FIRST HALF OF 2018

H1

INTERIM REPORT AS OF 30 JUNE 2018

Your strong IT partner.
Today and tomorrow.

BECHTLE

KEY FIGURES OF THE BECHTLE GROUP AT A GLANCE

		01.01–30.06.2018	01.01–30.06.2017	Change in %
Revenue	€k	**1,920,359**	**1,625,327**	**18.2**
IT system house & managed services	€k	1,334,976	1,136,188	17.5
IT e-commerce	€k	585,383	489,139	19.7
EBITDA	€k	**97,484**	**82,411**	**18.3**
IT system house & managed services	€k	67,451	58,935	14.4
IT e-commerce	€k	30,033	23,476	27.9
EBIT	€k	**79,618**	**68,327**	**16.5**
IT system house & managed services	€k	52,827	47,370	11.5
IT e-commerce	€k	26,791	20,957	27.8
EBIT margin	%	**4.1**	**4.2**	
IT system house & managed services	%	4.0	4.2	
IT e-commerce	%	4.6	4.3	
EBT	€k	**78,960**	**67,705**	**16.6**
EBT margin	%	**4.1**	**4.2**	
Earnings after taxes	€k	**55,553**	**47,488**	**17.0**
Earnings per share	€	**1.32**	**1.13**[3]	**17.0**
Return on equity[1]	%	**15.1**	**14.5**	
Cash flow from operating activities	€k	**7,353**	**–23,283**	**131.6**
Number of employees (as of 30.06)		**8,790**	**7,909**	**11.1**
IT system house & managed services		7,186	6,446	11.5
IT e-commerce		1,604	1,463	9.6

		30.06.2018	30.12.2017	Change in %
Cash and cash equivalents[2]	€k	**104,395**	**174,827**	**–40.3**
Working Capital	€k	**526,670**	**492,865**	**6.9**
Equity ratio	%	**56.5**	**53.9**	**4.9**

[1] Annualised
[2] Incl. time deposits and securities
[3] Adapted to share split

REVIEW BY QUARTER 2018

		1st Quarter 01.01–31.03	2nd Quarter 01.04–30.06	3rd Quarter 01.07–30.09	4th Quarter 01.10–31.12	2018 FY 01.01–30.06
Revenue	€k	955,389	964,970			1,920,359
EBITDA	€k	44,504	52,980			97,484
EBIT	€k	35,718	43,900			79,618
EBT	€k	35,400	43,560			78,960
EBT margin	%	3.7	4.5			4.1
Earnings after taxes	€k	24,849	30,704			55,553

CONSOLIDATED INTERIM MANAGEMENT REPORT

BUSINESS ACTIVITY

As a one-stop IT provider, Bechtle is active with about 70 system houses in Germany, Austria and Switzerland, and is one of Europe's leading online IT dealers, with subsidiaries in 14 countries. This combination forms the basis of Bechtle's unique business model, which combines IT services with the conventional IT trading business. Established in 1983 and headquartered in Neckarsulm, Germany, the company offers a one-stop, vendor-independent, comprehensive IT portfolio to its more than 70,000 customers from the fields of industry and trade, the public sector and the financial industry.

See
Annual Report 2017,
page 31 ff

In the IT system house & managed services segment, the service spectrum ranges from the sale of hardware, software and application solutions to project planning and roll-out, system integration, maintenance and training to the provision of cloud services and the complete operation of the customer IT. We have bundled our trading business in IT e-commerce, the second business segment. Here, we offer our customers hardware and standard software via the Internet and telesales under the Bechtle direct and ARP brands.

bechtle.com/portfolio-en

ENVIRONMENT

- **Economic framework conditions remain positive**
- **Mixed indicators from the IT industry**

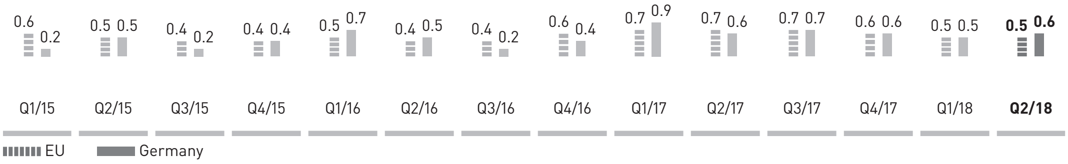
MACROECONOMY

The economic performance in the EU has weakened slightly, but is still at a high level. The European Commission estimates the increase in gross domestic product (GDP) to be 0.5 per cent in the first quarter and 0.5 per cent in the second quarter of 2018, compared to 0.7 per cent and 0.6 per cent in the prior quarters, respectively. All EU countries in which Bechtle is present recorded positive growth rates, though to different extents. With a growth rate of 1.1 per cent in both quarters, Poland was at the top of the list. Italy was at the bottom end, with 0.2 per cent in the first quarter and 0.3 per cent in the second quarter.

ec.europa.eu

GDP PERFORMANCE COMPARED TO THE PRIOR QUARTER

%



In the first quarter, the German economy grew 0.5 per cent, on a par with the EU. In the second quarter, the domestic GDP performance amounted to 0.6 per cent, slightly higher than that of the EU.

ifo.de

Since the beginning of the year, the mood indicators of the German economy have dropped slightly compared to their 2017 peaks. However, they are still at a very high level. Starting from 104.8 points in January, the ifo index dropped to 101.8 in June. The expectations for the coming months retained their level in the second quarter, whilst the evaluation of the current situation declined a little.

INDUSTRY

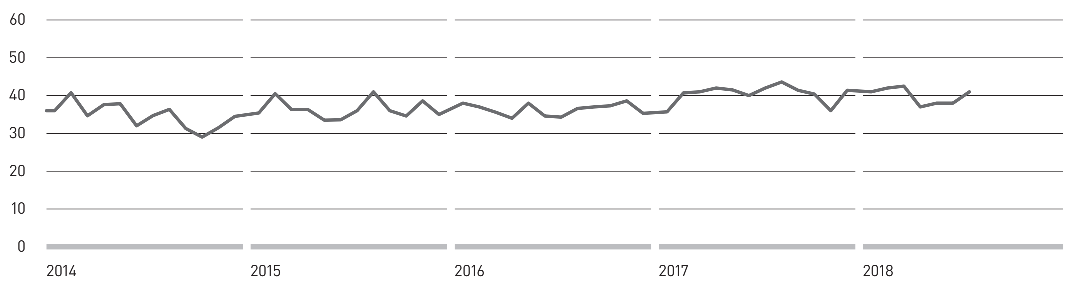
gulp.de

In the first half of 2018, the IT market showed mixed signals. For example, the GULP IT project market index, which registers projects for IT freelancers in Germany, was about 5.7 per cent lower in the first quarter than in the corresponding prior-year quarter. In the second quarter, however, the index went up 6.7 per cent. The PC market also grew in the second quarter of 2018. In Western Europe, the market research institute IDC reports a sales increase of 2.9 per cent overall and a remarkable 9.2 per cent in the business segment. According to IDC, the demand was especially strong in Benelux, Ireland and the UK.

The development of product prices in the first half of 2018 was varied. Whilst workstation, thin client, tablet and monitor prices dropped, PC, laptop, server and printer prices went up.

The mood on the German IT market was unsteady. In the first three months of 2018, the ifo business climate index for IT service providers went even further up from its high level of 40.9 points in January. In April, it receded to 37.2, but then recovered slightly in the course of the second quarter. In July, it climbed to 40.1 points, a level close to that at the beginning of the year. The evaluation of the current situation was especially positive, and the expectations for the coming months increased as well.

IFO INDEX FOR IT SERVICE PROVIDERS



OVERALL ASSESSMENT

The economic environment remained positive in the first six months of 2018. However, the growth dynamics in the EU and in Germany underwent a slight decline. Despite the drop of the mood indicators and numerous macroeconomic risk factors, there are no significant signs of cooling of the good performance.

The signals on the IT market were mixed. All in all, however, the IT market is in a good condition. This is also reflected in the good mood that continues to be prevalent amongst IT service providers.

In the described market setting, Bechtle AG delivered an outstanding performance. Its growth dynamics were exceedingly high. Bechtle has thus significantly outperformed the market in general and is once again constantly gaining market shares.

As Bechtle AG does not publish any forecasts for individual quarters, it is not possible to compare the actual figures with target figures. Nevertheless, we can say that the growth rates of the first six months exceeded our expectations for 2018 as a whole. The margin development in the second quarter, however, was in line with our expectations.

EARNINGS POSITION

- Revenue growth remains high
- E-commerce abroad drives growth
- Margin picks up again in Q2

ORDER POSITION

For the sale of IT products and the provision of services, Bechtle concludes both short-term and long-term contractual relationships. The IT e-commerce segment is characterised almost entirely by the conclusion of pure trading deals with very short order and delivery times. In the IT system house & managed services segment, project deals can take anywhere from several weeks to one year. Especially in the fields of managed services and cloud computing, most of the framework and operating agreements that Bechtle concludes with its customers have terms of several years.

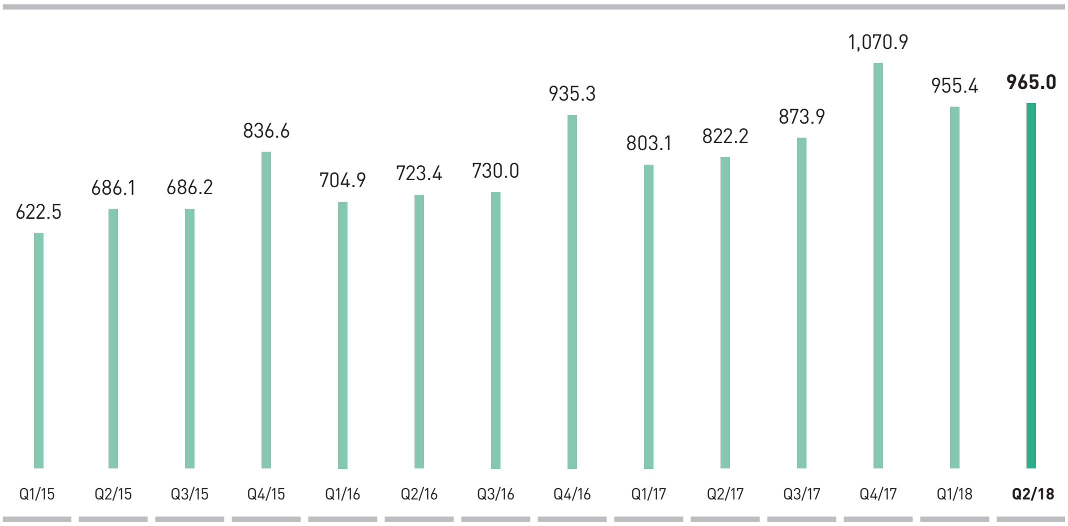
In the first half of 2018, incoming orders amounted to approximately €1,899 million, 16.5 per cent more than in the prior year (€1,630 million). The IT system house & managed services segment recorded an increase of 16.6 per cent to €1,317 million (prior year: €1,130 million). At €582 million, the incoming orders in the IT e-commerce segment were 16.4 per cent higher than in the prior year (€500 million).

