

EARNINGS, ASSETS, AND FINANCIAL POSITION

EARNINGS POSITION

In 2008, Bechtle's business performance continued to be stable. The company was able to increase its revenue and income – a noteworthy success especially in view of the more difficult economic framework conditions in the second half of the year.

Order Position

Most of the contractual relationships Bechtle enters for the sale of goods and services are of a short-term nature. The IT e-commerce segment is characterised by the conclusion of pure trading deals with very short order and delivery times, while some project transactions in the IT system house & managed services segment may take up to six months.

Against this background, the incoming orders largely correspond to the revenues during a fiscal year. In the reporting period, incoming orders amounted to approximately 1.43 billion euros, about the same value as in the prior year (1.41 billion euros). Organically, the incoming order volume was identical to that of the prior year, though a decline of about 4 per cent was recorded in the fourth quarter. At segment level, too, incoming orders changed only slightly compared to the prior year. The IT system house & managed services segment accounted for 0.95 billion euros (prior year: 0.92 billion euros), and the IT e-commerce segment for 0.48 billion euros (prior year: 0.49 billion euros). Though the order backlog in the IT system house & managed services segment is almost one month, it is only a few days in IT e-commerce. Thus, the order backlog did not undergo any major changes compared to the prior year

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

Bechtle offers a comprehensive product spectrum that currently comprises about 37,000 IT items. IT products are subject to ongoing price falls. In the past fiscal year, especially the prices of PCs, servers, notebooks, and printers fell by about 13 per cent compared to the prior year, while the incoming order volume was more or less the same as in the prior year. Thus, Bechtle successfully countered the price fall by increasing the quantity sold. Due to the variety of products, a breakdown of incoming orders and of the order backlog by prices and quantities would make little sense. Moreover, the product mix is largely determined by the vendors and the customer demand and is only actively controlled by Bechtle to a very limited extent. In the past year, the company did not process any large orders that were of outstanding importance for the group as a whole.

Order position in both
segments at prior-year level

As of the end of the year, the order backlog was worth approximately 102 million euros, compared to about 100 million euros in the prior year. The increase was mainly caused by the companies acquired in the third quarter. Of the entire order backlog, the IT system house & managed services segment accounted for about 89 million euros (prior year: 82 million euros), and the IT e-commerce segment for about 13 million euros (prior year: 18 million euros).

Revenue Performance

In the fiscal year 2008, Bechtle achieved a new revenue record of 1.43 billion euros. Due to the economic decline in the course of the year, performance fell just short of the original target of 1.5 billion euros.

REVENUE in million euros

2004	1,088	+ 37.4%
2005	1,178	+ 8.3%
2006	1,220	+ 3.6%
2007	1,383	+ 13.4%
2008	1,431	+ 3.5%

Revenues increased by 3.5 per cent from 1,383.5 million euros in the prior year to 1,431.5 million euros in the reporting period. Most of this growth (2.3 per cent) was organic. Apart from the newly acquired companies, the sale of TomTech as of 1 September 2008 must also be taken into consideration in connection with the acquisition-related growth in 2008.

In the reporting period, the main drivers of organic growth were primarily the domestic system houses and e-commerce companies, which increased by just over 4 per cent, respectively. Here, especially investments made in previous years in the expansion and further qualification of the sales team are noticeable. The growth was stronger during the first half of the year; from July to December, the dynamics abated.

This development can also be seen from an examination of the individual quarters. The seasonality of Bechtle's business during the year and the great significance of the fourth quarter remain unchanged. Thus, a revenue increase is still evident during the course of the year. However, the contributions of the third and fourth quarters to the annual revenue each receded by about one percentage point, while the two earlier quarters grew at a similar rate. This points to the effects of the economic slowdown rather than a seasonality shift. Against this background, the fourth-quarter revenue of 404.8 million euros – an amount that was only 1.1 per cent under the amount of the prior-year quarter – is particularly noteworthy.

**Unchanged seasonality,
strong fourth quarter**

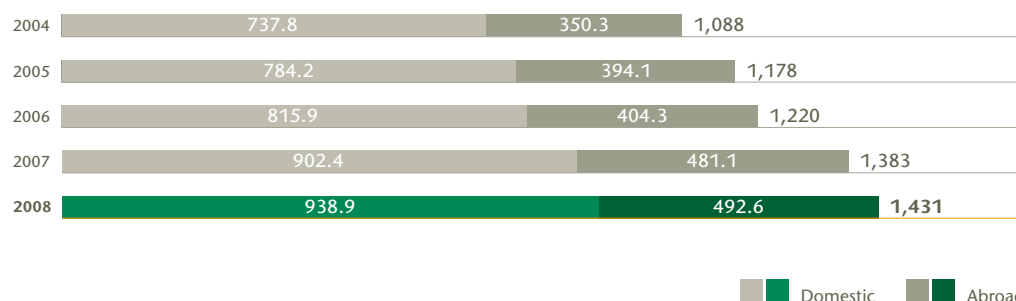
REVENUE PERFORMANCE 2008 in million euros

	Q1	Q2	Q3	Q4
Revenue	336.9	344.5	345.4	404.8
% of total annual revenues	23.5	24.1	24.1	28.3

Due to the rise in the number of employees, Bechtle's group productivity dropped slightly in 2008. Based on an average number of 3,971 full-time employees (prior year: 3,805), the revenue per employee amounted to 360,000 euros, compared to 364,000 euros in the prior year.

