December 2016, the number of outstanding shares was 21,000,000, as in the prior year. The weighted average number of outstanding shares in the reporting period, which was determined in accordance with IAS 33, thus also amounted to 21,000,000, as in the prior year.

CAPITAL MANAGEMENT

Within the scope of the capital management (IAS 1.134 f), Bechtle focuses on a sound capital structure with a high equity ratio, a high return on assets and a comfortable liquidity situation, and, in this connection, on cash-flow-based indicators such as working capital.

At €694,103 thousand, Bechtle's equity as of 31 December 2016 reached a high value that represented an improvement compared to the prior year (€620,651 thousand), which is also reflected in the good equity ratio of 54.7 per cent (prior year: 53.9 per cent). In the reporting period, the equity grew faster (+11.8 per cent) than the borrowed capital (+8.6 per cent). The increase in borrowing was caused by the increase in trade liabilities and other liabilities. Another bank loan was raised in the reporting period, and the existing ones were repaid according to schedule. The higher earnings after taxes in connection with the lower increase in borrowing resulted in an almost unchanged return on equity of 17.1 per cent (prior year: 17.2 per cent). The return on assets went up to 9.6 per cent (prior year: 9.5 per cent).

The unchanged goal of Bechtle's capital management is to retain a strong equity base in order to maintain the trust of investors, lenders and the market, and to facilitate future internal and external growth.

To maintain or adjust the capital structure, the group may also adjust the dividend payments to shareholders, issue new shares or buy back treasury shares, and even retire shares if necessary.

The group's sound capital structure also forms the basis for financial flexibility and extensive independence from outside creditors, which is very important for Bechtle. The objective is to have a comfortable liquidity situation to ensure full solvency at all times. As of 31 December 2016, Bechtle had cash and cash equivalents, as well as time deposits and securities, amounting to €162,781 thousand (prior year: €206,660 thousand). With respect to the structure of these assets, quick availability is more important than maximum yield, e.g. in order to have access to cash and cash equivalents whenever necessary for acquisitions or large project pre-financing measures, thereby being able to benefit from such opportunities. The liquidity situation is managed and monitored by the treasury as an integral part of group accounting.

Against this background, cash-flow-based indicators such as the working capital, DSO and other capital tie-up periods are highly significant. Bechtle controls these indicators in order to tie up as little capital and liquidity as possible in its operational service creation process. The revenue growth and the stocks that needed to be kept for large projects, and the pre-financing in some instances, resulted in slightly higher working capital amounting to €375,645 thousand as of 31 December 2016 (prior year: €294,872 thousand). Bechtle defines working capital as the balance of certain balance sheet items (inventories, trade receivables and accrued income for customer maintenance agreements) on the assets side and certain balance sheet items (trade payables and accruals and deferrals) on the equity and liabilities side.

As of 31 December 2016 and 31 December 2015, respectively, no fundamental changes had been made to the capital management goals, guidelines and procedures.

17 PENSION PROVISIONS

Except for the pension plans of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland, and its subsidiaries as well as of Bechtle Onsite Services GmbH, Neckarsulm, the Bechtle Group has no defined benefit plans.

Defined contribution obligations primarily derive exclusively from the statutory pension obligation. In the reporting period, employer contributions to the statutory pension fund in Germany totalled €21,013 thousand (prior year: €17,750 thousand). In France, the contributions to the statutory pension fund totalled €613 thousand (prior year: €532 thousand).

Bechtle Holding Schweiz AG and Subsidiaries. Although the pension plans of Bechtle Holding Schweiz AG and its subsidiaries are contractually agreed as defined contribution plans, they must, however, be accounted for as defined benefit plans pursuant to IAS 19, as a financial participation by the companies in the event of a shortfall in cover cannot be excluded.

Since 1 January 2006, the Bechtle Holding Schweiz AG companies headquartered in Switzerland have made use of the semi-autonomous "Bechtle Pension Fund" ("Bechtle Pensionskasse") in Rotkreuz, a foundation as defined in Art. 80ff. of the Swiss Civil Code that is independent from the group. The pension fund fulfils the regulations of the Swiss Code of Obligations and of Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pensions (BVG). The transparency required for accounting for the pension plans as defined benefit plans pursuant to IAS 19 has therefore existed since then. For this reason, actuarial opinions have been regularly prepared since 1 January 2006. Subsidiaries of Bechtle Holding Schweiz AG that are not headquartered in Switzerland are covered by defined contribution plans of external state pension funds of the respective countries. According to the financing agreement of the pension fund, 40 per cent of the contributions are paid by the employees and 60 per cent by the employer.

Upon acquisition of the Steffen Group as of 1 July 2016, the pension claims were also transferred to Bechtle. According to the financing agreement of the joint foundation, 50 per cent of the contributions are paid by the employees and 50 per cent by the employer.

In the event of a recapitalisation, Bechtle must pay at least 50 per cent of the deficit for both plans. Upon retirement, the insured can choose between a monthly pension whose amount largely depends on the capital paid in plus interest, or a one-time payment of the capital. The minimum interest is prescribed by the government.

As of 31 December 2015, the comparison of plan assets (€89,690 thousand) and the defined benefit obligation (€105,039 thousand) resulted in an underfunding and a net obligation to be accounted for of €15,349 thousand, which was duly recognised as a pension provision. Of this recognised net obligation, €5,008 thousand resulted from actuarial losses that were recognised in other comprehensive income (retained earnings) outside profit or loss after taking into account deferred taxes.

Actuarial gains amounting to €2,341 thousand accrued in the course of the reporting period. Taking exchange rate differences amounting to minus €107 thousand into consideration, the actuarial losses recognised in retained earnings as at 31 December 2016 amounted to €18,419 thousand, less deferred tax assets amounting to €3,391 thousand.

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by €3,066 thousand. This amount was recognised as a reduction of personnel expenses through profit or loss. They arose especially from a change in the plan.

After factoring in the other exchange rate differences amounting to plus €264 thousand, the total net obligation and thus the pension provisions to be accounted for as of 31 December 2016 amounted to €19,270 thousand. As of 31 December 2016, this net obligation accounted for included the Steffen Group with an amount of €6,322 thousand (prior year: €0 thousand).

With respect to the pension obligation, poor capital market performance and a change in legislation by the government represent potential risks for Bechtle. Moreover, longevity of the insured persons and an imbalance of beneficiaries versus actively insured persons could have a negative financial effect for Bechtle. To minimise these risks, attention is paid to broad diversification of the asset classes. The risk management of the Bechtle pension fund also comprises the equal distribution of employee and employer representatives on the foundation board and a separate management.

Bechtle Onsite Services GmbH. The pension obligations of Bechtle Onsite Services GmbH, Neckarsulm, are a result of the takeover of a partial business unit as of 1 October 2005 and, based on an actuarial opinion, were accounted for in the Bechtle Group for the first time as of 31 December 2005. In the prior year, further obligations were taken over within the scope of takeovers of partial business operations of IBM. The employer contributions depend on the gross salary of the insured. The employee contributions are voluntary. Commitments have been made with respect to the guaranteed return on the retirement account. The performance depends on the gross annual salary and the service time. In most cases, the retirement plans provide for capital payment in one amount or in eight yearly instalments. In the event of a shortfall, Bechtle would have to pay 100 per cent of the shortfall.

In 2013, Bechtle decided to take out reinsurance for the obligations. Prior to 2013, the obligations of this defined benefit plan had been processed as direct commitments without the transfer of reserves.

As of 31 December 2015, the pension provision that was accounted for amounted to €550 thousand. Actuarial losses totalled €531 thousand (deferred tax assets: €157 thousand).

As of 31 December 2016, the pension provision increased €104 thousand to €654 thousand. In the course of the reporting period, actuarial losses amounting to €393 thousand accrued; thus, the actuarial losses recognised in retained earnings as of 31 December 2016 amounted to €924 thousand, less deferred tax assets amounting to €274 thousand.

Employer contributions paid in the reporting period exceeded net pension expenses recognised through profit and loss by €275 thousand. This amount was recognised as a reduction of personnel expenses through profit or loss.

Poor performance on the capital markets could have a negative effect on Bechtle with respect to these pension commitments. If the reinsurance failed to generate the surplus in the amount of the assured yield on the market, Bechtle would incur additional financial expenses. Bechtle endeavours to fulfil its commitments or settle them ahead of time, provided that the employee agrees. New commitments will not be made.

In total, the pension obligations of **Bechtle Onsite Services GmbH and Bechtle Holding Schweiz AG and its subsidiaries**, that were recognised as pension provision in the consolidated balance sheet as of 31 December 2016, amounted to €19,924 thousand (prior year: €15,899 thousand).

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

	€k	
	2016	2015
Present value of the defined benefit obligation 01.01	108,166	99,535
Current service cost (for pension entitlements in the reporting period)	3,324	4,631
Interest cost (for pension entitlements already acquired)	881	1,384
Employee contributions	2,441	2,500
Actuarial gains and losses		
based on demographic development	246	3,358
based on changes in financial assumptions	-2,486	1,324
based on experience	905	207
Curtailment	-3,919	-59
Addition by acquisition	29,692	0
Disposal by divestments	0	-6,979
Pension benefits paid	-5,289	-6,081
Past service cost	-3,173	-1,749
Exchange rate differences	1,025	10,095
Present value of the defined benefit obligation 31.12	131,813	108,166

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

	€k	
	2016	2015
Fair value of the plan assets 01.01	92,267	87,545
Interest income	761	1,246
Employee contributions	2,440	2,500
Employer contributions	3,849	3,823
Income from plan assets included in other comprehensive income	612	-120
Curtailment	-3,919	-59
Addition by acquisition	20,522	0
Disposal by divestments	0	-5,334
Pension benefits paid	-5,275	-6,098
Administrative expenses	-236	-325
Exchange rate differences	868	9,089
Fair value of the plan assets 31.12	111,889	92,267

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

	€k				
	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Present value of defined benefit obligation	131,813	108,166	99,535	79,085	72,235
Fair value of the plan assets	111,889	92,267	87,545	72,703	62,975
Net obligation	19,924	15,899	11,990	6,382	9,260
Pension provision accounted for	19,924	15,899	11,990	6,382	9,260

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

	€k	
	2016	2015
Current service cost (for pension entitlements in the reporting period)	3,324	4,631
Interest cost (for pension entitlements already acquired)	881	1,384
Interest income	-761	-1,246
Past service cost	-3,173	-1,749
Administrative expenses	236	325
Net pension expenses for benefit commitments	507	3,345

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

	Bechtle Holding Schweiz AG		Bechtle Onsite Services GmbH	
	2016 ¹	2015 ²	2016	2015
Discount rate and expected interest	0.6%	0.8% (Netherlands: 2.6%)	1.5%	2.2%
Inflation rate	0.5%	1.0% (Netherlands: 2.0%)	n/a	n/a
Salary increase (including inflation rate)	1.0%	1.5% (Netherlands: 3.0%)	1.5%	1.5%
Pension increase	0.0%	0.0%	2.0%	2.0%
Retirement likelihood, mortality, invalidity	BVG 2010 (P2022); company-specific likelihood of retirement	BVG 2010 (P2021); company-specific likelihood of retirement	Heubeck guide 2005 G; likelihood of retirement depending on age and service time	Heubeck guide 2005 G; likelihood of retirement depending on age and service time
Likelihood of marriage	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	80% men, 30% women. Age difference between husband and wife is three years (Switzerland)	Heubeck guide 2005 G	Heubeck guide 2005 G
Earliest retirement age	Men aged 65 and women aged 64 100% (Switzerland)	Men aged 65 and women aged 64 100% (Switzerland)	100% aged 62 or 63 (depending on commitment)	100% aged 62 or 63 (depending on commitment)
Surcharge for longevity	None	None	None	None

¹ Including Steffen Group

² The Netherlands were converted to defined contribution plans in 2015 and are therefore no longer included in 2016.

The following sensitivity analysis was conducted with respect to the parameters that have a material impact on the obligation. The sensitivity analysis is based on the assumption that only the said parameter changes and all other parameters remain unchanged. Prior to the preparation of the Annual Report, it was examined which of the parameters have a material impact on the obligation. Apart from the parameters mentioned in the following table, the obligation would not change significantly in the event of a change of the other parameters within realistic limits.

	Bechtle Holding Schweiz AG (including Steffen Group)		Bechtle Onsite Services GmbH	
	+0.5%	-0.5%	+1.0%	-1.0%
Discount rate	Obligation decreases 8.2% (8.4%)	Obligation increases 9.3% (9.4%)	Obligation decreases 13.4%	Obligation increases 16.7%
Expected interest	Obligation increases 3.2% (3.6%)	Obligation decreases 3.0% (3.4%)		

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

	31.12.2016		Measurement class (IFRS 13)
	Bechtle Holding Schweiz AG	Steffen Group	
Obligations	22.5%	13.5%	Level 1
Equity instruments	26.7%	36.4%	Level 1
Real estate fund	27.2%	14.3%	Level 1
Other assets	23.6%	35.8%	Level 2

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

The average weighted duration is 16.8 years for those insured at the Swiss pension fund and 15.1 years for those at Bechtle Onsite Services GmbH.

The return on plan assets totalled €1,373 thousand in the reporting period (prior year: €1,125 thousand).

For 2017, the actuarial opinions for Bechtle Holding Schweiz AG (including the Steffen Group) and Bechtle Onsite Services GmbH forecast employee contributions of €4,154 thousand to the defined benefit plans. The expected employer contributions to the plan assets amount to €4,161 thousand. As the plan assets are expected to drop to €111,390 thousand in the fiscal year 2017, the expected net obligation is €17,949 thousand. The net pension expenses for benefit commitments are projected to amount to €4,259 thousand.