As of 30 June, the order backlog amounted to €575 million (prior year: €517 million). Of this amount, the IT system house & managed services segment accounted for €486 million (prior year: €447 million), and the IT e-commerce segment for €89 million (prior year €70 million).

REVENUE PERFORMANCE

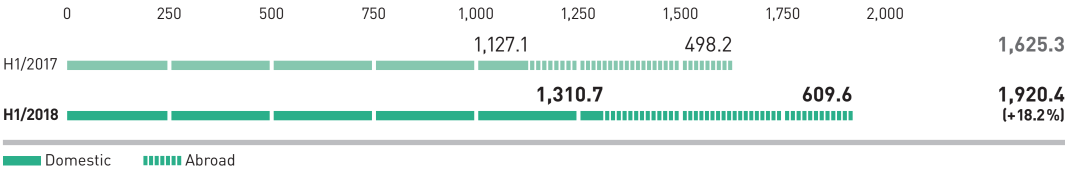
The first half of 2018 was extremely successful for Bechtle AG. At 18.2 per cent, the revenue growth rate was outstanding. With 19.0 per cent in the first quarter and 17.4 per cent in the second quarter, the dynamics were largely balanced in the two reporting quarters. At €1,920.4 million, the revenue was just below €2 billion. The growth was almost the same in the segments as well. Most of the growth (17.6 per cent) was organic.

GROUP REVENUE



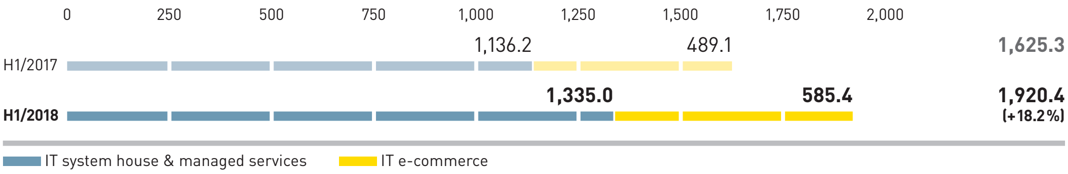
In the regions, the performance of our companies abroad was extremely strong. In the first half of the year, their growth reached 22.4 per cent, whilst domestic companies achieved an increase of 16.3 per cent. At 23.8 per cent, our e-commerce companies abroad recorded the highest growth. In the second quarter, our system houses in Austria and in Switzerland achieved the highest growth at 31.4 per cent, most of which was generated organically.

REGIONAL REVENUE DISTRIBUTION



In the six-month period, the IT system house & managed services segment stepped up its revenue 17.5 per cent to €1,335.0 million (prior year: €1,136.2 million). In the second quarter, the revenue growth amounted to 18.1 per cent. The dynamics in this segment increased in the course of the year.

REVENUE BY SEGMENTS



In the six-month period, the revenue in the IT e-commerce segment improved 19.7 per cent from €489.1 million to €585.4 million. As mentioned, the companies abroad were the growth driver, with 23.8 per cent. The domestic companies achieved a growth rate of 9.3 per cent. From April to June, the revenue in this segment went up 15.6 per cent.

REVENUE – GROUP AND SEGMENTS €k

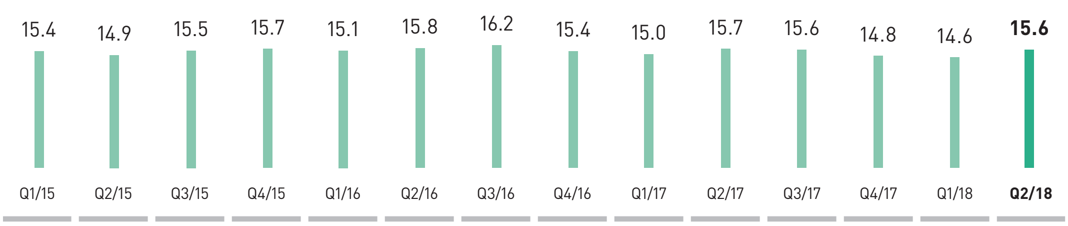
	H1/2018	H1/2017	Change	Q2/2018	Q2/2017	Change
Group	**1,920,359**	**1,625,327**	**+18.2%**	**964,970**	**822,198**	**+17.4%**
Domestic	1,310,737	1,127,116	+16.3%	657,004	576,953	+13.9%
Abroad	609,622	498,211	+22.4%	307,966	245,245	+25.6%
IT system house & managed services	**1,334,976**	**1,136,188**	**+17.5%**	**676,794**	**572,862**	**+18.1%**
IT e-commerce	**585,383**	**489,139**	**+19.7%**	**288,176**	**249,336**	**+15.6%**

Based on an average of 7,941 full-time and part-time employees, the group's revenue per employee increased from €227 thousand to €242 thousand in the first six months. The revenue per employee in the IT system house & managed services segment was €206 thousand, compared to €195 thousand in the prior year. The revenue per employee in the IT e-commerce segment climbed from €369 thousand to €402 thousand.

EARNINGS PERFORMANCE

From January to June, the cost of sales increased 18.5 per cent, a rate slightly higher than that of the revenue growth. This was due mainly to the above-average increase of 19.1 per cent in material costs. This was only partially compensated by the below-average increase of 13.5 per cent in personnel expenses included in the cost of sales. The gross margin amounted to 15.1 per cent, compared to 15.4 per cent in the prior year. Gross earnings amounted to €290.0 million, 16.1 per cent more than in the prior year (€249.7 million). In the second quarter, the gross margin receded only slightly from 15.7 per cent to 15.6 per cent. In this quarter, the cost types increased at similar rates. Personnel expenses increased at a slightly below-average rate of 16.7 per cent, whilst material costs went up at a slightly above-average rate of 17.8 per cent.

GROSS MARGIN %



In the first six months, both types of functional expenses grew below average. Distribution costs increased 14.3 per cent from €101.8 million to €116.3 million. The ratio dropped from 6.3 per cent to 6.1 per cent. Administrative expenses underwent an increase of 16.8 per cent from €84.3 million to €98.4 million. The administrative expense ratio declined slightly from 5.2 per cent to 5.1 per cent. Other operating income totalled €4.4 million, slightly less than in the prior year (€4.6 million).

Year on year, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 18.3 per cent, from €82.4 million to €97.5 million. Our EBITDA margin thus remained stable at 5.1 per cent. In the second quarter, the margin underwent a year-on-year increase from 5.3 per cent to 5.5 per cent.

As planned, depreciation and amortisation underwent a higher increase of 26.9 per cent to €17.9 million. This was due to the high investment volume in the prior year. As previously, depreciation of property, plant and equipment – which increased from €12.1 million to €15.7 million – accounted for the largest share.

Earnings before interest and taxes (EBIT) improved 16.5 per cent to €79.6 million (prior year: €68.3 million). The margin was 4.1 per cent, compared to 4.2 per cent in the prior year. Whilst the margin had followed a downward trend in the first quarter, it increased from 4.4 per cent to 4.5 per cent in the period from April to June.

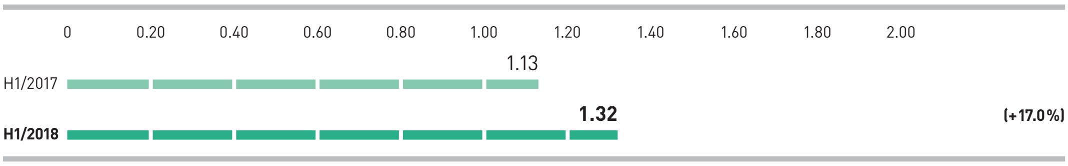
Financial earnings amounted to –€0.7 million. The group thus generated earnings before taxes (EBT) of €79.0 million in the first half of 2018, 16.6 per cent more than in the prior year (€67.7 million). The EBT margin was 4.1 per cent, compared to 4.2 per cent in the prior year. The EBT margin in the second quarter went up from 4.4 per cent to 4.5 per cent.

EBT AND EBT MARGIN

Due to the higher earnings share from abroad, tax expenses increased by a disproportionately low rate of 15.8 per cent to €23.4 million in the six-month period. The tax rate declined from 29.9 per cent in the prior year to 29.6 per cent in the period under review.

Earnings after taxes improved 17.0 per cent from €47.5 million to €55.6 million. The net margin thus remained at an unchanged rate of 2.9 per cent. On the basis of 42.0 million shares, earnings per share (EPS) increased to €1.32 (prior year: €1.13). In the second quarter, EPS amounted to €0.73, an increase of 20.9 per cent over the prior year (€0.60).

EPS €



At segment level, the earnings situation was as follows:

In the first half of 2018, EBIT in the IT system house & managed services segment increased 11.5 per cent to €52.8 million (prior year: €47.4 million). The EBIT margin was 4.0 per cent, compared to 4.2 per cent in the prior year. This was due to the higher increase in personnel expenses especially in the first quarter.

In the six-month period, the IT e-commerce segment generated EBIT of €26.8 million, 27.8 per cent more than in the prior year (€21.0 million). The margin went up from 4.3 per cent to 4.6 per cent. While material costs had grown at a slightly above-average rate in the first quarter, their increase remained below the revenue growth in the second quarter. Especially our ARP brand with, amongst other things, the extension of its international customer relations, contributed to this positive development. Moreover, the personnel expenses only increased at a below-average rate.

EBIT – GROUP AND SEGMENTS €k

	H1/2018	H1/2017	Change	Q2/2018	Q2/2017	Change
Group	**79,618**	**68,327**	**+16.5%**	**43,900**	**36,504**	**+20.3%**
IT system house & managed services	52,827	47,370	+11.5%	28,755	24,578	+17.0%
IT e-commerce	26,791	20,957	+27.8%	15,145	11,926	+27.0%

ASSETS AND FINANCIAL POSITION

- Balance remains strong
- Improved cash flow

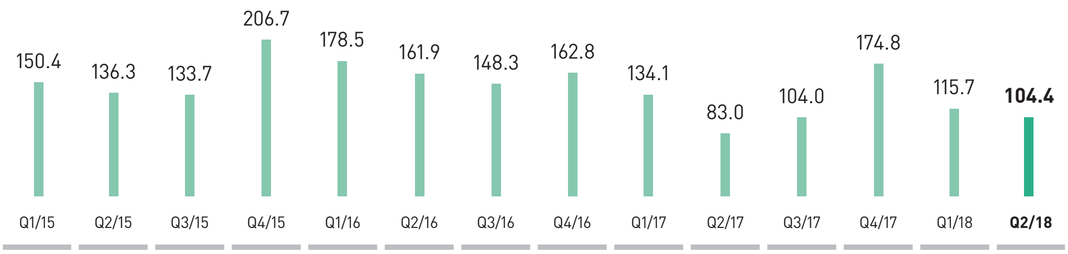
As of 30 June 2018, the balance sheet total of the Bechtle Group amounted to €1,409.5 million, slightly less than as of 31 December 2017 (€1,443.4 million).

