FIRST HALF OF 2019

INTERIM REPORT AS OF 30 JUNE 2019

Your strong IT partner.
Today and tomorrow.

BECHTLE

KEY FIGURES OF THE BECHTLE GROUP AT A GLANCE

		01.01–30.06.2019	01.01–30.06.2018	Change in %
Revenue	€k	**2,500,752**	**1,920,359**	**30.2**
IT System House & Managed Services	€k	1,597,053	1,334,976	19.6
IT E-commerce	€k	903,699	585,383	54.4
EBITDA	€k	**141,571**	**97,484**	**45.2**
IT System House & Managed Services	€k	87,536	67,451	29.8
IT E-commerce	€k	54,035	30,033	79.9
EBIT	€k	**103,337**	**79,618**	**29.8**
IT System House & Managed Services	€k	60,641	52,827	14.8
IT E-commerce	€k	42,696	26,791	59.4
EBIT margin	%	**4.1**	**4.1**	
IT System House & Managed Services	%	3.8	4.0	
IT E-commerce	%	4.7	4.6	
EBT	€k	**100,714**	**78,960**	**27.6**
EBT margin	%	**4.0**	**4.1**	
Earnings after taxes	€k	**70,870**	**55,553**	**27.6**
Earnings per share	€	**1.69**	**1.32**	**27.6**
Return on equity[1]	%	**17.1**	**15.1**	
Cash flow from operating activities	€k	**–14,528**	**7,353**	
Number of employees (as of 30.06)		**10,915**	**8,790**	**24.2**
IT System House & Managed Services		8,555	7,186	19.1
IT E-commerce		2,360	1,604	47.1

		30.06.2019	31.12.2018	Change in %
Cash and cash equivalents[2]	€k	**118,378**	**250,922**	**–52.8**
Working Capital	€k	**704,327**	**580,794**	**21.3**
Equity ratio	%	**42.7**	**43.6**	

[1] Annualised
[2] Incl. time deposits and securities

REVIEW BY QUARTER 2019

		1st Quarter 01.01–31.03	2nd Quarter 01.04–30.06	3rd Quarter 01.07–30.09	4th Quarter 01.10–31.12	2019 FY 01.01–30.06
Revenue	€k	1,239,948	1,260,804			**2,500,752**
EBITDA	€k	64,922	76,649			**141,571**
EBIT	€k	46,278	57,059			**103,337**
EBT	€k	45,006	55,708			**100,714**
EBT margin	%	3.6	4.4			**4.0**
Earnings after taxes	€k	31,677	39,193			**70,870**

CONSOLIDATED INTERIM MANAGEMENT REPORT

BUSINESS ACTIVITY

As a one-stop IT provider, Bechtle is active in Germany, Austria and Switzerland with about 70 system houses and is one of Europe' 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 2018,
page 26 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, and 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. With the brands of Bechtle direct, ARP and various country-specific companies, this enables us to offer our customers hardware and standard software online and via telesales.

bechtle.com/portfolio-en

ENVIRONMENT

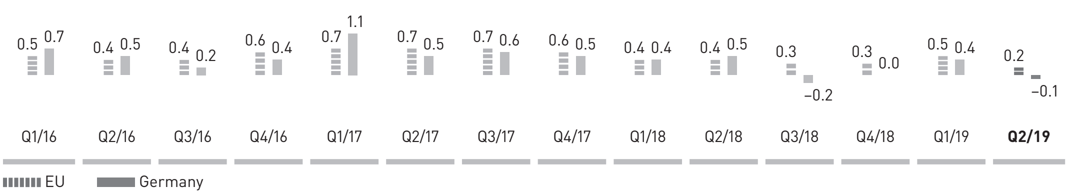
- **Weakening macroeconomy**
- **Comparatively robust demand in the IT industry**
- **Deteriorating mood**

MACROECONOMY

The economic development in the EU weakened in the first six months of 2019. According to a European Commission forecast from July 2019, the gross domestic product (GDP) still rose in the first quarter of 2019 across the EU by 0.5 per cent. However, in the second quarter, the speed of growth slowed down noticeably to just 0.2 per cent. All EU countries in which Bechtle is present generally recorded positive growth rates, though to different extents. The countries with the highest growth were Poland and Hungary with 1.5 per cent in the first quarter and Ireland with 1.2 per cent in the second quarter. Italy was at the bottom end, with 0.1 per cent in the first quarter and Germany with –0.1 per cent in the second quarter.

ec.europa.eu

GDP PERFORMANCE COMPARED TO THE PRIOR QUARTER %



In the first quarter, the German economy grew 0.4 per cent, almost on a par with the EU at 0.5 per cent. In the second quarter, at –0.1 per cent, the domestic GDP development was weaker than the EU-wide GDP development of 0.2 per cent.

ifo.de

Since the beginning of the year, the mood indicators of the German economy have continued to drop compared to their 2017 peaks. Starting from 99.6 points in January, the ifo index dropped to 97.5 in June. The expectations for the coming months and the assessment of the current situation thus slackened. In July 2019, too, the ifo Index dropped further.

INDUSTRY

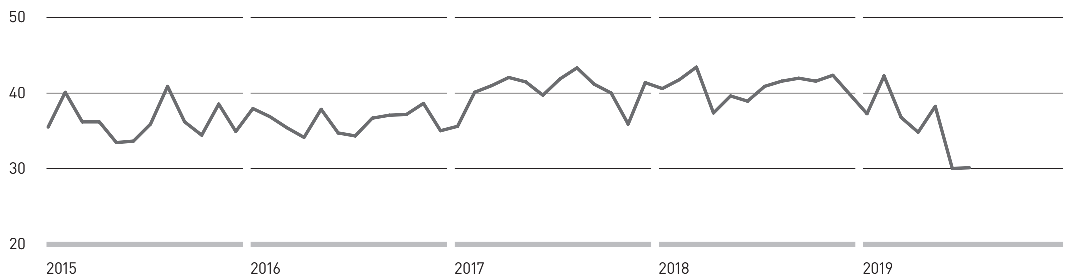
gartner.de

In the second quarter of 2019, the PC market in EMEA achieved growth compared to the prior year of 1.7 per cent, according to the market research institute Gartner. The demand from business customers and public sector clients was even stronger, largely due to the conversion to Windows 10 and the renewal of existing PC infrastructures.

The development of product prices in the first half of 2019 was varied. The prices for PCs, tablets and printers went down. Those for the workstation, thin clients, server, notebook and monitor product groups rose.

In the reporting period, the mood on the German IT market was unsteady. At the beginning of the year, the ifo business climate index for IT service providers went even further up from its high level of 37.4 points in January to 42.5. In the following months, the index then continued to move around the level at the start of the year. From May to June, however, it then lost 8.4 points and ended the first six months of the year with 30.0 points.

IFO INDEX FOR IT SERVICE PROVIDERS



OVERALL ASSESSMENT

The economic environment in the first half of 2019 was no longer as positive as in prior years. The growth dynamic in the EU, and above all in Germany, slackened. The mood indicators in the first half of the year largely declined, particularly in May and June.

The IT market was able to brave this macroeconomic situation, at least in part. Positive forecasts for the year as a whole indicate this as much as the rise in PC sales in the first half of the year. However, the mood amongst Germany IT service providers at the end of the second quarter has slackened.

In the market setting described, 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 and the margin performance of the first six months were in line with our expectations for 2019 as a whole.

EARNINGS POSITION

- Revenue growth of more than 30 per cent
- Organic growth in double figures for both quarters
- EBT margin just slightly below last year

ORDER DEVELOPMENT

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 customers have terms of several years.

In the first half of 2019, incoming orders amounted to approximately €2,457 million, 29.4 per cent more than in the prior year (€1,899 million). Incoming orders amounted to €1,568 million in the IT System House & Managed Services segment, up 19.1 per cent from last year's €1,317 million. In the IT E-Commerce segment, incoming orders amounted to €889 million (prior year: €582 million), up by 52.8 per cent compared to the prior year.

As of 30 June, the order backlog amounted to €687 million (prior year: €575 million). Of this, €565 million (prior year: €486 million) was attributable to the IT System House & Managed Services segment and €122 million (prior year: €89 million) was attributable to the IT E-Commerce segment.

REVENUE PERFORMANCE

The first half of 2019 was extremely successful for Bechtle. At 30.2 per cent, revenue growth was at a very high level. With 29.8 per cent in the first quarter and 30.7 per cent in the second quarter, the dynamics were largely balanced in the two reporting quarters. With 16.1 percent, slightly more than half of this growth was organic. During the course of the quarter, the speed of organic growth even increased from 15.3 per cent to 16.9 per cent. In the first six months of the year, the revenue thus reached €2,500.8 million.

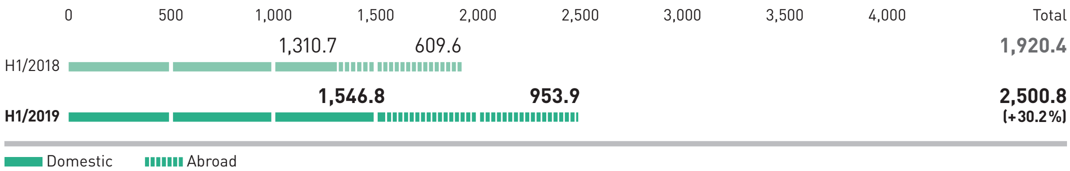
GROUP REVENUE

€m

From a regional perspective, the performance of our companies abroad was especially strong, also due to acquisitions. In the first half of the year, their growth reached 56.5 per cent, whilst domestic companies achieved an increase of 18.0 per cent. In terms of organic growth, our system houses in Austria and Switzerland gained the most with 24.7 per cent. In the second quarter, domestic e-commerce was the leader in organic growth, gaining 26.7 per cent.

