

FORECAST REPORT

In 2009, the effects of the financial crisis will continue to determine the macroeconomic situation. Despite the gloomy economic outlook, Bechtle believes that a recessive environment will also offer the opportunity to strengthen its relative market position. Especially in times of weakening planning reliability, clear visions are becoming increasingly important.

OPPORTUNITY REPORT

Market and Competition

In view of Bechtle's situation as a player in the IT services and IT e-commerce markets, a positive economic development would present opportunities for further successful company growth. However, Bechtle could even take advantage of an economic decline, as this would result in a consolidation of the competitive environment. Therefore, Bechtle AG intensively examines strategic market and competition analyses, deriving concrete growth potential indicators for its future development.

Of course, the examination also focuses on the industry trends that have a direct impact on the company's profitable growth.

For several years, the system house market – especially in German-speaking regions – has been undergoing a period of intense consolidation, which Bechtle is actively using. Thanks to its solid financial resources and good reputation, the company was able to perform numerous acquisitions over the past years, thereby strengthening its market position. In view of the progressive thinning of the industry and Bechtle's assets position and funding, which are still excellent, the company will have further opportunity to continue to fortify its competitive position, for example by means of acquisitions or by expanding the product and service spectrum. Considering the dwindling growth dynamics in the IT market, this opportunity is particularly momentous.

Due to the current situation in the financial markets and their effect on the real economy, the current development could offer further opportunities for the Bechtle Group. Especially the increasing requirements placed on information technology and on the corporate IT infrastructure, so as to, for instance, more closely observe compliance guidelines for extending credit, such as Basel II, could have a positive effect on demand in the hardware, software, and services segments. In the future, the financial sector itself will also have to deal intensively with compliance and security issues and thus also with IT-supported control mechanisms, which could result in a positive commercial stimulus for Bechtle AG.

Bechtle will continue to participate actively in the consolidation of the IT industry

Besides the planned growth at the existing locations, the opportunities in the IT e-commerce segment mainly relate to the further internationalisation of the business on the basis of a clear multi-brand strategy. The necessary systems and processes have been continuously improved over the past years and form a reliable platform for further growth. With its *Bechtle direct* brand, the group launched its activities in Ireland in the reporting period and Portugal will follow in March 2009. Market launches are possible in additional European countries in the medium run and in South America and Asia in the long run.

Under the buzzword “Green IT”, the issue of climate protection has also found its way into the IT industry. To meet the requirements for eco-friendly IT and to use the resulting opportunities, Bechtle has introduced an innovative range of low-emission, energy-saving products. In the service sector, Bechtle offers customised solutions that also contribute to energy savings in the IT infrastructure, for example through server consolidation or virtualisation of applications (see chapter “Environmental Protection”, page 31).

Customers

In the IT system house & managed services segment, Bechtle reaches the medium-sized customer target group in the German-speaking region with a dense network of system houses. Due to the widely diversified customer structure, the effect of industry-specific economic trends and investment-related framework conditions is relatively minor for the company. Moreover, Bechtle’s long-standing presence in this segment represents a high market entry barrier for potential competitors. The clear concentration on the medium-sized business segment enables Bechtle to further expand its market leadership and position its own business model on a cross-industry level.

Bechtle also offers its services to public clients, a business segment in which the company has consistently expanded its activities in recent years. Apart from the basic opportunity associated with the expansion of the customer portfolio and the achievable volume, the specialisation of the portfolio on the special needs of public clients offers another opportunity: the investment behaviour of the public sector is less susceptible to economic trends and is often even anti-cyclical. Thus, for example, for the current year – based on government economic recovery programmes – it is expected that the investments of public clients will exceed the value of the prior year.

In the IT e-commerce segment, the company is active with the *Bechtle direct* and *ARP Datacon* brands in selected European countries. In this segment, Bechtle regards a wider customer approach and increased customer bonding through the use of bios® shops (see chapter “Service Spectrum and Processes”, page 28) to be an opportunity for future growth.

Apart from *Bechtle direct*, which concentrates on enterprise customers, *Bechtle ÖA direct* serves as a platform for public clients. In this field, too, the anti-cyclical investment behaviour of public clients provides the opportunities already addressed above.