DEVELOPMENT OF THE ASSETS

Non-current assets went up from €415.2 million to €448.4 million. Due to acquisitions, the goodwill went up €14.9 million. Property, plant and equipment increased €13.2 million to €148.0 million. Amongst other things, this item was affected by the takeover of two buildings. Our capitalisation ratio climbed from 28.8 per cent to 31.8 per cent.

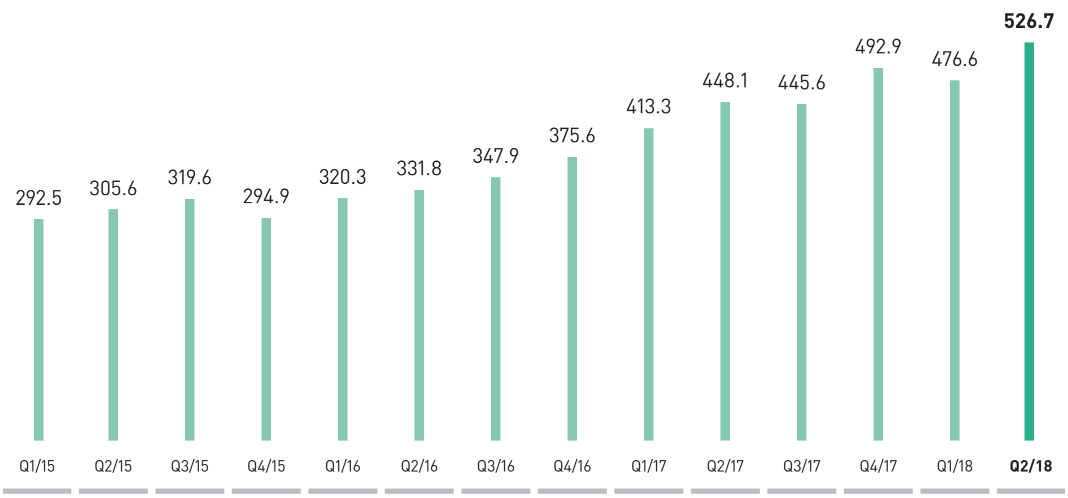
Current assets declined €67.1 million to €961.1 million. Though inventories went up €48.3 million for projects, trade receivables dropped €56.6 million to €525.3 million for seasonal reasons. Year on year, our average DSO (days sales outstanding) in the first six months of 2018 increased only slightly from 41.3 days to 41.5 days. Due especially to the dividend payment and the acquisitions performed, cash and cash equivalents declined from €162.4 million to €98.9 million. Time deposits and securities also dropped €7.0 million. As of the balance sheet date, the total liquidity – the value of the cash and cash equivalents including short-term time deposits and securities – amounted to €104.4 million. In addition to the total liquidity, Bechtle has a liquidity reserve of €38.8 million in the form of unused cash credit lines and guarantee credit lines.

LIQUIDITY (INCLUDING TIME DEPOSITS AND SECURITIES) €m



The working capital increased from €492.9 million to €526.7 million as of 30 June 2018, due especially to the higher inventories and lower trade payables, a moderate increase of 6.9 per cent. In relation to the revenue, the working capital receded from 27.6 per cent in the corresponding prior-year period to 27.4 per cent as of 30 June 2018.

WORKING CAPITAL €m



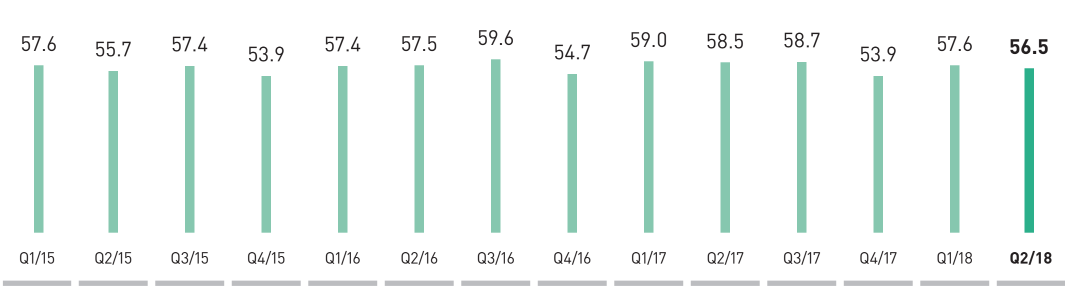
DEVELOPMENT OF THE EQUITY AND LIABILITIES

As of 30 June 2018, non-current liabilities amounted to €145.9 million, €18.6 million more than on 31 December 2017. This item was affected particularly by the increase of €12.7 million in financial liabilities.

Current liabilities fell €71.6 million to €467.2 million. For seasonal reasons, trade payables dropped €21.7 million. For reasons related to the reporting date, other liabilities dropped €30.9 million. This was due mainly to the lower personnel liabilities and reduced VAT liabilities. Financial liabilities, too, were €9.5 million lower than at the end of the year.

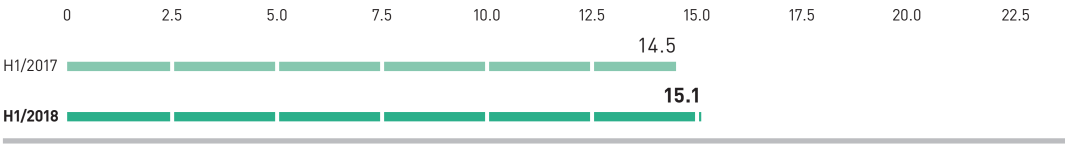
Owing to the higher earnings, the equity climbed from €777.3 million to €796.4 million as of 30 June 2018. Our equity ratio increased from 53.9 per cent as of 31 December 2017 to 56.5 per cent as of the reporting date.

EQUITY RATIO %



The extrapolated return on equity increased from 14.5 per cent as of 30 June 2017 to 15.1 per cent as of the reporting date.

RETURN ON EQUITY %



Due to the higher increase in non-current assets, the equity to non-current assets ratio declined at a high level from 187.2 per cent to 177.6 per cent. Bechtle's liquidity is still very comfortable. However, as a result of the assumption of new loans, the liquidity dropped below the total amount of the financial liabilities for the first time in a long while. The group's net debt amounted to €27.7 million, after minus €46 million as of 31 December 2017. However, due to the increase in equity, we were able to further reduce our dependence on external lenders. As of 30 June 2018, the debt ratio was 77.0 per cent, less than at the end of the fiscal year 2017 (85.7 per cent).

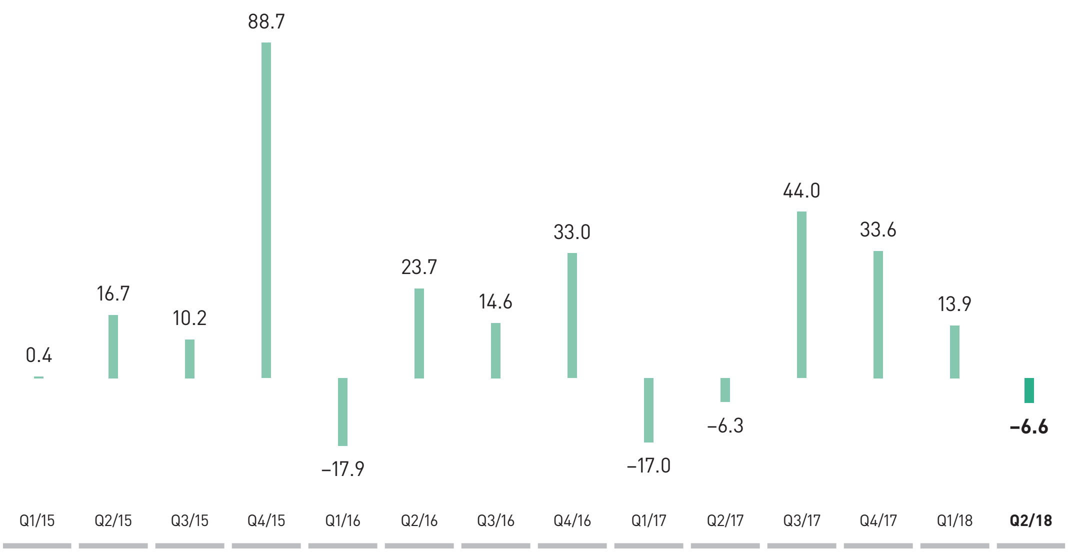
KEY BALANCE SHEET FIGURES OF THE BECHTLE GROUP

		30.06.2018	31.12.2017
Balance sheet total	€m	1,409.5	1,443.4
Cash and cash equivalents including time deposits and securities	€m	104.4	174.8
Equity	€m	796.4	777.3
Equity ratio	%	56.5	53.9
Equity to non-current assets ratio	%	177.6	187.2
Net debt	€m	27.7	–46.0
Debt ratio	%	77.0	85.7
Working Capital	€m	526.7	492.9

DEVELOPMENT OF THE CASH FLOW

The net cash generated from operating activities in the period from January to June 2018 amounted to plus €7.4 million, compared to minus €23.3 million in the corresponding prior-year period. Apart from the higher earnings, this was caused by changes in the net assets. The cash inflow from the reduction of trade receivables was €13.8 million higher than in the prior year, whilst the cash outflow from the reduction of trade payables was €36.5 million lower than as of 30 June 2017. The cash outflow from the build-up of inventories amounted to minus €48.2 million, a level similar to that of the prior year.