18 OTHER PROVISIONS

	31.12.2015	Currency translation and consolidation	Reclassification	Use	Reversal	Addition	€k
							31.12.2016
Guarantees and similar obligations	3,734	39	0	3,270	14	3,513	4,002
Personnel expenses	7,260	73	0	1,165	538	2,010	7,640
Legal and consulting expenses	240	0	0	63	49	80	208
Investor relations	370	0	0	358	12	370	370
Others	790	14	0	506	132	990	1,156
	12,394	126	0	5,362	745	6,963	13,376
Other non-current provisions	5,978	74	6	32	156	849	6,719
Other current provisions	6,416	52	-6	5,330	589	6,114	6,657

Provisions for **guarantees and similar obligations** are formed in the expected utilisation amount based on company-specific historical values. If no other insights exist in the individual case, 0.1 to 0.25 per cent of the net selling price is recognised as guarantee reserves, depending on the product. The provisions for **personnel expenses** mainly comprise anniversary obligations, retroactive personnel payments that depend on future events, and additional tax and social insurance payments. Most of the **legal and consulting costs** relate to costs for consulting services. **Other provisions** primarily relate to provisions for anticipated losses, archiving and disposal costs, as well as contingent liabilities.

19 FINANCIAL LIABILITIES, INTEREST RATE SWAP AND CREDIT LINES

The risk of the variable interest rate is eliminated by an interest rate swap. The interest rate swap with an initial reference amount corresponding to the amount of the loan, which is subject to a variable interest rate, represents a cash flow hedge and is 100 per cent effective in hedging the interest rate risk. The market value of the interest rate swap that will reach maturity on 30 September 2017 was –€11 thousand as of 31 December 2016 (prior year: –€37 thousand), and was recognised in other comprehensive income outside profit or loss after taking deferred taxes amounting to €3 thousand (prior year: €11 thousand) into account. In the 2016 fiscal year, €31 thousand (prior year: €78 thousand) was reclassified from the accumulated other comprehensive income to the interest earnings in the income statement in connection with this cash flow hedge.

A land charge on the financed property serves as collateral for the loans in the amount of €41,849 thousand (prior year: €40,690) that were raised in connection with buildings. For all other bank loans, there are negative pledges or *pari passu* clauses on furnishing collateral.

Other financial liabilities included other current account debts amounting to €1,111 thousand (prior year: €118 thousand).

The company has credit lines of €39,878 thousand (prior year: €43,450 thousand), which can be used both for cash loans and for guarantee credits. As of the balance sheet date, €8,544 thousand (prior year: €13,381 thousand) of this amount was utilised for guarantee credits. These credit lines are not earmarked, and their issue is not subject to any conditions. Apart from this, the company has pure guarantee credit lines amounting to €5,109 thousand (prior year: €5,109 thousand), €237 thousand (prior year: €245 thousand) of which had been utilised as of the balance sheet date. In total, the unused credit lines amounted to €36,206 thousand (prior year: €34,933 thousand).

For the disclosures in accordance with IFRS 7, the financial liabilities are allocated in full to the “loans” class, as in the prior year.

20 TRADE PAYABLES

Trade liabilities of €147 thousand (prior year: €360 thousand) have a remaining term to maturity of more than one year.

21 OTHER LIABILITIES

	€k			
	31.12.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Liabilities to employees	59,802	0	53,150	19
Liabilities to customers	9,095	7	8,287	13
Liabilities resulting from acquisitions	1,163	5,794	456	7,258
Vehicle expenses	1,550	0	1,853	0
Customer bonus	1,547	0	1,392	0
Rent and ancillary rental costs	1,076	70	733	0
Annual financial statement costs	712	0	704	0
Unrealised losses from financial derivatives	424	0	268	0
Telephone/Internet	383	0	300	0
Travel expenses and expenditures	301	0	329	0
Insurances	178	0	208	0
Transportation charges	142	0	171	0
Advertising	79	0	44	0
Others	2,688	0	1,995	0
Total financial liabilities	79,140	5,871	69,890	7,290
VAT liability	25,376	0	24,211	0
Wage and church tax	5,591	0	4,905	0
Social security contributions	3,773	0	3,682	0
Liabilities from other taxes	1,434	3	1,364	3
Total non-financial liabilities	36,174	3	34,162	3
Other liabilities	115,314	5,874	104,052	7,293

Other liabilities primarily relate to various administrative expenses and distribution costs incurred in the ordinary course of business.

For the disclosures according to IFRS 7, financial instruments included in other liabilities are allocated to:

- "other financial liabilities" in the amount of €77,630 thousand (prior year: €69,198 thousand);
- "liabilities resulting from acquisitions" in the amount of €6,957 thousand (prior year: €7,714 thousand);
- "financial derivatives" in the amount of €424 thousand (prior year: €268 thousand).

22 DEFERRED INCOME

	€k			
	31.12.2016		31.12.2015	
	Current	Non-current	Current	Non-current
Down payments received	18,658	0	25,030	0
Deferred income	57,106	12,981	53,222	12,346
Deferred income	75,764	12,981	78,252	12,346

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

V. FURTHER EXPLANATORY NOTES ON THE CASH FLOW STATEMENT

The cash flow statement for the 2016 reporting period and the prior year was prepared in accordance with IAS 7 and reports on the development of cash flows broken down by cash inflows and outflows from operating, investing and financing activities. The cash flow is determined using the indirect method.

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

23 CASH FLOW FROM OPERATING ACTIVITIES

The cash flow from operating activities in the amount of €53,363 thousand (prior year: €115,945 thousand) was indirectly derived from the earnings before taxes. In the context of the indirect method, the financial earnings, depreciation and amortisation and other non-cash expenses and income, as well as changes in selected material balance sheet items and the remaining net assets, are taken into account.

As in the prior year, other non-cash expenses and income consisted of changes to provisions and impairments. The year-on-year decline in the operating cash flow was caused by the dynamic year-end business, which resulted in an increase in trade receivables. Moreover, the inventories went up due to the greater business volume. On the other hand, trade payables also went up.

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

24 CASH FLOW FROM INVESTING ACTIVITIES

In 2016, net cash used for investments of €41,404 thousand (prior year: €34,480 thousand) consisted primarily of payments for investments in intangible assets and property, plant and equipment, as well as time deposits and securities, acquisitions of companies and settlements of net investment hedges. These payments were reduced by payments received from the sale of time deposits and securities, property, plant and equipment and other assets, as well as interest payments received.



See page 176 ff

The payments made for acquisitions comprise the purchase price payments of €27,566 thousand (prior year: €23,058 thousand) for companies and partial business operations acquired in the reporting period as well as additional payments for contingent purchase price increases amounting to €1,840 thousand (prior year: €117 thousand) for companies acquired in prior years. Within the scope of these acquisitions, cash and cash equivalents worth €3,438 thousand were taken over (prior year: €1,987 thousand).

The gross cash flows for the acquisition and sale of long-term time deposits and securities are presented separately, while cash flows from short-term time deposits and securities are netted. In the prior year, only part of the time deposits and securities that had reached maturity were reinvested, and time deposits and securities were shifted to free cash and cash equivalents.



See page 167 ff

Settlements of net investment hedges comprise payments from forward exchange contracts in connection with the hedging of the net investment in the UK-based group company and the Swiss group companies. In the reporting period, this amount totalled –€1,120 thousand (prior year: –€5,387 thousand).

25 CASH FLOW FROM FINANCING ACTIVITIES

Factoring in the assumption and repayment of financial liabilities, dividend distributions and interest payments made, net cash used for financing activities amounted to €36,318 thousand (prior year: €25,668 thousand). In the reporting period, Bechtle made lower repayments and raised a lower amount of new financial funds than in the prior year.

For non-current financial liabilities, payments received and payments made are presented separately. Cash flows for current financial liabilities are shown on a net basis.

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

INFORMATION ON FINANCIAL INSTRUMENTS BY CATEGORY

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

€k						
Class pursuant to IFRS 7	Measurement category	Carrying amount 31.12.2016	Fair value 31.12.2016	Carrying amount 31.12.2015	Fair value 31.12.2015	Level
Assets						
Non-current trade receivables	LAR	2,941	3,096	9,803	9,950	3
Long-term leasing receivables	IAS 17	9,495	9,220	12,217	13,130	3
Current trade receivables	LAR	498,114	498,114	402,224	402,224	3
Short-term leasing receivables	IAS 17	4,156	4,156	3,943	3,943	3
Securities	AFS	2,005	2,005	2,146	2,146	1
Time deposits						
Bond loans	LAR	15,038	15,012	25,028	25,314	2
Fixed-term deposits	LAR	0	0	9,520	9,518	2
Insurances	LAR	5,323	5,323	5,199	5,199	3
Other financial assets	LAR	36,376	36,376	30,839	30,839	3
Long-term lending	LAR	459	498	505	544	3
Financial derivatives						
Derivatives with hedge relationship	n/a	2,441	2,441	3,499	3,499	2
Derivatives without hedge relationship	FAFVPL	725	725	302	302	2
Cash and cash equivalents	LAR	140,415	140,415	164,767	164,767	1
Equity and liabilities						
Loans	FLAC	61,489	69,045	66,020	75,471	2
Non-current trade payables	FLAC	147	142	360	353	3
Current trade payables	FLAC	242,120	242,120	204,067	204,067	3
Other financial liabilities	FLAC	77,630	77,630	69,198	69,198	3
Liabilities resulting from acquisitions	FLFVPL	6,957	6,957	7,714	7,714	3
Financial derivatives						
Derivatives with hedge relationship	n/a	195	195	37	37	2
Derivatives without hedge relationship	FLFVPL	229	229	231	231	2
Thereof aggregated according to valuation category pursuant to IAS 39						
	LAR	698,666	698,834	647,885	648,355	
	AFS	2,005	2,005	2,146	2,146	
	FLAC	381,386	388,937	339,645	349,089	
	FAFVPL	725	725	302	302	
	FLFVPL	7,186	7,186	7,945	7,945	

Abbreviations used for the measurement categories of IAS 39:

LAR = Loans and receivables

AFS = Available-for-sale financial assets

FLAC = Financial liabilities at amortised cost

FAFVPL = Financial assets measured at fair value through profit or loss

FLFVPL = Financial liabilities measured at fair value through profit or loss

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

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

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

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

The **securities** are listed at the stock exchange and have been recognised at the market price as of the balance sheet date.

Financial derivatives not accounted for as hedges are classified as held for trading (IAS 39).

Liabilities resulting from acquisitions are conditional, additional purchase price payments (earn-outs) for acquisitions (IFRS 3.58). The fair value was determined with the help of the DCF method. Apart from the planned business development of the unit taken over, a discount rate that is appropriate for the period was used. The creditworthiness of the debtor Bechtle (IFRS 13.42 ff) was taken into account via an overhead percentage method taking into account the amount, the probability of default and the recovery rate in the event of inability to pay. The difference between the fair value and the amount to be paid at maturity according to the contract is €360 thousand. Changes in the credit risk are included only to a minor extent. The factor that has the greatest impact on the fair value is the planned business development, which is based on earnings-oriented performance indicators. In the event of a reduction of the target achievement to 90 per cent of the target achievement assumed at the acquisition, the liabilities from acquisitions would drop 46 per cent; in the event of an increase to 110 per cent of the target achievement assumed at the acquisition, the liabilities would increase 1 per cent. These liabilities will reach maturity in 2017 to 2020.

The **insurances** class contains pension funds as capital investments. These investments were made in the first quarter of 2014 and were extended again in the reporting period. The fair value of the pension funds corresponds to the discounted amount of the payment guaranteed plus creditworthiness impairment.

The fair value of **bond loans, fixed-term deposits, long-term lending, loans and non-current receivables, leasing receivables and trade payables** corresponds to the present value of the cash flows taking into account the risk-weighted interest rates appropriate for the periods plus credit-worthiness impairment.

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

During the reporting period up to 31 December 2016, there were no reclassifications between measurements at fair value of Level 1 and Level 2, and no reclassifications to or from measurements at fair value of Level 3.

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

Financial assets and liabilities in Level 3	01.01.2016	Total gains and losses			Additions	Compensation/settlement	Reclassification	31.12.2016
		Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income				
Liabilities resulting from acquisitions	7,714	141	0	-59	1,060	-1,898	0	6,957

The €141 thousand posted as expenses under financial earnings were attributable to future payments accounted for as of 31 December 2016.

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

	From the subsequent measurement				Net earnings	
	From interest	Impairment	Fair value	From disposal	2016	2015
Loans and receivables	647	-1,355	0	-510	-1,218	-271
Financial liabilities at amortised cost	-2,490	0	0	0	-2,490	-2,669
Available-for-sale financial assets	277	0	7	0	284	354
Financial derivatives without hedge relationship	0	0	496	101	597	-879
Liabilities resulting from acquisitions	0	0	-141	59	-82	-97
Currency translation differences of financial assets and liabilities	0	452	0	0	452	524
Total	-1,566	-903	362	-350	-2,457	-3,038

Total interest income for financial assets corresponds to the values stated above. The total interest cost for financial liabilities without taking the interest rate swap into account amounted to €2,462 thousand (prior year: €2,591 thousand). The amount of €7 thousand for the available-for-sale financial assets, which resulted from the fair value measurement, accrued in the fiscal year ended. A total of €0 thousand was reclassified from the accumulated other comprehensive income to the income statement.

DISCLOSURES ON ASSETS AND LIABILITIES NETTED AND NOT NETTED

The following financial instruments have been netted in the balance sheet on the basis of a current legal netting entitlement or the existing intention to settle on a net basis (IAS 32):

	2016			2015		
	Gross liabilities	Gross assets	Net amount accounted for	Gross liabilities	Gross assets	Net amount accounted for
Financial assets						
Current trade receivables	109	502,379	502,270	188	406,355	406,167
Refunds and other receivables from suppliers	147	33,425	33,278	2,222	29,947	27,725
Financial liabilities						
Current trade payables	244,117	1,997	242,120	205,317	1,250	204,067
Current liabilities to customers	9,101	6	9,095	8,306	19	8,287

The trade receivables include liabilities to customers amounting to €109 thousand, and the liabilities to customers include receivables from customers amounting to €6 thousand. Based on contractual agreements, these customers of Bechtle are entitled to net these items against each other. The trade payables contain receivables from suppliers in the amount of €1,997 thousand, and the receivables from suppliers contain liabilities in the amount of €147 thousand. Based on contractual agreements, Bechtle is entitled to net these items against each other. These items mainly comprise bonus proceeds that suppliers pay out to Bechtle or that Bechtle pays out to its customers. The year-on-year increase is related to the reporting date.