REGIONAL REVENUE DISTRIBUTION

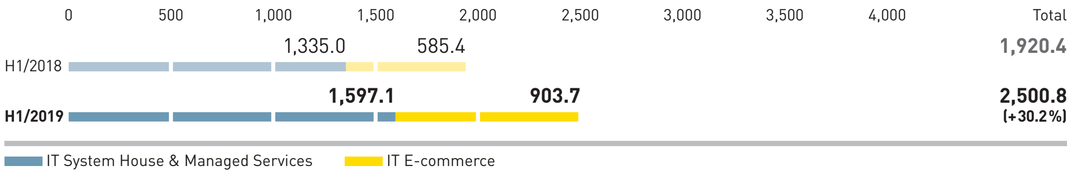
€m



During the first half of the year, the IT System House & Managed Services segment booked €1,597.1 million in revenue, up 19.6 per cent from last year's €1,335.0 million. In the second quarter, revenue growth amounted to 20.4 per cent. The dynamics in this segment increased during the course of the quarter.

REVENUE BY SEGMENTS

€m



In the first six months of 2019, revenue in the IT E-Commerce segment improved 54.4 per cent, from €585.4 million to €903.7 million. As mentioned, also due to acquisitions, at 68.7 per cent, the companies abroad were the growth drivers. The domestic companies grew at 14.0 per cent. From April to June, revenue in this segment soared by 54.8 per cent.

REVENUE – GROUP AND SEGMENTS €k

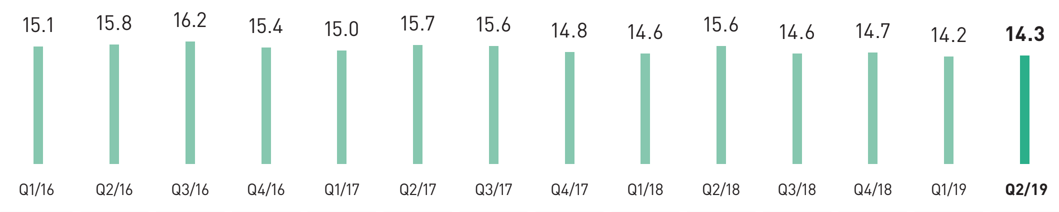
	H1/2019	H1/2018	Change	Q2/2019	Q2/2018	Change
Group	**2,500,752**	**1,920,359**	**+30.2%**	**1,260,804**	**964,970**	**+30.7%**
Domestic	1,546,806	1,310,737	+18.0%	797,727	657,004	+21.4%
Abroad	953,946	609,622	+56.5%	463,077	307,966	+50.4%
IT System House & Managed Services	**1,597,053**	**1,334,976**	**+19.6%**	**814,834**	**676,794**	**+20.4%**
IT E-Commerce	**903,699**	**585,383**	**+54.4%**	**445,970**	**288,176**	**+54.8%**

Based on an average of 9,699 full-time and part-time employees, the group's revenue per employee increased from €242 thousand to €258 thousand in the first six months. The revenue per employee in the IT System House & Managed Services segment was €213 thousand, compared to €206 thousand in the prior year. The revenue per employee in the IT E-commerce segment climbed from €402 thousand to €414 thousand.

EARNINGS PERFORMANCE

From January to June, the cost of sales increased 31.5 per cent, a rate slightly higher than that of the revenue growth. The reasons for this were, above all, the growth-driven development of the material costs which, at 32.3 per cent, grew at a disproportionately high rate, and the depreciation and amortisation within the cost of sales, that increased sharply in the first six months compared to the prior year, due to the high investment volume in 2018 as well as purchase price allocations. This was only partially compensated for by the below-average increase of 23.0 per cent in personnel expenses included in the cost of sales. The gross margin amounted to 14.3 per cent, compared to 15.1 per cent in the prior year. Gross earnings amounted to €357.2 million, 23.2 per cent more than in the previous year (€290.0 million). In the second quarter, the gross margin declined from 15.6 per cent to 14.3 per cent.

GROSS MARGIN %



In the first six months, both types of functional expenses grew below average. Distribution costs increased 26.4 per cent from €116.3 million to €146.9 million. The rate dropped from 6.1 per cent to 5.9 per cent. The administrative costs increased by 25.3 per cent. They went up from €98.4 million to €123.3 million. The proportion of administrative costs went down from 5.1 per cent to 4.9 per cent.

Other operating income totalled €16.4 million, considerably more than last year (€4.4 million). Included in this, amongst other things, are higher bonus payments as well as a one-time effect in the amount of €4.4 million.

Year on year, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 45.2 per cent, from €97.5 million to €141.6 million. Consequently, the EBITDA margin was 5.7 per cent. In the second quarter, the margin underwent a year-on-year increase from 5.5 per cent to 6.1 per cent.

For the reason mentioned and due to the first application for IFRS 16, depreciation and amortisation underwent an increase of 114 per cent to €38.2 million. As mentioned, this was due to the high investment volume in 2018 as well as purchase price allocations. As in previous years, depreciation of property, plant and equipment – which increased from €15.7 million to €31.9 million – accounted for the largest share.

Earnings before interest and taxes (EBIT), now at €103.3 million, improved by 29.8 per cent over last year's €79.6 million. The margin remained unchanged at 4.1 per cent.

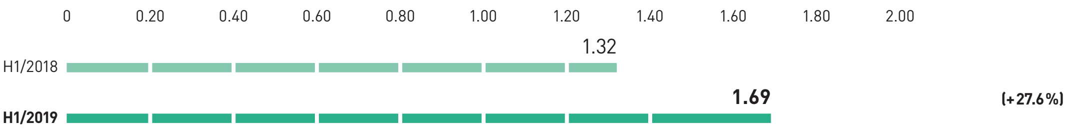
Financial earnings amounted to –€2.6 million. The group thus generated earnings before taxes (EBT) of €100.7 million in the first half of 2019, 27.6 per cent more than in 2018 (€79.0 million). The EBT margin was 4.0 per cent, compared to 4.1 per cent the prior year. The EBT margin in the second quarter went down slightly from 4.5 per cent in 2018 to 4.4 per cent. Without the purchase price allocation (PPA) effects, the EBT margin would have amounted to 4.6 per cent in the second quarter and to 4.2 per cent in the first half of the year. The pure operating margin, i.e. without PPA effects and without the positive one-time effect, would have amounted to 4.3 per cent.

EBT AND EBT MARGIN €m and %

Tax expenses in the six-month period increased by 27.5 per cent to €29.8 million. The tax rate stayed at 29,6 per cent in the period under review.

Earnings after taxes improved 27.6 per cent from €55.6 million to €70.9 million. The net margin thus amounted to 2.8 per cent (prior year: 2.9 per cent). On the basis of 42.0 million shares, earnings per share (EPS) increased to €1.69 (prior year: €1.32). In the second quarter, EPS amounted to €0.93, an increase of 27.6 per cent over the second quarter in 2018 (€0.73).

EPS in €



At the segment level, the earnings situation was as follows:

In the first half of 2019, EBIT in the IT System House & Managed Services segment increased 14.8 per cent to €60.6 million (prior year: EUR 52.8 million). The EBIT margin declined to 3.8 per cent from 4.0 per cent in 2018. This development was due, amongst others things, to a higher increase in personnel costs, above all in the second quarter, and also due to the above-average rise in material costs caused by a greater share of high-volume projects.

In the six-month period, the IT E-Commerce segment generated EBIT of €42.7 million, 59.4 per cent more than in the prior year (€26.8 million). The margin increased from 4.6 per cent to 4.7 per cent. The reason for this is largely a slightly below-average rise in material costs and personnel costs.

EBIT – GROUP AND SEGMENTS €k

	H1/2019	H1/2018	Change	Q2/2019	Q2/2018	Change
Group	**103,337**	**79,618**	**+29.8%**	**57,059**	**43,900**	**+30.0%**
IT System House & Managed Services	60,641	52,827	+14.8%	34,271	28,755	+19.2%
IT E-Commerce	42,696	26,791	+59.4%	22,788	15,145	+50.5%

ASSETS AND FINANCIAL POSITION

- **Balance sheet rock solid as ever**
- **Cash flow influenced by strong growth**

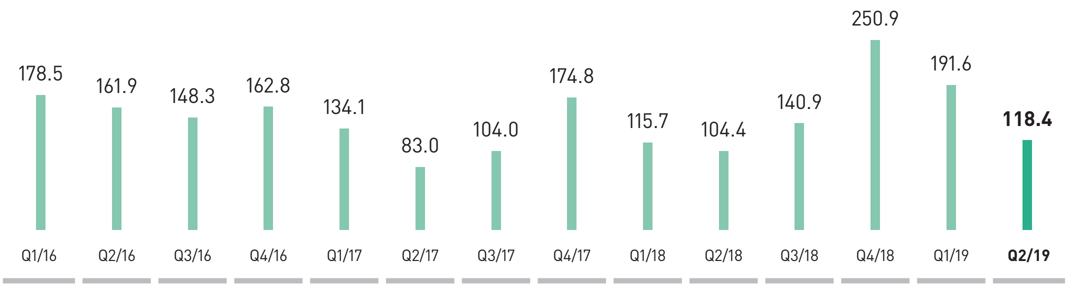
As of 30 June 2019, the balance sheet total of the Bechtle Group amounted to €2,139.6 million, 5.5 per cent more than as of 31 December 2018 (€2,027.2 million).