Germany continues to be the most important market for Bechtle. The domestic revenue totalled 938.9 million euros (prior year: 902.4 million euros), which represents a share of 65.6 per cent (prior year: 65.2 per cent) of the total revenue. The international revenue of 492.6 million euros (prior year: 481.1 million euros) accounted for 34.4 per cent of the total revenue (prior year: 34.8 per cent). Thus, compared to the prior year, the revenue distribution shifted slightly in favour of the domestic market. This was due to the acquisitions in Germany and the above-average growth of the domestic system houses.

REGIONAL REVENUE DISTRIBUTION in million euros



Cost and Earnings Performance

Cost of revenue

In the reporting period, the cost of revenue increased by 2.1 per cent from 1,188.1 million euros to 1,213.3 million euros. There are mainly two reasons why this increase was lower than the revenue increase. Firstly, Bechtle was able to improve the cost structure by optimising processes in both segments and by closing down loss-making locations and consolidating neighbouring locations in the IT system house & managed services segment. Secondly, the contribution margin in this segment was stepped up, partly owing to the sales staff qualification measures, which enable them to offer

Improved efficiency contributed to increased gross earnings

superior services. The shares of the personnel and material expenses in the cost of revenue did not change in the reporting period. The gross earnings increased by 11.7 per cent from 195.3 million euros to 218.1 million euros. The gross margin went up from 14.1 per cent to 15.2 per cent.

COST OF REVENUE/GROSS EARNINGS in million euros

	2004	2005	2006	2007	2008
Cost of revenue	935.2	1,020.4	1,046.6	1,188.1	1,213.3
Gross earnings	153.0	157.9	173.6	195.3	218.1
Gross margin in %	14.1	13.4	14.2	14.1	15.2

Sales and Administrative Expenses

On the other hand, sales and administrative expenses rose disproportionately in relation to revenues. This was partly due to the new recruitments in the sales teams of both segments and the larger number of employees in the administration within the framework of the new group structure. In the medium run, these new recruitments will have a positive effect for Bechtle. The expansion of the sales team was necessary in order to keep up the high growth rate of Bechtle. New administrative jobs needed to be established in order to support the new group structure. In future, the subsidiaries will benefit in that they will have less administrative work and be able to concentrate largely on their operating activities. Sales expenses increased by 11.2 per cent from 81.4 million euros to 90.5 million euros. The share in the total revenue went up from 5.9 per cent to 6.3 per cent as scheduled. Administrative expenses were 12.6 per cent higher than in the prior year, amounting to 75.7 million euros (prior year 67.2 million euros). As expected, the ratio grew from 4.9 per cent to 5.3 per cent.

Other operating income dropped from 11.5 million euros to 8.3 million euros. In the prior year, special one-time non-operating effects of 2.6 million euros had been reported under this item. Moreover, marketing and advertising expense allowances were shifted to the revenues.

Sales and administrative expenses developed according to plan

SALES/ADMINISTRATIVE EXPENSES in million euros

	2004	2005	2006	2007	2008
Sales expenses	63.7	68.5	73.7	81.4	90.5
Sales expenses ratio in %	5.9	5.8	6.0	5.9	6.3
Administrative expenses	56.4	55.5	62.7	67.2	75.7
Administrative expenses ratio in %	5.2	4.7	5.1	4.9	5.3

Marketing Expenses

The marketing expenses of Bechtle AG are part of the distribution costs, except for the expenses for the Bechtle catalogue, which are allocated to the cost of sales. Broken down by segments, the expenses in the reporting period amounted to 2.6 million euros in IT e-commerce (prior year 2.2 million euros) and 1.7 million euros in IT system house & managed services (prior year 1.2 million euros).

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

With more than 900 pages, the Bechtle catalogue is one of the most important marketing instruments in IT e-commerce. It is released twice a year with an average print run of 150,000 copies in six languages and eleven country versions. The catalogue is centrally prepared in Neckarsulm, Germany, for all countries. The other marketing campaigns in this segment mainly concern product advertising via mailing campaigns and the weekly dispatch of printed product information. Bechtle also makes limited use of online advertising. The individual international subsidiaries are largely free to select their own marketing campaigns in order to take the specific needs of the respective country markets into consideration. The main focus is on online marketing in some countries and on printed publications in others.

The Bechtle catalogue – still one of the most important marketing instruments

In the IT system house & managed services segment with its decentralised structure, especially the system houses conduct marketing campaigns in their individual target regions. Thus, numerous activities like customer events, IT forums, and in-house fairs took place in the reporting period. Such events are organised and rolled out by the respective locations. The IT system houses get support from the central event management of Bechtle AG. A customer event held by the system house Hanover under the motto "Thousand and One Solutions" in the Yemenite pavilion on the EXPO grounds was one of the larger events. More than 170 visitors benefited from the wide range of information and entertainment.

