

FIRST HALF OF 2020

INTERIM REPORT AS OF 30 JUNE 2020

Your strong IT partner.
Today and tomorrow.

BECHTLE

KEY FIGURES OF THE BECHTLE GROUP AT A GLANCE

		01.01– 30.06.2020	01.01– 30.06.2019	Change in %
Revenue	€k	2,666,190	2,500,752	6.6
IT System House & Managed Services	€k	1,753,059	1,597,053	9.8
IT E-Commerce	€k	913,131	903,699	1.0
EBITDA	€k	160,064	141,571	13.1
IT System House & Managed Services	€k	107,713	87,536	23.0
IT E-Commerce	€k	52,351	54,035	-3.1
EBIT	€k	112,167	103,337	8.5
IT System House & Managed Services	€k	72,662	60,641	19.8
IT E-Commerce	€k	39,505	42,696	-7.5
EBIT margin	%	4.2	4.1	
IT System House & Managed Services	%	4.1	3.8	
IT E-Commerce	%	4.3	4.7	
EBT	€k	109,114	100,714	8.3
EBT margin	%	4.1	4.0	
Earnings after taxes	€k	77,268	70,870	9.0
Earnings per share	€	1.84	1.69	9.0
Return on equity¹	%	16.1	17.1	
Cash flow from operating activities	€k	39,327	-14,528	
Number of employees (as of 30.06)		11,955	10,915	9.5
IT System House & Managed Services		9,501	8,555	11.1
IT E-Commerce		2,454	2,360	4.0

		30.06.2020	31.12.2019	Change in %
Cash and cash equivalents²	€k	236,835	272,197	-13.0
Working Capital	€k	682,477	647,728	5.4
Equity ratio	%	42.7	42.4	

¹ Annualised

² Incl. time deposits and securities

REVIEW BY QUARTER 2020

		1st Quarter 01.01–31.03	2nd Quarter 01.04–30.06	3rd Quarter 01.07–30.09	4th Quarter 01.10–31.12	2020 FY 01.01–30.06
Revenue	€k	1,355,674	1,310,516			2,666,190
EBITDA	€k	76,185	83,879			160,064
EBIT	€k	52,627	59,540			112,167
EBT	€k	51,055	58,059			109,114
EBT margin	%	3.8	4.4			4.1
Earnings after taxes	€k	36,468	40,800			77,268

CONSOLIDATED INTERIM MANAGEMENT REPORT

BUSINESS ACTIVITY

As a one-stop IT provider, Bechtle is active in Germany, Austria and Switzerland with about 75 system houses 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 2019,
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 pure trading business in IT E-Commerce, the second business segment. In this segment, we offer our customers hardware and standard software under a multi-brand strategy via the Internet and by telephone.



[bechtle.com/portfolio-en](https://www.bechtle.com/portfolio-en)

ENVIRONMENT

- Worst decline since 1945 EU-wide
- IT industry impacted by the COVID-19 pandemic
- Upturn in mood since May

MACROECONOMY

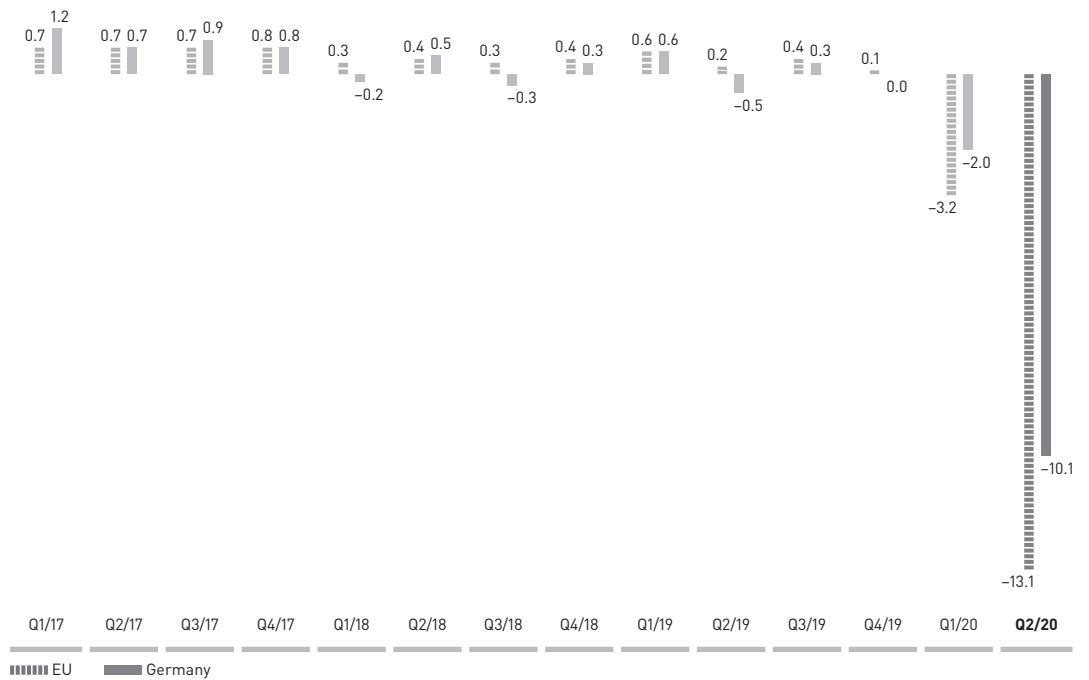
In the first six months of 2020, the COVID-19 pandemic and the measures to control it caused economic development in the EU to plummet. According to a European Commission forecast from July 2020, gross domestic product (GDP) dropped by -3.2 per cent in the first quarter of 2020. In the second quarter, the decline amounted to -13.1 per cent. This development was also evident in the EU countries in which Bechtle is present, though to differing extents. In the first quarter, the figures ranged from growth of +1.2 per cent in Ireland to declines of -5.3 per cent in France and Italy. In the second quarter, all countries had negative growth rates, from -9.2 per cent in Poland to -16.9 per cent in Spain.



ec.europa.eu

GDP PERFORMANCE COMPARED TO THE PRIOR QUARTER

%



In Germany, the economic decline was not as severe as in the EU as a whole. GDP growth amounted to -2.0 per cent in the first quarter and -10.1 per cent in the second quarter.



In March and April 2020, the mood indicators for the German economy dropped drastically. Since May, the figures have recovered, though at a low level. From 95.8 points in February, the index went down to 74.3 in April. By July, it had rebounded to 90.5. The recovery was more pronounced with regard to expectations for the coming months than with regard to the evaluation of the current situation.

INDUSTRY



In the first six months of 2020, the IT market saw two contradictory sides. On the one hand, the COVID-19 pandemic was noticeable here too, which was evident from the postponement of projects, amongst other things. On the other hand, there was a high demand for devices to equip staff members working from home. According to the market research institute Gartner, the number of PCs sold in EMEA in the second quarter increased 20 per cent.

The development of the ifo business climate index for IT service providers ran in parallel to macro-economic performance. From 34.6 points in February, the index slumped to -20.7 points in April. Recovery started in May, leading to a level of 13.1 points in July.

IFO INDEX FOR IT SERVICE PROVIDERS**OVERALL ASSESSMENT**

In the first half of 2020, the economic development in Europe was heavily impacted by the COVID-19 pandemic. The GDP declines were the most severe since the end of World War II. However, the mood indicators have again moved upwards since May.

The IT market was not able to escape this macroeconomic situation. Nevertheless, it appears to have been impacted less severely by the crisis than other industries. This is also evident from the surge in PC sales in the first half of the year. Here too, the mood among German IT service providers has improved since May.

In the market setting described, Bechtle delivered a good performance. As projected, growth rates dropped noticeably in the second quarter, but any growth can be viewed as a major achievement in view of the general conditions. 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, despite the crisis-induced turmoil, the growth rates and the margin performance of the first six months were in line with our expectations for 2020 as a whole.

EARNINGS POSITION

- Revenue growth of 6.6 per cent
- Diverse performance in segments and regions
- EBT margin slightly above prior 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 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 2020, incoming orders amounted to approximately €2,649 million, about 8 per cent more than in the prior year (€2,457 million). Incoming orders in the IT System House & Managed Services segment underwent a 10 per cent increase to €1,725 million (prior year: €1,568 million). In the IT E-Commerce segment, incoming orders amounted to €924 million (prior year: €889 million), almost 4 per cent more than in the prior year.

As of 30 June, the order backlog amounted to €796 million (prior year: €687 million). Of this amount, the IT System House & Managed Services segment accounted for €644 million (prior year: €565 million), and the IT E-Commerce segment for €152 million (prior year: €122 million).

REVENUE PERFORMANCE

Despite the COVID-19 pandemic, Bechtle was able to increase its revenue by an excellent 6.6 per cent to €2,666.2 million in the first half of 2020. In the second quarter, however, the dynamics went down due to the effects of the pandemic, as projected. The revenue growth amounted to 9.3 per cent in the first quarter and 3.9 per cent in the second quarter. The organic growth figures did show a similar development, reaching 8.2 per cent in the first quarter and 2.4 per cent in the second quarter. Across both reporting quarters, the organic revenue growth thus amounted to 5.3 per cent.

GROUP REVENUE

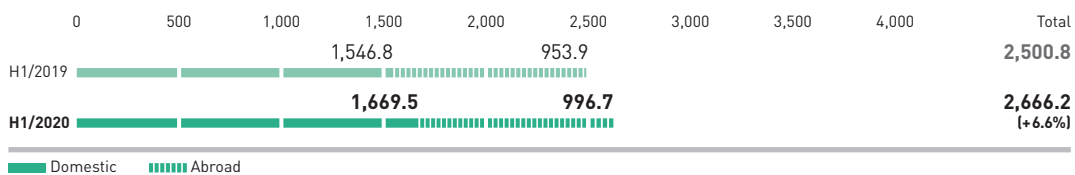
€m



In some countries the social and economic restrictions due to the coronavirus crisis were much more severe than in Germany. From the regional perspective, the H1 performance of the domestic companies (7.9 per cent) was also better than that of the companies abroad (4.5 per cent). The solely organic revenue growth in Germany amounted to 7.2 per cent. In the second quarter, too, the growth was higher in Germany (5.4 per cent) than abroad (1.4 per cent).