CASH FLOW FROM OPERATING ACTIVITIES €m

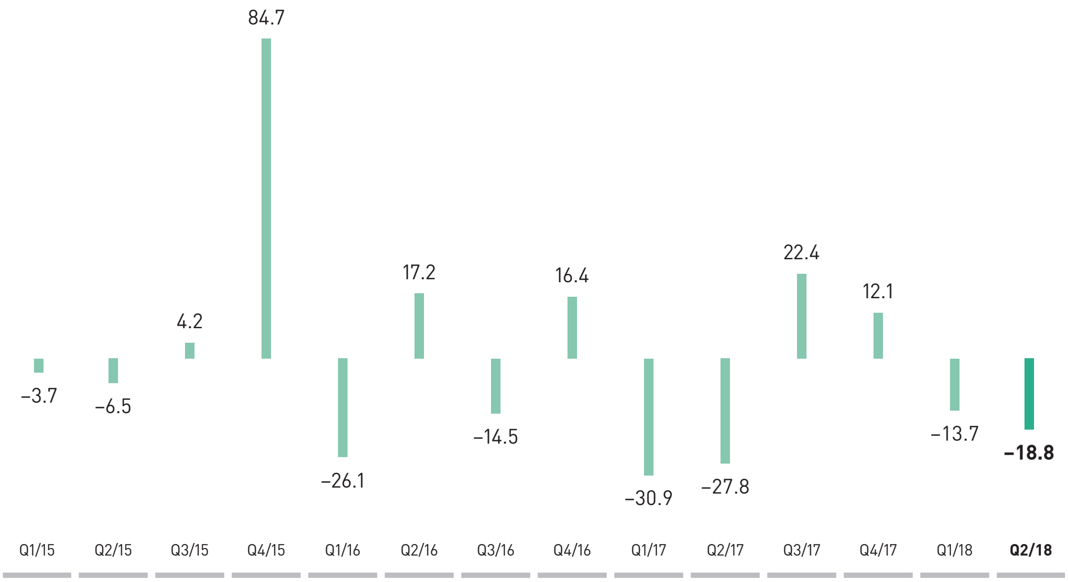


The cash flow from investing activities was minus €32.6 million (prior year: minus €25.2 million). This item was affected especially by the payments for investments in intangible assets and property, plant and equipment as well as payments for acquisitions.

The cash flow from financing activities amounted to minus €38.9 million, compared to minus €21.4 million in the prior year. This item was mainly affected by the dividends paid. The outflow for the repayment of financial liabilities more or less equalled the inflow from the assumption of financial liabilities.

Year on year, the free cash flow from January to June improved due to the positive cash flow from operating activities and the lower payments for investments. It amounted to minus €32.6 million, hereby surpassing significantly the prior year figure (prior year: minus €58.7 million).

FREE CASH FLOW €m

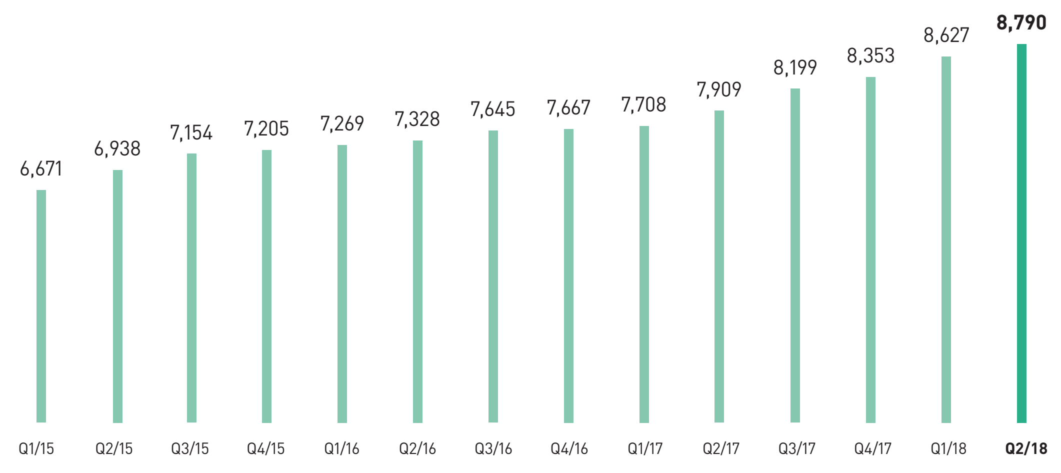


EMPLOYEES

- **Growth accompanied by headcount increase**
- **HR work focuses on training**

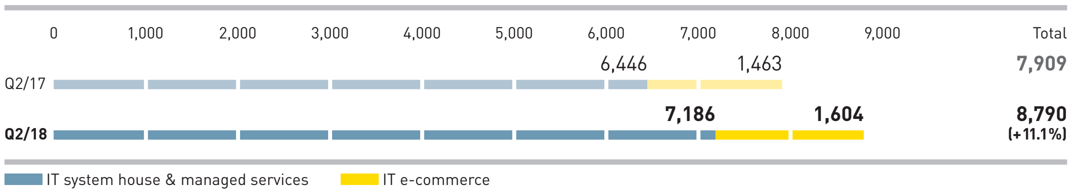
As of the reporting date 30 June 2018, the Bechtle Group had a total of 8,790 employees, including 489 trainees. Compared to 30 June 2017, the headcount thus went up by 881, an increase of 11.1 per cent. Though acquisitions also contributed to the headcount increase, new recruitment accounted for most of the rise.

EMPLOYEES IN THE GROUP



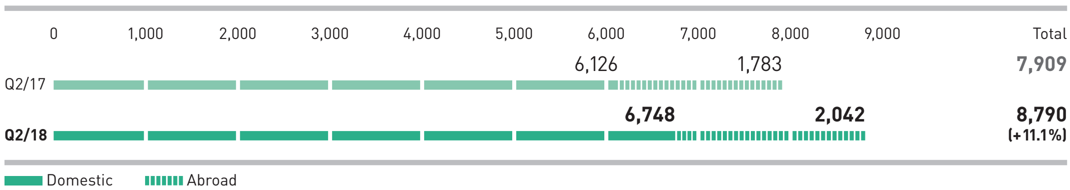
In the first six months of 2018, the headcount increase in the Bechtle Group was fairly evenly distributed over the segments and regions. Year on year, the number of employees in the system house & managed services segment went up by 740, an increase of 11.5 per cent. The e-commerce segment recorded a headcount increase of 9.6 per cent. In both segments, the headcount increase abroad was slightly higher than in Germany.

EMPLOYEES BY SEGMENTS



As of 30 June 2018, a total of 6,748 persons – more than three quarters of the workforce – were employed in Germany.

EMPLOYEES BY REGIONS

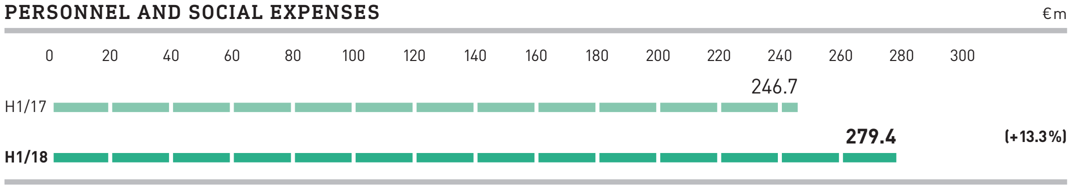


From January to June 2018, the average number of employees in the group amounted to 8,667, some 900 employees more than in the prior-year period – an increase of 11.6 per cent.

In the period from January to June 2018, personnel and social expenses totalled €279.4 million, 13.3 per cent more than in the corresponding prior-year period (€246.7 million). The expense ratio receded from 15.2 per cent to 14.6 per cent. Based on an average number of 7,941 (prior year: 7,164) full-time and part-time employees, personnel and social expenses per employee increased from €34.4 thousand to €35.2 thousand in the first half of the year.

PERSONNEL AND SOCIAL EXPENSES

€m



At the beginning of the year, Bechtle AG received the Best Recruiters Gold award for the fourth time in a row as the best company in its industry, in recognition of its marketing and recruiting achievements in the field of human resources. For the sixth time in a row, Bechtle was awarded the training label "Career-promoting & fair trainee programme" by Absolventa.

Training remains an important aspect of the HR work. To encourage young people to sign up for an apprenticeship, Bechtle again visited various recruiting events in and around Heilbronn, Freiburg, Konstanz and Würzburg in the first half of 2018. Furthermore, in-house events such as class visits, girls' days and high-school internship weeks at various locations give young people the opportunity to get to know the company. In the first half of the year, the company received about 1,300 applications throughout Germany for a total of about 160 training and study posts. This figure clearly shows the great interest shown in an apprenticeship or integrated degree programme with Bechtle.

With its wide portfolio of seminars, webinars and e-learning courses, Bechtle regularly invests in the ongoing training of its employees. The spectrum of subjects ranges from presentation methods to project management to product training. In the first half of the current fiscal year, the Academy held 226 (prior year: 187) events with a total of 2,899 (prior year: 2,219) participants.

Apart from the professional development, Bechtle also promotes the personal development of its employees. From May 2017 to March 2018, 22 participants took part in the yearly junior management programme. Amongst other things, this established programme furnishes participants with leadership skills. In spring, the next 36 colleagues embarked on the junior management programme 2018/2019. In the first half of 2018, ten participants successfully completed the general management programme, which is held every two years. By means of this programme, Bechtle makes sure that it will be able to continue to staff strategically important executive positions with managers from its own ranks.

The training programme for Bechtle-certified IT business architects continued in 2018. Since April, 20 new certified IT business architects have completed their training and started providing advice and guidance to our customers.

RESEARCH AND DEVELOPMENT

As a pure service and trading company, Bechtle does not engage in any research. 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 and application solutions division also offers customers the design, development and implementation of software, e.g. in SharePoint or ERP projects. In the reporting period, the scope of development services was insignificant in relation to the revenue.

OPPORTUNITIES AND RISKS

See Annual Report 2017, page 88 ff

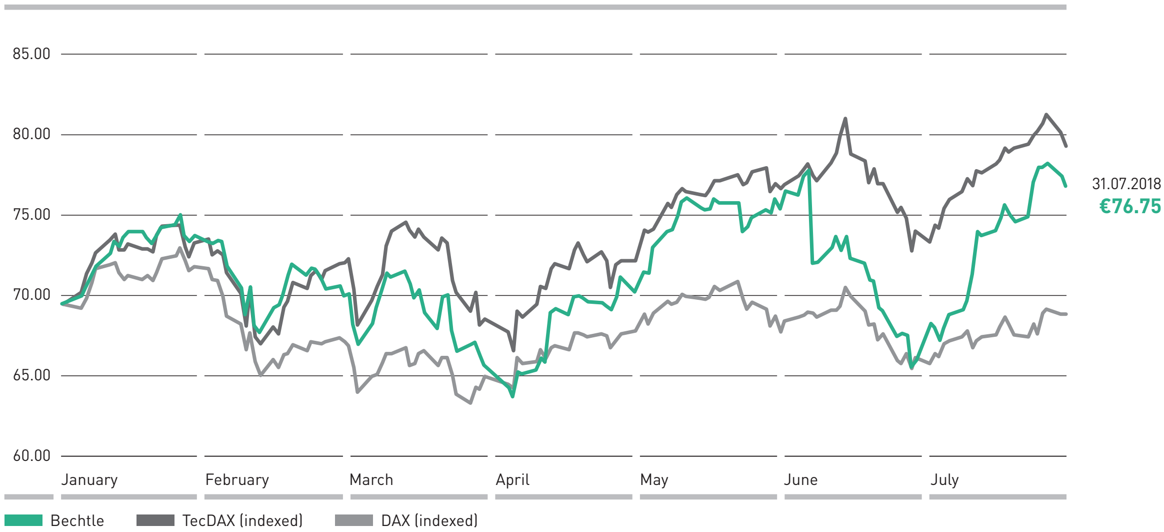
In line with the long-term focus of the strategy and business management of the Bechtle Group, the opportunities and risks for the coming months are basically the same as those presented in the Annual Report 2017. Compared to the situation presented in the last Annual Report, the first half of 2018 did not see any additional material opportunities or risks that would have changed the risk situation or the assessment of opportunities. In particular, no risks are currently known that could – individually or collectively – endanger the going concern.