The holding also engages in supporting and accompanying market activities, especially for the competence centres or the central managed services division. All campaigns mainly serve the presentation of Bechtle's product and service portfolio and customer bonding. The key elements of the central marketing campaigns are the customer and staff journal "Bechtle update" and the Bechtle Competence Centre Day (CC Day). "Bechtle update" is published four times a year and reports about the latest events in the company and successful projects and presents the locations of the Bechtle Group. At the annual CC Day, Bechtle presents the entire bandwidth of its range of services to customers and to its own employees at the company headquarters in Neckarsulm, Germany. In the reporting period, about 800 people visited the CC Day.

Bechtle usually does not participate in professional trade shows with its own booths, but in cooperation with vendors or partners at their booths.

Earnings Situation

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) increased by 3.3 per cent to 74.1 million euros (prior year: 71.8 million euros). The EBITDA margin remained stable at 5.2 per cent.

EBITDA in million euros

2004	49.0	+ 40.5%
2005	53.1	+ 8.5%
2006	60.2	+ 13.3%
2007	71.8	+ 19.2%
2008	74.1	+ 3.3%

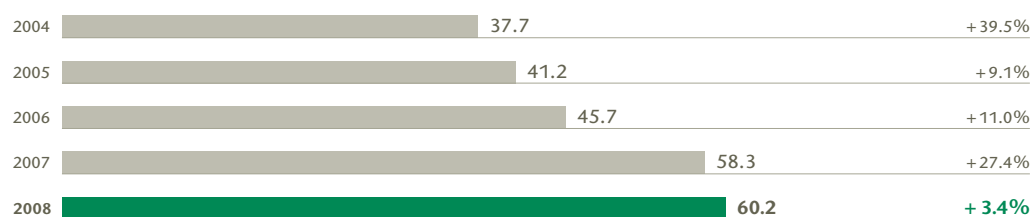
Depreciation and amortisation amounted to 13.9 million euros, about 3.0 per cent more than in the prior year (prior year: 13.5 million euros). Property, plant and equipment and software accounted for 9.6 million euros, the bulk of the amount (prior year: 10.0 million euros). The property, plant and equipment is mostly made up of the company's own IT and office equipment. Moreover, depreciation of property, plant and equipment included tenant installations and assets used by the customer under long-term maintenance agreements.

Customer bases and customer service agreements accounted for other amortisation amounting to 3.7 million euros (prior year: 3.5 million euros). The increase was mainly related to acquisitions in the reporting period and the resulting increased need for depreciation and amortisation.

In the reporting period, Bechtel AG also amortised brands. The Artikona companies in the Netherlands, which were acquired in 2006, now operate under the name of the parent company ARP. This resulted in amortisation of the previous brand value amounting to 0.6 million euros.

At 1.0 per cent, the depreciation and amortisation rate remained at the prior-year level and is rather insignificant compared to the other expense items. For 2008, the impairment test of the goodwill again did not reveal any need for impairment.

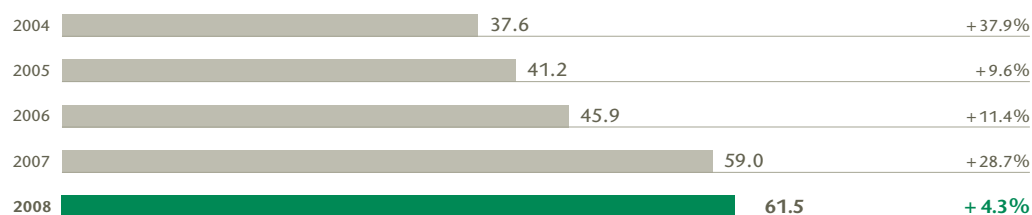
The operating earnings before interest and taxes (EBIT) improved by 3.4 per cent to 60.2 million euros (prior year: 58.3 million euros).

 EBIT in million euros


Due to the good financing situation of Bechtle AG, the financial earnings, i.e. the balance of the interest payable and the interest income, amounted to 1.3 million euros in the reporting period (prior year: 0.8 million euros).

Earnings before taxes (EBT) increased by 4.3 per cent from 59.0 million euros to 61.5 million euros. Thus, Bechtle AG was able to exceed the target of 60 million euros. Despite the more difficult economic conditions towards the end of the year, the earnings position again improved from 19.5 million euros to 20.2 million euros in the fourth quarter, especially due to increases in efficiency. The final quarter accounted for approximately 33 per cent of the earnings, a value that was about the same as in the very strong prior-year quarter.

Own earnings forecasts exceeded

 EBT in million euros


In the reporting period, the EBT margin remained at 4.3 per cent, a level that is very high for this sector.

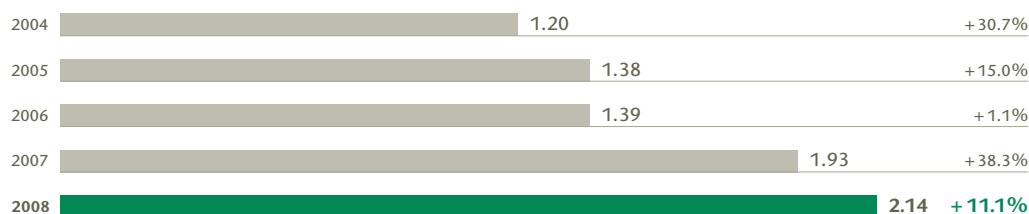
EBT MARGIN in per cent



In the reporting period, income tax expenses fell by 10.8 per cent from 18.0 million euros to 16.1 million euros, mainly due to the reduction of the corporation tax rate as a result of the corporate tax reform. Thus, the tax ratio was reduced considerably from 30.6 per cent to 26.2 per cent.