REGIONAL REVENUE DISTRIBUTION

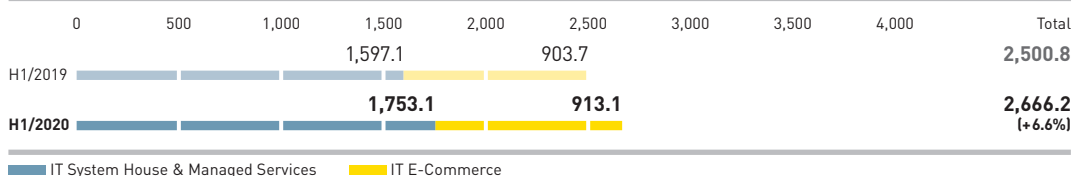
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In the first six months, the IT System House & Managed Services segment boosted its revenue by 9.8 per cent to €1,753.1 million (prior year: €1,597.1 million). The organic growth rate was 7.7 per cent. In the second quarter, the system houses in Austria and Switzerland recorded impressive growth, namely by 33.1 per cent or, organically, by 22.8 per cent. A key factor that contributed to this growth was the high demand on the part of the public sector division.

REVENUE BY SEGMENTS

€m



In the first six months, the revenue growth in the IT E-Commerce segment amounted to 1.0 per cent, and the revenue climbed from €903.7 million to €913.1 million. With a revenue decline of –8.3 per cent, the companies abroad were especially hard hit in the second quarter. During this period, the revenue in Germany lost 0.1 per cent and thus remained more or less at the prior-year level.

REVENUE – GROUP AND SEGMENTS

	H1/2020	H1/2019	Change	Q2/2020	Q2/2019	Change
Group	2,666,190	2,500,752	+6.6%	1,310,516	1,260,804	+3.9%
Domestic	1,669,497	1,546,806	+7.9%	840,749	797,727	+5.4%
Abroad	996,693	953,946	+4.5%	469,767	463,077	+1.4%
IT System House & Managed Services	1,753,059	1,597,053	+9.8%	893,943	814,834	+9.7%
IT E-Commerce	913,131	903,699	+1.0%	416,573	445,970	–6.6%

€k

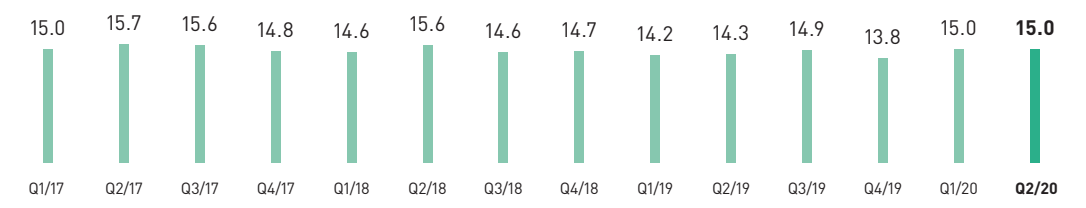
Based on an average of 10,886 full-time and part-time employees, the group's revenue per employee declined from €258 thousand to €245 thousand in the first six months. The revenue per employee in the IT System House & Managed Services segment was €205 thousand, compared to €213 thousand in the prior year. The revenue per employee in the IT E-Commerce segment receded from €414 thousand to €390 thousand. This was due especially to the higher headcount increase towards the end of the quarter along with the slower revenue growth as a result of the pandemic.

EARNINGS PERFORMANCE

From January to June 2020, the cost of sales underwent an increase of 5.7 per cent, a figure slightly below the revenue growth. Material costs underwent a disproportionately low increase of 4.3 per cent. This was due to the higher service share and higher bonus payments received from manufacturers. The 25.0 per cent increase in personnel expenses, which are included in the cost of sales, reflects the numerous staff qualification measures in the prior year, which led to higher salaries. Other operating expenses underwent a decline of –17.2 per cent. This item was affected by the coronavirus-related decline in costs, especially the lower travel expenses and motor vehicle costs. The gross margin amounted to 15.0 per cent, compared to 14.3 per cent in the prior year. Gross earnings amounted to €399.4 million, 11.8 per cent more than in the previous year (€357.2 million).

GROSS MARGIN

%



In the first half of the year, distribution costs and administrative expenses developed differently. Distribution costs increased by a disproportionately low rate of 5.7 per cent to €155.2 million (prior year: €146.9 million). The ratio receded from 5.9 per cent to 5.8 per cent. Administrative expenses under-

went a disproportionately high increase of 14.8 per cent from €123.3 million to €141.5 million. This was due especially to impairments on receivables applied in the first quarter in anticipation of potential economic consequences of the COVID-19 pandemic, which are evident in the other operating expenses. The administrative expense ratio went up from 4.9 per cent to 5.3 per cent. Other operating income totalled €9.5 million, considerably less than in the prior year (€16.4 million). In the prior year, this item had included a positive one-time special effect in the amount of €4.4 million. Furthermore, due to the cancellation of events, the marketing grants received from manufacturers were lower than in the prior year.

Year on year, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 13.1 per cent from €141.6 million to €160.1 million. Consequently, the EBITDA margin was 6.0 per cent (prior year: 5.7 per cent). In the second quarter, the margin underwent a year-on-year increase from 6.1 per cent to 6.4 per cent.

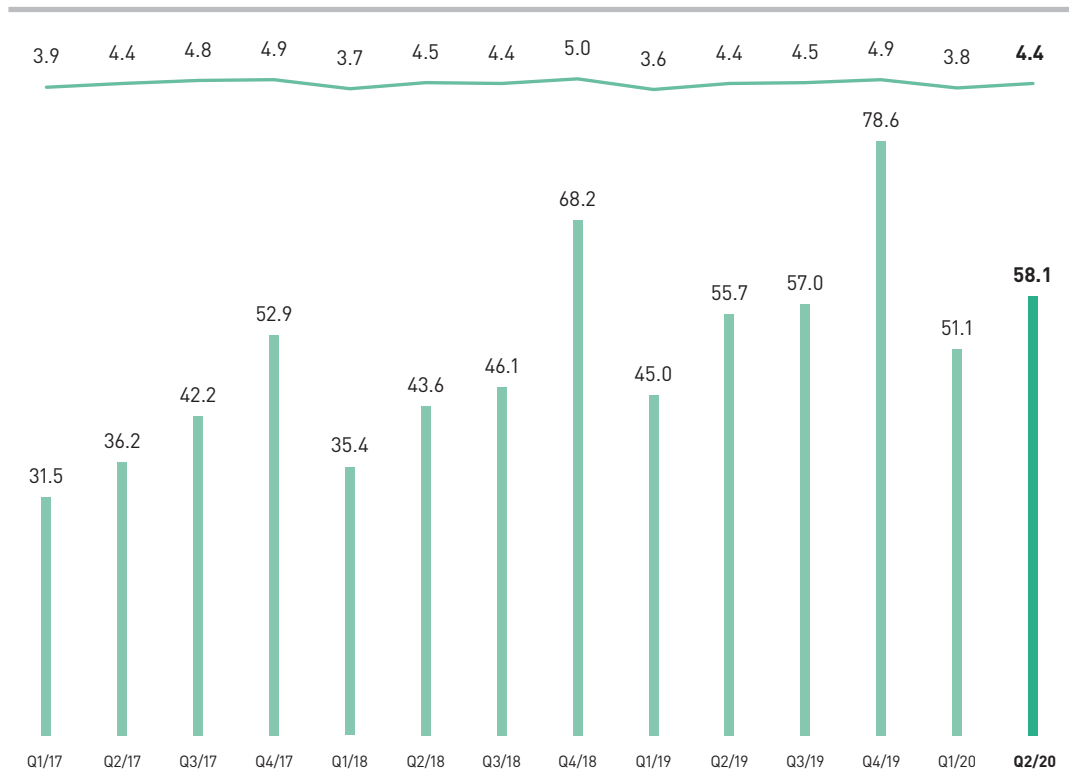
Related to acquisitions as well as reliefs in the course of the initial adoption of IFRS 16 in the previous year, depreciation increased by 25.3 per cent to €47.9 million. As in previous years, depreciation of property, plant and equipment – which increased from €31.9 million to €40.2 million – accounted for the greatest share.

Earnings before interest and taxes (EBIT), went up 8.5 per cent to €112.2 million (prior year: €103.3 million). At 4.2 per cent, the margin is slightly higher than in the prior year (4.1 per cent).

Financial earnings amounted to –€3.1 million. The group thus generated earnings before taxes (EBT) of €109.1 million in the first half of 2020, an increase of 8.3 per cent over the prior year (€100.7 million).

EBT AND EBT MARGIN

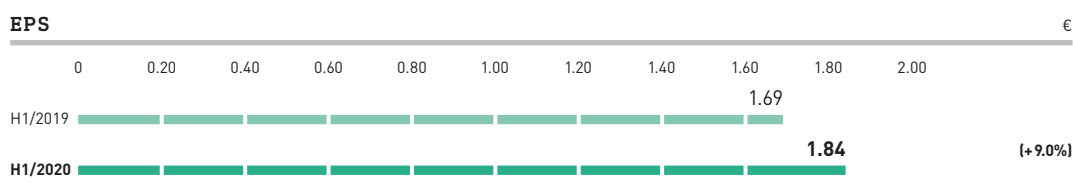
€m and %



The EBT margin was 4.1 per cent, compared to 4.0 per cent in the prior year. In the second quarter, the EBT margin remained stable at 4.4 per cent. Thus, the one-time effect from the prior year in the amount of €4.4 million could be fully compensated despite the coronavirus-induced encumbrances.

In the reporting quarters, tax expenses increased 6.7 per cent to €31.8 million. The tax rate was 29.2 per cent (prior year: 29.6 per cent).