SHARE

- Volatile stock market performance
- AGM adopts resolution for payment of a dividend of €0.90

Following the successful trading year of 2017, the positive development of the capital market continued for some time in early 2018. Then, however, the stock markets were increasingly impacted by various national and international political events. For instance, the haggling over the forming of the governments in Germany and Italy, the upcoming Brexit, and the decision of the US President to impose punitive tariffs on steel and aluminium imports paralysed the stock markets. This resulted in some massive price slumps, but also in repeated price rebounds. In this highly volatile setting, the DAX lost 4.7 per cent in the first half of 2018. By contrast, the TecDAX gained 6.4 per cent.

THE BECHTLE SHARE – PERFORMANCE FROM JANUARY TO JULY 2018



The Bechtle share, too, made a good start into the trading year. In the first month, the all-time high was surpassed several times. Ultimately, however, our share was unable to escape the general market trend. Following a volatile phase, the share dropped to €63.85 on 4 April, the lowest level in the first half of the year. Thereafter, our share was able to compensate for the losses from the first quarter. The price went up continually, reaching its six-month high of €77.75 on 6 June. At the same time, this was a new all-time high. However, the last month of the first half of 2018 again saw price losses, causing the Bechtle share to close at €66.10 on 29 June 2018, a total loss of 4.9 per cent.

On average, some 76,370 shares were traded on every trading day in the first six months of 2018, compared to 28,971 shares in the corresponding prior-year period. Thus, the average daily turnover of €5,443,012 was significantly above the prior year value of €2,989,478. In the TecDAX ranking of Deutsche Börse, Bechtle ranked 20th in June 2018 in terms of the stock exchange turnover (prior year: 22nd place). In terms of market cap, the company ranked 13th, two places higher than in the prior year.

TRADING DATA OF THE BECHTLE SHARE

		H1/2018	H1/2017	H1/2016	H1/2015	H1/2014
Closing price on 30 June	€	66.10	56.30	47.21	34.00	31.29
Performance	%	–4.9	+13.8	+7.2	+3.0	+26.5
High (closing price)	€	77.75	58.10	51.0	37.99	32.90
Low (closing price)	€	63.85	46.50	36.85	32.25	24.67
Market cap – total[1]	€m	2,776.2	2,362.5	1,982.8	1,427.8	1,314.0
Avg. turnover/trading day[2]	shares	76,370	28,971	35,631	55,132	47,190
Avg. turnover/trading day[2]	€	5,443,012	2,989,478	3,111,967	3,838,151	2,778,164

Xetra price data
[1] As of 30 June
[2] All German stock exchanges

The Annual General Meeting of Bechtle AG took place on 12 June 2018 in Heilbronn, Germany. Amongst other things, the agenda included the election of Supervisory Board members. The General Meeting elected all candidates proposed by the administration as members of the Supervisory Board: Kurt Dobitsch, businessman; Dr. Lars Grünert, CFO; Prof. Dr. Thomas Hess, institute director; Sandra Stegmann, consultant; Elke Reichart, Chief Digital Officer; and Klaus Winkler, director. Klaus Winkler was appointed Chairman of the Supervisory Board.

The Supervisory Board members of the employees had already been elected on 27 April 2018. Uli Drautz, administrative executive; Daniela Eberle, administrative employee; Barbara Greyer, labour union secretary of ver.di state district Baden Württemberg; Volker Strohfeld, IT service engineer; and Michael Unser, first executive officer of IG Metall Heilbronn-Neckarsulm, were re-elected. Anton Samija, software VIPM, was newly elected to the Supervisory Board.

In accordance with the proposal of the Executive Board and Supervisory Board of Bechtle AG, the General Meeting adopted a resolution to pay a dividend of €0.90 per share. In the prior year, Bechtle AG had paid out a dividend of €0.75. Compared to the prior year, the payment per share certificate thus increased by €0.15. Based on the dividend payment of €37.8 million, 33.0 per cent of the consolidated earnings after taxes was paid out to the shareholders. This was the twelfth increase of the normal dividend overall and the eighth in a row. This year too, Bechtle AG has thus held fast to its shareholder-friendly dividend policy, which it has pursued since its IPO in 2000. In relation to the closing price as of the end of the six-month period, the dividend yield amounted to 1.4 per cent.

DIVIDEND

		2017	2016
Dividend	€	0.90	0.75
Dividend payout ratio	%	33.0	30.5
Dividend yield[1]	%	1.4	1.3

[1] As of 30 June

FORECAST

Events after the reporting period, see Notes, page 45

- Stable macroeconomic performance
- Bechtle steps up forecast for 2018

MACROECONOMY

ec.europa.eu

According to the forecasts of the European Commission, the economic performance in the EU will remain largely stable in the coming months. The growth is expected to amount to 0.4 per cent in the third quarter and 0.3 per cent in the fourth quarter. Amongst the EU countries in which Bechtle is present, the growth expectations for the third quarter range from 0.4 per cent in the UK and Italy to 1.0 per cent in Poland. GDP growth of 2.3 per cent is expected for the EU for 2018 as a whole. Investments in equipment are expected to grow 5.6 per cent. The dynamics are to be maintained in the coming year as well. Stable quarterly growth rates of 0.5 per cent are predicted for the EU, bringing 2018 as a whole to a rate of 2.0 per cent. Investments in equipment are to grow by 3.9 per cent, a slightly lower rate than 2018.

In Germany, the economic growth in the course of the year is subject to the same fluctuations as that of the EU. According to the European Commission, the growth is to amount to 0.6 per cent in the third quarter and 0.5 per cent in the fourth quarter. For 2018 as a whole, current forecasts expect Germany to see GDP growth of 1.7 to 2.5 per cent. However, according to the European Commission, investments in equipment are to undergo substantial growth of 5.7 per cent. Macroeconomic growth of 1.5 to 2.3 per cent is predicted for 2019. The European Commission expects investments in equipment to grow at a rate of 3.4 per cent, less than in 2018.

INDUSTRY

eito.com

According to the latest forecast of the market research institute EITO, the IT market in the EU is to grow 2.4 per cent in 2018. However, hardware sales are to recede by 3.1 per cent. A growth of 2.6 per cent is predicted for the service revenue, and software is expected to increase by 5.8 per cent. There are great disparities in hardware revenue in the countries where Bechtle operates. Whilst a few countries will record growth – such as Switzerland with 4.0 per cent – most others will suffer a decline, most prominently Ireland with minus 15.9 per cent.

In 2018, the German IT market will grow 2.7 per cent. Here too, hardware sales are to drop, namely by 2.2 per cent. However, the sales performance in the business environment is expected to be much better. Service revenues are to increase 2.6 per cent and software – the growth driver – 6.3 per cent.

PERFORMANCE OF THE BECHTLE GROUP

In the first half of 2018, Bechtle AG achieved very significant revenue and earnings growth. The revenue dynamics merely slackened insignificantly over the quarters, whilst the growth rate of the earnings even picked up. All in all, the performance of these two indicators was above the target corridor of our expectations for 2018 as a whole. Apart from the highly positive organic development, we hope to be able to finalise the announced acquisition of Inmac Wstore in the course of the second half of the year. Against this backdrop – and despite the numerous weighty macroeconomic risk factors – we step up our forecast for the year as a whole and now expect that our revenue and earnings will undergo very significant growth compared to the prior year, i.e. at least a two-digit rate.

In the first half of the year, the margin performance did not fully reach our target horizon. However, following a margin decline in the first quarter, we managed to push up the margin slightly in the second quarter. In the remaining part of the year, the margin could remain under pressure, especially if the high growth rate of the first six months should continue. Furthermore, the margin may be temporarily encumbered by purchase price allocations in connection with the acquisition of Inmac Wstore. Nevertheless, based on the positive margin performance in the second quarter, the Executive Board is convinced that we still will be able to reach our targets. Therefore, we confirm the slight margin increase that we had projected in March 2018.

Several of the investments planned for 2018 were already performed in the reporting period. As Bechtle AG expects the investment volume in the second half of the year to decline compared to the first six months, the target bandwidth of €40 to 50 million will most likely be complied with.

Apart from this, the forecast for the fiscal year 2018, as presented in the Annual Report 2017, has not undergone any changes and has not been further concretised.