DISCLOSURES ON RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

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

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

In the consolidated financial statements (EUR), exchange differences arose from the conversion of foreign currency financial statements of subsidiaries abroad. These differences are carried and recognised separately directly in equity. To compensate most of these currency translation differences outside profit or loss, and to hedge a net investment in a foreign operation (IAS 39.102, IFRIC 16), Bechtle took out a EUR/CHF forward exchange contract in the reporting period that covered the majority of these currency risks. Fluctuations in the EUR/CHF exchange rate can significantly affect the consolidated earnings as a considerable portion of the business is generated in Switzerland. At the end of the reporting period, the forward exchange contract concluded at the beginning of the reporting period for the sale of CHF 54 million resulted in a loss of €1,675 thousand that was recognised as other comprehensive income outside profit or loss (income tax effect: €497 thousand). In the prior year, the forward exchange contract that had been concluded in January 2015 for the sale of CHF 58 million at the end of 2015 had resulted in a loss of €5,015 thousand that had been recognised as other comprehensive income outside profit or loss (income tax effects: €1,486 thousand). Similarly, net assets in the UK were hedged against EUR/GBP exchange rate risks. The corresponding forward exchange contract (sale of GBP 4,300 thousand) generated other comprehensive income of €555 thousand that was recognised outside profit or loss (income tax effect: €165 thousand). In the prior year, GBP 4,000 thousand had been sold forward. Also in the prior year, the amount from the hedge of the net assets that had been recognised as other comprehensive income had totalled -€372 thousand (income tax effect: €110 thousand).

On the other hand, the consolidated equity underwent a negative effect in the amount of €527 thousand (prior year: positive effect of €7,849 thousand) from currency translation differences. These were largely caused by EUR/CHF conversion.

The gain that corresponds to the effective part of the currency hedges (€1,715 thousand) was recognised in other comprehensive income outside profit or loss, taking into account deferred taxes (€508 thousand). The share of the hedges whose associated liability has already been accounted for was posted through profit or loss.

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

Currency pair		2016		2015	
		Purchase	Sale	Purchase	Sale
EUR/GBP	GBPk	21,212	8,656	1,603	1,315
EUR/USD	USDk	49,830	31,372	21,866	9,733
EUR/NOK	NOKk	69,338	0	139,494	0
EUR/CHF	EURk	13,830	1,948	564	0
EUR/CZK	CZKk	3,000	3,000	0	0
EUR/SEK	SEKk	2,138	0	0	0
CHF/GBP	GBPk	2,730	0	0	0
CHF/NOK	NOKk	133,590	17,500	0	0
CHF/USD	USDk	2,958	0	0	0
CHF/EUR	CHFk	14,695	12,077	0	0

As of the balance sheet date, an obligation to buy GBP 126 thousand, USD 511 thousand and NOK 45,554 thousand (all net) against euros as well as an obligation to buy €4,983 thousand, GBP 2,419 thousand and NOK 32,949 thousand (all net) against CHF existed under these currency contracts that were classified as held for trading in accordance with IAS 39 and that were thus measured through profit or loss. In the prior year, obligations had existed to buy USD 3,024 thousand, NOK 55,446 thousand and GBP 84 thousand (all net) against euros. The measurement resulted in a loss of €198 thousand (prior year: loss of €147 thousand).

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

€k

	2016		2015	
Effects of a value loss (or increase) of the euro by 10% compared with				
USD	+1,439	(-1,439)	+863	(-863)
NOK	+1,383	(-1,383)	+895	(-895)
GBP	+455	(-455)	+72	(-72)
CHF	-336	(+336)	-181	(+181)
SEK	+43	(-43)	-3	(+3)
PLN	+29	(-29)	+9	(-9)
HUF	-22	(+22)	-14	(+14)
CZK	+9	(-9)	-50	(+50)

The following sensitivity analysis illustrates the impact a decrease (or increase) in the euro exchange rate could have on other comprehensive income (outside profit or loss). The change in fair value of the derivatives accounted for as hedges (IAS 39), as well as the change in value of assets and liabilities of the subsidiaries with the respective currency as functional currency, are taken into consideration.

€k

	2016		2015	
Effects of a value loss (or increase) of the euro by 10% compared with				
CHF	+5,596	(-5,596)	+5,713	(-5,713)
USD	+1,964	(+272)	+5,005	(-229)
GBP	+609	(-609)	+623	(-623)
PLN	+79	(-79)	+67	(-67)
HUF	+62	(-62)	+61	(-61)
CZK	+37	(-37)	+37	(-37)

Interest Rate Risk. The interest rate risk to which the Bechtel Group is exposed mainly concerns the interest earned by its cash and cash equivalents and from time deposits and securities.


Since there is no ineffectiveness, changes in interest rates only affect the fair value measurement of the interest rate swap outside profit or loss if the loan subject to variable interest rates is hedged with a cash flow hedge. Apart from this, the group has only a minimal position – and thus an insignificant interest rate risk – in variable-rate financial instruments, which are exposed to cash flow risks from a possible deterioration in interest rates, and fixed-income financial instruments, which are exposed to fair value risks from interest rate fluctuations.

The sensitivity analysis was conducted for the Bechtel Group's cash and cash equivalents, time deposits and securities as of the balance sheet date, taking into account the relevant interest rates in the relevant currencies. A hypothetical decrease/increase in these interest rates from the beginning of the reporting period by 100 basis points or 1 per cent p.a. (assuming constant exchange rates) would have led to a decrease/increase in interest income by €1,628 thousand (prior year: €2,067 thousand).


In the case of the existing interest rate swap, such a decrease or increase in the interest rate would have caused the fair value to change by +€1 thousand or +€4 thousand (prior year: +€2/+€19 thousand), respectively, recognised in other comprehensive income outside profit or loss.

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

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


For further disclosures on the liquidity, see page 101

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


For information on the cash flows of the financial liabilities, see page 159

	Financial liabilities			
	Loans and interest rate swap	Other current financial liabilities	Trade payables	Other financial liabilities
Carrying amount 31.12.2015	65,939	118	204,427	76,912
Cash flow 2016				
Interest	2,116	0	0	0
Repayment	9,513	118	204,067	69,622
Cash flow 2017				
Interest	1,882		1	30
Repayment	7,622		238	1,302
Cash flow 2018				
Interest	1,667		1	105
Repayment	6,131		121	2,395
Cash flow 2019–2020				
Interest	2,829		0	357
Repayment	11,103		1	3,593
Cash flow 2021–2022				
Interest	1,397			
Repayment	25,346			
Cash flow 2023				
Interest	4			
Repayment	6,187			

€k

The cash and cash equivalents are spread over 22 banks and finance groups. In the case of bank deposits in the European Union, we make sure that the balance at a bank or group of banks with the same deposit guarantee does not exceed the respective deposit guarantee cap. Approximately 35 per cent of the cash and cash equivalents are held with banks that belong to the liability association of the Savings Banks Finance Group; thus, a risk could arise from the default of several banks belonging to this guarantee arrangement. The Swiss group companies hold about 22 per cent of the group's cash and cash equivalents at large Swiss banks, which only offer a low statutory deposit guarantee.



For further disclosures on the risk management, see page 100 f

For investments in securities, we put emphasis on an excellent investment grade rating and diversification in terms of industries, countries and terms to maturity. The maximum investment amount per security is €2 million.

Time deposits are made in instruments with a deposit guarantee. As of 31 December 2016, there were no investments without a deposit guarantee. As of 31 December 2016, Bechtel held time deposits of no more than €15 million per liability unit.

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

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

VII. SEGMENT INFORMATION

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

The Bechtle Group is currently active in two business segments, the IT system house & managed services segment and the IT e-commerce segment. The two segments differ in terms of the areas of activity involved as well as with regard to the processes applied for IT product trading purposes. The strategic alignment and expansion strategy pursued are also different.



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

In the **IT system house & managed services** segment, Bechtle's services cover the entire IT value chain ranging from IT strategy consulting services, hardware and software, project planning and implementation, system integration, IT services and training to complete IT operation. Bechtle prepares individual offers involving a range of different services in combination with hardware and software directly reflecting the needs and preferences of each and every customer. In this segment, Bechtle operates in Germany, Belgium, Austria and Switzerland, ensuring special customer proximity by means of its decentralised organisation with about 70 locations for wide geographic coverage.



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

The **IT e-commerce** segment comprises the group's Internet, catalogue and telesales trading activities. As an IT specialist with a portfolio of more than 70,000 products – ranging from hardware and standard software products to peripherals and accessories – Bechtle covers all common IT areas by means of a multi-brand strategy. The Bechtle direct brand is currently established in 14 European countries and focuses on classic hardware from leading vendors. The ARP brand, on the other hand, also offers innovative niche products and its own brand-name products. It is represented in five European countries and operates a purchasing company in Taiwan. The Comsoft direct software licensing brand is present in seven European countries.

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

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

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

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

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

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

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

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



For disclosures on the composition of the revenue, see page 137

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

	2016			2015		
	IT system house & managed services	e-commerce	IT	IT system house & managed services	e-commerce	IT
By segments			Total group			Total group
Total segment revenue	2,094,816	1,007,204		1,893,615	943,555	
less intersegment revenue	-5,067	-3,374		-4,121	-1,746	
Revenue	2,089,749	1,003,830	3,093,579	1,889,494	941,809	2,831,303
Depreciation/amortisation	-18,018	-4,823	-22,841	-16,471	-4,898	-21,369
Segment result	98,333	50,624	148,957	85,360	49,191	134,551
Amortisation from acquisitions	-4,874	0	-4,874	-5,067	0	-5,067
Earnings before interest and taxes	93,459	50,624	144,083	80,293	49,191	129,484
Financial earnings			1,017			-80
Earnings before taxes			145,100			129,404
Income taxes			-41,729			-36,527
Earnings after taxes			103,371			92,877
Investments	28,953	10,651	39,604	14,975	6,804	21,779
Investments through acquisitions	34,083	0	34,083	28,800	0	28,800

€k

Apart from the scheduled depreciation and amortisation, the non-cash items in the two segments in the reporting period and in the prior year were mainly limited to the usual movements within the course of the business operations (e.g. changes in trade receivables and trade payables).

€k

	2016			2015		
	IT system house & managed services	IT e-commerce	Total group	IT system house & managed services	IT e-commerce	Total group
By segments						
Total segment assets	909,108	361,066		783,037	367,842	
less intersegment receivables	-570	-266		-237	-205	
Assets	908,538	360,800	1,269,338	782,800	367,637	1,150,437
Total segment liabilities	420,317	155,754		377,084	153,144	
less intersegment liabilities	-266	-570		-205	-237	
Liabilities	420,051	155,184	575,235	376,879	152,907	529,786

€k

	2016			2015		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
By regions						
Revenue	2,171,691	921,888	3,093,579	1,957,610	873,693	2,831,303
Investments	34,148	5,456	39,604	16,645	5,134	21,779
Investments through acquisitions	1,286	32,797	34,083	31,080	-2,280	28,800

Of the consolidated revenue generated abroad, Switzerland accounted for €301,274 thousand (prior year: €294,964 thousand). The rest is split between the other countries, namely Austria, Belgium, the Czech Republic, France, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, each of which contributed less than 10 per cent to the consolidated revenue of the Bechtle Group.

€k

	2016			2015		
	Domestic	Abroad	Total group	Domestic	Abroad	Total group
By regions						
Assets	865,124	404,214	1,269,338	809,302	341,135	1,150,437
Thereof non-current assets	243,898	124,333	368,231	242,524	101,877	344,401
Liabilities	412,863	162,372	575,235	387,972	141,814	529,786

The non-current assets reported here comprise property, plant and equipment as well as intangible assets (including goodwill). Of the non-current assets held abroad, Switzerland accounted for €92,834 thousand (prior year: €90,456 thousand). The rest is split between the remaining countries Austria, Belgium, the Czech Republic, France, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Taiwan and the United Kingdom, each of which held less than 5 per cent of the non-current assets of the Bechtle Group.

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

Information on the number of employees by segments and regions is provided in section X. "Other Disclosures, Employees".



See page 187 f

VIII. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

NIEDERER ENGINEERING AG

As of the acquisition date 1 January 2016, the company acquired all interests in Niederer Engineering AG, Abtwil, Switzerland. Founded in 1984, the company is a specialised consultant and service provider for IT infrastructure solutions of HP.

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

Apart from the assets and liabilities already recognised by the acquired company, whose carrying amounts corresponded to their fair value, customer relationships (customer base €665 thousand) were newly recognised (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

In connection with their capitalisation, deferred tax liabilities (€133 thousand) were recognised.

Taking into account the acquired total net assets (€602 thousand), the capital consolidation resulted in a difference of €545 thousand that is reported as goodwill. This goodwill is not recognised for tax purposes.

By acquiring Niederer Engineering AG (six employees), Bechtle has gained accredited, experienced specialists who strengthen the activities in the field of sophisticated IT infrastructure solutions. As of 1 January 2016, the employees relocated to the Bechtle IT system house St. Gallen, both organisationally and physically.

The acquisition costs (€1,147 thousand) resulted in an outflow of cash and cash equivalents. The company purchase agreement does not provide for any contingent purchase price payments.

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

The contributions of Niederer Engineering AG to the revenue and earnings before taxes of the Bechtle Group that were recognised in the reporting period were insignificant.

SI MANAGEMENT AG (STEFFEN GROUP)

As of the acquisition date 1 July 2016, the company acquired all interests in SI Management AG, Mägenwil, Switzerland. The company operates as a holding and wholly owns the following IT system houses:

- Steffen Informatik AG
- Steffen Informatik NW AG
- Steffen Informatik Enterprise Solution AG
- Steffen Human Sourcing AG
- Steffen Informatik Inc.

Hereinafter, the term "Steffen Group" shall be understood to consist of SI Managed AG and its subsidiaries as a single entity. The acquisition was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff) and was completed as of the balance sheet date.