Earnings after taxes improved 9.0 per cent from €70.9 million to €77.3 million. The net margin thus amounted to 2.9 per cent (prior year: 2.8 per cent). On the basis of 42 million shares, earnings per share (EPS) increased to €1.84 (prior year: €1.69). In the second quarter, EPS amounted to €0.97, a year-on-year increase of 4.1 per cent (prior year: €0.93).



At segment level, the earnings situation was as follows:

In the first half of 2020, EBIT in the IT System House & Managed Services segment increased 19.8 per cent to €72.7 million (prior year: €60.6 million). The EBIT margin increased from 3.8 per cent in the prior year to 4.1 per cent in the period under review. This was due to a disproportionately low increase in material costs. This item was affected both by the customers' higher demand for services and higher bonus payments received from manufacturers. The previously mentioned decline in other operating expenses was also more noticeable in this segment, as the work in this segment involves more business trips.

In the six-month period, the IT E-Commerce segment generated EBIT of €39.5 million, a year-on-year decline of 7.5 per cent (prior year: €42.7 million). The margin dropped from 4.7 per cent to 4.3 per cent. Especially in the second quarter, this segment was impacted much more severely by the effects of the COVID-19 pandemic, also due to its international presence. International markets outside the DACH region, especially France, which is the most important market in this segment, came under great pressure. The contribution margin growth was not sufficient to compensate the fixed costs. Moreover, the savings for motor vehicle and travel expenses were not so effective in this segment.

EBIT – GROUP AND SEGMENTS €k

	H1/2020	H1/2019	Change	Q2/2020	Q2/2019	Change
Group	112,167	103,337	+8.5%	59,540	57,059	+4.3%
IT System House & Managed Services	72,662	60,641	+19.8%	40,173	34,271	+17.2%
IT E-Commerce	39,505	42,696	-7.5%	19,367	22,788	-15.0%

ASSETS AND FINANCIAL POSITION

■ Balance sheet reveals financial strength

■ Improved cash flow through significant reduction of receivables

As of 30 June 2020, the balance sheet total of the Bechtle Group amounted to €2,448.5 million, 2.2 per cent more than as of 31 December 2019 (€2,394.7 million).

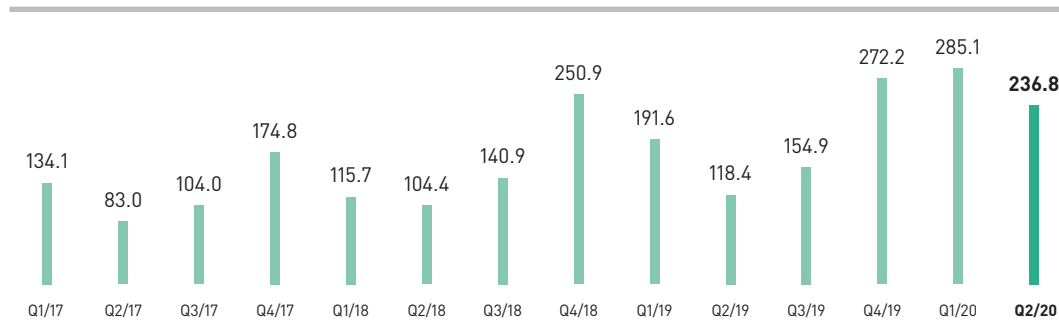
DEVELOPMENT OF THE ASSETS

Non-current assets went up 10.8 per cent from €846.4 million to €938.0 million. Due to acquisitions, goodwill increased by €46.1 million to €443.7 million. Property, plant and equipment increased by 9.6 per cent to €307.7 million, also due mainly to the acquisitions. The capitalisation ratio rose from 35.3 per cent to 38.3 per cent.

Current assets declined by €37.8 million to €1,510.5 million. Inventories, however, rose by €104.7 million to €390.2 million, resulting from the reserved stock for large projects and higher stock levels kept due to the expected supply bottlenecks. But trade receivables dropped by €120.1 million. Year on year, our average DSO (Days Sales Outstanding) in the first six months of 2020 improved from 42.1 days to 41.9 days. Due to the dividend payment and acquisitions, cash and cash equivalents including time deposits and securities dropped from €272.2 million to €236.8 million. Including free credit lines, Bechtle's total liquidity reserve amounts €385.6 million.

LIQUIDITY (INCLUDING TIME DEPOSITS AND SECURITIES)

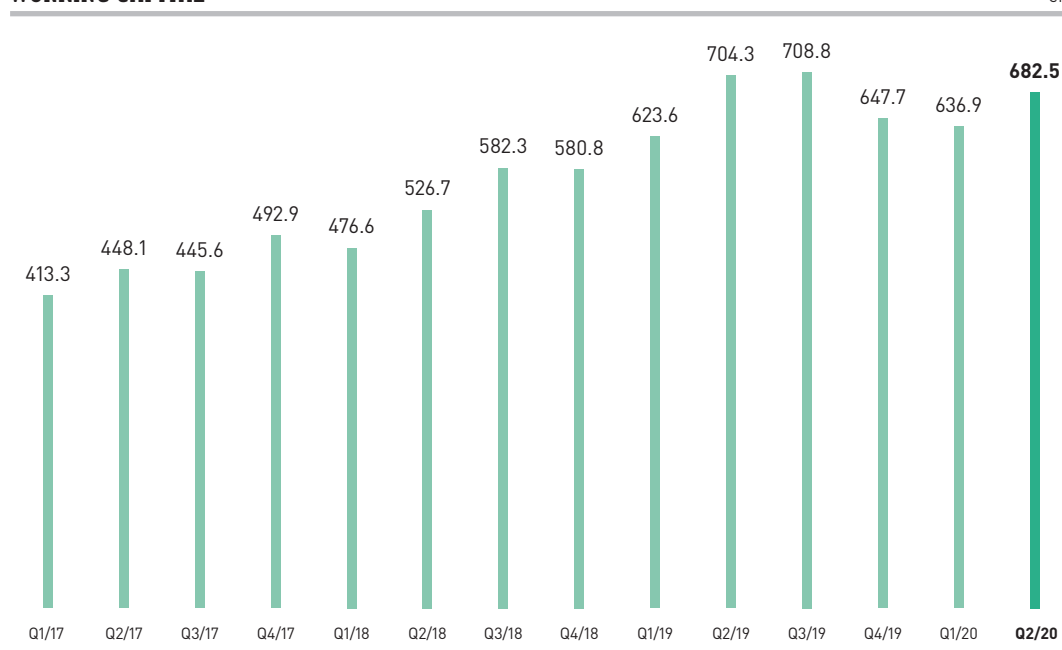
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We were able to further optimize the working capital. Whilst the working capital amounted to €682.5 million as of 30 June 2020, a figure higher than that of the end of the year, due to the higher inventories caused by coronavirus-related stockpiling and project postponements and lower trade payables, this item actually underwent a year-on-year decline of 3.1 per cent. In relation to the revenue, the working capital thus dropped from 28.2 per cent in the corresponding prior-year period to 25.6 per cent as at 30 June 2020.

WORKING CAPITAL

€m



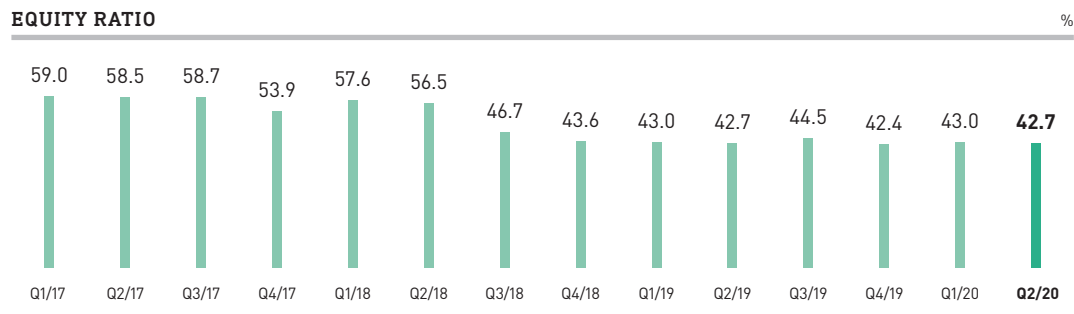
DEVELOPMENT OF THE EQUITY AND LIABILITIES

As of 30 June 2020, non-current liabilities amounted to €631.7 million, €65.0 million more than as of 31 December 2019. This was due especially to the increase of €57.4 million in non-current financial liabilities. The increase to €431.3 million is attributable mainly to the loan raised for the purpose of financing acquisitions.

Current liabilities dropped €41.5 million to €771.6 million. As a result of the lower business volume and other factors, our trade payables declined from €406.8 million to €356.3 million. Other liabilities went down 12.3 per cent to €203.4 million. This was due to lower liabilities to employees as a result of the payment of variable compensation components in the first quarter. Contract liabilities went up by 15.9 per cent to €122.1 million, particularly as a result of acquisitions.

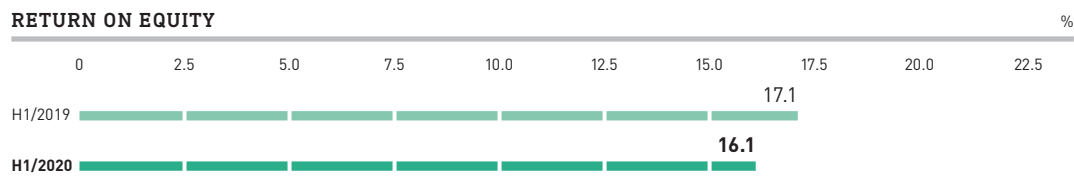
As of 30 June 2020, the equity increased from €1,014.8 million to €1,045.2 million. Our equity ratio increased slightly from 42.4 per cent as of the end of 2019 to 42.7 per cent as of the reporting date.

EQUITY RATIO



The extrapolated return on equity declined from 17.1 per cent as of 30 June 2019 to 16.1 per cent as of the reporting date.

RETURN ON EQUITY



The equity to non-current assets ratio declined at a high level, from 119.9 per cent to 111.4 per cent. The group's net debt amounted to €219.5 million as of the reporting date (31 December 2019: €115.5 million). The debt ratio was 134.3 per cent, slightly less than as of the end of the 2019 fiscal year (136.0 per cent).