Earnings after tax amounted to 45.4 million euros, 10.9 per cent more than in the prior year (prior year: 41.0 million euros). Earnings per share (EPS) increased by 11.1 per cent over the prior year to 2.14 euros (prior year: 1.93 euros). The reason for the slightly higher increase in EPS compared to the earnings after tax was the lower number of average shares due to the share buy-back programme.

EPS in euros



The individual financial statements of Bechtle AG form the basis for the appropriation of retained earnings and thus for the distribution of dividends. The reported annual profit was 22.2 million euros. After adding 9.5 million euros to the reserves, the retained earnings for the fiscal year amounted to 12.7 million euros. The Executive Board proposes to the Supervisory Board to distribute the retained earnings to the shareholders and to submit a proposal for payment of a dividend of 0.60 euros per share to the Annual General Meeting. In this way, the dividend per share would be at the prior-year level. At the time of preparation of the report on 2 March 2009, there were 20,986,097 shares entitled to dividends. The treasury shares purchased by the company under the share buy-back programme are not entitled to dividends.

**Executive Board proposes
dividend of 0.60 euro**

Segment Report

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

IT System House & Managed Services

In 2008, Bechtle AG generated revenues of 927.5 million euros (prior year 885.8 million euros) in the IT system house & managed services segment. This means an increase of 4.7 per cent or 41.8 million euros. This segment was very successful even in the more difficult second half of the year. The service-driven projects and service contracts usually involve medium or long terms and are therefore less susceptible to economic trends than the short-term trading-only business. Moreover, the sales staff qualification measures yielded a positive effect in the reporting period. All in all, Bechtle generated 64.8 per cent of the group revenues in this segment (prior year: 64.0 per cent).

SEGMENT REVENUE IT SYSTEM HOUSE & MANAGED SERVICES in million euros

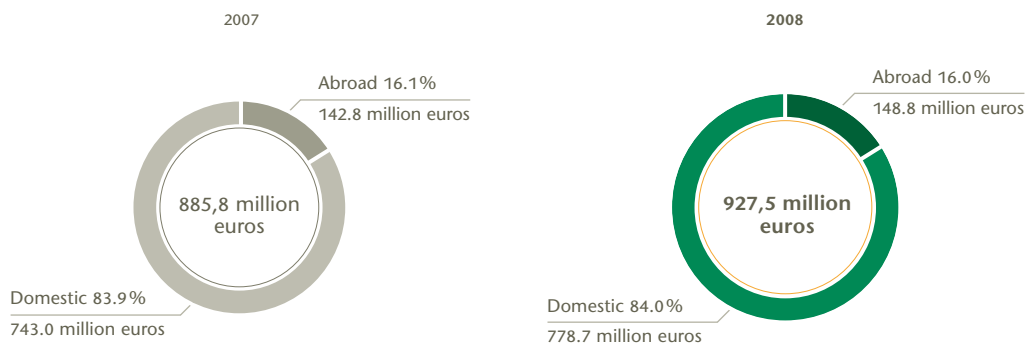
2004	730.0	+21.1%
2005	811.0	+11.1%
2006	817.0	+0.7%
2007	885.8	+8.4%
2008	927.5	+4.7%

In the reporting period, the company again increased its productivity in the IT system house & managed services segment. Apart from the said further qualification of the employees, process efficiency improvements also played a role. In the reporting period, based on an average number of 3,048 full-time employees (prior year: 2,975 employees), the revenue per employee increased by 2.2 per cent to 304,000 euros (prior year: 298,000 euros).

At 778.7 million euros, the revenue share of the domestic system houses amounted to 84.0 per cent, almost the same as in the prior year (prior year: 83.9 per cent). This includes the two acquisitions in North Rhine-Westphalia.

In 2008, the share of the international system houses was 16.0 per cent. For the first time, this figure also includes the newly acquired Austrian companies and amounted to 148.8 million euros, compared to 142.8 million euros in the prior year.

REVENUE DISTRIBUTION IN THE IT SYSTEM HOUSE & MANAGED SERVICES SEGMENT

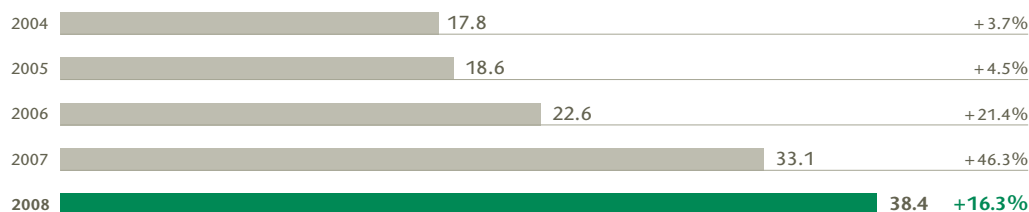


Organically, the revenue in this segment amounted to 911.8 million euros, 2.9 per cent more than in the prior year. The acquisitions in Germany and Austria, most of which were realised in the second half of 2008, contributed 15.7 million euros to the revenue.