Apart from the assets and liabilities already recognised by the acquired company, whose carrying amounts corresponded to their fair value, customer relationships (customer base: €3,326 thousand and customer service agreements: €2,217 thousand) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff). Moreover, the pension plans to be accounted for as defined-benefit plans according to IAS 19 were recognised for the first time. The plan assets amounted to €20,666 thousand and the pension obligations to €29,904 thousand; the net obligation thus amounted to €9,238 thousand.

In the course of the capitalisation of the customer relationships and the recognition of the pension plans as liabilities, deferred tax assets totalling €591 thousand were recognised.

Taking into account the acquired total net assets (–€230 thousand), the capital consolidation resulted in a difference of €25,349 thousand that is presented as goodwill of the IT system house & managed services. The goodwill is based mainly on synergies in the field of revenue which result from the expansion of the portfolio and new potential in the field of contracts for managed services. This goodwill is not recognised for tax purposes.

By acquiring the Steffen Group (120 employees), Bechtle intends to reinforce its service portfolio in strategically important areas such as outsourcing, managed services competencies and cloud services.

The agreement for the purchase of the Steffen Group contains a contingent purchase price payment of up to €924 thousand. The fair value of this contingent purchase price payment as of the acquisition date was €883 thousand.

Other acquisition costs (€25,119 thousand) resulted in an outflow of cash and cash equivalents.

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

In the reporting period, the Steffen Group accounted for €14,927 thousand of the revenue and €1,257 thousand of the earnings before taxes of the Bechtle Group (IFRS 3.B64qi).

C-CAM GMBH

As of the acquisition date 25 November 2016, the company acquired all interests in C-CAM GmbH, Chemnitz, Germany.

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

Apart from the assets and liabilities already recognised by the acquired company, whose carrying amounts corresponded to their fair value, customer relationships (customer base: €256 thousand) were newly recognised as identifiable assets (IFRS 3.10 ff) and measured at fair value as of the acquisition date (IFRS 3.18 ff).

Taking into account the acquired total net assets (€360 thousand), the capital consolidation resulted in a difference of €940 thousand that is presented as goodwill. This goodwill is not recognised for tax purposes.

By acquiring the company (21 employees), Bechtle is expanding its existing CAD portfolio of SolidLine in Germany, thereby strengthening the leading position of the Bechtle companies in the German-speaking CAD market.

The acquisition costs (€1,300 thousand) resulted in an outflow of cash and cash equivalents. The company purchase agreement does not provide for any contingent purchase price payments.

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

The contributions of C-CAM GmbH to the revenue and earnings before taxes of the Bechtle Group that were recognised in the reporting period were insignificant.

The following table presents the fair value of the assets and liabilities as of the date of initial consolidation as they appear in the balance sheet:

	€k		
	Niederer Engineering AG	Steffen Group	C-CAM GmbH
Non-current assets			
Goodwill	545	25,349	940
Other intangible assets	665	5,543	292
Property, plant and equipment	0	695	54
Deferred taxes	0	600	0
Other assets	0	12	0
Total non-current assets	1,210	32,199	1,286
Current assets			
Inventories	0	17	365
Trade receivables	975	3,946	306
Other assets	0	1,120	19
Cash and cash equivalents	111	3,016	311
Total current assets	1,086	8,099	1,001
Total assets	2,296	40,298	2,287
Non-current liabilities			
Other provisions	5	9,238	0
Deferred taxes	137	58	51
Total non-current liabilities	142	9,296	51
Current liabilities			
Trade payables	282	1,781	227
Income tax liabilities	0	446	69
Other provisions and liabilities	718	3,288	640
Deferred income	7	368	0
Total current liabilities	1,007	5,883	936
Total liabilities	1,149	15,179	987
Total assets			
- Total liabilities			
= Acquisition costs	1,147	25,119	1,300

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

Had the **Steffen Group** and **C-CAM GmbH** been acquired at the beginning of the reporting period, the revenue of the Bechtel Group for the reporting period would have amounted to €3,113 million, and earnings before taxes would have amounted to €147 million (IFRS 3.B64qii).

IX. DISCLOSURES ON THE EXECUTIVE BOARD AND SUPERVISORY BOARD

MEMBERS OF THE EXECUTIVE BOARD

Dr. Thomas Olemotz, Chairman of the Executive Board

Place of residence: Heilbronn, Germany

Member of the Executive Board responsible for logistics & service, finance, controlling and risk management, human resources and staff development, IT, corporate communication and investor relations, mergers & acquisitions as well as legal and compliance

■ Chairman of the Supervisory Board

of AMARAS AG, Monheim an der Ruhr, Germany

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

of Bechtle Financial Services AG, Berlin, Germany

of Modus Consult AG, Gütersloh, Germany

of PP 2000 Business Integration AG, Stuttgart, Germany

of SolidLine AG, Walluf, Germany

■ Chairman of the Board of Directors

of Bechtle Holding Schweiz AG, Rotkreuz, Switzerland

Michael Guschlbauer

Place of residence: Ludwigsburg, Germany

Member of the Executive Board responsible for IT system house & managed services, quality management

■ Member of the Executive Board

of Bechtle Managed Services AG, Neckarsulm, Germany

of Bechtle Systemhaus Holding AG, Neckarsulm, Germany

■ Member of the Supervisory Board

of PP 2000 Business Integration AG, Stuttgart, Germany

■ Vice-Chairman of the Supervisory Board

of Bechtle Financial Services AG, Berlin, Germany

Jürgen Schäfer

Place of residence: Heilbronn, Germany

Member of the Executive Board responsible for IT e-commerce

■ Member of the Executive Board

of Bechtle E-Commerce Holding AG, Neckarsulm, Germany

of Förderkreis der Hochschule Heilbronn e.V., Germany

■ Chairman of the Board of Directors

of Gustav-Berger-Stiftung, Heilbronn, Germany

■ Member of the Supervisory Board

of RIXIUS AG, Mannheim, Germany

NUMBER OF SHARES IN BECHTLE AG

	31.12.2016	31.12.2015
Dr. Thomas Olemotz	0	0
Michael Guschlbauer	0	0
Jürgen Schäfer	4,000	4,000

COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

In the fiscal year 2016, the fixed compensation of the Executive Board that was paid out amounted to €1,472 thousand (prior year: €1,466 thousand).

The one-year and multi-year variable compensation is specified in the table of accruals according to the German Corporate Governance Code (DCGK) and in the total compensation table according to Section 314 (1) no. 6 of the German Commercial Code (HGB) as well as IAS 24.17 in the year for which they are granted and are thus recognised as expense. Naturally, the payment only takes place in the subsequent year. According to the German Corporate Governance Code (DCGK), the table of benefits granted must indicate the target figure that would be due upon full target achievement, regardless of the actual target achievement. The actually achieved amount, which is due for payment in the following year, is specified in the table of accruals according to the German Corporate Governance Code (DCGK) and of the total compensation according to Section 314 (1) no. 6 of the German Commercial Code (HGB).

In the fiscal year 2012, the compensation of the Executive Board of Bechtle AG was supplemented with a long-term incentive component (long-term bonus plan). The long-term component is granted for a three or four-year period, starting from the fiscal year in which it is granted. According to the German Corporate Governance Code (DCGK), the bonus plan granted in the reporting period, i.e. the bonus plan whose term starts in the reporting period (tranche for 2015 to 2018 in the fiscal year 2015; tranche for 2016 to 2018 in the fiscal year 2016) must be specified in the "Benefits granted" table. In this context, the target value as of the date of commitment shall be specified, regardless of the fact that the commitment depends on the achievement of the defined targets and the payment will only be due in the fiscal year after the end of the three or four-year period. The multi-year component whose plan term ended in the reporting period must be specified in the table of accruals according to the German Corporate Governance Code (DCGK) and the total compensation table according to Section 314 (1) no. 6 of the German Commercial Code (HGB), namely in the form of the actually achieved value that is due for payment in the subsequent year (tranche for 2013 to 2015 in the fiscal year 2015 and tranche for 2014 to 2016 in the fiscal year 2016).

The compensation of the members of the Executive Board for the fiscal year 2016 was distributed as follows:

	Dr. Thomas Olemotz Chairman of the Executive Board		Michael Guschlbauer Board member responsible for IT system house & managed services, quality management		Jürgen Schäfer Executive Board member responsible for IT e-commerce		Total compensation	
	2016	2015	2016	2015	2016	2015	2016	2015
Executive Board compensation								
Non-performance-based compensation								
Fixed annual salary	800	800	330	330	280	280	1,410	1,410
Fringe benefits	17	17	33	27	12	12	62	56
Total	817	817	363	357	292	292	1,472	1,466
Performance-based compensation								
Bonus	600	600	220	220	175	175	995	995
Special bonus ¹	640	800	240	300	120	150	1,000	1,250
Total	1,240	1,400	460	520	295	325	1,995	2,245
Compensation in the form of a long-term incentive								
Commitments 2013 (tranche 2013 to 2015)	0	560	0	160	0	160	0	880
Commitments 2014 (tranche 2014 to 2016)	560	0	160	0	160	0	880	0
Total	560	560	160	160	160	160	880	880
Final total	2,617	2,777	983	1,037	747	777	4,347	4,591

¹ At its own discretion, the Supervisory Board may grant a special bonus.

The long-term bonus plan is recognised in the provisions on a pro-rata basis. For this, €983 thousand (prior year: €805 thousand) were recognised as expense in the financial statements. The value of the obligation for the compensation in the form of a long-term incentive amounted to €1,915 thousand as of 31 December 2016 (prior year: €1,812 thousand).

The benefits granted to the members of the Executive Board for the fiscal year 2016 were distributed as follows:


Benefits granted	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007				Michael Guschlbauer Board member responsible for IT system house & managed services, quality management from 01.01.2009				Jürgen Schäfer Executive Board member responsible for IT e-commerce from 01.01.2009			
	Minimum 2016	Maximum 2016	2016	2015	Minimum 2016	Maximum 2016	2016	2015	Minimum 2016	Maximum 2016	2016	2015
Non-performance-based compensation												
Fixed annual salary	800	800	800	800	330	330	330	330	280	280	280	280
Fringe benefits	17	17	17	17	33	33	33	27	12	12	12	12
Total			817	817			363	357			292	292
Performance-based compensation												
Bonus	0	600	600	600	0	220	220	220	0	175	175	175
Special bonus			640	800			240	300			120	150
Total one-year variable compensation			1,240	1,400			460	520			295	325
Long-term bonus plan												
Commitments 2015 (tranche 2015 to 2017)	0	0	0	0	0	0	0	230	0	0	0	185
Commitments 2016 (tranche 2016 to 2018)	0	620	620	620	0	230	230	0	0	185	185	0
Total multi-year variable compensation			620	620			230	230			185	185
Total compensation			2,677	2,837			1,053	1,107			772	802

The allocation granted to the members of the Executive Board for the fiscal year 2016 was distributed as follows:


Inflows	Dr. Thomas Olemotz Chairman of the Executive Board from 01.03.2007		Michael Guschlbauer Board member responsible for IT system house & managed services, quality management from 01.01.2009		Jürgen Schäfer Executive Board member responsible for IT e-commerce from 01.01.2009	
	2016	2015	2016	2015	2016	2015
Non-performance-related compensation						
Fixed annual salary	800	800	330	330	280	280
Fringe benefits	17	17	33	27	12	12
Total	817	817	363	357	292	292
Performance-based compensation						
Bonus	600	600	220	220	175	175
Special bonus	640	800	240	300	120	150
Total one-year variable compensation	1,240	1,400	460	520	295	325
Long-term bonus plan						
Commitments 2013 (tranche 2013 to 2015)	0	560	0	160	0	160
Commitments 2014 (tranche 2014 to 2016)	560	0	160	0	160	0
Total multi-year variable compensation	560	560	160	160	160	160
Total compensation	2,617	2,777	983	1,037	747	777

MEMBERS OF THE SUPERVISORY BOARD AND THEIR COMPENSATION

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


For further disclosures
on the Supervisory Board,
see page 51 ff

Name	Basic compensation	Chairman/ vice-chairman	Committee activity	Attendance fee	€k	
					Total 2016	Total 2015
Shareholder representatives						
Kurt Dobitsch	28		4	6	38	28
Prof. Dr. Thomas Hess	28			4	32	28
Dr. Walter Jaeger (until 09.06.2016)	11		3	3	16	37
Dr. Matthias Metz	28	59	15	9	110	98
Karin Schick	28			4	32	28
Sandra Stegmann (from 09.06.2016)	17			3	20	0
Dr. Jochen Wolf	28	18	15	9	68	60
Employee representatives						
Uli Drautz	28	14	15	9	65	57
Daniela Eberle	28		7	7	42	35
Barbara Greyer	28			3	31	28
Martin Meyer	28			4	32	28
Volker Strohfeld	28			4	32	27
Michael Unser	28			3	30	28
Total	333	91	58	66	548	482


For further disclosures
on the members of
the Supervisory Board,
see Appendix D,
page 200 f

All other details relevant to the Supervisory Board that have to be provided by law are set out in summarised form in Appendix D to these Notes.

Disclosures on the shareholding of the members of the Supervisory Board are presented in the Corporate Governance Report in the Management Report.

X. OTHER DISCLOSURES

OPERATING LEASES

In the context of rental, leasehold and leasing agreements classed as operating leases as per IAS 17, the group leases property, plant and equipment. The leasing instalments and/or rental payments resulting from this are recognised directly as expense items in the income statement.

Bechtle has leased buildings, vehicles and IT products by way of operating leases that cannot be terminated during the basic rental term. Payments amounting to €35,931 thousand (prior year: €33,925 thousand) were recognised as expenses in connection with leases.

The nominal value of the future minimum lease payments under the aforesaid contracts amounted to €67,143 thousand as of 31 December 2016 (prior year: €75,048 thousand).

The calculation of the minimum lease payments takes into account contractually agreed and known price adjustments. Furthermore, customary local price adjustment clauses and lease renewal options exist, which are not taken into account in the calculation since their amount and application are uncertain.