DEVELOPMENT OF THE ASSETS

Non-current assets went up from €659.3 million to €799.6 million. Due to acquisitions, the goodwill went up €19.6 million. Property, plant and equipment increased €107.3 million to €260.1 million largely due to the first-time application of IFRS 16. Our capitalisation ratio rose from 32.5 per cent to 37.4 per cent.

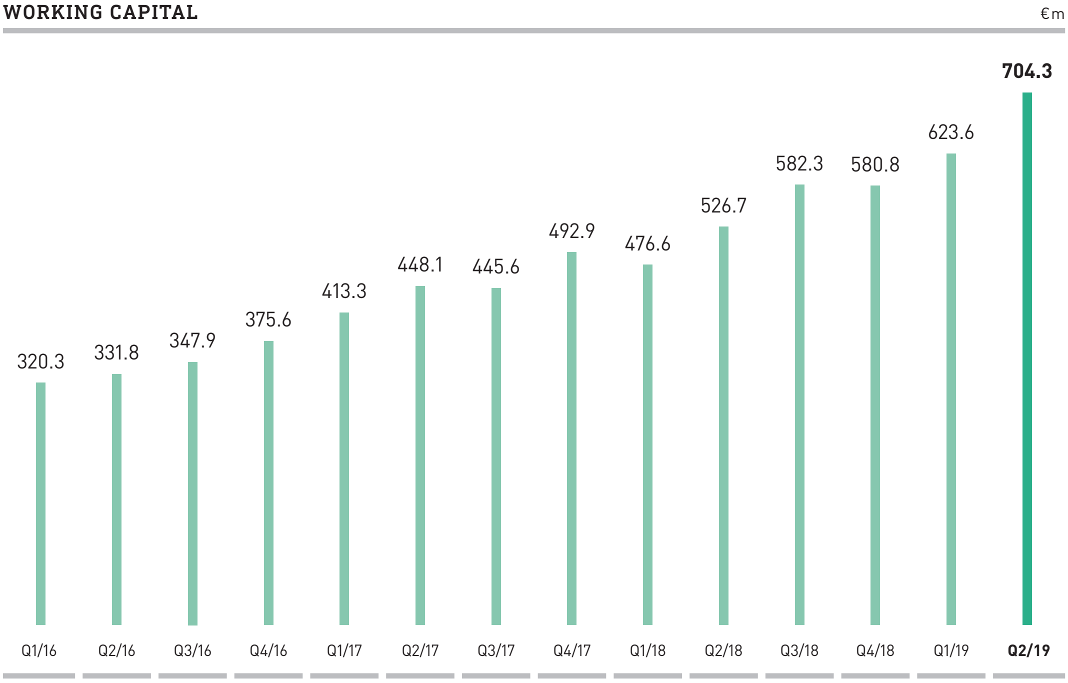
Current assets declined €27.9 million to €1,340 million. The inventories rose project-related by €81.6 million. Year on year, average DSO of our receivables (days sales outstanding) in the first six months of 2019 increased from 41.5 days to 44.3 days, largely as a result of acquisitions. The dividend payment and the acquisitions made, along with the pre-financing of the strong growth, led to cash and cash equivalents dropping from €245.4 million to €118.4 million. Including free credit lines, Bechtle has a total liquidity reserve amounting to €220.4 million.

LIQUIDITY (INCLUDING TIME DEPOSITS AND SECURITIES) €m



As of 30 June 2019, the working capital had increased from €580.8 million to €704.3 million, above all due to an increase in inventories. In relation to the revenue, the working capital increased slightly from 27.4 per cent in the corresponding prior-year period to 28.2 per cent as of 30 June 2019.

WORKING CAPITAL



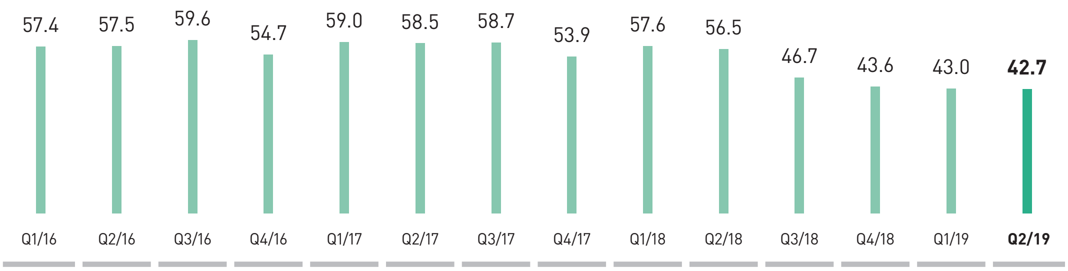
DEVELOPMENT OF THE EQUITY AND LIABILITIES

As of 30 June 2019, non-current liabilities amounted to €556.2 million, €91.3 million more than on 31 December 2018. This item was affected is particular by the increase of €79 million in other liabilities. This increase is mainly attributable to the first-time application of IFRS 16.

Current liabilities fell slightly by €9.3 million to €669.8 million. For seasonal reasons, our trade payables dropped €22.5 million. For reasons related to the reporting date, however, other liabilities increased by €13.5 million.

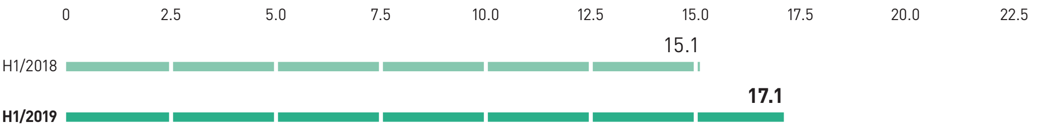
Owing to the higher earnings, the equity climbed from €883.2 million to €913.5 million as of 30 June 2019. Our equity ratio fell slightly by 43.6 per cent as of the end of the year 2018 to 42.7 per cent on the reporting date.

EQUITY RATIO %



The extrapolated return on equity increased from 15.1 per cent as of 30 June 2018 to 17.1 per cent as of the reporting date.

RETURN ON EQUITY %



As a result of the higher increase in non-current assets, the equity to non-current assets ratio declined at a high level from 134.0 per cent to 114.2 per cent. Bechtle's liquidity is still very comfortable. However, as a result of the acquisition of Inmac WStore in the previous year, liquidity dropped below the total amount of the financial liabilities. The group's net debt amounted to €275.1 million, after €142.6 million as of 31 December 2018. As of 30 June 2019, the debt ratio was 134.2 per cent, more than at the end of the fiscal year 2018 (129.5 per cent).

KEY BALANCE SHEET FIGURES OF THE BECHTLE GROUP

		30.06.2019	31.12.2018
Balance sheet total	€m	2,139.6	2,027.2
Cash and cash equivalents including time deposits and securities	€m	118.4	250.9
Equity	€m	913.5	883.2
Equity ratio	%	42.7	43.6
Equity to non-current assets ratio	%	114.2	134.0
Net debt	€m	275.1	142.6
Debt ratio	%	134.2	129.5
Working Capital	€m	704.3	580.8

DEVELOPMENT OF THE CASH FLOW

Net cash generated from operating activities in the period from January to June 2019 amounted to minus €14.5 million, compared to plus €7.4 million in the corresponding prior-year period. The cash outflow from the build-up of trade receivables amounted to minus €10.6 million due to growth. In the prior year, a cash inflow of €56.7 million was reported. Strong growth meant the cash outflow for the build-up of inventories, at minus €79.3 million, was above the level of the prior year of minus €48.2 million. The cash outflow from the reduction in trade payables amounted to minus €25.8 million, only slightly above the level of the previous year. It is encouraging that, in the second quarter, the cash outflow from the decrease of trade payables was reduced very significantly to just minus €1.0 million compared to the prior year. Overall, the operating cash flow developed well over the course of the second quarter. At plus €7.6 million, the cash flow is clearly positive, having improved much over the minus €6.6 million from last year's second quarter.

CASH FLOW FROM OPERATING ACTIVITIES €m

The cash flow from investing activities was minus €52.3 million (prior year: minus €32.6 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 €60.8 million, compared to minus €38.9 million in the prior year. This item was affected mainly by the dividend payment and the first-time application of IFRS 16. The outflow for the repayment of financial liabilities more or less equalled the inflow from the assumption of financial liabilities.