In 2008, the EBIT in the IT system house & managed services segment increased by 16.3 per cent to 38.4 million euros (prior year: 33.1 million euros). Thus, the prior-year value was eclipsed, and the positive special effects amounting to 2.6 million euros, which were contained in the EBIT 2007, were more than equalised.

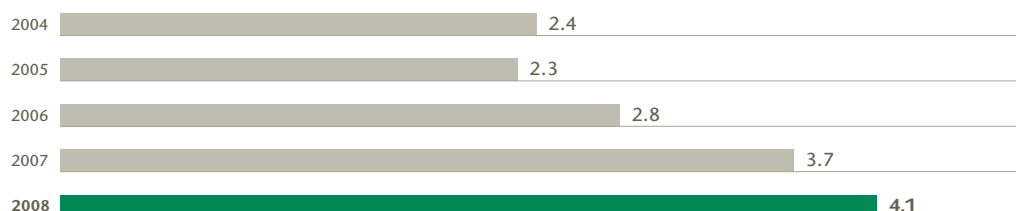
Substantial profitability increase in the IT system house & managed services segment

EBIT in million euros



Accordingly, the EBIT margin increased from 3.7 per cent to 4.1 per cent. Without the special effect, the EBIT margin in the prior year was 3.4 per cent, which makes the leap even more noteworthy. This improved margin is mainly the result of efficiency improvement measures such as the closedown and consolidation of locations and improved productivity.

EBIT MARGIN in per cent



IT E-Commerce

In the IT e-commerce segment, the revenue in the fiscal year 2008 increased by 1.3 per cent from 497.7 million euros to 503.9 million euros. Following a good start, the effects of the macroeconomic slowdown became increasingly evident in the second half of the year.

IT E-COMMERCE SEGMENT REVENUE in million euros

2004	358.2	+ 89.5%
2005	367.2	+ 2.5%
2006	403.1	+ 9.8%
2007	497.7	+ 23.5%
2008	503.9	+ 1.3%

However, the strategically motivated sale of TomTech as of 31 August must also be taken into consideration in this segment. From September to December of the prior year, TomTech had contributed 5.5 million euros to the revenue, an amount that was missing in the growth in the reporting period. The share of the trading business in the total revenue receded slightly from 36.0 per cent in the prior year to 35.2 per cent.

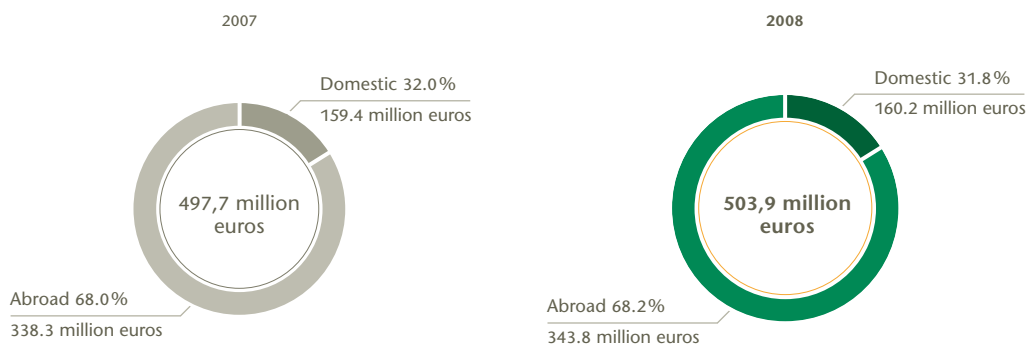
In the reporting period, the price pressure further intensified especially on hardware products. Thus, the quantities sold had to be increased substantially in order to achieve the same revenues. In 2008, Bechtle succeeded in doing this. Yet, the decline in prices and the slackening economy could not be compensated fully.

In 2008, Bechtle had an average of 923 full-time employees in the IT e-commerce segment (prior year: 830). In the past year, the revenue per employee dropped to 546,000 euros (prior year: 600,000 euros). Bechtle's objective is to achieve profitable growth even in difficult times. This is only possible with a duly qualified, effective team. These were the reasons for the new appointments, which are expected to support the growth dynamics of IT e-commerce in and after the current year.

Due to the internationalisation strategy, the foreign share of IT e-commerce is on the rise. In the reporting period, the revenues of the international companies amounted to 343.8 million euros (prior year: 338.3 euros), or a share of 68.2 per cent (prior year: 68.0 per cent). The domestic trading companies accounted for 160.2 million euros (prior year: 159.4 euros), a share of 31.8 per cent (prior year: 32.0 per cent) of the segment revenue.

Increased sales compensate effect of sinking prices

REVENUE DISTRIBUTION IN THE IT E-COMMERCE SEGMENT



In the reporting period, the EBIT in the IT e-commerce segment receded by 3.4 million euros from 25.2 million euros to 21.8 million euros.

EBIT in million euros



The EBIT margin dropped from 5.1 per cent to 4.3 per cent. This development reflects the disproportionately low revenue performance in relation to the expenses for employees hired in 2008 as well as the required proactive investments for the expansion of the *Comsoft* and *ARP* activities. In the medium run, IT e-commerce continues to target a margin of 5 per cent.