KEY BALANCE SHEET FIGURES OF THE BECHTLE GROUP

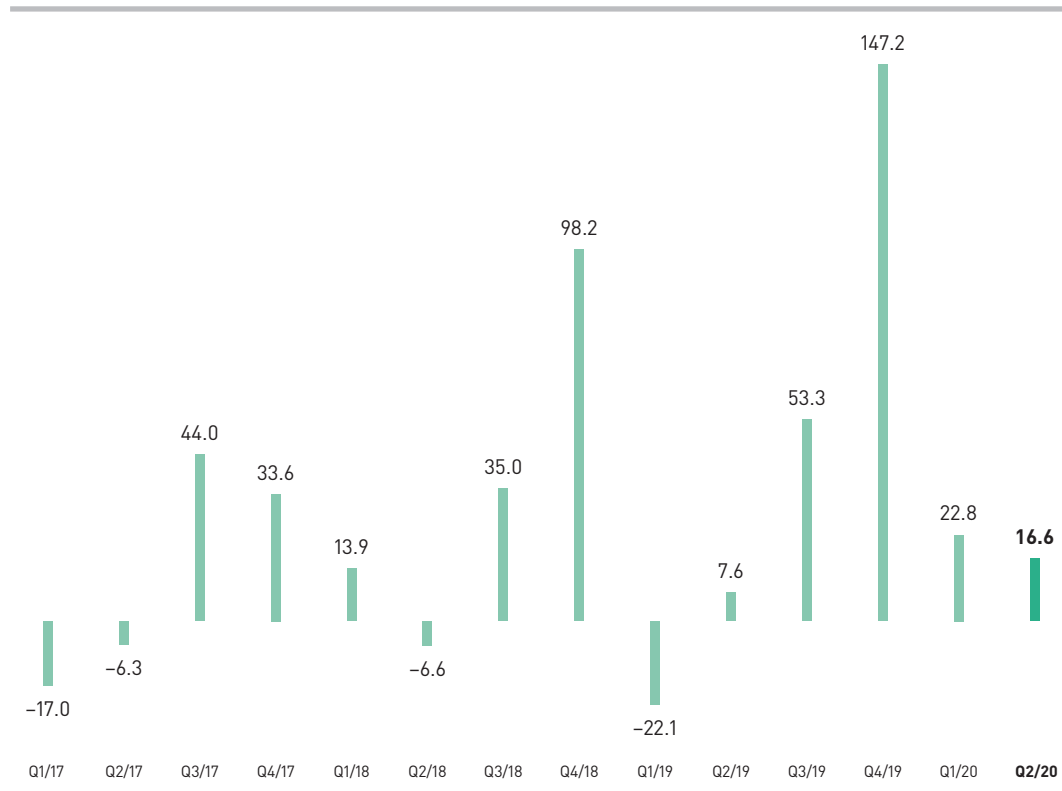
		30.06.2020	31.12.2019
Balance sheet total	€m	2,488.5	2,394.7
Cash and cash equivalents including time deposits and securities	€m	236.8	272.2
Equity	€m	1,045.2	1,014.8
Equity ratio	%	42.7	42.4
Equity to non-current assets ratio	%	111.4	119.9
Net debt	€m	219.5	115.5
Debt ratio	%	134.3	136.0
Working Capital	€m	682.5	647.7

DEVELOPMENT OF THE CASH FLOW

The net cash generated from operating activities in the period from January to June 2020 increased to €39.3 million, from –€14.5 million in the corresponding prior-year period. The cash outflow from the accumulation of inventories went up €25.9 million to €105.2 million (prior year: €79.3 million). The outflow for trade payables also increased and amounted to €52.1 million (prior year: €25.8 million). The development of the trade receivables had a positive effect. After an outflow of €10.6 million in the prior year, we were able to post an inflow of €98.4 million as of 30 June 2020. The cash flow from operating activities underwent a positive development in the second quarter as well and amounted to €16.6 million (prior year: €7.6 million).

CASH FLOW FROM OPERATING ACTIVITIES

€m



The cash flow from investing activities amounted to –€111.7 million (prior year: –€52.3 million). This was due, in particular, to the outflow for acquisitions and for the purchase of time deposits and securities.

The cash flow from financing activities amounted to –€3.6 million, compared to –€60.8 million in the corresponding prior-year period. The drop was caused by new financial liabilities raised.

Compared to the corresponding prior-year period, the free cash flow from January to June 2020 improved to –€32.8 million (prior year: –€72.7 million).

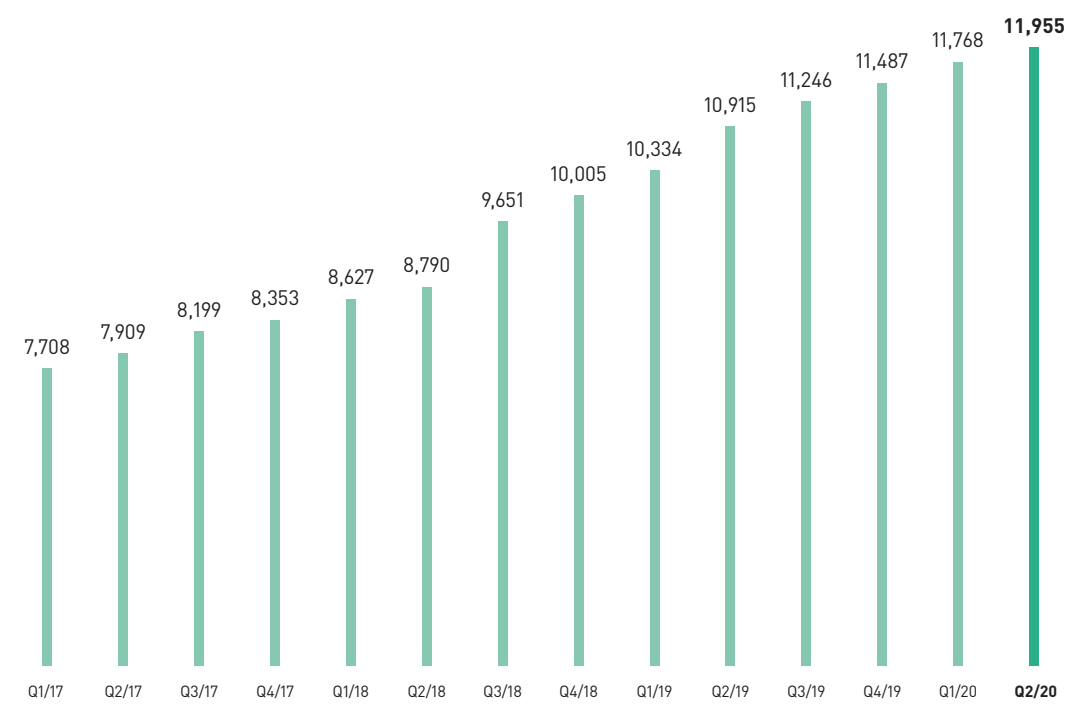
EMPLOYEES

Education and training continue despite crisis

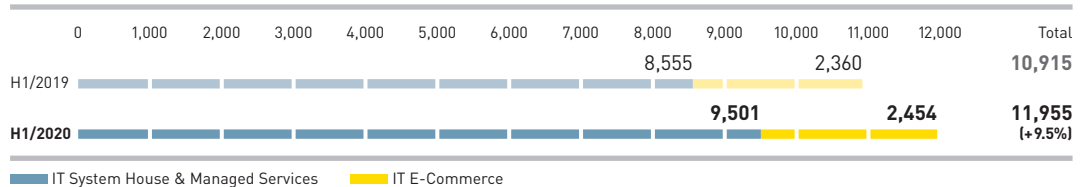
Headcount continues to grow

As of the reporting date of 30 June 2020, the Bechtle Group had a total of 11,955 employees, including 654 trainees. Compared to 30 June 2019, the headcount thus went up by 1,040, an increase of 9.5 per cent. Acquisitions as well as new recruitment accounted for the headcount increase.

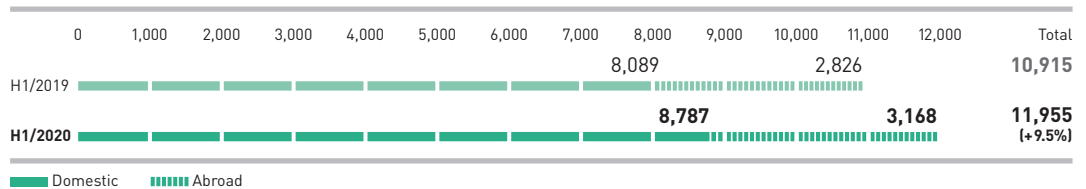
EMPLOYEES IN THE GROUP



Year on year, the number of employees in the IT System House & Managed Services segment went up by 11.1 per cent. With an increase of 23.0 per cent, the headcount growth abroad was higher than domestically. This development clearly reflects the acquisitions carried out in the past months. The IT E-Commerce segment recorded a headcount increase of 4.0 per cent, a figure that the companies abroad contributed to slightly more than the domestic companies.

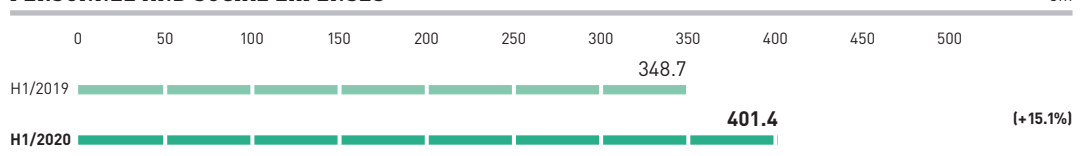
EMPLOYEES BY SEGMENTS

As of 30 June 2020, a total of 3,168 persons – more than one quarter of the workforce – were employed abroad.

EMPLOYEES BY REGIONS

From January to June 2020, the average number of employees in the group amounted to 11,825, some 1,289 employees more than in the same period last year, an increase of 12.2 per cent.