See
Annual Report 2017, page 109 ff

Neckarsulm, 10 August 2018

Bechtle AG
The Executive Board

CONSOLIDATED INCOME STATEMENT

€k

		01.04.–30.06.2018	01.04.–30.06.2017	01.01.–30.06.2018	01.01.–30.06.2017
Revenue		964,970	822,198	1,920,359	1,625,327
Cost of sales		814,518	693,346[1]	1,630,395	1,375,617[1]
Gross profit		**150,452**	**128,852[1]**	**289,964**	**249,710[1]**
Distribution costs		59,425	53,169	116,281	101,753
Administrative expenses		49,212	41,629	98,435	84,256
Other operating income		2,085	2,450[1]	4,370	4,626[1]
Earnings before interest and taxes		**43,900**	**36,504**	**79,618**	**68,327**
Financial income		274	291	526	526
Financial expenses		614	565	1,184	1,148
Earnings before taxes		**43,560**	**36,230**	**78,960**	**67,705**
Income taxes		12,856	10,840	23,407	20,217
Earnings after taxes (attributable to shareholders of Bechtle AG)		**30,704**	**25,390**	**55,553**	**47,488**
Net earnings per share (basic and diluted)	in €	**0.73**	**0.60[2]**	**1.32**	**1.13[2]**
Weighted average shares outstanding (basic and diluted)	in thousands	**42,000**	**42,000[2]**	**42,000**	**42,000[2]**

[1] Prior year figures adjusted
[2] Prior year adjusted due to issuance of bonus shares

See further comments in the Notes, in particular VI., page 32 ff

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€k

	01.04–30.06.2018	01.04–31.06.2017	01.01–30.06.2018	01.01–30.06.2017
Earnings after taxes	**30,704**	**25,390**	**55,553**	**47,488**
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses on pension provisions	–214	415	875	310
Income tax effects	41	–76	–170	–57
Items that will be reclassified to profit or loss in subsequent periods				
Unrealised gains and losses on securities	0	0	1	–1
Income tax effects	0	0	0	0
Unrealised gains and losses on financial derivatives	0	–93	–2	–793
Income tax effects	0	27	1	234
Currency translation differences of net investments in foreign operations	0	0	0	0
Income tax effects	0	0	0	0
Hedging of net investments in foreign operations	–803	1,639	370	1,460
Income tax effects	238	–486	–110	–433
Currency translation differences	1,975	–2,470	404	–1,701
Other comprehensive income	**1,237**	**–1,044**	**1,369**	**–981**
of which income tax effects	279	–535	–279	–256
Total comprehensive income (attributable to shareholders of Bechtle AG)	**31,941**	**24,346**	**56,922**	**46,507**

See further comments in the Notes, in particular VI. and VII., page 32 ff and page 34 ff

CONSOLIDATED BALANCE SHEET

ASSETS

€k

	30.06.2018	31.12.2017	30.06.2017
Non-current assets			
Goodwill	208,460	193,538	194,802
Other intangible assets	50,386	48,721	42,058
Property, plant and equipment	148,025	134,865	123,267
Trade receivables	34,012	30,235	19,362
Deferred taxes	3,916	4,004	4,682
Other assets	3,616	3,833	3,378
Time deposits and securities	0	0	7,005
Total non-current assets	**448,415**	**415,196**	**394,554**
Current assets			
Inventories	259,618	211,319	228,401
Trade receivables	525,274	581,919	454,151
Income tax receivables	1,257	1,340	984
Other assets	70,557	58,783	58,965
Time deposits and securities	5,488	12,444	5,391
Cash and cash equivalents	98,907	162,383	70,580
Total current assets	**961,101**	**1,028,188**	**818,472**
Total assets	**1,409,516**	**1,443,384**	**1,213,026**

See further comments in the Notes, in particular VII., page 34 ff

EQUITY AND LIABILITIES

€k

	30.06.2018	31.12.2017	30.06.2017
Equity			
Issued capital	42,000	42,000	21,000
Capital reserves	124,228	124,228	145,228
Retained earnings	630,177	611,055	542,882
Total equity	**796,405**	**777,283**	**709,110**
Non-current liabilities			
Pension provisions	13,258	13,002	19,752
Other provisions	7,566	7,190	6,828
Financial liabilities	82,647	69,917	53,989
Trade payables	45	96	47
Deferred taxes	25,289	21,069	20,201
Other liabilities	4,718	2,292	4,331
Deferred income	12,352	13,701	12,643
Total non-current liabilities	**145,875**	**127,267**	**117,791**
Current liabilities			
Other provisions	6,328	7,129	6,961
Financial liabilities	49,472	58,930	18,714
Trade payables	215,421	237,160	182,519
Income tax payables	6,832	10,733	8,633
Other liabilities	100,250	131,118	88,257
Deferred income	88,933	93,764	81,041
Total current liabilities	**467,236**	**538,834**	**386,125**
Total equity and liabilities	**1,409,516**	**1,443,384**	**1,213,026**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

	Issued capital	Capital reserves	Retained earnings: Accrued profits	Retained earnings: Changes in equity outside profit or loss	Retained earnings: Total	Total equity (attributable to shareholders of Bechtle AG)
Equity as of 1 January 2017	21,000	145,228	529,180	–1,305	527,875	694,103
Distribution of profits for 2016			–31,500		–31,500	–31,500
Earnings after taxes			47,488		47,488	47,488
Other comprehensive income				–981	–981	–981
Total comprehensive income	0	0	47,488	–981	46,507	46,507
Equity as of 30 June 2017	21,000	145,228	545,168	–2,286	542,882	709,110
Equity as of 1 January 2018	42,000	124,228	612,242	–1,187	611,055	777,283
Distribution of profits for 2017			–37,800		–37,800	–37,800
Earnings after taxes			55,553		55,553	55,553
Other comprehensive income				1,369	1,369	1,369
Total comprehensive income	0	0	55,553	1,369	56,922	56,922
Equity as of 30 June 2018	42,000	124,228	629,995	182	630,177	796,405

See further comments in the Notes, in particular VII., page 34 f

CONSOLIDATED CASH FLOW STATEMENT

€k

	01.04–30.06.2018	01.04–30.06.2017	01.01–30.6.2018	01.01–30.6.2017
Operating activities				
Earnings before taxes	**43,560**	**36,230**	**78,960**	**67,705**
Adjustment for non-cash expenses and income				
Financial earnings	340	274	658	622
Depreciation and amortisation of intangible assets and property, plant and equipment	9,080	7,182	17,866	14,084
Gains and losses on disposal of intangible assets and property, plant and equipment	308	13	291	43
Other non-cash expenses and income	–1,169	801	–1,076	248
Changes in net assets				
Changes in inventories	5,864	–18,124	–48,189	–47,632
Changes in trade receivables	–28,600	–14,898	56,698	42,903
Changes in trade payables	–20,062	5,063	–23,544	–59,997
Changes in deferred income	–8,176	–8,411	–6,371	4,474
Changes in other net assets	5,748	–3,495	–43,785	–25,430
Income taxes paid	–13,479	–10,964	–24,155	–20,303
Cash flow from operating activities	**–6,586**	**–6,329**	**7,353**	**–23,283**
Investing activity				
Cash paid for acquisitions less cash acquired	–2,214	–4,297	–10,496	–4,292
Cash paid for investments in intangible assets and property, plant and equipment	–10,002	–18,556	–30,299	–32,999
Cash received from the sale of intangible assets and property, plant and equipment	–3	1,430	892	1,915
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets	5	0	7,006	10,000
Interest payments received	162	116	289	198
Cash flow from investing activities	**–12,052**	**–21,307**	**–32,608**	**–25,178**
Financing activities				
Cash paid for the repayment of financial liabilities	–5,927	–1,981	–83,361	–4,012
Cash received from the assumption of financial liabilities	50,928	10,546	83,378	15,225
Dividends paid	–37,800	–31,500	–37,800	–31,500
Interest paid	–849	–528	–1,068	–1,080
Cash flow from financing activities	**6,353**	**–23,463**	**–38,850**	**–21,367**
Exchange-rate-related changes in cash and cash equivalents	1,006	–9	630	–7
Changes in cash and cash equivalents	**–11,280**	**–51,108**	**–63,476**	**–69,835**
Cash and cash equivalents at beginning of the period	**110,187**	**121,688**	**162,383**	**140,415**
Cash and cash equivalents at the end of the period	**98,907**	**70,580**	**98,907**	**70,580**

See further comments in the Notes, in particular VIII., page 36

NOTES

I. GENERAL DISCLOSURES

Bechtle AG, Bechtle Platz 1, 74172 Neckarsulm, Germany, 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 EU. Accordingly, this interim financial report as of 30 June 2018 has been prepared in accordance with the IFRS.

In accordance with IAS 34, the scope of the presentation used in this interim financial report as of 30 June 2018 is significantly reduced compared to the consolidated financial statements as of the end of the fiscal year. Additionally, the requirements of German Accounting Standard No. 16 (DRS 16) and the Stock Exchange Rules and Regulations of the Frankfurt stock exchange that exceed IAS 34 have been taken into consideration and fully met.

Our business activity is subject to certain seasonal fluctuations during the year. In the past, the revenue and earnings contributions tended to be at their lowest in the first quarter and at their highest in the fourth quarter due to the traditionally strong year-end business. Therefore, the interim results only qualify as indicators for the results of the fiscal year as a whole to a limited extent.

II. KEY PRINCIPLES OF ACCOUNTING AND CONSOLIDATION

As a matter of principle, this interim financial report is based on the same key principles of accounting and consolidation as the consolidated financial statements for the fiscal year 2017, except for IFRS 15 Revenue from Contracts with Customers, which has been applied since 1 January 2018. For further information, please refer to the consolidated financial statements as of 31 December 2017, which form the basis for these interim financial statements.

In accordance with IAS 34, the determination of the tax expense in the interim period takes place on the basis of the effective tax rate expected for the full fiscal year. Taxes related to extraordinary events are taken into consideration in the quarter in which the underlying event occurs.

III. APPLICATION OF NEW ACCOUNTING STANDARDS

Bechtle has applied IFRS 15 for the first time as of 1 January 2018. The first-time adoption did not have any material impact on the IT e-commerce and IT system house & managed services segment and thus on the consolidated income statement. In the course of the first-time adoption of IFRS 15, the modified retrospective method has been applied. Reference figures of the corresponding prior-year period have not been adjusted. Moreover, the simplified first-time adoption option has been exercised, i.e. IFRS 15 is only applied to contracts that had not been fulfilled as of 1 January 2018.

Bechtle recognises its trade and service revenue upon delivery or performance.

Due to the first-time adoption of IFRS 15, contract assets and contract liabilities need to be recognised. These are not presented separately in the balance sheet, but under current and non-current accruals and deferrals. No contract assets existed as of 1 January 2018 and 30 June 2018. The contract liabilities resulting from customer down payments received and service agreements paid in advance amounted to €95,808 thousand as of 1 January 2018 and €87,616 thousand as of 30 June 2018.

In its software license selling business, Bechtle acts as a value-added reseller. The sale of software licenses always involves extensive consulting services, which constitute an integral part of the performance commitment towards the customer. The combination of consulting services and software license is vital to achieve the desired result for the customer. Bechtle thus acts as a principal in this area. Therefore, no material effects arise from this change as of 1 January 2018.

Regarding the capitalisation of contract costs in connection with the initiation and performance of a contract, please refer to the information in the Annual Report 2017. As previously, these costs play a minor role at Bechtle. Therefore, no significant effects arise from this change as of 1 January 2018.

See
Annual Report 2017, page 132 f

Bechtle has applied IFRS 9 for the first time as of 1 January 2018. The standard regulates the classification and measurement of financial assets on the basis of cash flow and business model characteristics. The loans, trade receivables and other assets continue to meet the requirements for accounting at amortised cost. As the regulations concerning the classification and measurement of financial liabilities largely correspond to the previous regulations of IAS 39, nothing has changed due to this standard.