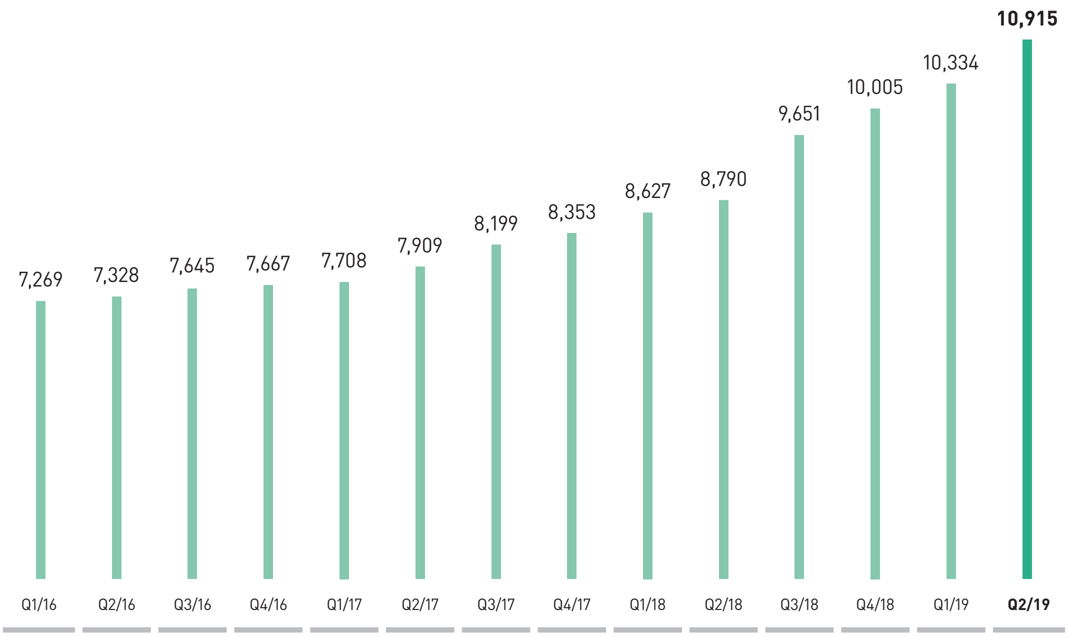
Year on year, the free cash flow from January to June worsened due to the negative cash flow from operating activities and the higher payments for investments as well as acquisitions. It amounted to minus €72.7 million, which is below the prior year figure (minus €32.6 million).

EMPLOYEES

- Workforce grows in line with acquisitions and growth
- HR work remains focussed on training

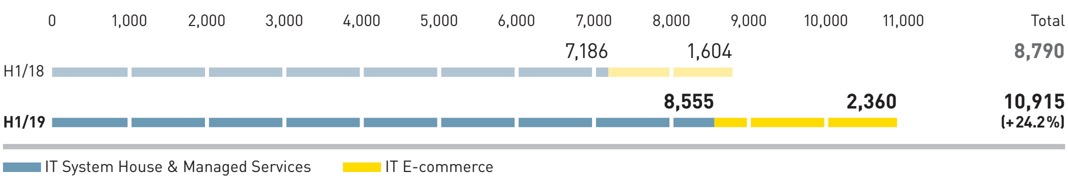
As of the reporting date of 30 June 2019, the Bechtle Group had a total of 10,915 employees, including 579 trainees. Compared to 30 June 2018, the headcount thus went up by 2,125, an increase of 24.2 per cent. Acquisitions as well as new recruitment accounted for the headcount increase.

EMPLOYEES IN THE GROUP



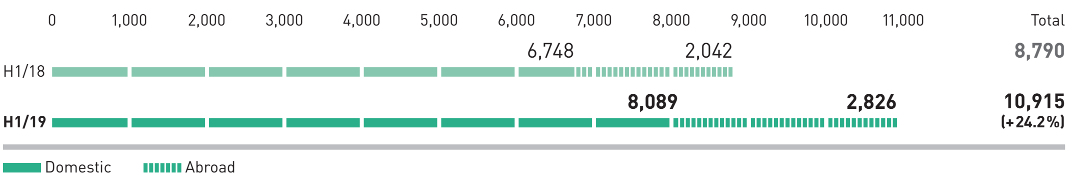
At the business segment level, the headcount increased sharply, especially in the IT E-Commerce segment. In all, the IT E-Commerce segment gained 756 people, equating to 47.1 per cent. With growth of 63.5 per cent, the foreign companies developed particularly well. The acquisition of Inmac WStore transacted in September 2018 had a particular impact on this. Year on year, the number of employees in the IT System House & Managed Services segment went up by 19.1 per cent. The increase in employees in Germany was somewhat higher than abroad due to acquisitions.

EMPLOYEES BY SEGMENTS



As of 30 June 2019, a total of 2,826 persons – more than one quarter of the workforce – were employed abroad.

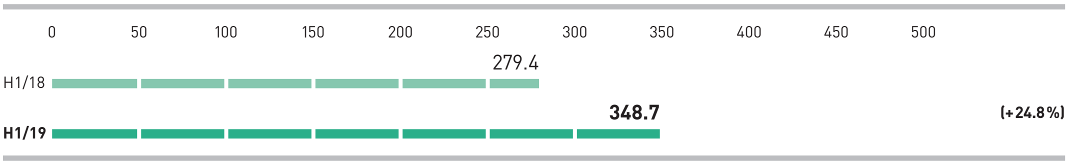
EMPLOYEES BY REGIONS



From January to June 2019, the average number of employees in the group amounted to 10,536. That is 1,869 more employees than in the same period last year, an increase of 21.6 per cent.

In the period from January to June 2019, personnel and social expenses totalled €348.7 million, 24.8 per cent more than in the corresponding prior-year period (€279.4 million). The expense ratio dropped from 14.6 to 13.9 per cent. In the first six months of the year, the personnel and social expenses per employee with an average of 9,699 (prior year: 7,941) full and part-time staff amounted to €36.0 thousand, following €35.2 thousand in the prior year.

PERSONNEL AND SOCIAL EXPENSES €m



Our human resources work continues to focus on training. To encourage young people to sign up for an apprenticeship, Bechtle attended 20 recruitment events in various regions in the first half of 2019. 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. The numerous applications for free posts clearly show the great interest 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 subjects range from presentation methods and project management to product training. In the first six months of the current fiscal year, 280 events took place at the Bechtle Academy (prior year: 226) with a total of 3,877 (prior year: 2,899) participants.

Apart from the professional development, Bechtle also promotes the personal development of its employees. From May 2018 to March 2019, 35 participants took part in the yearly junior management programme. Amongst other things, this established programme furnishes participants with leadership skills. In spring, the next 25 colleagues embarked on the junior management programme 2019/2020. In the first half of 2019, the general management programme, which takes place every two years, started with 19 participants. By means of this programme, Bechtle makes sure that it will be able to continue to staff strategically important executive positions from its own ranks.

The training programme for Bechtle-certified IT business architects continued in 2019. Since April 2019, nine newly 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 2018, page 90 ff

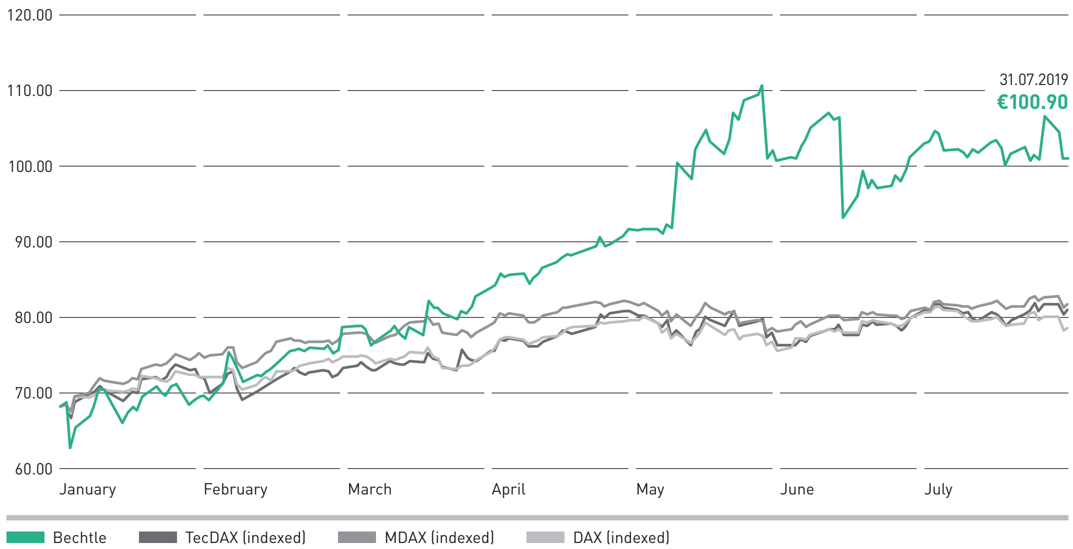
In line with the long-term focus of the strategy and business management of the Bechtle Group, the opportunities and risks for the coming months are basically the same as those presented in the Annual Report 2018. Compared to the situation presented in the last Annual Report, the first half of 2019 did 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

- Share price up about 50 per cent in the first half of the year
- Dividend increased to €1.00

In the first half of 2019, the capital markets exhibited an unexpected positive performance. Uncertainty regarding the outcome of Brexit and intensified trade conflicts between the USA and other economic regions as well as gloomier mood indicators previously made for a rather bleak outlook. However, investors were undeterred and continued to push up stock prices, an effect that was also propelled by the central banks' persistent expansionary policy. While the leading German indices suffered severe losses in the last weeks of 2018, they were already able to make up for these losses in the first weeks of the new year and even reached new highs as the year went on. In April, the DAX surpassed the 12,000 mark for the first time, reached a new all-time high in May and closed the first half of the year with an increase of 17.4 per cent. The MDAX and the TecDAX recorded similar performance figures, with an increase of 18.7 and 17.4 per cent, respectively.