In the period from January to June 2020, personnel and social expenses totalled €401.4 million, 15.1 per cent more than in the corresponding prior-year period (€348.7 million). The expense ratio went up from 13.9 per cent to 15.1 per cent. This reflected the numerous staff qualification measures performed in the prior year. In the first six months of the year, the personnel and social expenses per employee, with an average of 10,886 (prior year: 9,699) full and part-time staff, amounted to €36.9 thousand, compared to €36.0 thousand in the prior year.

PERSONNEL AND SOCIAL EXPENSES

At Bechtle too, the start of the coronavirus-related contact restrictions was associated with an increase in home office work starting from mid-March. The transition proceeded smoothly; at times, some 90 per cent of colleagues worked from home. In early May, the workforce started to return to the office in a controlled manner and in accordance with all hygiene rules.

In a few areas and companies, we were forced to resort to short-time work in the second quarter. However, the proportion of Bechtle employees affected by short-time work always remained below 10 per cent. Most of them have now returned from short-time work. Moreover, Bechtle voluntarily increased the compensation for short-time work to 90 per cent of a person's salary in order to protect its employees from major financial losses.

The COVID-19 pandemic also affected our HR work. In January and February, the group headquarters still held recruiting events such as school visits and information days. When all in-person events were cancelled throughout the group in March, Bechtle launched a virtual meet-up series for graduates and career newcomers with various themes in order to draw attention to the employment and career opportunities in the company. The Girls' Day was also held in the form of a virtual event. Bechtle also participated in the virtual trade show of DHBW Mosbach and Heilbronn.

Though the number of applicants slumped at the beginning of the pandemic, it has now rebounded. In June, about 2,900 people applied to Bechtle AG, more than ever before in a single month. For the sixth year in a row, Bechtle received the "Best Recruiter" label in the IT industry, which is awarded to companies with outstanding recruitment performance.

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 January and February of the current fiscal year, 163 events took place at the Bechtle Academy with a total of 2,271 participants. From March, the classroom seminars were converted to virtual webinars wherever this was possible. During the COVID-19 pandemic, e-learning courses have proved to be very successful. In the first half of 2020, some 22,422 attendees made use of this internal training offering. The regular trainee programme for graduates and career shifters was successfully completed by 20 participants, and 14 new trainees started in the first half of 2020.

In the first half of 2020, the junior management programme and the general management programme were completed by 18 participants each. One of the objectives of both programmes is to convey and expand leadership skills in order to make sure that strategically important executive positions can continue to be staffed from the company's own ranks. Both the junior management programme and the general management programme are part of the new management principles of Bechtle AG, which were introduced at this year's strategy meeting in February.

RESEARCH AND DEVELOPMENT

As a purely 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 2019,
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 2019. However, the COVID-19 pandemic, which started in the first quarter of 2020, and its consequences for society and the global economy, has impacted the business of Bechtle AG as well. Therefore, we would like to concretise the opportunities and risks as published in the Annual Report 2019 as follows:

As a player on the IT market, Bechtle is subject both to the sector's performance and to macroeconomic developments. As a result of the COVID-19 pandemic, the risk of economic slowdown has in fact materialised. Around the globe and in Europe, the macroeconomic forecasts have slumped. However, it has also become obvious that for Bechtle AG, the amount of any loss due to the occurrence of this macroeconomic risk is at worst limited. In the first half of 2020, Bechtle was able to achieve positive revenue and earnings growth rates and has thus remained largely immune to any crisis-related negative effects. As the macroeconomic forecasts for the second half of 2020 and for 2021 are again positive, the risk is expected to have an even weaker impact in the long run. All in all, the risk situation of Bechtle AG has not changed due to COVID-19. However, the risk of a second COVID-19 wave has emerged as a new risk. Should this risk occur – along with all side effects such as a social and economic lockdown – Bechtle would also be expected to suffer more than to date.

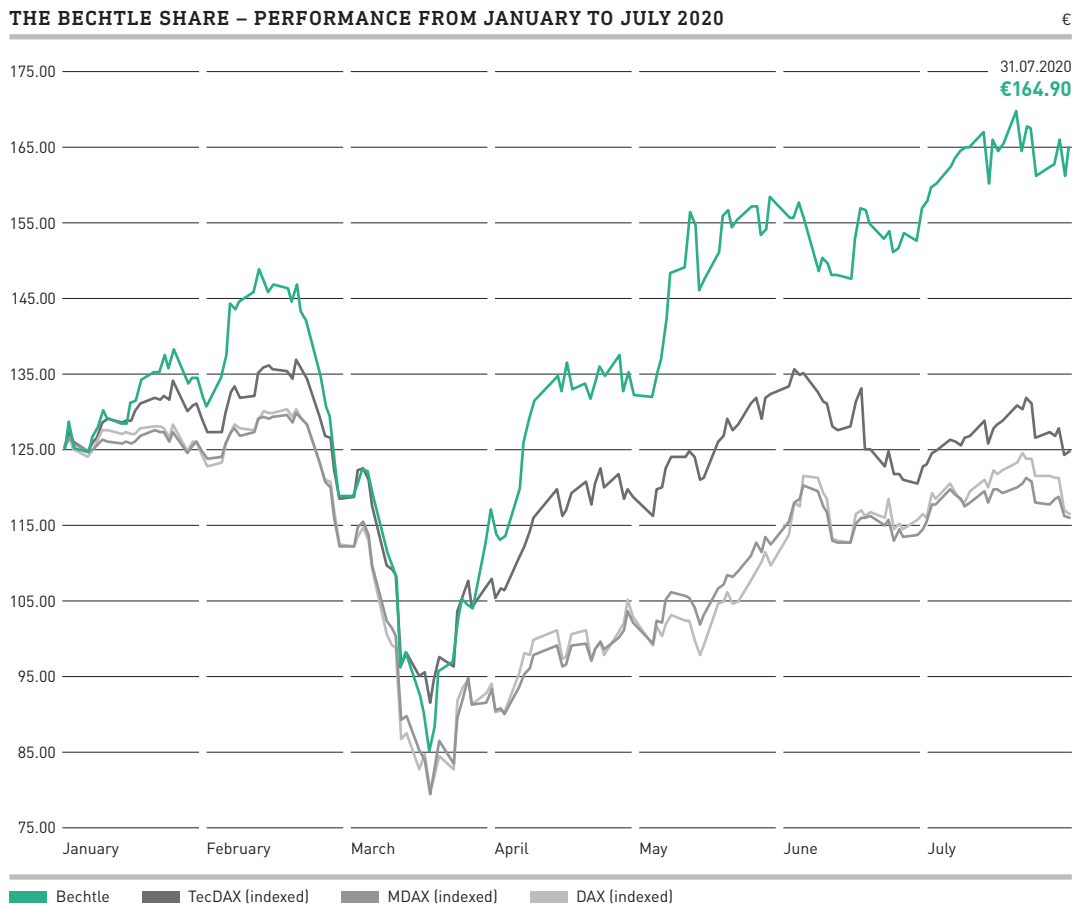
The COVID-19 pandemic has also led to a slight change in the way the opportunities of Bechtle AG are viewed. Especially towards the end of the first quarter, the pandemic caused an increased demand for home office equipment, resulting in a revenue growth in this area. As a result, the demand for services to optimise the newly implemented structures has also gone up. Thanks to its broad portfolio, as well as its financial stability, which is especially valuable in times of crisis, Bechtle has gained new customers and expanded its business with existing customers, thereby further reinforcing its positioning as a reliable partner for its customers. The necessity of enabling personnel to work at home has intensified the digitisation trend as well as the perception of IT and its relevance. Especially in this time of crisis, it has become clear how important it is to have a reliable IT partner with a broad portfolio. This situation affords Bechtle the opportunity to generate revenue growth in the medium to long term and to further expand the market share and the customer bonding.

SHARE

- Share reaches all-time high
- Successful virtual Annual General Meeting held
- Dividend climbs to €1.20

Owing to the COVID-19 pandemic, the first half of 2020 was extremely difficult for the capital markets. Until mid-February, the leading German indices increased and even reached new highs. However, the spread of the pandemic and the associated global lockdowns resulted in a drastic decline. Within just a month, the DAX suffered a loss of almost 40 per cent, and the MDAX and TecDAX indices suffered similar losses. Towards the end of the first half of the year, however, when many lockdown measures were eased and aid packages were released by the governments, the stock prices underwent an amazingly speedy recovery. On 30 June 2020, the DAX closed with a minus of 7.1 per cent and the MDAX closed at a loss of 8.7 per cent. The demand for tech shares was especially high. Accordingly, the TecDAX ultimately lost only 2.0 per cent in the first half of the year.

THE BECHTLE SHARE – PERFORMANCE FROM JANUARY TO JULY 2020



The first half of 2020 was turbulent for the Bechtle share, too. Initially, the price went up steadily, reaching several new highs in February. On 5 February 2020, Bechtle's market cap passed the €6 billion threshold for the first time. The spread of the coronavirus crisis then caused global stock markets to fall, resulting in a price decline of our share to a low of €85.05 on 18 March. After rock bottom had been reached, the price went up at a breathtaking pace and even reached new highs of about €135. Following the publication of the financials for the first quarter in mid-May, the price continued to go up, evening out at a level between €148 and €158 in the last weeks of the second quarter. On 29 May, the Bechtle share reached a new all-time high of €158.50. With a closing price of €157.00 on 30 June, the Bechtle share has achieved strong YTD growth of 25.4 per cent, a figure significantly above that of the reference indices.

On average, 156,811 shares were traded on every trading day in the first six months of 2020, compared to 115,453 shares in the corresponding prior-year period. At €20,172,898, on average, the turnover per trading day was double the amount of the prior year. In the June ranking of Deutsche Börse, Bechtle advanced to the 66th place in terms of stock exchange revenue in the MDAX (prior year: 78th) and to the 15th place (prior year: 19th) in the TecDAX. Due to the positive price performance, the market capitalisation also increased significantly, reaching €6,594.0 million as of 30 June. With this figure, the company comes 48th in the MDAX (prior year: 63rd) and 8th in the TecDAX (prior year: 11th).