Further expansion of the public clients segment

Manufacturers and Distributors

Within the scope of its business activity, Bechtle AG maintains close partnerships with all major suppliers and manufacturers in the industry, such as the cooperation with IBM in the field of outsourcing. The intensive collaboration with partner companies enables Bechtle to offer technologically suitable solutions for the growing bandwidth of customer requirements. Thus, Bechtle is improving its own growth opportunities especially by means of a more extensive range of individual solutions for medium-sized customers and public clients, particularly in the field of services and software.

To support this collaboration, Bechtle has additionally appointed Vendor Integrated Product Managers (VIPM) for strategic manufacturers, who promote the interests of the manufacturer and of Bechtle alike. For example, information of the manufacturers can be forwarded to the responsible 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 Bechtle's sales activities increases, and customers benefit immediately from product promotions of the manufacturers. On the other hand, the Bechtle product catalogue, for example, has for many years been a sales channel with a high multiplier effect for manufacturers and distributors.

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

Service Range

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

More than ever, the difficult global economic situation is forcing companies to review their business processes. At the same time, it stimulates interest in innovative IT management models like outsourcing. The outsourcing of the IT or parts of it enables companies to redistribute costs by allocating IT expenditure exclusively to operating expenses and by freeing up capital that would otherwise be invested in IT. Moreover, due to the global economic decline, many outsourcing customers are questioning the reliability of their partners. This influences their choice of service providers, prices, and how and by whom the external services are rendered. In future, the expanded range of outsourcing solutions and managed services could yield attractive growth opportunities for Bechtle. Customer relationships in this operation business are usually of a long-term nature, which facilitates the business performance planning. Moreover, the projects promise higher margins than the orders in the conventional trading business.

Both sides benefit from close collaboration with manufacturers

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

**Bechtle adapts flexibly
to the needs of the market**

Company Organisation

By consistently aligning the company structure to the strategy, an important precondition has been established for using the opportunities resulting from the described market developments. The almost comprehensive geographic presence with more than 50 locations in Germany and Switzerland and two new locations in Austria enable Bechtle to address local medium-sized businesses on site via the regional system houses and – from the perspective of the Bechtle Group as a whole – to attract businesses and corporations that operate on a nationwide scale and that need a large IT service provider as a reliable partner. Despite the great significance of decentralised responsibility and decision-making structures, the Bechtle Group benefits from its size in the field of centralised administrative tasks and bundled purchasing and logistics processes by achieving substantial economies of scale. Additionally, competence centres and specialised product management teams bundle expertise that is centrally made available to all locations.

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

Human Resources

Bechtle attaches great importance to long-term binding of employees to the company. The leadership style is instrumental in determining the atmosphere in the company. The company's management takes the lead in living the basic values rooted in the corporate philosophy and creates an open atmosphere of mutual trust. This includes short communication routes and open exchange between the divisions, locations, and hierarchy levels. This is important in order to make existing expertise usable and to duly take both the strategic and the operational viewpoint into consideration when making decisions. Furthermore, Bechtle regularly invests in staff training. The Bechtle Academy mentioned above (see chapter "Employees", pages 37 f) constitutes an important element in the mounting struggle for prospective employees.

FRAMEWORK CONDITIONS

Due to the crisis in the financial markets, the macroeconomic situation is expected to continue deteriorating. For the euro zone, current forecasts predict a reduction of the gross domestic product by about 2 per cent in 2009. The German economy is expected to shrink by 2 to 3 per cent, and the economic effects of the crisis in the financial markets will still be felt in the in 2010.

The economic prospects in the IT industry have also become gloomy. While growth will slow down considerably in the software and service segments, hardware trading business will even move in the opposite direction and yield a much lower volume than in the reporting period. Thus, according to BITKOM, more and more ITC enterprises are adjusting their revenue expectations for 2009 downwards.

The extent and duration of the economic crisis will also depend on the effectiveness of the announced government economic recovery programmes. It is not yet possible to make a reliable estimate of the implications for the IT industry, though some of these measures will surely have a direct and indirect impact on public and commercial IT budgets.

Economic uncertainties strain the outlook of the IT industry for 2009

GROUP DEVELOPMENT

Products and Markets

The concentration process in the European and German IT markets will continue, resulting in intensified competition. This aggravated competitive situation will be partly compensated by the said market-related developments, such as an increased disposition towards IT outsourcing or higher growth rates in certain submarkets like public clients.