THE BECHTLE SHARE – PERFORMANCE FROM JANUARY TO JULY 2019 €



So far, the trading year 2019 has been very positive for the Bechtle share as well. In the first half of the year, the share already reached its lowest value of €62.30 in early January. The share price mimicked the leading indices and went up continually during the first quarter. As of the second quarter, our share significantly outperformed the market. On 28 May, it reached a new all-time high of €110.60. In the last month of the six-month period, the price was volatile, with drops being regained. On 28 June, the Bechtle share closed at €101.00, a remarkable increase of 48.9 per cent.

On average, 115,453 shares were traded on every trading day in the first six months of 2019, compared to 76,370 shares in the corresponding period of the previous year. Thus, the average daily revenue of €10,002,420 was significantly above the last year's figure of €5,443,012. In the June ranking of Deutsche Börse, Bechtle ranked 78th in the MDAX and 19th in the TecDAX in terms of the stock exchange revenue. Due to the positive price performance, the market capitalisation also increased significantly, reaching €4,242.0 million as of 30 June (prior year: €2,776.2 million). With this figure, the company is ranked at place 63 in the MDAX and 11 in the TecDAX.

TRADING DATA OF THE BECHTLE SHARE

		H1/2019	H1/2018	H1/2017	H1/2016	H1/2015
Closing price on 30 June	€	101.00	66.10	56.30	47.21	34.00
Performance	%	+48.9	–4.9	+13.8	+7.2	+3.0
High (closing price)	€	110.60	77.75	58.10	51.0	37.99
Low (closing price)	€	62.30	63.85	46.50	36.85	32.25
Market cap – total[1]	€m	4,242.0	2,776.2	2,362.5	1,982.8	1,427.8
Avg. turnover/trading day[2]	shares	115,453	76,370	28,971	35,631	55,132
Avg. turnover/trading day[2]	€	10,002,420	5,443,012	2,989,478	3,111,967	3,838,151

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

The Annual General Meeting of Bechtle AG took place on 28 May 2019 in Heilbronn. With more than 650 shareholders and 250 other guests in attendance, this year's Annual General Meeting enjoyed far greater attendance than in previous years. All agenda items were adopted with an overwhelming majority.

Amongst other things, the Annual General Meeting approved the dividend of €1.00 per share for the 2018 fiscal year as proposed by the Executive Board and the Supervisory Board of Bechtle AG. Last year, Bechtle AG had paid out a dividend of €0.90. Compared to the prior year, the payment per share certificate has thus increased by €0.10. Based on the dividend payment of €42.0 million, 30.6 per cent of the consolidated earnings after taxes were paid out to the shareholders. This was the 13th increase of the normal dividend overall and the ninth in a row. This year, too, Bechtle AG has thus continued 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 1.0 per cent.

DIVIDEND

		2019	2018	2017
Dividend	€	1.00	0.90	0.75
Dividend payout ratio	%	30.6	33.0	30.5
Dividend yield[1]	%	1.0	1.4	1.3

[1] As of 30 June

FORECAST

Events after the reporting period, see Notes, page 47

- Macroeconomic development to improve slightly at best
- Bechtle confirms forecast for 2019

MACROECONOMY

ec.europa.eu

According to the forecast of the European Commission, economic performance in the EU will pick up again somewhat in the coming months. Growth is expected to amount to 0.4 per cent in both the third and fourth quarters. Amongst the EU countries in which Bechtle is present, growth expectations for the third quarter range from 0.1 per cent in Italy to 1.3 per cent in Poland, and from 0.2 per cent to 1.0 per cent in the fourth quarter. Throughout the EU, GDP growth is forecast at 1.4 per cent for 2019 as a whole. Investments in equipment are expected to rise by 1.5 per cent compared to 3.5 per cent in the prior year. In 2020, individual quarters are forecast to achieve growth rates of 0.4 per cent in the first six months and 0.3 per cent in the second half of the year in the EU, thus achieving a rate of 1.6 per cent over the year as a whole. Investments in equipment are to grow at 2.4 per cent, thus stronger than in 2019.

In Germany, economic growth over the course of the year is following the same trend as in the EU, albeit at a somewhat lower level. According to the European Commission, growth is to amount to 0.2 per cent in the third quarter and 0.3 per cent in the fourth quarter. For 2019 as a whole, current forecasts by economic research institutes expect German GDP growth between 0.5 per cent and 1.0 per cent. However, according to the European Commission, investments in equipment are to undergo somewhat higher growth of 2.1 per cent. GDP growth of 1.0 per cent to 1.8 per cent is predicted for 2020. The European Commission expects investments in equipment to increase at a rate of 2.8 per cent, again stronger than in 2019.

INDUSTRY

eito.com

Current figures from the market research institute EITO indicate that the German IT market is to grow by 3.0 per cent in 2019. Hardware sales are to drop by 0.5 per cent. However, revenue in the business environment is expected to be much better. Service revenues are expected to increase by 2.4 per cent and software – the growth driver – by 6.3 per cent. In 2020, growth of the IT market is expected to remain more or less at the same level with 2.8 per cent.

In France, the IT market is to grow 3.7 per cent in 2019. Hardware sales are viewed as positive, in fact seeing increases of 2.4 per cent. In 2020, the dynamics in the French IT market are to drop somewhat with growth of 2.5 per cent. The European IT market should grow by 3.1 per cent in 2019. While hardware sales are forecast to decrease slightly by –0.3 per cent, services and software are projected to gain 2.8 per cent and 6.3 per cent, respectively. In 2020, the IT market in Europe is predicted to grow by 2.9 per cent.

PERFORMANCE OF THE BECHTLE GROUP

In the first half of 2019, Bechtle AG achieved very significant revenue and earnings growth. With regard to these two key indicators, we have therefore achieved the target corridor for our expectations for 2019 as a whole. Despite the numerous and weighty macroeconomic risk factors, we assume that Bechtle will also develop positively in the second half of the year. According to our estimates, however, the organic growth dynamic might fall due to the continuously deteriorated macroeconomic conditions in recent months. In terms of figures, the total reported growth will be significantly lower due to the fact that Inmac Wstore was consolidated for the first time on 1 September 2018 and therefore won't be part of the acquisition-related growth from September 2019. Despite this, we confirm our 2019 forecast, published in March 2019, of significantly increased revenue and earnings and maintenance of the EBT margin before PPA effects at least at the prior year's level.

Apart from this, the forecast for the fiscal year 2019, as presented in the Annual Report 2018, has not undergone any changes or further specification.

See Annual Report 2018, page 111 ff

Neckarsulm, 9 August 2019 Bechtle AG

Bechtle AG
The Executive Board

CONSOLIDATED INCOME STATEMENT

€k

		01.04.–30.06.2019	01.04.–30.06.2018	01.01.–30.06.2019	01.01.–30.06.2018
Revenue		1,260,804	964,970	2,500,752	1,920,359
Cost of sales		1,080,005	814,518	2,143,527	1,630,395
Gross profit		**180,799**	**150,452**	**357,225**	**289,964**
Distribution costs		75,680	59,425	146,932	116,281
Administrative expenses		59,331	49,212	123,332	98,435
Other operating income		11,271	2,085	16,376	4,370
Earnings before interest and taxes		**57,059**	**43,900**	**103,337**	**79,618**
Financial income		255	274	579	526
Financial expenses		1,606	614	3,202	1,184
Earnings before taxes		**55,708**	**43,560**	**100,714**	**78,960**
Income taxes		16,515	12,856	29,844	23,407
Earnings after taxes (attributable to shareholders of Bechtle AG)		**39,193**	**30,704**	**70,870**	**55,553**
Net earnings per share (basic and diluted)	in €	**0,93**	**0,73**	**1,69**	**1,32**
Weighted average shares outstanding (basic and diluted)	in thousands	**42,000**	**42,000**	**42,000**	**42,000**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€k

	01.04.–30.06.2019	01.04.–30.06.2018	01.01.–30.06.2019	01.01.–30.06.2018
Earnings after taxes	**39,193**	**30,704**	**70,870**	**55,553**
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses on pension provisions	–80	–214	414	875
Income tax effects	15	41	–79	–170
Items that will be reclassified to profit or loss in subsequent periods				
Unrealised gains and losses on securities	0	0	0	1
Income tax effects	0	0	0	0
Unrealised gains and losses on financial derivatives	–47	0	–116	–2
Income tax effects	–3	0	1	1
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	–31	–803	–756	370
Income tax effects	9	238	224	–110
Currency translation differences	912	1,975	1,748	404
Other comprehensive income	**775**	**1,237**	**1,436**	**1,369**
of which income tax effects	21	279	146	–279
Total comprehensive income (attributable to shareholders of Bechtle AG)	**39,968**	**31,941**	**72,306**	**56,922**

See further comments in the Notes, in particular V. and VI., page 34 f and page 36 f