TRADING DATA OF THE BECHTLE SHARE

		H1/2020	H1/2019	H1/2018	H1/2017	H1/2016
Closing price on 30 June	€	157.00	101.00	66.10	56.30	47.21
Performance	%	+25.4	+48.9	-4.9	+13.8	+7.2
High (closing price)	€	158.50	110.60	77.75	58.10	51.00
Low (closing price)	€	85.05	62.30	63.85	46.50	36.85
Market cap – total ¹	€m	6,594.0	4,242.0	2,776.2	2,362.5	1,982.8
Avg. turnover/trading day ²	shares	156,811	115,453	76,370	28,971	35,631
Avg. turnover/trading day ²	€	20,172,898	10,002,420	5,443,012	2,989,478	3,111,967

Xetra price data

¹ As of 30 June

² All German stock exchanges

This year was the first time that the Annual General Meeting of Bechtle AG could not be held in person due to the COVID-19 pandemic. Instead, in line with the German COVID-19 Act, Bechtle made use of the option of holding a virtual Annual General Meeting. This meeting was held on 27 May 2020 at the headquarters of Bechtle AG in Neckarsulm. The shareholders or their proxies were able to watch the Annual General Meeting live via an online portal and exercise their shareholder rights. The event attracted a lot of interest. Peak attendance was 350. About 79 per cent of the share capital participated in the voting in the context of the virtual Annual General Meeting. This figure is about the same as when the meeting was held in person. All agenda items were adopted with an overwhelming majority.

Amongst other things, the Annual General Meeting approved the dividend of €1.20 per share, which had been proposed by the Executive Board and Supervisory Board of Bechtle AG for the 2019 fiscal year. In the prior year, Bechtle AG had paid out a dividend of €1.00. Compared to the prior year, the payment per share certificate thus increased by €0.20. Based on the dividend payment of €50.4 million, 29.6 per cent of the consolidated earnings after taxes were paid out to the shareholders. This was the 14th increase of the normal dividend overall and the 10th 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 0.8 per cent.

DIVIDEND

		2020	2019	2018
Dividend	€	1.20	1.00	0.90
Dividend payout ratio	%	29.6	30.6	33.0
Dividend yield ¹	%	0.8	1.0	1.4

¹ As of 30 June

FORECAST



Events after the reporting period, see Notes, page 43

■ **Macroeconomic development influenced by coronavirus**

■ **Positive outlook for 2021**

■ **Bechtle confirms forecast for 2020**

MACROECONOMY



ec.europa.eu

According to the current forecast by the European Commission dated 30 June 2020, the economic performance in the EU will be significantly more positive in the coming months than in the first half year. Growth is expected to amount to +8.2 per cent in the third quarter and +3.2 per cent in the fourth quarter. Amongst the EU countries in which Bechtle is present, growth expectations for the third quarter range from -1.5 per cent in Ireland to +14.7 per cent in France, and in the fourth quarter from +2.1 per cent in Poland to +5.2 per cent in Italy. Throughout the EU, GDP is forecast at -8.3 per cent for 2020 as a whole. In the coming year, GDP across the EU is expected to pick up again with +5.8 per cent.

Economic growth in Germany is also expected to recover again in the second half of the year. However, after a lesser slump in the second quarter, the upwards trend is also not as pronounced as in the EU. According to the European Commission, GDP is expected to improve by +4.5 per cent in the third quarter and by +3.2 per cent in the fourth quarter. For the whole year for 2020, GDP is expected to amount to -6.3 per cent, but to be up again at +5.3 per cent in 2021.

INDUSTRY



eito.com

Current figures from the market research institute EITO indicate that the German IT market is to shrink by -4.0 per cent in 2020. EITO predicts the lowest decline of -1.0 per cent in hardware sales. This segment is propped up by a high demand for mobile terminals. Service revenues are expected to decrease by -5.4 per cent and software by -4.0 per cent. In 2021, growth of the IT market is expected to see a return to positive figures with +2.3 per cent.

In France, the development of the IT market is expected to be at -5.1 per cent in 2020. Hardware sales are seen at -4.1 per cent, with the segment here also benefiting from an increased demand for mobile terminals in the business sector. In 2021, growth in the IT market is expected to be at +0.9 per cent, however revenue with hardware is expected to rise disproportionately by +8.8 per cent. The IT market in the EU is expected to see a -4.5 per cent decline in 2020, of which the hardware revenues are at -3.3 per cent, services at -5.5 per cent and software at -3.4 per cent. In 2021, growth in the EU IT market of +1.3 per cent is forecast, with hardware also being the growth driver here.

PERFORMANCE OF THE BECHTLE GROUP

The first half of 2020 was globally impacted by the effects of the COVID-19 pandemic. Despite this, Bechtle AG appeared relatively unperturbed by this and was able to grow significantly in revenue and earnings. With regard to these two key indicators, we have therefore achieved the target corridor for our expectations for 2020 as a whole. To date, we still see numerous and significant macroeconomic risk factors, especially the risk of a so-called second wave. And we still have the ongoing tangible growth-inhibiting influence of the COVID-19 pandemic on the economy as a whole. However, provided that the risk of a second wave does not materialise, we assume that Bechtle will continue to develop positively in the second half of the year. The demand for IT infrastructure and IT services is good even in times of coronavirus, and the tendency to invest continues to be relatively high. According to our estimates, the growth dynamic in the second half year should also be above 5 per cent.

We therefore confirm the forecast that we announced in March 2020 of significantly increasing the 2020 revenue and earnings – that is between 5 per cent and 10 per cent – and keeping the EBT margin at least at the previous year's level.

Apart from this, the forecast for the fiscal year 2020, as presented in the Annual Report 2019, has not undergone any changes or further specification.



See
Annual Report 2019,
page 111 ff

Neckarsulm, 12 August 2020

Bechtle AG
The Executive Board

CONSOLIDATED INCOME STATEMENT

€k

	01.04– 30.06.2020	01.04– 30.06.2019	01.01– 30.06.2020	01.01– 30.06.2019
Revenue	1,310,516	1,260,804	2,666,190	2,500,752
Cost of sales	1,114,095	1,080,005	2,266,775	2,143,527
Gross profit	196,421	180,799	399,415	357,225
Distribution costs	77,525	75,680	155,237	146,932
Administrative expenses	64,105	59,331	141,530	123,332
Other operating income	4,749	11,271	9,519	16,376
Earnings before interest and taxes	59,540	57,059	112,167	103,337
Financial income	283	255	507	579
Financial expenses	1,764	1,606	3,560	3,202
Earnings before taxes	58,059	55,708	109,114	100,714
Income taxes	17,259	16,515	31,846	29,844
Earnings after taxes (attributable to shareholders of Bechtle AG)	40,800	39,193	77,268	70,870
Net earnings per share (basic and diluted) in €	0.97	0.93	1.84	1.69
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 IV.,
page 31 ff

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	€k			
	01.04– 30.06.2020	01.04– 30.06.2019	01.01– 30.06.2020	01.01– 30.06.2019
Earnings after taxes	40,800	39,193	77,268	70,870
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains and losses on pension provisions	77	-80	-1,639	414
Income tax effects	-14	15	315	-79
Items that will be reclassified to profit or loss in subsequent periods				
Unrealised gains and losses on financial derivatives	-77	-47	-123	-116
Income tax effects	7	-3	4	1
Hedging of net investments in foreign operations	1,119	-31	2,446	-756
Income tax effects	-333	9	-727	224
Currency translation differences	-2,093	912	3,189	1,759 ¹
Other comprehensive income	-1,314	775	3,465	1,447¹
of which income tax effects	-340	21	-408	146
Total comprehensive income (attributable to shareholders of Bechtle AG)	39,486	39,968	80,733	72,317¹

¹ Prior year figures adjusted



See further comments in the Notes, in particular IV. and V., page 31 ff and page 33 f

CONSOLIDATED BALANCE SHEET

ASSETS	€k		
	30.06.2020	31.12.2019	30.06.2019
Non-current assets			
Goodwill	443,671	397,592	365,570
Other intangible assets	120,249	119,303	125,517
Property, plant and equipment	307,697	280,685	260,107
Trade receivables	55,298	38,148	36,980
Deferred taxes	3,640	3,914	4,468
Other assets	7,413	6,729	6,949
Total non-current assets	937,968	846,371	799,591
Current assets			
Inventories	390,224	285,574	361,932
Trade receivables	742,214	862,323	764,362
Income tax receivables	2,237	2,022	1,209
Other assets	139,033	126,180	94,083
Time deposits and securities	40,001	0	0
Cash and cash equivalents	196,834	272,197	118,378
Total current assets	1,510,543	1,548,296	1,339,964
Total assets	2,448,511	2,394,667	2,139,555



See
further comments
in the Notes,
in particular V.,
page 33f

EQUITY AND LIABILITIES

€k

	30.06.2020	31.12.2019	30.06.2019
Equity			
Issued capital	42,000	42,000	42,000
Capital reserves	124,228	124,228	124,228
Retained earnings	878,947	848,614	747,293
Total equity	1,045,175	1,014,842	913,521
Non-current liabilities			
Pension provisions	31,335	30,702	18,651
Other provisions	10,168	10,081	11,501
Financial liabilities	431,290	373,874	380,233
Trade payables	262	13	15
Deferred taxes	34,199	33,180	43,740
Other liabilities	104,434	98,025	83,833
Contract liabilities	18,690	19,353	16,698
Deferred income	1,326	1,481	1,547
Total non-current liabilities	631,704	566,709	556,218
Current liabilities			
Other provisions	13,513	12,805	11,374
Financial liabilities	25,029	13,801	13,226
Trade payables	356,275	406,807	349,790
Income tax payables	17,979	19,859	6,544
Other liabilities	203,376	231,776	173,437
Contract liabilities	122,076	105,369	94,233
Deferred income	33,384	22,699	21,212
Total current liabilities	771,632	813,116	669,816
Total equity and liabilities	2,448,511	2,394,667	2,139,555