	€k	
	2016	2015
Due within one year	27,472	28,030
Due between one and five years	31,937	38,664
Due after five years	7,734	8,354
Minimum lease payments	67,143	75,048

In connection with operating leases, Bechtle also acts as lessor. Most of the agreements concerned relate to the leasing of IT products. Generally, the leasing agreements are concluded for terms of three to five years. The minimum lease payments from these leases amount to €5,858 thousand for 2017 (prior year for 2016: €6,723 thousand) and €5,866 thousand for 2018 to 2022 (prior year for 2017 to 2021: €7,659 thousand), thus totalling €11,724 thousand (prior year: €14,382 thousand).

FINANCE LEASES

In connection with finance leases, Bechtle also acts as lessor. Bechtle Financial Services AG operates as a group-internal sales financing provider for the end-customer business of the system houses. It offers rent and leasing models for direct leasing and refinancing of the system houses as well as hire purchases. In this context, Bechtle Financial Services sometimes assumes open residual values that are protected via Bechtle Remarketing GmbH, a subsidiary of Bechtle AG. Bechtle Remarketing upgrades the items and sells them. The refinancing of the financing transactions takes place in the form of forfeiting (non-recourse factoring) via various refinancing partners. Moreover, Bechtle Financial Services refinances itself with group funds for the purpose of making use of interest margins. Due to agreements newly concluded in the fiscal year 2016, non-guaranteed residual values exist in the amount of €409 thousand (prior year: €80 thousand).

As of the closing date, the trade receivables contained leasing receivables amounting to €13,651 thousand (prior year: €16,159 thousand). The reconciliation of the net investment accounted for with the gross investment taking into account the residual values is presented in the following table.

	2016			2015		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
	Due within one year	4,156	569	4,725	3,942	1,265
Due between one and five years	9,495	617	10,112	11,674	1,753	13,427
Due after five years	0	0	0	543	6	549
Minimum lease payments	13,651	1,186	14,837	16,159	3,024	19,183

The interest share of the lease payments corresponds to the not yet realised financial income. The leasing receivables do not contain any impairment.

EMPLOYEES

The personnel and social expenses were as follows:

	€k	
	2016	2015
Wages and salaries	392,104	360,191
Social security contributions and expenses for pension schemes and support	67,273	62,849
Personnel and social expenses	459,377	423,040

Personnel and social expenses (wages and salaries) include severance pay amounting to €897 thousand (prior year: €1,374 thousand) (IAS 19.171).

All in all, the employee numbers in the Bechtle Group were as follows as of the balance sheet date and on annual average:

	€k			
	31.12.2016	31.12.2015	2016	2015
Full-time and part-time employees	7,033	6,611	6,855	6,376
Trainees	500	473	446	427
Employees on parental leave	134	121	127	121
Temporary staff	237	235	238	236
Total	7,904	7,440	7,666	7,160

The average number of full-time and part-time employees listed above includes 109 (prior year: 107) Managing Directors and/or Members of the Executive Board of subsidiaries.

The employee numbers (without temporary staff) break down by segments and regions as follows:

	€k			
	31.12.2016	31.12.2015	2016	2015
IT system house & managed services	6,125	5,766	5,933	5,492
Domestic	5,418	5,142	5,276	4,863
Abroad	707	624	657	629
IT e-commerce	1,542	1,439	1,495	1,432
Domestic	538	491	521	497
Abroad	1,004	948	974	935

The employee numbers (without employees on parental leave and without temporary staff) break down by functional areas as follows:

	€k			
	31.12.2016	31.12.2015	2016	2015
Services	3,527	3,382	3,449	3,218
Sales	2,299	2,115	2,243	2,080
Administration	1,707	1,587	1,609	1,505

The service staff comprises all employees that perform services for customer orders. The sales staff comprises employees who maintain direct contact with customers for sales purposes. The administrative staff comprises all employees who do not belong to the service and sales staff, especially employees in the purchasing department, the warehouse and the administration.

AUDITOR'S FEE

The following fees were recognised as expense in the fiscal years 2016 and 2015 for services rendered by the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for Bechtle AG and its subsidiaries:

	€k	
	2016	2015
Audit of financial statements	449	514
Other attestation services	2	6
Other services	17	31
Auditor's fee	468	551

The fees for audits include the fees for the consolidated financial statements audit as well as for the audit of the annual financial statements of Bechtle AG and its domestic subsidiaries.

RELATED-PARTY RELATIONSHIPS

Bechtle AG and all its (direct or indirect) subsidiaries are considered to be related parties. All these companies are consolidated in the consolidated financial statements of Bechtle AG.



See Appendix A,
page 193 ff

Parties related to Bechtle are Karin Schick as the largest shareholder of Bechtle AG, the members of the Executive Board and of the Supervisory Board of Bechtle AG as well as their close family members.

Apart from her Supervisory Board office as shareholder representative, Karin Schick served as a part-time employee at Bechtle AG without any material compensation until 31 August 2014.

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

Since his departure from the Supervisory Board, Gerhard Schick, father of Karin Schick, has continued to make his experience available to the Bechtle Group within the scope of a consulting agreement without compensation.

During their membership in the Supervisory Board, the employee representatives on the Supervisory Board received taxable compensation amounting to €435 thousand in the reporting period (prior year: €402 thousand) for their normal employment with Bechtle.

Apart from this, there were no other noteworthy transactions between Bechtle and related parties, neither in the reporting period nor in the prior year.

EXERCISE OF RIGHTS PURSUANT TO SECTION 264 (3)/SECTION 264B OF THE GERMAN COMMERCIAL CODE (HGB)

The following companies, which are affiliated consolidated companies of Bechtle AG and for which the consolidated financial statements of Bechtle AG represent the exempting consolidated financial statements, make use of their right of exemption pursuant to Section 264 (3)/Section 264b of the German Commercial Code (HGB):

Company	Location
Bechtle GmbH	Berlin, Germany
Bechtle Financial Services AG	Berlin, Germany
Bechtle GmbH & Co. KG	Bielefeld, Germany
Bechtle GmbH & Co. KG	Bonn, Germany
Bechtle GmbH	Bremen, Germany
Bechtle GmbH & Co. KG	Chemnitz, Germany
C-CAM GmbH	Chemnitz, Germany
Bechtle GmbH & Co. KG	Darmstadt, Germany
ARP GmbH	Dietzenbach, Germany
Bechtle GmbH	Dortmund, Germany
PSB GmbH	Dreieich, Germany
Bechtle GmbH & Co. KG	Duisburg, Germany
ITZ Informationstechnologie GmbH	Essen, Germany
Bechtle GmbH	Frankfurt (Main), Germany
Bechtle GmbH	Freiburg (Breisgau), Germany
Bechtle GmbH & Co. KG	Friedrichshafen, Germany
Bechtle Finanz- & Marketingservices GmbH	Gaildorf, Germany
MODUS Consult AG	Gütersloh, Germany
Bechtle GmbH	Hamburg, Germany
Bechtle Mobility GmbH	Hamburg, Germany
HanseVision GmbH	Hamburg, Germany
Bechtle GmbH	Hannover, Germany
Bechtle GmbH & Co. KG	Karlsruhe, Germany
Bechtle GmbH	Köln, Germany
Bechtle GmbH & Co. KG	Krefeld, Germany
Bechtle IT-Systemhaus GmbH	Krefeld, Germany
SolidPro Informationssysteme GmbH	Langenau, Germany
Bechtle GmbH	Leipzig, Germany
Bechtle GmbH & Co. KG	Mannheim, Germany
AMARAS AG	Monheim (Rhein), Germany
Bechtle GmbH & Co. KG	Münster, Germany
Bechtle-Comsoft GmbH	Neckarsulm, Germany
Bechtle direct GmbH	Neckarsulm, Germany
Bechtle E-Commerce Holding AG	Neckarsulm, Germany
Bechtle Field Services GmbH & Co. KG	Neckarsulm, Germany

Company	Location
Bechtle Finance GmbH	Neckarsulm, Germany
Bechtle GmbH & Co. KG	Neckarsulm, Germany
Bechtle Grundstücksverwaltungsgesellschaft mbH	Neckarsulm, Germany
Bechtle Immobilien GmbH	Neckarsulm, Germany
Bechtle Logistik & Service GmbH	Neckarsulm, Germany
Bechtle Managed Services AG	Neckarsulm, Germany
Bechtle ÖA direct GmbH	Neckarsulm, Germany
Bechtle Onsite Services GmbH	Neckarsulm, Germany
Bechtle Hosting & Operations GmbH & Co. KG	Neckarsulm, Germany
Bechtle Softwarelösungen GmbH	Neckarsulm, Germany
Bechtle Systemhaus Holding AG	Neckarsulm, Germany
Bechtle GmbH	Nürnberg, Germany
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen, Germany
PSB IT-Service GmbH	Ober-Mörlen, Germany
Bechtle GmbH	Offenburg, Germany
Bechtle GmbH	Radolfzell (Lake Constance), Germany
Bechtle GmbH & Co. KG	Regensburg, Germany
Bechtle GmbH & Co. KG	Rottenburg (Neckar), Germany
Bechtle GmbH	Solingen, Germany
Bechtle GmbH	Stuttgart, Germany
PP 2000 Business Integration AG	Stuttgart, Germany
Bechtle GmbH	Ulm, Germany
HCV Data Management GmbH	Walluf, Germany
Solid Line Aktiengesellschaft	Walluf, Germany
Bechtle GmbH	Weimar, Germany
Bechtle Remarketing GmbH	Wesel, Germany
Bechtle GmbH	Würselen, Germany
Bechtle GmbH	Würzburg, Germany

XI. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

Neckarsulm, 27 February 2017

Bechtle AG
The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

SUBSIDIARIES OF BECHTLE AG

as of 31 December 2016 (Appendix A to the Notes)

60. SUBSIDIARIES – GERMANY

Company	Location
Bechtle GmbH	Berlin
Bechtle Financial Services AG	Berlin
Bechtle GmbH & Co. KG	Bielefeld
Bechtle GmbH & Co. KG	Bonn
Bechtle GmbH	Bremen
Bechtle GmbH & Co. KG	Chemnitz
C-CAM GmbH	Chemnitz
Bechtle GmbH & Co. KG	Darmstadt
ARP GmbH	Dietzenbach
Bechtle GmbH	Dortmund
PSB GmbH	Dreieich
Bechtle GmbH & Co. KG	Duisburg
ITZ Informationstechnologie GmbH	Essen
Bechtle GmbH	Frankfurt (Main)
Bechtle GmbH	Freiburg (Breisgau)
Bechtle GmbH & Co. KG	Friedrichshafen
Bechtle Finanz- & Marketingservices GmbH	Gaildorf
Modus Consult AG	Gütersloh
Bechtle GmbH	Hamburg
Bechtle Mobility GmbH	Hamburg
HanseVision GmbH	Hamburg
Bechtle GmbH	Hannover
Bechtle GmbH & Co. KG	Karlsruhe
Bechtle GmbH	Köln
Bechtle GmbH & Co. KG	Krefeld
Bechtle IT-Systemhaus GmbH	Krefeld
SolidPro Informationssysteme GmbH	Langenau
Bechtle GmbH	Leipzig
Bechtle GmbH & Co. KG	Mannheim
AMARAS AG	Monheim (Rhein)
Bechtle GmbH & Co. KG	Münster

Company	Location
Bechtle Clouds GmbH	Neckarsulm
Bechtle direct GmbH	Neckarsulm
Bechtle E-Commerce Holding AG	Neckarsulm
Bechtle Finance GmbH	Neckarsulm
Bechtle GmbH & Co. KG	Neckarsulm
Bechtle Grundstücksverwaltungsgesellschaft mbH	Neckarsulm
Bechtle Immobilien GmbH	Neckarsulm
Bechtle Logistik & Service GmbH	Neckarsulm
Bechtle Managed Services AG	Neckarsulm
Bechtle ÖA direct GmbH	Neckarsulm
Bechtle Onsite Services GmbH	Neckarsulm
Bechtle Hosting & Operations GmbH & Co. KG	Neckarsulm
Bechtle Softwarelösungen GmbH	Neckarsulm
Bechtle Systemhaus Holding AG	Neckarsulm
Bechtle-Comsoft GmbH	Neckarsulm
Bechtle GmbH	Nürnberg
Bechtle IT-Systemhaus GmbH & Co. KG	Ober-Mörlen
PSB IT-Service GmbH	Ober-Mörlen
Bechtle GmbH	Offenburg
Bechtle GmbH	Radolfzell (Lake Constance)
Bechtle GmbH & Co. KG	Regensburg
Bechtle GmbH & Co. KG	Rottenburg (Neckar)
Bechtle GmbH	Solingen
Bechtle GmbH	Stuttgart
PP 2000 Business Integration AG	Stuttgart
Bechtle GmbH	Ulm
HCV Data Management GmbH	Walluf
Solid Line Aktiengesellschaft	Walluf
Bechtle GmbH	Weimar
Bechtle Remarketing GmbH	Wesel
Bechtle GmbH	Würselen
Bechtle GmbH	Würzburg

Non-operating companies

Company	Location
Bechtle Verwaltungs-GmbH	Bielefeld
Bechtle Verwaltungs-GmbH	Bonn
Bechtle Verwaltungs-GmbH	Chemnitz
DA Bechtle Verwaltungs-GmbH	Darmstadt
BO Bechtle Verwaltungs-GmbH	Duisburg
FH Bechtle Verwaltungs-GmbH	Friedrichshafen
Bechtle Data Verwaltungs-GmbH	Gaildorf
Bechtle GmbH	Gaildorf
Bechtle Kapitalbeteiligungs-Verwaltungs-GmbH	Gaildorf
intelligent IT solutions Beteiligungs-GmbH	Gaildorf
MH Bechtle Verwaltungs-GmbH	Gaildorf
MS Mikro Software Gesellschaft für Systemanalyse und Engineering mbH	Gaildorf
OCR Datensysteme GmbH	Gaildorf
KA Bechtle Verwaltungs-GmbH	Karlsruhe
MA Bechtle Verwaltungs-GmbH	Mannheim
Bechtle Verwaltungs-GmbH	Münster
Bechtle Field Services GmbH & Co. KG	Neckarsulm
Bechtle Field Services Verwaltungs-GmbH	Neckarsulm
Bechtle Hosting & Operations Verwaltungs-GmbH	Neckarsulm
HN Bechtle Verwaltungs-GmbH	Neckarsulm
Bechtle Verwaltungs-GmbH	Ober-Mörlen
REG Bechtle Verwaltungs-GmbH	Regensburg
RB Bechtle Verwaltungs-GmbH	Rottenburg (Neckar)