CONSOLIDATED BALANCE SHEET

ASSETS

€k

	30.06.2019	31.12.2018	30.06.2018
Non-current assets			
Goodwill	365,570	345,938	208,460
Other intangible assets	125,517	121,120	50,386
Property, plant and equipment	260,107	152,853	148,025
Trade receivables	36,980	27,863	34,012
Deferred taxes	4,468	4,713	3,916
Other assets	6,949	6,771	3,616
Total non-current assets	**799,591**	**659,258**	**448,415**
Current assets			
Inventories	361,932	280,331	259,618
Trade receivables	764,362	754,069	525,274
Income tax receivables	1,209	1,357	1,257
Other assets	94,083	81,227	70,557
Time deposits and securities	0	5,543	5,488
Cash and cash equivalents	118,378	245,379	98,907
Total current assets	**1,339,964**	**1,367,906**	**961,101**
Total assets	**2,139,555**	**2,027,164**	**1,409,516**

See further comments in the Notes, in particular VI., page 36 ff

EQUITY AND LIABILITIES

€k

	30.06.2019	31.12.2018	30.06.2018
Equity			
Issued capital	42,000	42,000	42,000
Capital reserves	124,228	124,228	124,228
Retained earnings	747,293	716,976	630,177
Total equity	**913,521**	**883,204**	**796,405**
Langfristige Schulden			
Pension provisions	18,651	16,301	13,258
Other provisions	11,501	11,052	7,566
Financial liabilities	380,233	380,640	82,647
Trade payables	15	40	45
Deferred taxes	43,740	41,107	25,289
Other liabilities	83,833	4,858	4,718
Contract liabilities	16,698	10,895	12,352[1]
Deferred income	1,547	0	0
Total non-current liabilities	**556,218**	**464,893**	**145,875**
Current liabilities			
Other provisions	11,374	9,162	6,328
Financial liabilities	13,226	12,872	49,472
Trade payables	349,790	372,338	215,421
Income tax payables	6,544	12,509	6,832
Other liabilities	173,437	159,957	100,250
Contract liabilities	94,233	96,120	75,264[1]
Deferred income	21,212	16,109	13,669[1]
Total current liabilities	**669,816**	**679,067**	**467,236**
Total equity and liabilities	**2,139,555**	**2,027,164**	**1,409,516**

[1] Prior year figures adjusted

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

			Retained earnings			
	Issued capital	Capital reserves	Accrued profits	Changes in equity outside profit or loss	Total	Total equity (attributable to shareholders of Bechtle AG)
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**
First-time application effect IFRS 16				11	11	11
Equity as of 1 January 2019 after adjustment	**42,000**	**124,228**	**711,583**	**5,404**	**716,987**	**883,215**
Distribution of profits for 2018			–42,000		–42,000	–42,000
Earnings after taxes			70,870		70,870	70,870
Other comprehensive income				1,436	1,436	1,436
Total comprehensive income	**0**	**0**	**28,870**	**1,436**	**30,306**	**30,306**
Equity as of 30 June 2019	**42,000**	**124,228**	**740,453**	**6,840**	**747,293**	**913,521**

See further comments in the Notes, in particular VI., page 36 f

CONSOLIDATED CASH FLOW STATEMENT

€k

	01.04–30.06.2019	01.04–30.06.2018	01.01–30.06.2019	01.01–30.06.2018
Operating activities				
Earnings before taxes	**55,708**	**43,560**	**100,714**	**78,960**
Adjustment for non-cash expenses and income				
Financial earnings	1,351	340	2,623	658
Depreciation and amortisation of intangible assets and property, plant and equipment	19,590	9,080	38,234	17,866
Gains and losses on disposal of intangible assets and property, plant and equipment	–8	308	–30	291
Other non-cash expenses and income	–665	–1,169	1,613	–1,076
Changes in net assets				
Changes in inventories	–18,903	5,864	–79,267	–48,189
Changes in trade receivables	–51,428	–28,600	–10,567	56,698
Changes in trade payables	–986	–20,062	–25,761	–23,544
Changes in deferred income	–12,737	–8,176	3,564	–6,371
Changes in other net assets	34,204	5,748	–10,737	–43,785
Income taxes paid	–18,542	–13,479	–34,914	–24,155
Cash flow from operating activities	**7,584**	**–6,586**	**–14,528**	**7,353**
Investing activity				
Cash paid for acquisitions less cash acquired	–8,121	–2,214	–18,913	–10,496
Cash paid for investments in intangible assets and property, plant and equipment	–22,938	–10,002	–40,088	–30,299
Cash received from the sale of intangible assets and property, plant and equipment	596	–3	841	892
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets	0	5	5,542	7,006
Interest payments received	57	162	319	289
Cash flow from investing activities	**–30,406**	**–12,052**	**–52,299**	**–32,608**
Financing activities				
Cash paid for the repayment of financial liabilities	–3,073	–5,927	–6,601	–83,361
Cash received from the assumption of financial liabilities	4,750	50,928	5,912	83,378
Dividends paid	–42,000	–37,800	–42,000	–37,800
Interest paid	–859	–849	–1,525	–1,068
Outflow for the repayment of finance leases	–8,990	0	–16,584	0
Cash flow from financing activities	**–50,172**	**6,352**	**–60,798**	**–38,851**
Exchange-rate-related changes in cash and cash equivalents	–205	1,006	624	630
Changes in cash and cash equivalents	**–73,199**	**–11,280**	**–127,001**	**–63,476**
Cash and cash equivalents at beginning of the period	**191,577**	**110,187**	**245,379**	**162,383**
Cash and cash equivalents at the end of the period	**118,378**	**98,907**	**118,378**	**98,907**

See further comments in the Notes, in particular VII., page 38

NOTES

I. GENERAL DISCLOSURES

Bechtle AG, Bechtle Platz 1, 74172 Neckarsulm, Germany, is a listed company and as such required under Section 315e 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 2019 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 2019 is significantly reduced compared to the consolidated financial statements as of the end of the fiscal year.

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

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For existing and unchanged IFRS, with the exception of the IFRS 16 "Leases" applied since 1 January 2019 (see III. "Application of new accounting standards"), the key principles of accounting and consolidation applied in the preparation of the abridged consolidated interim financial statement are in line with those which were applied in the preparation of the consolidated financial statement for 2018. The abridged consolidated financial statement should be read in conjunction with the consolidated financial statement of the Bechtle Group for the 2018 fiscal year.

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 applied IFRS 16 for the first time on 1 January 2019, which has led to a significant increase in the balance sheet total on 30 June 2019. The first-time application of IFRS 16 has taken place retrospectively with the recognition of the resulting effects in the retained earnings on 1 January 2019. The newly applicable standard does away with the previous classification of leases for lessees of Operation Lease and Finance Lease. Instead, IFRS 16 makes use of a uniform assessment model according to which the lessees are under obligation to capitalise an asset for the right-of-use and to recognise a lease liability for all lease payments. By applying IFRS 16, all leases are thus to be recorded in the group balance sheet as a matter of principle – largely in line with accounting of the Finance Lease. Bechtle bases this on the leases as they were determined according to IAS 17 or IFRIC 4.

IFRS 16, however, grants options not to disclose accounts for a right-of-use asset as well as the corresponding lease liability for leases which are classified as short-term leases with a period of up to twelve months or leases of low-value assets. Bechtle exercises these options and records the lease payments linked to these leases over the term as expenses.

With the first application of IFRS 16, Bechtle recorded lease liabilities for previously classified leases under IAS 17 as operating leases, which led to a rise in the non-current liabilities. These liabilities are assessed at the present value of remaining lease payments, discounted with the incremental borrowing rate of interest applicable for Bechtle on 1 January 2019. The weighted average incremental borrowing rate of interest used for this is 0.5%.

TRANSFER OF LEASE LIABILITIES €k

	01.01.2019
Obligations from operating leases declared on 31 December 2018	101,724
Effect from discounting at the time of initial application	–2,254
With the lessee's incremental borrowing rate of interest at the time of the first application of IFRS 16 discounted	99,470
Plus: liabilities from finance leases accounted for on 31 December 2018	0
(Excl.): leases of low value assets which are recorded on a straight-line basis as an expense	–61
(Excl.): current leases which are recorded on a straight-line basis as an expense	–3,540
Plus/(excl.): Adjustments based on various estimations of extension and termination options	9,604
Lease liabilities accounted for on 01 January 2019	**105,473**
Of which are:	
current lease liabilities	28,369
non-current lease liabilities	77,104

Lease liabilities in the amount of €28,369k were thus recognised under other current liabilities and €77,104k under other non-current liabilities. Extension and cancellation options were taken into consideration upon recognition of the lease liabilities if Bechtle was sufficiently certain that these options would be exercised in the future. Furthermore, the capitalisation of the right-of-use assets from previous operating leases led to an increase in the non-current assets. Right-of-use assets were thus capitalised in the amount of €99,778k under property, plant and equipment.

The right-of-use assets applied refer to the following types of asset:

ASSETS WITH ASSIGNED RIGHTS-OF-USE €k

	30.06.2019	01.01.2019
Buildings	85,426	83,857
Furniture, fixtures and fittings	478	357
Vehicle fleet	18,266	15,564

The amendment to the accounting method also influenced the following balance sheet items on 01 January 2019 as below:

AMENDMENT BASED ON IFRS 16 €k

	Increase	01.01.2019
Property, plant and equipment	Increase	99,778
Trade receivables (non-current)	Increase	2,923
Trade receivables (current)	Increase	2,787
Deferred tax liabilities	Increase	4
Other liabilities (non-current)	Increase	77,104
Other liabilities (current)	Increase	28,369

The net effect on the retained earnings on 01 January 2019 was a rise of €11k.