EBIT MARGIN in per cent



ASSETS POSITION

The sustainable growth of Bechtle AG is based on a solid balance sheet and balanced capital figures. The company was able to further improve relevant balance-sheet indicators, most importantly the equity ratio.

As of the closing date 31 December 2008, the balance-sheet total of the Bechtle Group amounted to 496.1 million euros, a growth of 44.6 million euros or 9.9 per cent over the prior year.

CONDENSED BALANCE SHEET in million euros

	2004	2005	2006	2007	2008
Assets					
Non-current assets	125.7	140.3	143.0	145.6	157.0
Current assets	260.2	273.6	275.2	305.9	339.1
Equity & liabilities					
Equity	217.2	237.4	249.2	276.5	311.4
Non-current liabilities	26.8	26.9	28.1	23.8	31.0
Current liabilities	141.9	149.6	143.4	151.2	153.7
Balance sheet total	385.9	413.9	420.8	451.4	496.1

On the assets side, the increase is mainly the result of the substantial rise in current assets, which increased by 33.3 million euros or 10.9 per cent to 339.1 million euros, primarily due to the increase in cash and cash equivalents. Including securities, these increased by 43.2 per cent from 54.2 million euros to 77.6 million euros. Together with unused credit lines amounting to 39.9 million euros (prior year: 41.6 million euros), the Bechtle Group has a solid liquidity reserve of 117.5 million euros (prior year 95.9 million euros), which leaves enough freedom for further acquisitions and future growth. Of the credit lines of about 42.3 million euros available as of the end of the fiscal year, Bechtle had utilised 2.4 million euros for bank guarantees.

A higher business volume and an accrual of incoming orders as of the end of the year in the IT system house & managed services segment inflated the inventories by 5.3 million euros to 52.1 million euros. The ratio of inventories to revenues increased slightly from 3.4 per cent to 3.6 per cent. The value indicates that Bechtle only ties up a small amount of capital in the form of stock in hand. Moreover, the majority of the inventories are linked directly to projects and are purchased on behalf of the customer. Trade receivables amounted to 188.4 million euros, a value slightly under the prior-year value of 189.3 million euros. Here, the receivables management of Bechtle AG ensures a relatively low DSO value of 38.4 days (prior year: 38.7 days).

Bechtle has a comfortable liquidity reserve

Other current assets totalled 19.4 million euros, 6.0 million euros more than in the prior year. The item mainly consisted of refunds and other receivables from suppliers in connection with advertising allowances and outstanding credit notes amounting to 10.4 million euros (prior year: 10.0 million euros).

All in all, the share of current assets in the balance-sheet total increased slightly from 67.8 per cent to 68.4 per cent. Accordingly, the investment ratio (ratio of non-current assets to the balance-sheet total) fell from 32.2 per cent to 31.6 per cent. In absolute terms, non-current assets increased by 11.4 million euros to 157.0 million euros. Due to acquisitions, the goodwill increased by 5.9 per cent from 99.9 million euros to 105.8 million euros. The increase in property, plant and equipment from 19.6 million euros to 23.8 million euros in the reporting period was also the result of the acquisitions and building activities. The coverage of the non-current assets by the equity increased from 189.9 per cent in the prior year to 198.4 per cent in the reporting period.

Higher goodwill due to acquisitions

In the business of Bechtle AG, which does not intensively involve property, plant and equipment, the ROCE (return on capital employed) is mainly characterised by the development of the current assets and liabilities on the one hand and the earnings performance on the other. The positive development is reflected by this factor as well as by the working capital increase associated with the expansion of the business. In previous years, Bechtle's ROCE remained largely stable at around 20 per cent. In the reporting period, it amounted to 22.7 per cent (prior year: 23.4 per cent). In view of the increased earnings, this change can be attributed to the increase in average capital employed. While the EBIT merely increased by 3.4 per cent over the prior year, the increase in the average capital employed from 249.5 million euros to 264.9 million euros amounted to a respectable 6.2 per cent.

ROCE in % | CAPITAL EMPLOYED in million euros

	2004	2005	2006	2007	2008
ROCE	19.9	20.0	19.7	23.4	22.7
Capital employed	189.8	205.9	231.6	249.5	264.9

In relation to the balance-sheet total, the working capital fell from 29.9 per cent in the prior year to 28.7 per cent. This was due to the lower build-up of trade receivables towards the end of the year.

WORKING CAPITAL in million euros

	2004	2005	2006	2007	2008
Working capital	82.8	101.0	121.4	134.9	142.5
In % of the balance sheet total	21.5	24.4	28.9	29.9	28.7

On the equity and liabilities side, current liabilities amounted to 153.7 million euros, about 2.5 million euros more than in the prior year. For reasons related to the balance-sheet date, trade liabilities amounted to 83.3 million euros, a value that was 5.0 million euros lower than in 2007. Due to the short-term loans raised and the transfer of liabilities with remaining terms to maturity of less than one year, current financial liabilities increased from 4.4 million euros to 10.5 million euros. Other current liabilities and deferrals and accruals also increased by 4.0 million euros from 47.5 million euros to 51.5 million euros. This balance-sheet item mainly consists of liabilities due to personnel. In the reporting period, these liabilities increased by 5.4 million euros from 16.0 million euros to 21.4 million euros as a result of the higher performance-related compensation components due to the positive business performance. The non-current financial liabilities of the Bechtle Group as of 31 December 2008 increased by 1.5 million euros to 5.2 million euros. All in all, the share of non-current debts in the balance-sheet total progressed from 5.3 per cent to 6.2 per cent.