61. SUBSIDIARIES – WORLDWIDE

Company	Country	Location
ARP NV	Belgium	Neerpelt
Bechtle Brussels NV	Belgium	Neerpelt
Bechtle direct NV	Belgium	Neerpelt
Bechtle Management BVBA	Belgium	Neerpelt
Bechtle Public Belgium NV	Belgium	Neerpelt
ARP SASU	France	Molsheim
Bechtle direct SAS	France	Molsheim
Bechtle Management E.u.r.l.	France	Molsheim
Comsoft SOS Developers SAS	France	Molsheim
Bechtle direct Ltd.	United Kingdom	Chippenham
Bechtle direct Limited	Ireland	Dublin
Bechtle direct S.r.l.	Italy	Bozen
Bechtle direct B.V.	Netherlands	Eindhoven
Bechtle Holding B.V.	Netherlands	Eindhoven
Buyitdirect.com N.V.	Netherlands	Hoofddorp
ARP Nederland B.V.	Netherlands	Maastricht
ARP Supplies B.V.	Netherlands	Maastricht
Bechtle Management B.V.	Netherlands	Maastricht
Comsoft direct B.V.	Netherlands	Maastricht
Bechtle direct GmbH	Austria	Traun
Bechtle GmbH	Austria	Wien
Bechtle Management GmbH	Austria	Wien
Comsoft direct GmbH	Austria	Wien
planetsoftware GmbH	Austria	Wien
ARP GmbH	Austria	Wiener Neudorf
Bechtle direct Polska Sp.z o.o.	Poland	Wroclaw
Bechtle direct Portugal Unipessoal Lda	Portugal	Aveiro

Company	Country	Location
Bechtle direct AG	Switzerland	Gland
SI Management AG	Switzerland	Mägenwil
Steffen Informatik AG	Switzerland	Mägenwil
Steffen Informatik Human Sourcing AG	Switzerland	Mägenwil
Steffen Informatik NW AG	Switzerland	Pratteln
ARP Europe AG	Switzerland	Rotkreuz
ARP Schweiz AG	Switzerland	Rotkreuz
Bechtle Holding Schweiz AG	Switzerland	Rotkreuz
Bechtle Logistics & Service AG	Switzerland	Rotkreuz
Bechtle Management AG	Switzerland	Rotkreuz
Bechtle Schweiz AG	Switzerland	Rotkreuz
Comsoft direct AG	Switzerland	Rotkreuz
Steffen Informatik Enterprise Solutions AG	Switzerland	Zug
Solid Solutions AG	Switzerland	Zürich
Bechtle direct S.L.	Spain	Madrid
Comsoft direct S.L.U.	Spain	Madrid
ARP Datacon Ltd.	Taiwan R.O.C.	Taipei Hsien
Bechtle direct s.r.o.	Czech Republic	Praha
Bechtle direct Kft.	Hungary	Budapest
Steffen Informatik Inc.	U.S.A.	Hackensack/New Jersey

62. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

From 1 January to 31 December 2015 (Appendix C to the Notes)

	Costs of purchase						As of 31.12.2015
	As of 01.01.2015	Change in scope of consolidation	Other additions	Currency translation differences	Disposals	Transfers/ restructure	
Goodwill	144,499	17,913	0	3,986	0	0	166,398
Other intangible assets							
Brands/licences	3,564	3,100	0	395	0	0	7,059
Customer bases	12,109	1,550	0	141	3,030	0	10,770
Acquired software	18,048	72	3,303	119	682	-54	20,806
Internally developed software	3,616	3,594	717	0	0	54	7,981
Customer service agreements	9,687	3,350	134	13	61	0	13,123
Non-compete agreements	1,270	1,100	0	0	600	0	1,770
	48,294	12,766	4,154	668	4,373	0	61,509
Property, plant and equipment							
Property and buildings	76,849	17	381	0	0	0	77,247
Other equipment, furniture, fixtures and fittings	92,575	-1,871	16,844	2,183	12,002	38	97,767
Advance payments and construction in progress	60	-25	400	2	0	-38	399
	169,484	-1,879	17,625	2,185	12,002	0	175,413
	362,277	28,800	21,779	6,839	16,375	0	403,320

€k

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

€k

Cumulative depreciations and amortisations					Carrying amount		
As of 01.01.2015	Change in scope of consolidation	Additions	Currency translation differences	Disposals	As of 31.12.2015	As of 31.12.2015	As of 31.12.2014
0	0	0	0	0	0	166,398	144,499
0	0	0	0	0	0	7,059	3,564
7,463	0	2,673	58	3,030	7,164	3,606	4,646
14,868	-82	2,469	99	643	16,711	4,095	3,180
2,632	0	753	0	0	3,385	4,596	984
2,624	0	1,526	4	61	4,093	9,030	7,063
727	0	868	0	600	995	775	543
28,314	-82	8,289	161	4,334	32,348	29,161	19,980
7,332	0	2,123	0	0	9,455	67,792	69,517
57,928	-1,575	16,024	1,455	9,744	64,088	33,679	34,647
0	0	0	0	0	0	399	60
65,260	-1,575	18,147	1,455	9,744	73,543	101,870	104,224
93,574	-1,657	26,436	1,616	14,078	105,891	297,429	268,703

SUPERVISORY BOARD MEMBERS

(Appendix D to the Notes)

63. SUPERVISORY BOARD MEMBERS – SHAREHOLDER REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Kurt Dobitsch	Since 20 May 1999	Businessman	<ul style="list-style-type: none"> ■ United Internet AG, Montabaur, Germany (Chairman) thereof mandates affiliated with the group: <ul style="list-style-type: none"> ■ United Internet Ventures AG, Montabaur, Germany (Vice-Chairman) ■ 1 & 1 Mail & Media Application SE (formerly United Internet Mail & Media SE), Montabaur, Germany, Member ■ 1 & 1 Internet SE (formerly 1 & 1 Internet Holding SE), Montabaur, Germany, Member (Vice-Chairman) ■ 1&1 Telecommunication SE (formerly 1 & 1 Telecommunication Holding SE), Montabaur, Germany, Member (Vice-Chairman) ■ Nemetschek AG, Germany (Chairman) thereof mandates affiliated with the group: <ul style="list-style-type: none"> ■ Graphisoft S.E., Hungary (Member of the Board of Directors) ■ Vectorworks Inc., Columbia, USA (Member of the Board of Directors) ■ Singhammer IT Consulting AG, München, Germany (Member)
Prof. Dr. Thomas Hess	Since 20 June 2012	Institute director	
Dr. Walter Jaeger	17 June 2008 to 9 June 2016	Merchant	Chairman of the Advisory Board <ul style="list-style-type: none"> ■ Horst Mosolf GmbH & Co. KG, Kirchheim unter Teck, Germany
Dr. Matthias Metz Chairman of the Supervisory Board	Since 5 June 2014	Graduate in business administration	Member of the Supervisory Board <ul style="list-style-type: none"> ■ FFS Bank GmbH, Stuttgart, Germany
Karin Schick	Since 9 August 2004	Businesswoman	
Sandra Stegmann	Since 9 June 2016	Consultant	
Dr. Jochen Wolf Second Vice-Chairman of the Supervisory Board	Since 2 October 2003	Director	Chairman of the Supervisory Board <ul style="list-style-type: none"> ■ Joma-Polytec GmbH, Bodelshausen, Germany Member of the Supervisory Board <ul style="list-style-type: none"> ■ Bardusch Beteiligungen GmbH + Co. KG, Ettlingen, Germany ■ Bizerba GmbH & Co. KG, Balingen, Germany ■ IMS Gear Management SE/IMS Gear SE & Co. KGaA, Donaueschingen, Germany ■ LTS Lohmann Therapie-Systeme AG, Andernach, Germany ■ R-Biopharm AG, Darmstadt, Germany ■ E.G.O. Elektrogerätebau GmbH, Oberderdingen, Germany ■ Heller GmbH/Gebr. Heller Maschinenfabrik GmbH, Nürtlingen, Germany (until 31.07.2016) ■ Rafi GmbH & Co. KG, Berg/Ravensburg, Germany

64. SUPERVISORY BOARD MEMBERS – EMPLOYEE REPRESENTATIVES

Name	Affiliation	Profession	Membership in supervisory boards and other supervisory bodies pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG)
Uli Drautz Vice-Chairman of the Supervisory Board	Since 15 October 2003	Executive employee	Member of the Supervisory Board <ul style="list-style-type: none"> ■ AMARAS AG, Monheim am Rhein, Germany ■ Bechtle E-Commerce Holding AG, Neckarsulm, Germany ■ Bechtle Systemhaus Holding AG, Neckarsulm, Germany ■ Bechtle Managed Services AG, Neckarsulm, Germany ■ SolidLine Aktiengesellschaft, Walluf, Germany ■ PP 2000 Business Integration AG, Stuttgart, Germany ■ Bechtle Financial Services AG, Berlin, Germany
Daniela Eberle	Since 15 October 2003	Employee	
Barbara Greyer	Since 15 October 2003	Union Secretary ver.di, State District Baden-Württemberg	
Martin Meyer	Since 18 June 2013	Employee	
Volker Strohfeld	Since 18 June 2013	IT service engineer	
Michael Unser	Since 18 June 2013	First representative of IG Metall Heilbronn-Neckarsulm	Member of the Supervisory Board <ul style="list-style-type: none"> ■ ThyssenKrupp IS, Essen, Germany ■ ThyssenKrupp SY, Essen, Germany

65. COMMITTEES OF THE SUPERVISORY BOARD

as of 31 December 2016

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

AUDIT OPINION

We have issued the following opinion on the Consolidated Financial Statements and the group management report:

“We have audited the Consolidated Financial Statements prepared by the Bechtle AG, Neckarsulm, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash-flows and the notes to the Consolidated Financial Statements, together with the group management report for the fiscal year from January 1 to December 31, 2015. The preparation of the Consolidated Financial Statements and the group management report in accordance with IFRS’s as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315 a (1) HGB (“Handelsgesetzbuch”: “German Commercial Code”) are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Heilbronn, 28 February 2017

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft



Heller

German Public Auditor



Moschall

German Public Auditor



RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the Consolidated Financial Statements give a true and fair view of the earnings, asset and financial position of the group, and the Management Report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Neckarsulm, 14 March 2017

Bechtle AG

The Executive Board



Dr. Thomas Olemotz



Michael Guschlbauer



Jürgen Schäfer

66. MULTI-YEAR OVERVIEW BECHTLE GROUP

		2008	2009	2010	2011	2012	2013	2014	2015	2016	Change in % 2016-2015
Regions											
Revenue	€k	1,431,462	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	9.3
Domestic	€k	938,868	921,578	1,158,213	1,315,185	1,433,869	1,570,816	1,775,409	1,957,610	2,171,691	10.9
of total revenue	%	65.6	66.8	67.2	65.9	68.4	69.1	68.8	69.1	70.2	
Abroad	€k	492,594	457,729	564,706	679,696	662,966	702,669	805,039	873,693	921,888	5.5
Segments											
Revenue	€k	1,431,462	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	9.3
IT system house & managed services	€k	927,530	919,956	1,151,119	1,315,669	1,394,455	1,535,316	1,727,073	1,889,494	2,089,749	10.6
of total revenue	%	64.8	66.7	66.8	66.0	66.5	67.5	66.9	66.7	67.6	
IT e-commerce	€k	503,932	459,351	571,800	679,212	702,380	738,169	853,375	941,809	1,003,830	6.6
EBIT	€k	60,229	42,712	60,728	86,403	80,265	91,048	108,498	129,484	144,083	11.3
IT system house & managed services	€k	38,444	25,768	35,852	49,891	44,320	56,185	68,907	80,293	93,459	16.4
EBIT margin	%	4.1	2.8	3.1	3.8	3.2	3.7	4.0	4.2	4.5	
IT e-commerce	€k	21,785	16,944	24,876	36,512	35,945	34,863	39,591	49,191	50,624	2.9
EBIT margin	%	4.3	3.7	4.4	5.4	5.1	4.7	4.6	5.2	5.0	
Income Statement											
Revenue	€k	1,431,462	1,379,307	1,722,919	1,994,881	2,096,835	2,273,485	2,580,448	2,831,303	3,093,579	9.3
Cost of sales	€k	1,213,331	1,179,770	1,486,440	1,697,185	1,778,139	1,933,071	2,197,212	2,401,917	2,619,082	9.0
Gross earnings	€k	218,131	199,537	236,479	297,696	318,696	340,414	383,236	429,386	474,497	10.5
Distribution costs	€k	90,455	87,944	99,015	127,145	145,405	151,546	166,556	182,806	196,285	7.4
Administrative expenses	€k	75,709	76,171	86,001	93,671	104,300	110,483	124,001	138,415	153,037	10.6
Other operating income	€k	8,262	7,290	9,265	9,523	11,274	12,663	15,819	21,319	18,908	-11.3
Operating earnings (EBIT)	€k	60,229	42,712	60,728	86,403	80,265	91,048	108,498	129,484	144,083	11.3
Financial income	€k	1,987	1,503	1,727	1,776	2,026	1,560	1,944	2,607	3,512	34.7
Financial expenditure	€k	683	553	671	1,890	3,290	3,300	3,057	2,687	2,495	-7.1
Earnings before taxes (EBT)	€k	61,533	43,662	61,784	86,289	79,001	89,308	107,385	129,404	145,100	12.1
Income taxes	€k	16,105	9,404	15,362	23,566	22,643	25,911	31,191	36,527	41,729	14.2
Earnings after taxes (EAT)	€k	45,428	34,258	46,422	62,723	56,358	63,397	76,194	92,877	103,371	11.3
Material costs	€k	1,079,543	1,043,059	1,338,651	1,520,407	1,584,912	1,726,409	1,971,664	2,160,011	2,359,367	9.2
Revenue less material costs	€k	360,181	343,538	393,533	483,997	523,197	559,739	624,603	692,611	753,120	8.7
Personnel expenses	€k	217,710	220,418	241,420	294,649	326,590	348,848	388,764	423,040	459,377	8.6
Depreciation and amortisation (on property, plant and equipment and other intangible assets without goodwill)	€k	13,910	14,264	15,399	18,361	21,748	22,493	23,753	26,436	27,715	4.8
EBITDA	€k	74,139	56,976	76,127	104,764	102,013	113,541	132,251	155,920	171,798	10.2
Financial result	€k	1,304	950	1,056	-114	-1,264	-1,740	-1,113	-80	1,017	1,371.3