With respect to the recognition of hedges, IFRS 9 provides for elimination of the thresholds applicable within the scope of the retrospective effectiveness testing. Henceforth, proof of the economic relationship between the underlying and the hedge is to be furnished instead. All current hedges meet the requirements for hedge accounting according to IFRS 9 and can thus continue as previously.

Moreover, IFRS 9 introduces a new impairment model that is applicable to all financial assets that are measured either at amortised cost or at fair value outside profit or loss. This model provides for entry of expected credit losses as of the date of initial recognition. For trade receivables, the simplified impairment model of IFRS 9 is applied. For cash at banks, loans and other financial receivables not recognised at fair value through profit or loss, the general impairment regulations of IFRS 9 are used. No material first-time adoption effect has resulted from this.

IV. EFFECTS OF STANDARDS TO BE ADOPTED IN THE FUTURE

With respect to the effects of the introduction of IFRS 16 with first-time adoption on 1 January 2019, no changes will arise compared to the Annual Report 2017.

V. 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.

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

Company	Headquarters	Date of initial consolidation	Acquisition
Acommit Group AG	Horgen, Switzerland	04 January 2018	Acquisition
EvoluSys SA	Coppet, Switzerland	16 May 2018	Acquisition

VI. NOTES TO THE INCOME STATEMENT AND TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EXPENSE STRUCTURE

€k

	Cost of sales		Distribution costs		Administrative expenses	
	01.01–30.06.2018	01.01–30.06.2017	01.01–30.06.2018	01.01–30.06.2017	01.01–30.06.2018	01.01–30.06.2017
Material costs	1,475,610	1,239,494[1]	0	0	0	0
Personnel and social expenses	123,737	109,018	94,191	83,113	61,487	54,546
Depreciation and amortisation	6,829	6,421	3,568	2,977	7,469	4,686
Other operating expenses	24,218	20,684	18,522	15,663	29,480	25,024
Total expenses	**1,630,394**	**1,375,617[1]**	**116,281**	**101,753**	**98,436**	**84,256**

[1] Prior year figures adjusted

The year-on-year increase of all cost types was mainly caused by the much higher business volume in the reporting period.

See
Segment Reporting,
Income Statement,
page 40

The material costs include net income of €90 thousand from exchange rate fluctuations (prior year: net expense of €1,656 thousand).

OTHER OPERATING INCOME

Other operating income mainly consisted of marketing grants and other payments from suppliers amounting to €4,370 thousand (prior year: €4,626 thousand). In the reporting period 2017, presentation in the field of marketing grants and other payments from suppliers was changed. Such allowances and remuneration, which cannot be clearly distinguished from the actual goods supplied, were netted against the cost of sales (IAS 2.11). The prior-year figure has been duly adjusted.

FINANCIAL INCOME AND FINANCIAL EXPENSES

The financial income comprises income from call money, time deposits and financial receivables.

The financial expenses mainly include interest paid for the financial liabilities. The year-on-year decline in financial expenses occurred due to the further repayment of previous loan liabilities.

EARNINGS PER SHARE

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

		01.01–30.06.2018	01.01–30.06.2017
Earnings after taxes	€k	55,553	47,488
Average number of outstanding shares		42,000,000	42,000,000[1]
Earnings per share	€	**1.32**	**1.13[1]**

[1] Prior year adjusted due to issuance of bonus shares

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 would reduce the number of outstanding shares accordingly. The basic earnings per share are identical to the diluted earnings per share.

OTHER COMPREHENSIVE INCOME

See page 25

Other comprehensive income was mainly affected by the development of the euro/Swiss franc exchange rate. In the first half of 2018, the Swiss franc regained value, while in the corresponding prior-year period, it lost value against the euro.

See page 34 f

See Annual Report 2017, page 175 ff

Details on the composition of the other comprehensive income, which is recognised outside profit or loss, with respect to the change that this item underwent and its accumulated balance are presented in section VII. "Notes to the Balance Sheet and to the Statement of Changes in Equity".

VII. NOTES TO THE BALANCE SHEET AND TO THE STATEMENT OF CHANGES IN EQUITY

ASSETS

The reduction in trade receivables in the reporting period resulted from seasonal fluctuations during the year, with a high-revenue final quarter. Time deposits and securities underwent a decline, as some of them reached maturity in the first half of 2018 and were not reinvested. The rise in inventories was necessitated by the further increased business volume. As a result of the acquisitions in the first six months, goodwill and other intangible assets increased.

EQUITY

Issued Capital

At the Annual General Meeting on 1 June 2017, a resolution was adopted to increase the capital from the company's own funds. By means of the issue of free shares to the existing shareholders, the share capital will be increased from €21,000,000 to €42,000,000. The pro-rata amount of the individual shares in the share capital is €1.00, as previously. The shareholders are entitled to the new shares at a ratio of 1:1, i.e. one new share is granted for every existing share. The new shares are entitled to profit from 1 January 2017. On 7 July 2017, the capital increase was entered in the trade register and became effective.

Retained Earnings

Dividend Payment

At the Annual General Meeting on 12 June 2018, a resolution was adopted to pay a dividend of €0.90 per no-par share with dividend entitlement for the fiscal year 2017. The dividend was paid out on 15 June 2018.

In terms of its accumulated balance as of the balance sheet date and its change during the period under review, the other comprehensive income that is to be recognised outside profit or loss was composed as follows:

€k

	30.06.2018			31.12.2017		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Actuarial gains and losses on pension provisions	–12,478	2,522	**–9,956**	–13,353	2,692	**–10,661**
Unrealised gains and losses on securities	0	0	**0**	–1	0	**–1**
Unrealised gains and losses on financial derivatives	11	–3	**8**	13	–4	**9**
Hedging of net investments in foreign operations	–11,171	3,258	**–7,913**	–11,541	3,368	**–8,173**
Currency translation differences	18,043	0	**18,043**	17,639	0	**17,639**
Other comprehensive income	**–5,595**	**5,777**	**182**	**–7,243**	**6,056**	**–1,187**

€k

	01.01–30.06.2018			01.01–30.06.2017		
	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	**875**	**–170**	**705**	**310**	**–57**	**253**
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on securities	**1**	**0**	**1**	**–1**	**0**	**–1**
Gains and losses that arose in the current period	1	0	1	–1	0	–1
Reclassifications to profit and loss	0	0	0	0	0	0
Unrealised gains and losses on financial derivatives	**–2**	**1**	**–1**	**–793**	**234**	**–559**
Gains and losses that arose in the current period	–2	1	–1	–554	163	–391
Reclassifications to profit and loss	0	0	0	–239	71	–168
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	**370**	**–110**	**260**	**1,460**	**–433**	**1,027**
Gains and losses that arose in the current period	370	–110	260	1,460	–433	1,027
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	**404**	**0**	**404**	**–1,701**	**0**	**–1,701**
Other comprehensive income	**1,648**	**–279**	**1,369**	**–725**	**–256**	**–981**

LIABILITIES

The decline in trade payables and in current other liabilities was mainly caused by the usual seasonal fluctuations during the year, with a high-revenue final quarter. The decline in current other liabilities is the result of the lower liabilities to employees. Due to the positive business performance and the associated performance-related compensation components of the employees, these had increased as of 31 December 2017.

Financial liabilities increased due to the assumption of new loan liabilities.

For further details of the loans, see Annual Report 2017 page 167 ff

VIII. NOTES TO THE CASH FLOW STATEMENT

The year-on-year improvement in the cash flow from operating activities was mainly caused by the higher reduction of trade receivables and the lower reduction of trade payables. The change in other net assets took effect in the opposite direction.

The cash flow from investing activities was marked by higher outflows for acquisitions in the reporting period. The outflows for investments in intangible assets and property, plant and equipment were higher in the prior-year period than in the reporting period in the context of projects.

The cash flow from financing activities was mainly marked by the dividend that was paid out in the reporting period. The dividend for the fiscal year 2017 amounted to €37,800 thousand. The dividend for the fiscal year 2016, which had been paid out in the prior year, had amounted to €31,500 thousand.

IX. OPERATING LEASES

Future minimum lease payments from rental and leasing contracts classified as “operating leases” according to IAS 17 amounted to €62,566 thousand as of 30 June 2018 (31 December 2017: €62,539 thousand).

€k

	30.06.2018	31.12.2017
Due within one year	26,320	25,332
Due between one and five years	30,288	31,464
Due after five years	5,958	5,743
Minimum lease payments	**62,566**	**62,539**

X. FINANCE LEASES

As of the closing date, the trade receivables contained finance leasing receivables amounting to €43,872 thousand (31 December 2017: €36,253 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.

€k

	30.06.2018			31.12.2017		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
Due within one year	13,357	455	13,812	10,997	420	11,417
Due between one and five years	30,515	487	31,002	25,256	485	25,741
Due after five years	0	0	0	0	0	0
Minimum lease payments	**43,872**	**942**	**44,814**	**36,253**	**905**	**37,158**

The interest share of the lease payments corresponds to the not yet realised financial income. The leasing receivables do not contain any impairment.

XI. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities (financial instruments) are classified according to IFRS 7. The allocation of the financial instruments contained in the individual balance sheet items in this interim financial report corresponds to the allocation in the Annual Report 2017.

See
Annual Report 2017,
page 147 ff and page 171 ff

According to IFRS 13, the measurement methods are divided into the following three levels, depending on the key parameters on which the measurement is based:
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 following table compares the carrying amounts and fair value of the financial instruments for the classes of financial instruments according to IFRS 7 and their measurement level according to IFRS 13.