As of the closing date, there were no contingencies toward special-purpose entities not included in the consolidated financial statements. Investment obligations due to building activities amounted to 0.9 million euros.

In the reporting period, the equity increased by 35.0 million euros or 12.7 per cent from 276.5 million euros to 311.4 million euros. The increase is the result of the consolidated earnings after tax amounting to 45.4 million euros less the dividend payment of 12.7 million euros. The total cost of purchased treasury shares amounting to 2.2 million euros, which was presented in the balance sheet as of 31 December 2008, reduced the equity. Despite the balance extension, the equity ratio increased from 61.2 per cent to 62.8 per cent in the reporting period. The return on equity remained unchanged: 16.9 per cent.

In 2008, the equity ratio underwent another substantial increase to 62.8 per cent

RETURN ON EQUITY AND RETURN ON TOTAL ASSETS in per cent

	2004	2005	2006	2007	2008
Return on equity	13.6	13.8	12.9	16.9	16.9
Return on total assets	8.0	8.3	8.0	10.3	10.7

In the reporting period, the debt coefficient of the Bechtle Group improved to 0.59, compared to 0.63 in the prior year.

The return on assets, which indicates the return on the entire utilised capital, also improved in the reporting period. Despite the balance extension, it amounted to 10.7 per cent (prior year: 10.3 per cent) as of 31 December 2008 due to the profound increase in earnings.

Fair Value

In general, the fair value of the current assets corresponds to the carrying value. This also applies to the other intangible assets, property, plant and equipment, receivables from income taxes, accruals and deferrals, other non-current assets, and deferred taxes within the scope of the non-current assets. The valuation method used for the annual impairment test was calculated on the basis of a utilisation value determined by means of a discounted cash flow method. The utilisation value greatly exceeds the recognised goodwill, so that this asset is not impaired. The amount in which the excess applies to goodwill-forming factors or off-balance-sheet intangible assets has not been determined. The carrying value of the long and short-term debts also basically corresponded to the fair value.

Intangible Assets

The assets of a company not only consist of quantifiable elements that can be measured in figures, but also of elements that can only be described in qualitative terms. The employees of Bechtle AG are doubtlessly among the most important assets. The group reports on this subject in a separate chapter on pages 35 ff.

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

Bechtle collaborates closely with vendors and distributors

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

Especially in the consulting-intensive service business, customer relationships are the key to success. Respectability, reliability, and continuity are indispensable properties of customer relationships, particularly in dealings with medium-sized customers. Bechtle has been active in the IT market for more than 25 years and has concentrated on medium-sized customers as the core segment from the outset. Therefore, the company not only has a grown customer base, but is also able to use its long-standing experience to quickly establish a successful basis for new customer relationships.

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

FINANCIAL POSITION

The success of Bechtle AG in the fiscal year 2008 was also evident from the cash flow statement. The company again succeeded in increasing the operating cash flow and stepping up additional liquidity reserves. These are vital preconditions for continuing to finance growth from the company's own resources.

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 the liquidity. At the same time, risks are to be avoided as far as possible. Therefore, the rules of procedure of the Executive Board state that the execution of all kinds of speculative forward transactions is subject to the approval of the Supervisory Board – especially for currencies, goods, and securities – unless they serve the hedging of regular business operations or individual business incidents, orders, or associated risks or are belong to usual business operations.

Financial independence
main objective of the financial
management

As a matter of principle, Bechtle uses derivative financial instruments exclusively for hedging purposes. In the reporting period, these were currency futures and interest swaps (see Notes to the Consolidated Financial Statements, pages 159 ff). The hedging of the group currency euro represents a key subject of the financial management. The company endeavours to use hedging measures that protect the equity in euros and that do not have any effect on profit or loss in the income statement. Hedging measures are mainly taken for Swiss francs, as material amounts of foreign asset items and foreign-currency cash flows are held and generated primarily in Swiss francs.

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. Thus, pure financial goals – such as the optimisation of the interest yield – are subordinate to the acquisition strategy and the company growth.

Investment business was only conducted with investment-grade debtors. Extensive financial flexibility forms the basis for success in a highly consolidated market. The liquidity situation is centrally managed and monitored by the treasury (see Risk Report, chapter "Finance", pages 90 ff).

Cash Flow Statement

In the reporting period, the cash flow of the Bechtle Group again underwent an extremely positive development.

Compared to the prior year, the operating cash inflow increased by 18.9 per cent to 49.9 million euros (prior year 42.0 million euros). Apart from the higher earnings before taxes, especially changes in the net assets provided the basis for this positive development. A cash inflow of 6.9 million euros was generated from the reduction of trade receivables, while the cash outflow from the build-up of inventories was 2.3 million euros lower than in the prior year.