		2008	2009	2010	2011	2012	2013	2014	2015	2016	Change in % 2016–2015
Balance Sheet (selected items)											
Assets											
Non-current assets	€k	156,955	164,510	206,258	279,525	296,139	299,212	321,940	344,401	368,231	6.9
Goodwill	€k	105,823	106,395	115,835	135,648	137,483	139,885	144,499	166,398	193,521	16.3
Other intangible assets	€k	19,559	14,932	17,698	22,348	20,991	19,293	19,980	29,161	35,338	21.2
Property, plant and equipment	€k	23,758	27,740	29,162	79,645	94,537	99,747	104,224	101,870	111,666	9.6
Trade receivables	€k	366	145	231	975	2,243	1,547	19,774	22,020	12,436	-43.5
Deferred taxes	€k	4,696	9,874	10,652	7,720	6,489	4,131	3,722	4,425	4,798	8.4
Other assets	€k	2,564	2,253	1,870	2,356	2,224	2,513	2,676	3,495	3,467	-0.8
Capital investment and securities	€k	-	3,000	30,654	30,700	32,059	32,012	27,008	16,999	7,005	-58.8
Current assets	€k	339,113	356,155	447,458	521,778	547,859	611,136	694,650	806,036	901,107	11.8
Inventories	€k	52,118	59,322	75,056	91,190	90,065	107,638	131,165	150,415	180,652	20.1
Trade receivables	€k	188,402	183,979	249,046	286,773	307,348	345,195	387,828	406,167	502,270	23.7
Other assets	€k	19,410	19,221	21,880	31,955	35,423	33,181	45,469	58,738	61,562	4.8
Capital investment and securities	€k	338	15,510	13,619	16,219	35,888	18,255	22,272	24,894	15,361	-38.3
Cash and cash equivalents	€k	77,300	76,467	85,477	94,569	78,208	105,838	106,720	164,767	140,415	-14.8
Equity and liabilities											
Equity	€k	311,449	334,961	371,483	421,597	459,584	501,565	553,996	620,651	694,103	11.8
Issued capital	€k	21,200	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	0.0
Capital reserve	€k	143,454	145,228	145,228	145,228	145,228	145,228	145,228	145,228	145,228	0.0
Retained earnings	€k	149,042	168,733	205,255	255,369	293,356	335,337	387,768	454,423	527,875	16.2
Non-current liabilities	€k	30,964	32,284	46,727	94,004	96,644	90,787	95,878	119,196	117,959	-1.0
Pension provisions	€k	8,859	8,631	13,227	11,873	9,260	6,382	11,990	15,899	19,924	25.3
Other provisions	€k	452	232	810	1,182	2,139	2,307	4,836	5,978	6,719	12.4
Financial liabilities	€k	5,185	6,604	12,266	57,280	61,142	53,625	47,522	56,393	51,744	-8.2
Deferred taxes	€k	11,558	11,598	13,209	14,094	14,905	15,128	17,266	20,927	20,570	-1.7
Other liabilities	€k	473	302	650	1,216	296	538	2,652	7,293	5,874	-19.5
Deferred income	€k	4,153	4,820	6,565	8,359	8,902	12,369	11,343	12,346	12,981	5.1
Current liabilities	€k	153,655	153,420	235,506	285,702	287,770	317,996	366,716	410,590	457,276	11.4
Other provisions	€k	4,019	3,959	5,338	5,643	5,241	5,774	6,239	6,416	6,657	3.8
Financial liabilities	€k	10,466	2,561	4,812	9,002	12,567	10,546	12,711	9,627	9,745	1.2
Trade payables	€k	83,250	79,460	129,060	148,799	145,964	170,518	178,644	204,067	242,120	18.6
Tax payables	€k	4,448	5,455	6,337	8,735	6,906	6,519	6,418	8,176	7,676	-6.1
Other liabilities	€k	40,763	42,381	64,624	72,237	74,963	79,941	95,695	104,052	115,314	10.8
Deferred income	€k	10,709	19,604	25,335	41,286	42,129	44,698	67,009	78,252	75,764	-3.2
Balance sheet total	€k	496,068	520,665	653,716	801,303	843,998	910,348	1,016,590	1,150,437	1,269,338	10.3
Cash flow and investments											
Cash flow from operating activities	€k	49,941	47,330	59,114	55,782	56,669	73,098	55,965	115,945	53,363	-54.0
Cash flow from investing activities	€k	-18,074	-30,292	-47,625	-45,282	-56,031	-10,201	-25,853	-34,480	-41,404	20.1
Cash flow from financing activities	€k	-10,136	-17,772	-7,173	-2,246	-17,282	-35,002	-29,973	-25,668	-36,318	41.5
Cash and cash equivalents incl. time deposits and securities	€k	77,638	94,977	129,750	141,488	146,155	156,105	156,000	206,660	162,781	-21.2
Free cash flow	€k	28,252	34,437	41,751	12,159	19,485	43,123	29,252	78,590	-7,049	-109.0
Investments (in property, plant and equipment and other intangible assets without goodwill)	€k	13,683	14,045	11,822	61,120	32,015	23,091	24,102	21,779	39,604	81.8
Investment ratio (= Investments/Average property, plant and equipment + other intangible assets without goodwill)	%	33.33	32.67	26.41	82.12	29.44	19.69	19.82	17.07	28.49	

		2008	2009	2010	2011	2012	2013	2014	2015	2016	Change in % 2016-2015
Key figures of the share¹											
Closing price	€	13.66	18.79	28.99	26.20	30.65	49.47	65.98	88.06	98.82	12.2
Annual high	€	27.86	20.50	30.65	34.35	35.10	50.95	65.98	92.64	104.55	12.9
Annual low	€	9.64	11.02	17.01	23.48	25.50	30.07	49.33	64.49	73.70	14.3
Weighted average shares	th. shares	21,165	20,853	21,000	21,000	21,000	21,000	21,000	21,000	21,000	0.0
Market capitalisation (31.12)	€k	289,592	394,590	608,790	550,200	643,650	1,038,870	1,385,580	1,849,260	2,075,220	12.2
Average turnover/trading day ²	shares	69,743	37,129	30,543	51,873	42,143	34,201	41,281	46,580	30,515	-34.5
Average turnover/trading day ²	€	1,228,978	538,189	705,260	1,460,183	1,281,620	1,364,142	2,452,888	3,452,399	2,789,577	-19.2
Cash dividend per share	€	0.60	0.60	0.75	1.00	1.00	1.10	1.20	1.40	1.50 ³	7.1
Dividend amount distributed	€k	12,445	12,600	15,750	21,000	21,000	23,100	25,200	29,400	31,500 ³	7.1
Pay out ratio	%	27.4	36.8	33.9	33.5	37.3	36.4	33.1	31.7	30.5 ³	
Dividend yield (31.12)	%	4.4	3.2	2.6	3.8	3.3	2.2	1.8	1.6	1.5 ³	
Enterprise value (EV)	€k	277,565	378,300	618,242	607,239	723,670	1,084,064	1,449,430	1,877,747	2,137,406	13.8
Earnings per share	€	2.14	1.64	2.21	2.99	2.68	3.02	3.63	4.42	4.92	11.3
Cash flow per share	€	2.36	2.25	2.81	2.66	2.70	3.48	2.67	5.52	2.54	-54.0
Net asset value per share (= Equity/Weighted average shares)	€	14.72	16.06	17.69	20.08	21.88	23.88	26.38	29.55	33.05	11.8
Market capitalisation to revenue		0.2	0.3	0.4	0.3	0.3	0.5	0.5	0.7	0.7	2.7
Price earning ratio (P/E)		6.4	11.5	13.1	8.8	11.4	16.4	18.2	19.9	20.1	0.8
EV/EBITDA		3.7	6.6	8.1	5.8	7.1	9.5	11.0	12.0	12.4	3.3
EV/EBIT		4.6	8.9	10.2	7.0	9.0	11.9	13.4	14.5	14.8	2.3
EV/EBT		4.5	8.7	10.0	7.0	9.2	12.1	13.5	14.5	14.7	1.5
EV/EAT		6.1	11.0	13.3	9.7	12.8	17.1	19.0	20.2	20.7	2.3
EV/Revenue		0.2	0.3	0.4	0.3	0.3	0.5	0.6	0.7	0.7	4.2
Personnel											
Employees ⁴ (31.12)		4,405	4,354	4,766	5,479	5,970	6,219	6,572	7,205	7,667	6.4
Domestic		3,169	3,158	3,471	4,065	4,550	4,743	4,996	5,633	5,956	5.7
Abroad		1,236	1,196	1,295	1,414	1,420	1,476	1,576	1,572	1,711	8.8
IT system house & managed services		3,450	3,443	3,763	4,305	4,754	4,953	5,164	5,766	6,125	6.2
IT e-commerce		955	911	1,003	1,174	1,216	1,266	1,408	1,439	1,542	7.2
Trainees		281	289	306	356	428	473	455	473	500	5.7
Employees (annual average) ⁴		4,288	4,396	4,496	5,146	5,780	6,072	6,421	6,924	7,428	7.3
Full-time employees (Annual average)		3,971	4,058	4,137	4,753	5,315	5,542	5,872	6,376	6,855	7.5
IT system house & managed services		3,048	3,178	3,243	3,727	4,191	4,415	4,647	5,055	5,467	8.2
IT e-commerce		923	880	894	1,026	1,124	1,127	1,225	1,321	1,388	5.1
Personnel expenditure ratio	%	15.2	16.0	14.0	14.8	15.6	15.3	15.1	14.9	14.8	
Personnel expenses to gross profit	%	60.4	64.2	61.3	60.9	62.4	62.3	62.2	61.1	61.0	

¹ XETRA share prices² All German stock exchanges³ Proposal to the Annual General Meeting⁴ Without auxiliary staff

		2008	2009	2010	2011	2012	2013	2014	2015	2016	Change in % 2016-2015
Efficiency ratios											
Contribution margin	%	25.2	24.9	22.8	24.3	25.0	24.6	24.2	24.5	24.3	
Gross margin	%	15.2	14.5	13.7	14.9	15.2	15.0	14.9	15.2	15.3	
EBITDA margin	%	5.2	4.1	4.4	5.3	4.9	5.0	5.1	5.5	5.6	
EBIT margin	%	4.2	3.1	3.5	4.3	3.8	4.0	4.2	4.6	4.7	
EBT margin	%	4.3	3.2	3.6	4.3	3.8	3.9	4.2	4.6	4.7	
EAT margin	%	3.2	2.5	2.7	3.1	2.7	2.8	3.0	3.3	3.3	
Revenue per employee	€k	360.5	339.9	416.5	419.7	394.5	410.2	439.4	444.1	451.3	1.6
IT system house & managed services	€k	304.3	289.5	355.0	353.0	332.7	347.7	371.7	373.8	382.2	2.3
IT e-commerce	€k	546.0	522.0	639.6	662.0	624.9	655.0	696.6	713.0	723.2	1.4
EBIT per employees	€k	15.2	10.5	14.7	18.2	15.1	16.4	18.5	20.3	21.0	3.5
Return on equity (EAT/Average annual equity)	%	16.9	11.3	14.2	17.3	13.7	14.2	15.6	17.2	17.1	
Return on total assets (EAT/Average annual total assets)	%	10.7	7.4	8.7	9.8	7.9	8.2	8.9	9.5	9.6	
ROA (= EBIT/Average annual total assets)	%	13.9	9.1	11.3	13.1	10.6	11.3	12.2	12.9	13.1	
ROE (= EBIT/Average annual equity)	%	22.2	14.1	18.4	23.8	19.6	20.4	22.2	23.9	24.0	
ROCE (= EBIT/Capital Employed)	%	22.7	15.7	21.0	25.2	19.6	20.6	22.3	23.7	24.0	
Balance sheet ratios											
Capitalisation ratio of non-current assets (= non-current assets/total assets)	%	31.6	31.6	31.6	34.9	35.1	32.9	31.7	29.9	29.0	
Working intensity of current assets (= current assets/total assets)	%	68.4	68.4	68.4	65.1	64.9	67.1	68.3	70.1	71.0	
Equity ratio	%	62.8	64.3	56.8	52.6	54.5	55.1	54.5	53.9	54.7	
Total liabilities to total assets	%	37.2	35.7	43.2	47.4	45.5	44.9	45.5	46.1	45.3	
Asset structure (= non-current/current assets)	%	46.3	46.2	46.1	53.6	54.1	49.0	46.3	42.7	40.9	
Capital structure (= equity/liabilities)	%	168.7	180.4	131.6	111.0	119.6	122.7	119.8	117.2	120.7	
Financial ratios											
Net debt	€k	-61,987	-85,812	-112,672	-75,206	-72,446	-91,934	-95,767	-140,640	-101,292	-28.0
Debt ratio		0.59	0.55	0.76	0.90	0.84	0.82	0.84	0.85	0.83	-2.9
Working Capital	€k	142,490	139,465	166,780	189,881	211,595	234,624	291,326	294,872	375,645	27.4
Working Capital to revenue	%	10.0	10.1	9.7	9.5	10.1	10.3	11.3	10.4	12.1	
Working Capital to annual total asset	%	28.7	26.8	25.5	23.7	25.1	25.8	28.7	25.6	29.6	
Capital employed	€k	264,928	272,247	288,600	342,244	410,023	442,050	486,403	546,404	600,997	10.0
Capital employed to annual total asset	%	53.4	52.3	44.1	42.7	48.6	48.6	47.8	47.5	47.3	
Capital employed to revenue	%	18.5	19.7	16.8	17.2	19.6	19.4	18.8	19.3	19.4	
Structural analysis ratios											
Revenue to inventory		27.5	23.3	23.0	21.9	23.3	21.1	19.7	18.8	17.1	-9.0
Revenue to average net trade receivables		9.5	10.1	10.3	10.2	9.8	9.7	9.5	9.1	9.2	0.5
Revenue to average total assets		3.3	2.9	3.2	3.0	2.8	2.8	2.9	2.8	2.8	-0.4
DSO		38.4	36.2	35.3	35.8	37.3	37.6	38.3	39.9	39.7	-0.5

GLOSSARY

Augmented reality. Describes a computer-aided perception or rendering that expands the real world with virtual aspects. For example, the use of smart glasses enables the direct integration of additional information in a current image of the real world.

bios®. The Bechtle information ordering system is an online hardware and software procurement system that is tailored to the needs of customers.