€k

Class pursuant to IFRS 7	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount 30.06.2018	Fair value 30.06.2018	Carrying amount 31.12.2017	Fair value 31.12.2017	Level
Assets							
Non-current trade receivables	LAR	AC	3,493	3,491	4,979	5,056	3
Long-term leasing receivables	IAS 17	IAS 17	30,515	30,216	25,256	25,006	3
Current trade receivables	LAR	AC	511,917	511,917	570,922	570,922	3
Current leasing receivables	IAS 17	IAS 17	13,357	13,357	10,997	10,997	3
Securities	AFS	FVTPL	0	0	2,002	2,002	1
Time deposits							
Bond loans	LAR	AC	0	0	5,008	5,008	2
Insurances	LAR	AC	5,488	5,488	5,434	5,434	3
Other financial assets	LAR	AC	12,203	12,203	35,039	35,039	3
Long-term lending	LAR	AC	386	390	411	418	3
Financial derivatives							
Derivatives with hedge relationship	n/a	n/a	0	0	20	20	2
Derivatives without hedge relationship	FAFVPL	FVTPL	25	25	521	521	2
Cash and cash equivalents	LAR	AC	98,907	98,907	162,383	162,383	1
Equity and liabilities							
Loans	FLAC	AC	132,119	137,637	128,847	134,048	2
Non-current trade payables	FLAC	AC	45	44	96	93	3
Current trade payables	FLAC	AC	215,421	215,421	237,160	237,160	3
Other financial liabilities	FLAC	AC	32,368	32,368	84,495	84,495	3
Liabilities resulting from acquisitions	FLFVPL	FVTPL	6,042	6,042	3,207	3,207	3
Financial derivatives							
Derivatives with hedge relationship	n/a	n/a	17	17	0	0	2
Derivatives without hedge relationship	FLFVPL	FVTPL	550	550	470	470	2
Thereof aggregated according to valuation category pursuant to IAS 39	LAR		632,394	632,396	784,176	784,260	
	AFS		0	0	2,002	2,002	
	FLAC		379,953	385,470	450,598	455,796	
	FAFVPL		25	25	521	521	
	FLFVPL		6,592	6,592	3,677	3,677	
Thereof aggregated according to valuation category pursuant to IFRS 9		AC	1,012,347	1,017,866	1,234,774	1,240,056	
		FVTPL	6,617	6,617	6,200	6,200	

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

Abbreviations used for the measurement categories of IFRS 9:
AC = Amortised cost
FVTPL = Fair value through profit or loss

During the reporting period there were no reclassifications between assessments at fair value of Level 1 and Level 2 and no reclassifications to or from assessments at fair value of Level 3.

Liabilities resulting from acquisitions are conditional, additional purchase price payments (earn-outs) for acquisitions (IFRS 3.58). During the reporting period, the calculation methodology and sensitivities did not undergo any material changes.

See
Annual Report 2017, page 172

Liabilities from acquisitions developed as follows:

€k

		Total gains and losses						
Financial assets and liabilities in Level 3	01.01.2018	Included in financial earnings	Included in other comprehensive income outside profit or loss	Included in other operating income	Additions	Compensation/ settlement	Reclassification	30.06.2018
Liabilities resulting from acquisitions	3,207	37			3,298	–500		6,042

The €37 thousand posted as expense under financial earnings were fully attributable to future payments accounted for as of 30 June 2018.

XII. SEGMENT INFORMATION

The segment information is presented on the basis of the same principles as in the consolidated financial statements for fiscal year 2017.

€k

By segments	01.01–30.06.2018 IT system house & managed services	01.01–30.06.2018 IT e-commerce	01.01–30.06.2018 Group	01.01–30.06.2017 IT system house & managed services	01.01–30.06.2017 IT e-commerce	01.01–30.06.2017 Group
Total segment revenue	1,349,254	588,271		1,150,775	492,346	
less intersegment revenue	–14,278	–2,888		–14,587	–3,207	
Revenue	1,334,976	585,383	**1,920,359**	1,136,188	489,139	**1,625,327**
Depreciation/amortisation	–12,503	–3,242	**–15,745**	–9,596	–2,519	**–12,115**
Segment result	54,948	26,791	**81,739**	49,339	20,957	**70,296**
Depreciation/amortisation from acquisitions	–2,121	0	**–2,121**	–1,969	0	**–1,969**
Earnings before interest and taxes	52,827	26,791	**79,618**	47,370	20,957	**68,327**
Financial earnings			**–658**			**–622**
Earnings before taxes			**78,960**			**67,705**
Income taxes			**–23,407**			**–20,217**
Earnings after taxes			**55,553**			**47,488**
Investments	26,350	4,547	**30,897**	25,766	7,216	**32,982**
Investments through acquisitions	16,845	0	**16,845**	3,897	0	**3,897**

Segment information on employees, see, page 44

€k

By regions	01.01–30.06.2018 Domestic	01.01–30.06.2018 Abroad	01.01–30.06.2018 Group	01.01–30.06.2017 Domestic	01.01–30.06.2017 Abroad	01.01–30.06.2017 Group
Revenue	1,310,737	609,622	**1,920,359**	1,127,116	498,211	**1,625,327**
Investments	26,903	3,994	**30,897**	30,433	2,549	**32,982**
Investments through acquisitions	0	16,845	**16,845**	468	3,429	**3,897**

As the total segment assets are not part of the internal reporting, this information is not disclosed in the notes in the quarterly reports in accordance with IAS 34.16Agiv.

XIII. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

In the first half of 2018 Bechtle AG acquired 100 per cent of the shares of each of two companies. The information required for the transactions will be presented together (IFRS 3 B65).

The acquisition of both was recognised in the balance sheet according to the purchase method (IFRS 3.4 ff) and must still be considered as provisional (IFRS 3.45).

As of the acquisition date of 4 January 2018, all interests in Acommit Group AG in Horgen, Switzerland, were purchased. Furthermore, as of the acquisition date 16 May 2018, the company acquired all interests in EvoluSys SA in Coppet, Switzerland.

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€2,633 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).

In connection with the capitalisation of the customer relationships, deferred tax liabilities (€527 thousand) were recognised.

Under consideration of the acquired total net assets (€2,066 thousand), in total the capital consolidation resulted in a preliminary difference of €14,025 thousand that is presented as goodwill. This goodwill is not recognised for tax purposes. 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.

By purchasing Acommit Group AG, Bechtle AG has acquired a leading Swiss software and IT infrastructure solutions provider. The company, which was founded in 1983, is a renowned specialist for ERP software solutions on the basis of Microsoft Dynamics/NAV.

By purchasing EvoluSys SA, Bechtle has strengthened its position in the field of software solutions. The IT consultancy, which was founded in 2006, is a renowned specialist for analytics and cloud solutions on the basis of Microsoft technologies.

The company purchase agreements for the acquisition of the two companies contain a contingent purchase price payment of up to €3,397 thousand, which depends on the acquired company's future business performance.

Based on the validated business plan, the fair value of this contingent purchase price payment on the acquisition date was €3,228 thousand.

The acquisition costs for both companies (€16,091 thousand) resulted in an outflow of cash and cash equivalents in the amount of €12,863 thousand.

The receivables taken over were not subject to any major impairments.

€k

	Acommit Group AG/ EvoluSys SA
Non-current assets	
Goodwill	14,025
Other intangible assets	2,633
Property, plant and equipment	187
Deferred taxes	
Other assets	51
Total non-current assets	**16,896**
Current assets	
Inventories	40
Trade receivables	2,727
Other assets	875
Cash and cash equivalents	2,638
Total current assets	**6,280**
Total assets	**23,176**
Non-current liabilities	
Deferred taxes	534
Total non-current liabilities	**534**
Current liabilities	
Trade payables	1,058
Income tax liabilities	411
Other provisions and liabilities	5,077
Deferred income	5
Total current liabilities	**6,551**
Total liabilities	**7,085**
Total assets − Total liabilities = Acquisition costs	**16,091**

XIV. EMPLOYEES

The employee numbers were as follows:

	30.06.2018	31.12.2017	01.01–30.06.2018	01.01–30.06.2017
Full-time and part-time employees	8,088	7,678	7,941	7,164
Trainees	489	553	518	474
Employees on parental leave	213	122	208	129
Temporary staff	377	320	351	248
Total	**9,167**	**8,673**	**9,018**	**8,015**

The employee numbers (without temporary staff) break down by segments and regions as follows:

	30.06.2018	31.12.2017	01.01–30.06.2018	01.01–30.06.2017
IT system house & managed services	**7,186**	**6,853**	**7,095**	**6,334**
Domestic	6,185	5,962	6,114	5,537
Abroad	1,001	891	981	797
IT e-commerce	**1,604**	**1,500**	**1,572**	**1,433**
Domestic	563	521	556	506
Abroad	1,041	979	1,016	927

The employee numbers (without employees on parental leave and without temporary staff) break down by functional areas as follows:

See Annual Report 2017, page 194 f

	30.06.2018	31.12.2017	01.01–30.06.2018	01.01–30.06.2017
Services	4,128	3,905	4,048	3,600
Sales	2,553	2,458	2,522	2,323
Administration	1,896	1,868	1,889	1,715

XV. NOTEWORTHY EVENTS AFTER THE REPORTING PERIOD

In July 2018, Bechtle AG announced the purchase of the French IT provider Inmac Wstore S.A.S. The purchase contract was signed on 30 July 2018. The execution of the acquisition is conditional upon the approval of the French monopolies commission.

In the balance sheet, the acquisition will be recognised according to the purchase method (IFRS 3.4 ff). The identification and measurement of the assets acquired, of the liabilities assumed and of the consideration paid is calculated according to the earnings of the transfer date, which has not yet been set due to the pending approval of the French monopolies commission (IFRS 3.45). The figures are expected to be provided in the Annual Report as of 31 December 2018 (IFRS 3.45).

By purchasing Inmac Wstore S.A.S., Bechtle gains more than 400 employees and an annual revenue of approximately €420 million and will thus be one of the top five French IT companies. Like the e-commerce segment, Inmac Wstore combines its consulting and online sales activities. Substantial synergies are expected especially from the combination of the high logistics competence and higher purchasing quantities.

With respect to the purchase price, the purchase contract provides for a “cash-free, debt-free” agreement as well as a working capital adjustment. As the execution of the acquisition is conditional upon the approval of the French monopolies commission, closing has not yet taken place.

If the acquisition has taken place as of 30 June 2018, the purchase price would amount to approximately €230 million.

No other noteworthy events occurred at Bechtle after the end of the reporting period.

Neckarsulm, 10 August 2018

Bechtle AG
The Executive Board

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 for the remaining months of the financial year.

Neckarsulm, 10 August 2018

Bechtle AG
The Executive Board

Dr. Thomas Olemotz	Michael Guschlbauer	Jürgen Schäfer

AUDITING INFORMATION

The present interim financial report was neither audited, according to Article 317 of the HGB, nor revised by the auditor.

Forward-looking Statements

This interim financial report contains statements that relate to the future performance of Bechtle AG. Such statements are based on assumptions and estimates. Though the Executive Board believes that these forward-looking statements are realistic, this cannot be guaranteed. The assumptions are subject to risks and uncertainties that may result in consequences that differ substantially from those anticipated.

Bechtle's financial accounting and reporting policies comply with the International Financial Reporting Standards (IFRS) as endorsed by the EU. Due to rounding differences, percentages stated in the report may differ slightly from the corresponding amounts in € million. Similarly, totals may differ from the individual values.

FINANCIAL CALENDAR

HALF-YEAR FINANCIAL REPORT 2018 (30 JUNE)

Friday, 10 August 2018

QUARTERLY STATEMENT 3RD QUARTER 2018 (30 SEPTEMBER)

Tuesday, 13 November 2018

See bechtle.com/events-en or bechtle.com/financial-calendar for further dates and changes.

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