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€k

	Issued capital	Capital reserves	Retained earnings		Total	Total equity (attributable to shareholders of Bechtle AG)
			Accrued profits	Changes in equity outside profit or loss		
Equity as of 1 January 2019	42,000	124,228	711,583	5,393	716,976	883,204
Distribution of profits for 2018			-42,000		-42,000	-42,000
Earnings after taxes			70,870		70,870	70,870
Other comprehensive income				1,447 ¹	1,447 ¹	1,447 ¹
Total comprehensive income	0	0	70,870	1,447¹	72,317¹	72,317¹
Equity as of 30 June 2019	42,000	124,228	740,453	6,840	747,293	913,521
Equity as of 1 January 2020	42,000	124,228	840,067	8,547	848,614	1,014,842
Distribution of profits for 2019			-50,400		-50,400	-50,400
Earnings after taxes			77,268		77,268	77,268
Other comprehensive income				3,465	3,465	3,465
Total comprehensive income	0	0	77,268	3,465	80,733	80,733
Equity as of 30 June 2020	42,000	124,228	866,935	12,012	878,947	1,045,175

¹ Prior year figures adjusted

See further comments in the Notes, in particular V., page 33 f

CONSOLIDATED CASH FLOW STATEMENT

	€k			
	01.04- 30.06.2020	01.04- 30.06.2019	01.01- 30.06.2020	01.01- 30.06.2019
Operating activities				
Earnings before taxes	58,059	55,708	109,114	100,714
Adjustment for non-cash expenses and income				
Financial earnings	1,481	1,351	3,053	2,623
Depreciation and amortisation of intangible assets and property, plant and equipment	24,339	19,590	47,897	38,234
Gains and losses on disposal of intangible assets and property, plant and equipment	-1	-8	15	-30
Other non-cash expenses and income	1,739	-665	8,114	1,613
Changes in net assets				
Changes in inventories	-15,320	-18,903	-105,190	-79,267
Changes in trade receivables	24,588	-51,428	98,408	-10,567
Changes in trade payables	-64,973	-986	-52,127	-25,761
Changes in deferred income	-11,092	-12,737	8,706	3,564
Changes in other net assets	16,904	34,204	-42,382	-10,737
Income taxes paid	-19,153	-18,542	-36,281	-34,914
Cash flow from operating activities	16,571	7,584	39,327	-14,528
Investing activity				
Cash paid for acquisitions less cash acquired	-47,224	-8,121	-49,784	-18,913
Cash paid for investments in intangible assets and property, plant and equipment	-11,307	-22,938	-26,653	-40,088
Cash received from the sale of intangible assets and property, plant and equipment	2,099	596	4,323	841
Cash paid for acquisitions of time deposits and securities	0	0	-40,001	0
Cash received from the sale of time deposits and securities, and from redemptions of non-current assets	0	0	0	5,542
Interest payments received	247	57	446	319
Cash flow from investing activities	-56,185	-30,406	-111,669	-52,299
Financing activities				
Cash paid for the repayment of financial liabilities	-3,192	-3,073	-6,516	-6,601
Cash received from the assumption of financial liabilities	57,031	4,750	75,160	5,912
Dividends paid	-50,400	-42,000	-50,400	-42,000
Interest paid	-278	-859	-258	-1,525
Outflow for the repayment of finance leases	-10,786	-8,990	-21,563	-16,584
Cash flow from financing activities	-7,625	-50,172	-3,577	-60,798
Exchange-rate-related changes in cash and cash equivalents	-986	-205	556	624
Changes in cash and cash equivalents	-48,225	-73,199	-75,363	-127,001
Cash and cash equivalents at beginning of the period	245,059	191,577	272,197	245,379
Cash and cash equivalents at the end of the period	196,834	118,378	196,834	118,378



See further comments in the Notes, in particular VI., page 35

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 2020 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 2020 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



efrag.org

For existing and unchanged IFRS, the key principles of accounting and consolidation applied in the preparation of the condensed interim consolidated financial statements are in line with those applied in the preparation of the consolidated financial statements for fiscal year 2019. In the first half of 2020, the EU did not endorse any further standards. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Bechtle Group for fiscal year 2019.

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.

Due to the currently unforeseeable global consequences of the COVID-19 pandemic, the accounting estimates and management judgements are subject to increased uncertainty. Actual amounts may differ from the estimates and management judgements. With the update of the accounting estimates and management judgements, available information on the expected economic developments has been included. This information was included in the analysis of the recoverability and collectability of financial assets, especially of receivables.

The carrying amounts of the goodwill and of the brands presented under other intangible assets are reviewed for impairment by means of annual impairment tests on the basis of the value in use, with the exception of the Inmac WStore brand. Based on the assumptions made and sensitivity analyses as of 31 December 2019 and the business development in the first half of 2020, there were no indications of an impairment. The next annual impairment test pursuant to IAS 36 will be carried out on the basis of the information available as of 30 September 2020.



See
Expense Structure,
Income Statement,
page 31f

III. 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 except for Codalis SA.

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
Wide Technology Partners AG	Baar, Switzerland	1 January 2020	Acquisition
DPS Software AG	Widnau, Switzerland	1 April 2020	Acquisition
DPS Software GmbH	Leinfelden-Echterdingen, Germany	1 April 2020	Acquisition
DPS Software GmbH	Vienna, Austria	1 April 2020	Acquisition

IV. 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– 30.06.2020	01.01– 30.06.2019	01.01– 30.06.2020	01.01– 30.06.2019	01.01– 30.06.2020	01.01– 30.06.2019
Material costs	2,036,618	1,952,268	0	0	0	0
Personnel and social expenses	190,185	152,186	124,866	117,423	86,356	79,075
Depreciation and amortisation	20,481	15,541	10,977	8,910	16,439	13,783
Other operating expenses	19,490	23,532	19,394	20,599	38,736	30,474
Total expenses	2,266,774	2,143,527	155,237	146,932	141,531	123,332



See
Segment Reporting,
Income Statement,
page 38

The increase in depreciation and amortisation was mainly associated with acquisitions and expedients used in the prior year in connection with the initial adoption of IFRS 16. In the course of the initial adoption of IFRS 16, the accounting was waived especially for leased vehicles whose residual term was less than one year and the associated lease payments continue to be recognised as expenses. The year-on-year increase in material costs mainly resulted from the higher business volume. Personnel and social expenses went up due to the higher number of employees. Opposite effects existed in the other operating expenses. On the one hand, the motor vehicle and travel expenses declined due to the COVID-19 pandemic; on the other hand, the expenses in connection with the recognition of a risk provision for receivables increased. In view of the deteriorated economic forecasts in connection with the COVID-19 pandemic, the risk provision for receivables was stepped up by €7,856 thousand in the first half of the year.

The material costs include net expenses of €266 thousand from exchange rate fluctuations (prior year: €89 thousand).

OTHER OPERATING INCOME

Other operating income mainly consisted of marketing grants and other payments received from suppliers amounting to €6,337 thousand (prior year: €9,274 thousand). The decline was mainly caused by a special effect amounting to €4,350 thousand to in the prior year.

FINANCIAL INCOME AND FINANCIAL EXPENSES

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

The financial expenses mainly included interest paid for the financial 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- 30.06.2020	01.01- 30.06.2019
Earnings after taxes	€k	77,268	70,870
Average number of outstanding shares		42,000,000	42,000,000
Earnings per share	€	1.84	1.69

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 2020, the Swiss franc again gained value against the euro, as in the corresponding prior-year period.



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 V. "Notes to the Balance Sheet and to the Statement of Changes in Equity."



See Annual Report 2019,
page 161ff

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

ASSETS

The acquisitions in the first six months resulted in an increase in goodwill and other intangible assets. The main reason for the decline in cash and cash equivalents was the higher dividend payment compared to fiscal year 2019 and the increase in inventories due to the higher business volume. As of 30 June 2020, other current assets included contract assets amounting to €37,067 thousand (31 December 2019: €34,622 thousand).

EQUITY

Issued Capital

As was the case on 31 December 2019, the company's share capital as of 30 June 2020 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

At the Annual General Meeting on 27 May 2020, a resolution was adopted to pay a dividend of €1.20 per no-par share with dividend entitlement for fiscal year 2019. The dividend was paid out on 2 June 2020.



Dividend Payment

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

	30.06.2020			31.12.2019		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
	Actuarial gains and losses on pension provisions	-12,870	2,696	-10,174	-11,231	2,381
Unrealised gains and losses on financial derivatives	1,365	-2	1,363	1,488	-6	1,482
Hedging of net investments in foreign operations	-12,020	3,510	-8,510	-14,466	4,237	-10,229
Currency translation differences	29,333	0	29,333	26,144	0	26,144
Other comprehensive income	5,808	6,204	12,012	1,935	6,612	8,547

	01.01-30.06.2020			01.01-30.06.2019		
	Before taxes	Income tax effects	After taxes	Before taxes	Income tax effects	After taxes
	Items that will not be reclassified to profit or loss in subsequent periods					
Actuarial gains and losses on pension provisions	-1,639	315	-1,324	414	-79	335
Items that will be reclassified to profit or loss in subsequent periods						
Unrealised gains and losses on financial derivatives	-123	4	-119	-116	1	-115
Gains and losses that arose in the current period	-11	4	-7	-116	1	-115
Reclassifications to profit and loss	-112	0	-112	0	0	0
Hedging of net investments in foreign operations	2,446	-727	1,719	-756	224	-532
Gains and losses that arose in the current period	2,446	-727	1,719	-756	224	-532
Reclassifications to profit and loss	0	0	0	0	0	0
Currency translation differences	3,189	0	3,189	1,759 ¹	0	1,759 ¹
Other comprehensive income	3,873	-408	3,465	1,301¹	146	1,447¹

¹ Prior year figures adjusted

LIABILITIES



For further details of the loans, see Annual Report 2019 page 172

The decline in trade payables was mainly caused by the usual seasonal fluctuations during the year, with a high-revenue final quarter. The increase in non-current financial liabilities took place due to acquisitions.