Business intelligence. Generic term for the IT-based access to information as well as IT-based analysis and processing of this information. The objective is to gain insight that can form the basis for better operational or strategic decisions with a view to the corporate goals.

CAD. Computer-aided design – CAD refers to computer-aided design with the help of suitable programs or software solutions.

Capitalisation ratio. Indicates the ratio of non-current assets to the balance sheet total.

Capital employed (CE). Annual average interest-bearing capital tied up on a long-term basis.

Cash pooling. Corporate liquidity management in the scope of which surplus liquidity is withdrawn from group companies or liquidity is provided in the form of loans in the event of liquidity shortfalls.

Contribution margin. Difference between revenue and material costs in relation to revenue.

Currency forwards. Obligation to buy or sell foreign currencies at a date and price determined in advance.

Data warehouse. A data warehouse is a central collection of data (usually a database) from various sources. The data stored in the data warehouse are kept over long periods, especially for analyses, as well as a basis for administrative decisions and for corporate management purposes.

Debt ratio. Ratio of borrowed capital to equity.

Deferred taxes. Temporary differences between calculated taxes on earnings presented in the commercial balance sheet and tax balance sheet for the purpose of presenting the tax expense according to the earnings under commercial law.

Derivative (derivative financial instrument, financial derivative). Financial instrument whose measurement depends on the price development of the underlying. For example financial derivatives include → currency forwards and → interest rate swaps.

Discounted cash flow method. Model calculation, in particular for the valuation of an enterprise, in which all future → free cash flows are discounted and added up taking into account variable parameters such as the term and capital cost rate at the time of the calculation.

Dividend payout ratio. Indicates how much of the annual profit is paid out to the shareholders in the form of a dividend. It is calculated as follows: dividend paid out divided by the consolidated earnings after taxes and minority interests, in per cent.

Dividend yield. Indicates the annual yield that the shareholder receives in the form of a dividend for their share investment measured at the annual closing rate. It is calculated as follows: dividend per share divided by the annual closing rate, multiplied by 100.

DPO. Days payable outstanding – indicates after how many days a company pays its liabilities to suppliers.

DSO. Days sales outstanding. DSO indicates the average number of days until due receivables are paid.

EITO. European Information Technology Observatory

Equity ratio. Ratio of equity to total capital. The higher the equity ratio, the lower the → debt ratio of the company.

ERP. The enterprise resource planning system is complex management software for efficient, smart resource planning.

Free cash flow. Cash flow from operating activities less the balances from outgoing and incoming payments related to the acquisition or sale of companies, as well as outgoing and incoming payments related to investments in intangible assets and property, plant and equipment.

Fulfilment. All activities related to the performance of a contract concluded with a customer. The services range from the acceptance of the order to picking and the shipping of the goods.

Gross profit. Difference between revenue and cost of sales.

iLearn. A web-based training portal designed for all employees. Offered in various languages, the individual courses on all relevant industry subjects can be expanded flexibly. The use of iLearn promotes modern, media-aided training at Bechtle.

Interest rate swap. Agreement between two contracting parties to swap different interest payment streams. Interest rate swaps are financial derivatives and are generally used to hedge interest rate risks (→ derivative).

Investment grade. Credit rating by a rating agency. Credit ratings can be roughly split into two categories: "investment grade" (= sufficiently safe) and "non investment grade" (= speculative).

Investment ratio. Ratio of investments in other intangible assets and property, plant and equipment to the average annual carrying amount of other intangible assets and of property, plant and equipment.

Leverage. Describes the leveraging effect that occurs when improving the → return on equity through increased use of borrowed capital.

Market cap. Market value of a company. The market cap is calculated by multiplying the share price with the number of a company's issued shares.

Net indebtedness (Net debt). Indicates the indebtedness or debt potential of an enterprise if all interest-bearing liabilities were to be paid with current assets. It is calculated from the financial liabilities less cash and cash equivalents as well as time deposits and securities.

Outsourcing. In the field of IT, outsourcing or outtasking refers to the delegation of specific tasks or part of them to external IT service providers. → Managed Services.

Personnel intensity. The ratio of personnel expenses to the revenue less material costs.

Return on assets (ROA). Ratio of earnings after taxes and before financial expenses to the average annual total capital employed.

Return on capital employed (ROCE). Ratio of earnings before financial earnings and taxes to the → capital employed. The ROCE shows the operating interest on the company's capital employed or tied up on a long-term basis.

Return on equity (ROE). Ratio of earnings after taxes to the average annual equity as reported in the balance sheet. The return on equity shows how much interest the shareholders' equity as reported in the balance sheet bears.

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

Treasury. An area that is concerned with the use and investment of financial resources. This area is also responsible for hedging financial risks, which can go far beyond the hedging of interest rate risks or exchange rate risks.

Virtualisation. Abstraction of physical resources. The individual systems are provided with a complete virtual computer with all hardware components. Software virtualisation can be used to simulate an operating system or an application. This makes it possible to execute applications locally without installing them.

Working capital. Inventories plus trade receivables less trade payables and deferrals.

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LIST OF ABBREVIATIONS

AktG	German Stock Corporation Act (Aktiengesetz)
AR	Augmented Reality
BELOS	Bechtle Event Control and Organisation System
BI	Business Intelligence
CAGR	Compound annual growth rate
CRM	Customer relationship management
DCGK	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EBT	Earnings before taxes
ECM	Enterprise Content Management
EPS	Earnings per share
EU	European Union
EV	Enterprise value
GDP	Gross domestic product
GITA	Global IT Alliance
HGB	German Commercial Code (Handelsgesetzbuch)
ifo	Institute for Economic Research (Institut für Wirtschaftsforschung)
IFRS	International Financial Reporting Standards
LAN	Local area network
MitbestG	German co-determination Act (Mitbestimmungsgesetz)
ROA	Return on Assets
ROE	Return on Equity
SAN	Storage Area Network
VIPM	Vender Integrated Product Manager



For further comments
see Glossary,
page 208 ff

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FINANCIAL CALENDAR

ACCOUNTS PRESS CONFERENCE

Thursday, 16 March 2017, Stuttgart

DVFA ANALYSTS' CONFERENCE

Thursday, 16 March 2017, Frankfurt (Main)

QUARTERLY STATEMENT 1ST QUARTER 2017 (31 MARCH)

Wednesday, 10 May 2017

ANNUAL GENERAL MEETING

Thursday, 1 June 2017, 10.00 a.m.

Konzert- und Kongresszentrum Harmonie, Heilbronn

HALF-YEAR FINANCIAL REPORT 2017 (30 JUNE)

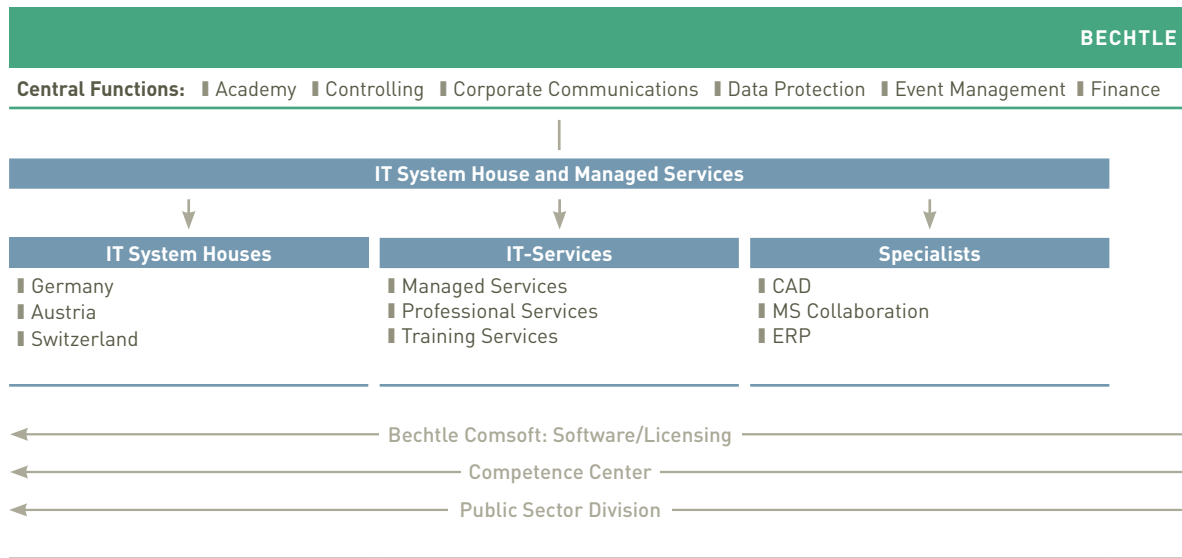
Thursday, 10 August 2017

QUARTERLY STATEMENT 3RD QUARTER 2017 (30 SEPTEMBER)

Friday, 10 November 2017

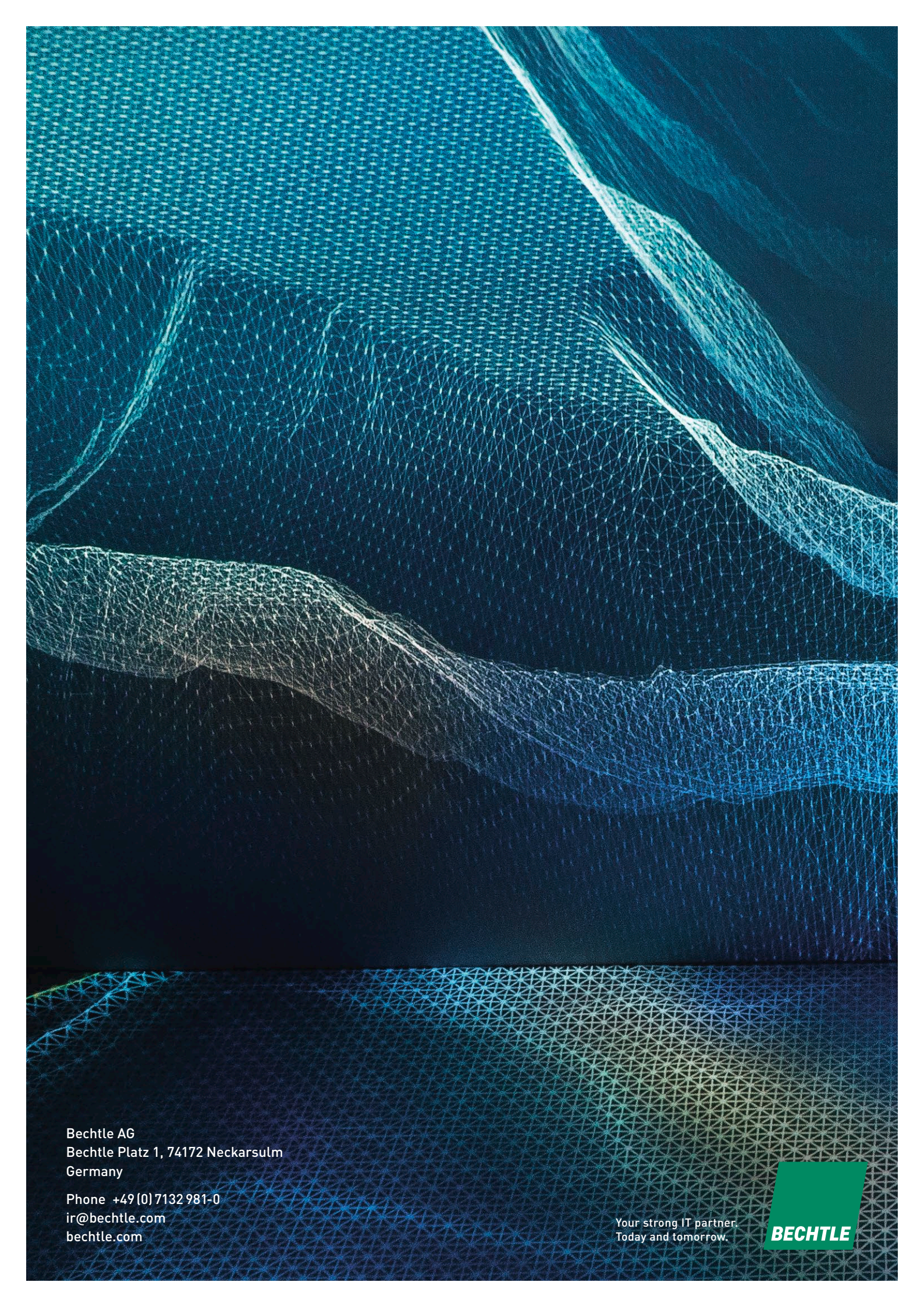
See bechtle.com/financial-calendar for further dates and changes.

67. ORGANISATIONAL STRUCTURE BECHTLE GROUP



Logistic & Service: ■ Adress Management ■ European Logistics ■ Marketing ■ Product Management ■ Purchasing

Simplified organisational structure (status: March 2017).



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