The balance sheet extension which accompanied the first application of IFRS 16 resulted in a negative influence on the equity ratio, which declined from 43.6% on 31 December 2018 to 42.7% at the end of the first six months of 2019. The amount for the option exercised by Bechtle not to disclose payments as usage rights in the balance sheet for non-current leases and for leases based on low-value assets amounts to €2,403k on 30 June 2019.

LEASES NOT ACCOUNTED FOR €k

	30.06.2019	01.01.2019
Current leases	2,340	3,540
Leases with minimal assets	63	61

Expenditures previously recorded as lease expenses are being replaced by depreciation and interest expenditures as of 1 January 2019. This led to an improvement in the EBITDA of €14,285k. The impact from the first application of IFRS 16 on the income statement in the first six months of 2019 was insignificant, with an increased expense of in total €122k.

In the cash flow statement, the cash flow from operating activities improved by €16,584k, due to the changed declaration of repayments for financial leases in the cash flow from financing activities. The interest payments linked to this of €272k are likewise contained within the cash flow from financing activities.

Furthermore, Bechtle appears as a lessor within the scope of Finance Lease contracts (see VIII. “Leases”). For lessors the classification according to IAS 17 in Operating Lease and Finance Lease is retained also according to IFRS 16, such that no significant changes result for the issues at hand as a lessor.

IV. 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
Bücker IT-Security GmbH	Hille, Germany	1 February 2019	Acquisition
Coffee GmbH Computerlösungen für Fertigung und Entwicklung	Angelburg, Germany	1 February 2019	Acquisition
Alpha Solutions AG	St. Gallen, Switzerland	20 May 2019	Acquisition
Podan GmbH	Mörschwil, Switzerland	20 May 2019	Acquisition

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

EXPENSE STRUCTURE

€k

	Cost of sales		Distribution costs		Administrative expenses	
	01.01–30.06.2019	01.01–30.06.2018	**01.01–30.06.2019**	01.01–30.06.2018	**01.01–30.06.2019**	01.01–30.06.2018
Material costs	1,952,268	1,475,610	0	0	0	0
Personnel and social expenses	152,186	123,737	117,423	94,191	79,075	61,487
Depreciation and amortisation	15,541	6,829	8,910	3,568	13,783	7,469
Other operating expenses	23,532	24,218	20,599	18,522	30,474	29,480
Total expenses	**2,143,527**	**1,630,394**	**146,932**	**116,281**	**123,332**	**98,436**

See Segment Reporting, Income Statement, page 41

The depreciation predominantly rose due to IFRS 16, as well as due to acquisitions. The year-on-year increase of all other cost types was mainly caused by the significantly higher business volume in the reporting period.

The material costs include net expenses of €89k from exchange rate fluctuations (prior year: net €90k income).

OTHER OPERATING INCOME

The other operating income rose due to acquisitions to €16,376k (prior year: €4,370k) and essentially contain marketing additions and other compensations by suppliers in addition to a negative difference in the amount of €4,365k from capital consolidation.

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 increase in financial expenses occurred due to the acceptance of the bond loan.

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:

		01.01–30.06.2019	01.01–30.06.2018
Earnings after taxes	€k	70,870	55,553
Average number of outstanding shares		42,000,000	42,000,000
Earnings per share	€	**1.69**	**1.32**

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

Other comprehensive income was mainly affected by the development of the euro/Swiss franc exchange rate. In the first half of 2019, the Swiss franc regained value, while in the corresponding prior-year period, it lost value against the euro.

See page 25

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 VI. "Notes to the balance sheet and to the statement of changes in equity".

See Annual Report 2018, page 158 ff

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

ASSETS

As a result of the acquisitions in the first six months, goodwill and other intangible assets increased. Furthermore, the property, plant and equipment rose based on the usage rights applied by the IFRS 16 leasing standard introduced on 1 January 2019. The decline in cash and cash equivalents largely occurred due to the increase in dividend distributions compared to fiscal year 2018 and due to the rise in receivables and the inventories based on the further increased volume of business. The inventories on 30 June 2019 include assets amounting to €16,664k (31 December 2018: €6,809k).

EQUITY

Issued Capital

As was the case on 31 December 2018, the company's share capital as of 30 June 2019 was divided into 42,000,000 fully paid-up ordinary shares of a calculated nominal value of €1.00 each. Each share has one vote.

Retained Earnings

Dividend Payment

At the Annual General Meeting on 28 May 2019, a resolution was adopted to pay a dividend of €1.00 per no-par share with dividend entitlement for the fiscal year 2018. The dividend was paid out on 3 June 2019.

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

	30.06.2019			31.12.2018		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
Actuarial gains and losses on pension provisions	–11,247	2,274	**–8,973**	–11,661	2,353	**–9,308**
Unrealised gains and losses on securities	0	0	**0**	0	0	**0**
Unrealised gains and losses on financial derivatives	1,581	0	**1,581**	1,697	–1	**1,696**
Hedging of net investments in foreign operations	–13,063	3,820	**–9,243**	–12,307	3,596	**–8,711**
Currency translation differences	23,464	0	**23,464**	21,716	0	**21,716**
Other comprehensive income	**735**	**6,094**	**6,829**	**–555**	**5,948**	**5,393**

€k

	01.01–30.06.2019			01.01–30.06.2018		
	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	**414**	**–79**	**335**	**875**	**–170**	**705**
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on securities	**0**	**0**	**0**	**1**	**0**	**1**
Gains and losses that arose in the current period	0	0	0	1	0	1
Reclassifications to profit and loss	0	0	0	0	0	0
Unrealised gains and losses on financial derivatives	**–116**	**1**	**–115**	**–2**	**1**	**–1**
Gains and losses that arose in the current period	–116	1	–115	–2	1	–1
Reclassifications to profit and loss	0	0	0	0	0	0
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	**–756**	**224**	**–532**	**370**	**–110**	**260**
Gains and losses that arose in the current period	–756	224	–532	370	–110	260
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	**1,748**	**0**	**1,748**	**404**	**0**	**404**
Other comprehensive income	**1,290**	**146**	**1,436**	**1,648**	**–279**	**1,369**

LIABILITIES

For further details of the loans, see Annual Report 2018 page 169

The decline in trade payables was mainly caused by the usual seasonal fluctuations during the year, with a high-revenue final quarter. The rise in the non-current and current other liabilities resulted from the lease liabilities that were accounted for.

VII. NOTES TO THE CASH FLOW STATEMENT

The year-on-year decrease in the cash flow from operating activities was mainly attributed to the stronger increase in inventories and the increased 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 and for intangible assets and property, plant and equipment in the reporting period.

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 2018 amounted to €42,000k. The dividend for the fiscal year 2017, which had been paid out in the prior year, had amounted to €37,800k.

VIII. LEASES

As of the closing date, the trade receivables contained finance leasing receivables amounting to €44,316k (31 December 2018: €29,095k). 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

	30.06.2019			31.12.2018		
	Repayment	Interest	Lease payments	Repayment	Interest	Lease payments
Due within one year	13,247	401	13,648	11,637	374	12,011
Due between one and five years	30,930	553	31,483	17,458	358	17,816
Due after five years	139	1	140	0	0	0
Minimum lease payments	**44,316**	**955**	**45,271**	**29,095**	**732**	**29,827**

The interest share of the lease payments corresponds to the not yet realised financial income.

IX. 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 2018.

See
Annual Report 2018,
page 149 ff and page 173 ff

According to IFRS 13, the assessment methods are divided into the following three levels, depending on the key parameters on which the assessment is based:
Level 1: Assessment at prices (not adjusted) quoted on active markets for identical assets and liabilities
Level 2: Assessment 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: Assessment is based on models using input parameters not observable on the market

The following table shows the carrying amounts and fair value of the financial instruments for the classes of financial instruments according to IFRS 7 and their assessment level according to IFRS 13 and valuation category according to IFRS 9.

€k

Class pursuant to IFRS 7	Measurement category IFRS 9	Carrying amount 30.06.2019	Fair value 30.06.2019	Carrying amount 31.12.2019	Fair value 31.12.2019	Level
Assets						
Non-current trade receivables	AC	2,560	2,514	2,638	2,616	3
Long-term leasing receivables	IFRS 16	34,420	34,161	25,225	25,037	3
Current trade receivables	AC	747,834	747,834	738,622	738,622	3
Current leasing receivables	IFRS 16	16,528	16,528	15,447	15,447	3
Securities	FVTPL	0	0	0	0	1
Time deposits						
Bond loans	AC	0	0	0	0	2
Insurances	AC	0	0	5,543	5,543	3
Other financial assets	AC	42,168	42,168	43,601	43,601	3
Long-term lending	AC	337	337	362	361	3
Financial derivatives						
Derivatives accounted for as hedges	n/a	0	0	9	9	2
Derivatives not accounted for as hedges	FVTPL	375	375	303	303	2
Cash and cash equivalents	AC	118,378	118,378	245,379	245,379	1
Equity and liabilities						
Loans	AC	393,459	431,436	393,512	418,714	2
Non-current trade payables	AC	15	15	40	39	3
Current trade payables	AC	349,790	349,790	372,338	372,338	3
Other financial liabilities	AC	127,300	127,300	103,023	103,023	3
Liabilities resulting from acquisitions	FVTPL	6,161	6,161	7,780	7,780	3
Financial derivatives						
Derivatives accounted for as hedges	n/a	757	757	8	8	2
Derivatives not accounted for as hedges	FVTPL	448	448	331	331	2
Thereof aggregated according to valuation category pursuant to IFRS 9	AC	1,781,891	1,819,772	1,905,058	1,930,236	
	FVTPL	6,984	6,984	8,414	8,414	

Abbreviations used for the assessment categories of IFRS 9:

AC = Amortised costs

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. During the reporting period, the calculation methodology and sensitivities did not undergo any material changes.