To strengthen the own market position and to meet the growing customer requirements, Bechtle is busy developing and establishing an even better service offer. Moreover, the public clients division and the software license business represent focal points in the corporate development of the Bechtle Group.

The expansion of the range of IT solutions specifically designed for medium-sized companies plays a key role in the IT system house & managed services segment. In view of dwindling budgets, new service and consulting concepts and individual project solutions will contribute to a more efficient customer IT infrastructure and allow Bechtle to develop attractive, growth-oriented business fields. The sales concept of the system houses is greatly supported by the definition of key subjects like security, virtualisation, server & storage, and mobile office communication solutions.

In the future, Bechtle also plans to expand the product and service offer and its market presence through selective acquisitions.

Regardless of the macroeconomic situation, the high innovation rate in the IT industry is unlikely to abate. Bechtle is therefore continuously intensifying its close collaboration with external partners, such as suppliers and manufacturers, in the field of procurement and logistics. Bechtle is endeavouring to present a large number of new products in its Web shops at all times. Currently, about 250 to 300 new products are introduced at *Bechtle direct* every week. On average, 40 per cent of the prices of the product offer change every day. Thus, keeping prices and availability information up to date is just as critical to success as centralised logistics that makes use of lean processes for optimum efficiency in managing the flow of goods.

In the IT e-commerce segment, the Bechtle Group strives to become the market leader in Europe and plans to further expand its presence by establishing additional Bechtle direct subsidiaries in Europe. For the *ARP Datacon* brand, the countries in which *Bechtle direct* is already represented are to be developed first.

Up-to-date prices and availability information are critical to success

Key Performance Indicators

Revenue

The Executive Board believes that Bechtle's performance over the next two years will be relatively better than the general market performance. In the IT e-commerce segment, this is to be made possible by progressive expansion in Europe and intensive new customer recruitment drives. This goal is also supported by means of a wider and, most importantly, a superior service offer and the concentration on fast-growing business fields in the IT system house & managed services segment. According to its Vision 2020, Bechtle is aiming for a revenue of five billion euros.

Within the scope of the planned development, the regional distribution of revenues in the following years will continue to shift towards foreign countries, as a result of the advancing internationalisation of the business and the increasing number of IT e-commerce companies. In this connection, Switzerland will continue to account for an above-average share of the group revenue. Both the IT system house & managed services segment and IT e-commerce will contribute to the growth of the Bechtle Group. However, IT e-commerce is expected to be more dynamic than IT system house & managed services. In the medium term, this is associated with the expectation that both segments will contribute the same amount to the total revenue.

Costs

With respect to the examination and interpretation of the revenue developments described above, it is important to take structural shifts between the segments into consideration. Thus, the group's objective is to increasingly relocate standardised hardware procurement processes from the IT system house & managed services segment to the IT e-commerce segment, where these processes can be implemented more cost-efficiently.

For Bechtle AG as a trading service provider, personnel expenses are of central importance with respect to the business management. Personnel expenses constitute the largest expense block, accounting for approximately 70 per cent of the sales and administrative expenses. In the field of sales, especially in IT e-commerce, the expenses are also highly correlated with the revenue performance. Therefore, the management expects the sales expenses in 2009 and 2010 to persist at the level of the prior years. Upon completion of the structural changes in the management organisation of Bechtle AG, which were initiated in 2006, the administrative expense ratio will exhibit a more or less constant development over the next two years.

Earnings

Particularly in view of the macroeconomic situation, Bechtle AG will consistently continue to apply the measures for increased efficiency. In connection with the ongoing integration of the most recently acquired companies and a more profitable service offer, the management of Bechtle AG is confident that it will be able to hold the EBT margin in 2009 and 2010 at a level above the industry average.

The EBT margin is to be maintained at a high level

Economically, last year was an outstanding success for Bechtle AG. The structural adjustments made to the management organisation, which were completed in the fiscal year 2008, form the basis for implementing the Vision 2020 and guarantee sustainability of the company even in an economically uncertain environment. The earnings over the next two years will be determined to a large extent by the further economic development and the expansion of the relative market share.