Significant increase in cash inflow from operating activity

The development of the utilisation of capital for liabilities under net assets moved in the opposite direction. For reasons related to the balance-sheet date, the cash outflow from the reduction of trade liabilities was 7.4 million euros higher than the prior-year value.

The cash outflow from investment activities nearly doubled from 9.5 million euros to 18.1 million euros. In this area, the payments for acquisitions, which increased from 7.7 million euros in the prior year to 9.4 million euros, and the investments in intangible assets and property, plant and equipment, which increased by 3.4 million euros to 13.7 million euros, were especially noteworthy. In the fiscal year 2007, the company had also realised a one-time cash inflow of 4.7 million euros from the sale of property in Switzerland.

The free cash flow went up from 25.8 million euros to 28.3 million euros. The improvement was associated with the positive development of the operating cash flow and the only slightly increased outflow for acquisitions and investments in intangible assets and property, plant and equipment. Moreover, an initial instalment from the sale of TomTech was recorded as an inpayment.

In the reporting period, the negative cash flow from financing activities amounted to 10.1 million euros, compared to 16.1 million euros in the prior year. Especially new short and long-term financial liabilities had an alleviating effect, while the cash outflow for the distribution of dividends and the purchase of treasury shares increased.

As of the end of the reporting period, cash and cash equivalents had increased considerably by 25.0 million euros to 77.3 million euros.

CASH FLOW in million euros

	2004	2005	2006	2007	2008
Cash flow from					
– Operating activities	46.2	28.1	26.9	42.0	49.9
– Investing activities	–38.4	–20.2	–19.3	–9.5	–18.1
– Financing activities	19.8	–21.2	–18.3	–16.1	–10.1
Cash and cash equivalents	61.5	48.2	36.7	52.3	77.3
Free cash flow	9.9	6.4	5.7	25.8	28.3

The main terms of the financial liabilities are explained on pages 152 ff of the Notes to the Consolidated Financial Statements. Due to the secondary importance of the financial earnings for the Bechtle Group, a change in the interest rate would not have any major impact on the financial position.

Off-balance-sheet financing instruments, such as factoring or acceptance of liability toward special-purpose entities not included in the consolidated financial statements were, in principle, not used in the reporting period or in previous fiscal years. The construction of the annexe at the headquarters of Bechtle AG, which is financed via sale and lease back, is the only exception.

In view of the strong operating business performance, the Executive Board of Bechtle AG does not see any signs of liquidity bottlenecks of the group. There are still sufficient financial resources for further organic growth and acquisitions.

Liquidity secures growth

STRATEGIC FINANCING MEASURES

The company has a relatively high equity ratio of 62.8 per cent. The current business, necessary replacement investments, and the share buy-back programme are financed with cash and cash equivalents and the current operating cash flow. The need for funds for acquisitions in the past fiscal year was partly covered by cash, cash equivalents, and new financial liabilities. As there were no major investment projects, no strategically significant financing measures, such as capital increases or the issue of bonds, were necessary in the past fiscal year.

The financial strategy of Bechtle AG provides for continuous review and, if necessary, optimisation of the capital structure. The increase in current and non-current financial liabilities from 9.8 million euros to 15.7 million euros in the reporting period improved the leverage and thus the efficiency of the capital structure. At the same time, the available cash and cash equivalents ensure financing security.

Regardless of its own investment projects and the situation in the capital market, Bechtle AG pursues the goal of having sufficient access to various financing sources at all times.

JUDGMENTS AND ESTIMATES

During the fiscal year, no voting rights were exercised and no balance-sheet-related arrangements were made which, if exercised or arranged differently, would have had a material effect on the assets, earnings, and financial position.

Information about the effect of estimates, assumptions, and judgments made especially in connection with the valuation of the property, plant and equipment, intangible assets, goodwill, doubtful debts, pension liabilities, provisions, contingencies, and tax expenses is presented on pages 130 f of the Notes to the Consolidated Financial Statements.

A past decision that was significant for the balance sheet concerned the construction of the new company headquarters. In the fiscal year 2002, Bechtle concluded a lease for the central logistics and administration building in Neckarsulm, Germany. Alternatively, the building could have been purchased. In this case, the acquisition costs of about 31 million euros for the building would have had to be entered in the balance sheet as an asset under property, plant and equipment, which would have increased the non-current assets and the investment ratio in the subsequent fiscal years. Depending on the financing mode, the assets and financial position could have been affected substantially. Debt financing would have increased the long-term debts, and the resulting balance extension would have reduced the equity ratio. The use of cash and cash equivalents for financing purposes would have resulted in a reduction of the financial flexibility.

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

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

25 YEARS AGO

I dreamed of sailing across the seas.



Today, Alfred Neidhard is the director of the two Bechtle IT system houses in Rottenburg and Stuttgart, Germany. He is also responsible for the integration of the new Austrian locations in the Bechtle Group.

"Sailing rough seas, struggling against wind and waves has always been an exhilarating experience for me. I also value freedom and independence in my job – important reasons why I like being at Bechtle after many years of self-employment. Here, employees can operate as entrepreneurs in virtually all positions. Everyone can move something. Like skippers, we steer and control our business independently. This requires a lot of trust and is a great challenge. This is exactly what makes Bechtle successful and unique. To me, entrepreneurial freedom is the greatest motivation for giving my best."