See
Annual Report 2018,
page 174

Liabilities from acquisitions developed as follows:

€k

Financial assets and liabilities in Level 3	01.01.2019	Total gains and losses: Included in financial earnings	Total gains and losses: Included in other comprehensive income outside profit or loss	Total gains and losses: Included in other operating income	Additions	Compensation/ settlement	Reclassification	30.06.2019
Liabilities resulting from acquisitions	7,780	48	42	0	274	−1,963	0	**6,161**

The €48k posted as expense under financial earnings were fully attributable to future payments accounted for as of 30 June 2019.

X. SEGMENT INFORMATION

The segment information is presented on the basis of the same principles as in the consolidated financial statements for fiscal year 2018.

€k

By segments	01.01–30.06.2019			01.01–30.06.2018		
	IT system house & managed services	IT e-commerce	Group	IT system house & managed services	IT e-commerce	Group
Total segment revenue	1,610,727	907,239		1,349,254	588,271	
less intersegment revenue	−13,674	−3,540		−14,278	−2,888	
Revenue	1,597,053	903,699	**2,500,752**	1,334,976	585,383	**1,920,359**
Depreciation/amortisation	−23,975	−7,919	**−31,894**	−12,503	−3,242	**−15,745**
Segment result	63,561[1]	46,116	**109,677**	54,948	26,791	**81,739**
Depreciation/amortisation from acquisitions	−2,920	−3,420	**−6,340**	−2,121	0	**−2,121**
Earnings before interest and taxes	60,641	42,696	**103,337**	52,827	26,791	**79,618**
Financial earnings			**−2,623**			**−658**
Earnings before taxes			**100,714**			**78,960**
Income taxes			**−29,844**			**−23,407**
Earnings after taxes			**70,870**			**55,553**
Investments	25,415	14,058	**39,473**	26,350	4,547	**30,897**
Investments through acquisitions	30,194	0	**30,194**	16,845	0	**16,845**

[1] including a non cash-effective negative difference from consolidation

Segment information
on employees,
see, page 46

In the IT E-Commerce segment, the income from trading operations is realised with reference to the point in time, since the fulfilment of the performance obligation by Bechtle occurs through the transfer of goods to the customer. The income from trading operations of the IT System House & Managed Services business segment is also realised with reference to the point in time when it concerns the delivery of goods. Furthermore, combinations of goods delivery and services can be provided which are essentially realised through customer acceptance. There can only be realisation that is time-period-based for IT services income. The income share of the purely service income lies at 24 to 30% in this segment.

€k

	01.01–30.06.2019			01.01–30.06.2018		
By regions	**Domestic**	**Abroad**	**Group**	Domestic	Abroad	Group
Revenue	1,546,806	953,946	**2,500,752**	1,310,737	609,622	**1,920,359**
Investments	30,152	9,321	**39,473**	26,903	3,994	**30,897**
Investments through acquisitions	22,525	7,669	**30,194**	0	16,845	**16,845**

As the total segment assets are not part of the internal reporting, this information is not disclosed in the notes in the interim report in accordance with IAS 34.16A(g/iv).

XI. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

In the first half of 2019, Bechtle AG acquired 100% of the shares of each of three companies and two partial business operations. The required details of the transactions are represented in summary, as the impact of the acquisitions viewed in total does not have significant influence on sales revenue and income after taxes.

All company acquisitions were recognised in the balance sheet according to the purchase method and must still be considered as provisional with regard to identifying and valuing newly identified assets.

All interests in Bücker IT-Security GmbH in Hille, Germany, as well as Coffee GmbH computer solutions for production and development in Angelburg, Germany, were acquired on the acquisition date of 1 February 2019. Furthermore, Bechtle took over partial business operations of IBM Business & Technology Services GmbH and IBM Customer Support Services GmbH in the managed services field on acquisition date 1 April 2019. In addition, as of the acquisition date 20 May 2019, the company acquired all interests in Podan GmbH, Mörschwil, Switzerland. The company holds 100% of shares in the operationally active Alpha Solutions AG, St. Gallen, Switzerland.

€k

	Fair value
Non-current assets	
Goodwill	18,306
Other intangible assets	11,205
Property, plant and equipment	683
Deferred taxes	273
Other assets	66
Total non-current assets	**30,533**
Current assets	
Inventories	2,006
Trade receivables	3,080
Other assets	5,527
Cash and cash equivalents	6,285
Total current assets	**16,898**
Total assets	**47,431**
Non-current liabilities	
Other provisions	0
Deferred taxes	3,020
Other liabilities	636
Total non-current liabilities	**3,656**
Current liabilities	
Trade payables	3,594
Tax payables	246
Other provisions and liabilities	8,974
Deferred income	6,883
Total current liabilities	**19,697**
Total liabilities	**23,353**
Total assets – Total liabilities = Acquisition costs	**24,078**

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€10,328k) were newly recognised as identifiable assets and measured at fair value as of the acquisition date.

In connection with the capitalisation of the customer relationships, deferred tax liabilities (€2,958k) were recognised.

Under consideration of the acquired total net assets (€5,772k), in total the capital consolidation resulted in a total provisional difference of €18,306k 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. In addition, the capital consolidation resulted in a negative difference in the amount of €4,365k, since the market value of the acquired asset was greater than the purchase price. The difference is recorded in the other operating income.

The purchase prices for the acquired companies (€24,078k) were fully paid in cash and led to an outflow of cash and cash equivalents in the amount of €22,668k.

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

With the acquisition of Bücker IT-Security GmbH, Bechtle AG is strengthening its position in the field of IT security. The company, founded in 1992, has designated experts in the growth market of security, excellent manufacturer relations and developed cross-sector customer loyalty.

By purchasing Coffee GmbH Computerlösungen für Fertigung und Entwicklung, Bechtle has acquired a certified partner for SOLIDWORKS and SolidCAM that also covers the vendors' entire product spectrum.

Furthermore, with the acquisition of the partial business operations of IBM Business & Technology Services GmbH and IBM Customer Support Services GmbH and their adopted infrastructure services, Bechtle is expanding in the field of managed services. In all, 320 employees moved from IBM to Bechtle on 1 April 2019. The pension obligations already existing at the time of the transition will continue to be borne by IBM.

In addition, with the acquisition of Alpha Solutions AG, St. Gallen, Bechtle is continuing to expand its service business in Switzerland focussing on ERP and CRM projects as well as cloud solutions. Alpha Solutions AG is developing industry-specific ERP, CRM and cloud solutions which is driving ahead the digitisation of business processes with the customers.

The company purchase agreement for the acquisition of Alpha Solutions AG contains two contingent purchase price payments, which depend on the acquired company's future business performance. These payments are connected with a minimum EBIT to be achieved in the fiscal year 2019 and 2020 and amount in total to up to CHF 1,600k, which at the acquisition date represents an obligation expressed in euros totalling €1,420k. Based on the validated business plan, the fair value of this contingent purchase price payment on the acquisition date was €1,410k.

Since their purchase, the acquisitions have contributed €14.2 million in total to the sales revenue and €–0.01 million to the result after taxes. If the timing of the acquisition of the new acquisitions had been at the start of the reporting year, the turnover of the Bechtle Group for the reporting period would have been €2,511 million, the result after taxes €71.4 million.

The acquisitions made in fiscal year 2018 were all complete as of 31 December 2018 except for Stemmer GmbH and thus finalised.

XII. EMPLOYEES

The employee numbers were as follows:

	30.06.2019	31.12.2018	01.01–30.06.2019	01.01–30.06.2018
Full and part-time staff without absentees	10,101	9,130	9,699	7,941
Trainees without absentees	571	641	599	518
Absent employees	243	234	238	208
Temporary staff	378	374	372	351
Total	**11,293**	**10,379**	**10,908**	**9,018**

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

	30.06.2019	31.12.2018	01.01–30.06.2019	01.01–30.06.2018
IT System House & Managed Services	**8,555**	**7,772**	**8,215**	**7,095**
Domestic	7,431	6,744	7,167	6,114
Abroad	1,124	1,028	1,048	981
IT E-commerce	**2,360**	**2,233**	**2,321**	**1,572**
Domestic	658	629	655	556
Abroad	1,702	1,604	1,666	1,016

The employee numbers (without employees in absentia and without temporary staff) break down by functional areas as follows:

	30.06.2019	31.12.2018	01.01–30.06.2019	01.01–30.06.2018
Services	5,121	4,452	4,818	4,048
Sales	3,121	2,951	3,069	2,522
Administration	2,430	2,368	2,411	1,889

XIII. NOTEWORTHY EVENTS AFTER THE REPORTING PERIOD

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

Neckarsulm, 09 August 2019

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, 9 August 2019

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 2019 (30 JUNE)

Friday, 9 August 2019

QUARTERLY STATEMENT 3RD QUARTER 2019 (30 SEPTEMBER)

Wednesday, 13 November 2019

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

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