Against the background of successful business performance, Bechtle AG plans to continue to share its entrepreneurial success with its shareholders in the form of an attractive dividend. In recent years, about 30 per cent of the consolidated earnings after taxes were distributed. At present, there are no plans for fundamental changes to the company's dividend policy.

Assets and Financial Position

Liquidity

The Bechtle Group has a solid balance-sheet structure and sufficient financial resources to grow organically and respond flexibly to the needs of the market. Especially in difficult economic times, adequate liquidity provides a competitive advantage, also from the customer's viewpoint. Due to the macroeconomic parameters, particular importance will be attached to corporate cash management in the current year. As of the balance-sheet date 31 December 2008, the company had cash and cash equivalents amounting to 77.3 million euros, marketable securities worth 0.3 million that can be sold at short notice, and unused credit lines amounting to approximately 39.9 million euros, all of which were available for short-term financing. The credit facilities available to the company are far from being exhausted, and the remaining borrowing potential is even higher. In conjunction with the continued positive development of the operating cash flow, Bechtle has adequate resources for attaining its goals and financing future growth.

Solid funding enables Bechtle to grow even in difficult times

Financing

Given the current development in the financial markets, the company assumes that it will be able to at least keep the financial earnings – a positive balance of interest income and interest payable – until 2010 at the level of the prior years. Smaller acquisitions can be performed from the current cash flow and available liquidity resources. The potential takeover of larger companies would most likely result in some cash outflow, most of which would most probably be financed with debt capital. This, in turn, could affect the current financing structure of Bechtle AG, with the possibility of a negative financial balance.

Over the next two years, the investments needed to realise the growth targets will not involve any major change of the current financing structure. Moreover, Bechtle could resort to the equity financing options according to the adopted Annual General Meeting resolutions. Until June 2009, the Executive Board is authorised to increase the equity capital by issuing up to 10.6 million shares against cash or contributions in kind. The company plans to re-submit the authorisation for the use of the approved capital to the Annual General Meeting 2009.

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

Investments

The business of Bechtle AG, which comprises IT product trading and IT services, does not require high investments. Generally, the planned investments in property, plant and equipment and in intangible assets (software) will more or less match the scheduled depreciation and amortisation. These investments will mainly comprise investments in the replacement of the office equipment for the distribution and service companies and expansion investments in new building facilities and extended capacities. Thus, investments will be made to optimise logistics and space concepts at the Bechtle AG headquarters in Neckarsulm, Germany, and at other group locations. Without factoring in possible acquisitions, the volume of investments planned until 2010 for plant, property and equipment and intangible assets will, from the present standpoint, not change significantly compared to prior years. In the current year, the majority of the planned investments involve standard replacements with a budgeted volume of about 12 million euros. Moreover, one-time investments of about 6 million euros are budgeted for building activities in Neckarsulm and Gaildorf, Germany. Due to the solid financial basis, the company will be able to finance the planned investments using its own resources. In principle, unscheduled investments due to acquisitions are also possible.

**Investments progressing
according to plan**

OVERALL ASSESSMENT

Even in retrospect, the financial and economic crisis is an exceptional situation whose dimensions Bechtle could not foresee. The crisis will affect the group's medium-term targets, but not its long-term goals.

Despite the macroeconomic situation, the Executive Board expects the business performance of Bechtle AG over the next two years to be above the industry average. As the restructuring has been largely completed, the management has established good preconditions for making better use of opportunities in a recessive environment and implementing Bechtle's yields-oriented growth in the long run.

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

Certification and training measures will continue to play an important role. With the academy's expanded qualification offer, Bechtle plans to continue recruiting more specialists and executives from its own ranks, in order to be prepared for the looming shortage of qualified staff.

Bechtle continues to attach greater importance to long-term business continuity than to short-term income optimisation. After the economically exceptional years 2007 and 2008, the management of Bechtle AG is confronted with a much more competitive environment and difficult general economic parameters in the current year. But even this economic situation offers opportunities in that especially in such times, it is necessary to establish the basis for being able to react quickly to a potential improvement of the economic factors. The possibility to enter new international markets in the future, the growing contribution of managed services, and the broader positioning in the public clients division are to provide added support for this development.

Neckarsulm, March 2009
Bechtle AG

The Executive Board

Bechtle wants to grow organically and by means of acquisitions