VI. NOTES TO THE CASH FLOW STATEMENT

The year-on-year increase in the cash flow from operating activities was mainly caused by the substantial reduction of trade receivables. The increase in inventories, the reduction of payables and 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 fixed-term deposits in the reporting period.

The cash flow from financing activities was mainly marked by the financial liabilities raised in the reporting period for the financing of acquisitions. Moreover, the dividend of €50,400 thousand that was paid out for fiscal year 2019 resulted in an outflow of cash and cash equivalents. The dividend for fiscal year 2018, which had been paid out in the prior year, had amounted to €42,000 thousand.

VII. LEASES

As of the closing date, the trade receivables contained finance leasing receivables amounting to €59,965 thousand (31 December 2019: €56,795 thousand). The undiscounted lease payments that are due on a yearly basis are as follows:

	€k	
	30.06.2020	31.12.2019
Due within one year	22,200	21,692
Due in one to two years	17,923	16,526
Due in two to three years	13,471	10,915
Due in three to four years	6,131	7,112
Due in four to five years	1,226	1,223
Due after five years	140	361
Minimum lease payments	61,091	57,829

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

Lease liabilities in the amount of €38,367 thousand (31 December 2019: €36,147 thousand) were recognised under other current liabilities and €102,629 thousand (31 December 2019: €87,270 thousand) under other non-current liabilities.

VIII. FAIR VALUE OF FINANCIAL INSTRUMENTS



See
Annual Report 2019,
page 153 ff and page 177 ff

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 2019.

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, their measurement level according to IFRS 13 and the measurement category according to IFRS 9.

€k

Class pursuant to IFRS 7	Measurement category IFRS 9	Carrying amount 30.06.2020	Fair value 30.06.2020	Carrying amount 31.12.2019	Fair value 31.12.2019	Level
Assets						
Non-current trade receivables	AC	16,981	16,799	2,575	2,591	3
Current trade receivables	AC	720,566	720,566	841,101	841,101	3
Long-term leasing receivables	AC	38,317	37,738	35,573	34,909	3
Current leasing receivables	AC	21,648	21,648	21,222	21,222	3
Time deposits and securities	AC	40,001	40,001	0	0	2
Other financial assets	AC	76,722	76,722	85,843	85,843	3
Lendings	AC	0	0	311	311	3
Financial derivatives						
Derivatives accounted for as hedges	n/a	9	9	15	15	2
Derivatives not accounted for as hedges	FVTPL	3,282	3,282	356	356	2
Cash and cash equivalents	AC	196,834	196,834	272,197	272,197	1
Equity and liabilities						
Loans	AC	456,319	496,458	387,675	424,719	2
Non-current trade payables	AC	262	263	13	13	3
Current trade payables	AC	356,275	356,275	406,807	406,807	3
Other financial liabilities	AC	103,722	103,722	127,734	127,734	3
Liabilities resulting from acquisitions	FVTPL	9,378	9,378	13,640	13,640	3
Financial derivatives						
Derivatives not accounted for as hedges	FVTPL	582	582	223	223	2
Thereof aggregated according to valuation category pursuant to IFRS 9						
	AC	2,027,647	2,067,026	2,181,051	2,217,447	
	FVTPL	13,242	13,242	14,219	14,219	

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 measurements at fair value of Level 1 and Level 2 and no reclassifications to or from measurements 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 2019,
page 178

Liabilities from acquisitions developed as follows:

Financial assets and liabilities in Level 3	Total gains and losses							30.06.2020
	01.01.2020	Included in financial earnings	Included in other comprehensive income outside profit or loss		Additions	Compensation/settlement	Reclassification	
			Included in other operating income					
Liabilities resulting from acquisitions	13,640	220	100	0	353	-4,935	0	9,378

The €220 thousand posted as expense under financial earnings were fully attributable to future payments accounted for as of 30 June 2020.

IX. SEGMENT INFORMATION

The segment information is presented on the basis of the same principles as in the consolidated financial statements for fiscal year 2019.

By segments	01.01-30.06.2020			01.01-30.06.2019		
	IT System House & Managed Services	IT E-Commerce	Group	IT System House & Managed Services	IT E-Commerce	Group
	Total segment revenue	1,772,764	916,584		1,610,727	907,239
Less intersegment revenue	-19,705	-3,453		-13,674	-3,540	
Revenue	1,753,059	913,131	2,666,190	1,597,053	903,699	2,500,752
Depreciation/amortisation	-30,781	-9,376	-40,157	-23,975	-7,919	-31,894
Segment earnings	76,932	42,975	119,907	63,561¹	46,116	109,677
Depreciation/amortisation from acquisitions	-4,270	-3,470	-7,740	-2,920	-3,420	-6,340
Earnings before interest and taxes	72,662	39,505	112,167	60,641	42,696	103,337
Financial earnings			-3,053			-2,623
Earnings before taxes			109,114			100,714
Income taxes			-31,846			-29,844
Earnings after taxes			77,268			70,870
Investments	53,821	12,153	65,974	25,415	14,058	39,473
Investments through acquisitions	56,975	625	57,600	30,194	0	30,194

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



Segment information on employees, see, page 42

In the IT E-Commerce segment, the trading revenue is recognised at the point in time when Bechtle's performance obligation is fulfilled through transfer of goods to the customer. The trade revenue of the business segment IT System House & Managed Services is also recognised at a point in time in the case of delivery of goods. Where combinations of goods and services are provided, the recognition takes place upon acceptance by the customer. Only IT service revenue can be recognised over time. In this segment, pure service revenue accounts for 24 to 30 per cent of the revenue.

By regions	€k					
	01.01–30.06.2020			01.01–30.06.2019		
	Domestic	Abroad	Group	Domestic	Abroad	Group
Revenue	1,669,497	996,693	2,666,190	1,546,806	953,946	2,500,752
Investments	50,775	15,199	65,974	30,152	9,321	39,473
Investments through acquisitions	56,560	1,040	57,600	22,525	7,669	30,194

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

X. ACQUISITIONS AND PURCHASE PRICE ALLOCATION

In the first half of 2020, Bechtle acquired 100 per cent of the interests in Wide Technology Partners AG and in DPS Software GmbH along with their subsidiaries. Furthermore, the B2B operations of Ivizi B.V. en Ivizi XL B.V. were purchased within the framework of an asset deal. The required disclosures about the transactions are presented individually for DPS Software GmbH and in aggregated form for Wide Technology Partners AG and Ivizi B.V. en Ivizi XL B.V., as the total effects of the latter do not have any significant influence on the revenue and earnings 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 the identification and measurement of newly identified assets.

As of the acquisition date 1 January 2020, Bechtle acquired all interests in Wide Technology Partners AG in Baar, Switzerland. In the context of the asset deal with Ivizi B.V. en Ivizi XL B.V. in Maastricht, Netherlands, employees and assets were transferred to Bechtle as of 1 January 2020. As of 1 April 2020, Bechtle acquired DPS Software GmbH in Leinfelden-Echterdingen, Germany, and the associated subsidiaries DPS Software GmbH in Wien, Austria, and DPS Software AG in Widnau, Switzerland.

The following table presents the preliminary purchase price allocation and the fair value of the assets and liabilities as of the date of initial consolidation as they appear in the balance sheet:

	DPS Software GmbH	Ivizi B.V./ Wide Technology Partners AG	€k Total
Non-current assets			
Goodwill	43,809	163	43,972
Other intangible assets	9,144	779	9,923
Property, plant and equipment	3,607	98	3,705
Deferred taxes	31	0	31
Other assets	0	32	32
Total non-current assets	56,591	1,072	57,663
Current assets			
Inventories	40	17	57
Trade receivables	2,850	472	3,322
Other assets	26,519	113	26,632
Cash and cash equivalents	7,738	455	8,193
Total current assets	37,147	1,057	38,204
Total assets	93,738	2,129	95,867
Non-current liabilities			
Other provisions	322	0	322
Deferred taxes	2,700	170	2,870
Other liabilities	1,865	0	1,865
Total non-current liabilities	4,887	170	5,057
Current liabilities			
Trade payables	1,315	136	1,451
Other provisions and liabilities	35,736	112	35,848
Deferred income	0	75	75
Total current liabilities	37,051	323	37,374
Total liabilities	41,938	493	42,431
Total assets			
- Total liabilities			
= Acquisition costs	51,800	1,636	53,436

Apart from the assets and liabilities already recognised by the acquired companies, whose carrying amounts corresponded to their fair value, customer relationships (€9,776 thousand) 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 (€2,864 thousand) were recognised.

Under consideration of the acquired total net assets (€9,464 thousand), the capital consolidation resulted in a total preliminary difference of €43,972 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.

Under consideration of the cash and cash equivalents taken over, the cost of purchase of the companies acquired in the first half of 2020 (€53,436 thousand) resulted in an outflow of €49,784 thousand. The company purchase agreement for the acquisition of Wide Technology Partners AG contains two contingent purchase price payments that depend on the acquired company's future business performance. These payments are connected to target agreements in fiscal years 2020 and 2021 and amount to up to CHF 400 thousand, which, expressed in euros, represented a total obligation of €368 thousand as of the date of acquisition. Based on the validated business plan, the fair value of this contingent purchase price payment on the acquisition date was €353 thousand.

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

By means of the acquisition of Technology Partners AG, Bechtle has expanded its competencies in the field of managed services for Cisco solutions. Established on the market in 2006, the company is a recognised solution provider in the fields of networking, data centre, voice and security with a focus on Cisco products.

By acquiring DPS Software GmbH, Germany, and the associated sites in Austria and Switzerland, Bechtle has gained a certified partner for SOLIDWORKS and SolidCAM, which covers these vendors' entire product spectrum. Founded in 1997, the company is an established solution provider that supports core customer processes for all tasks and phases of the product lifecycle. The software, consulting and service offering is based on standard products of the software vendors Dassault Systèmes and SolidCAM as well as on custom modules and solutions.

By means of the asset deal of Ivizi B.V. en Ivizi XL B.V., Bechtle intends to expand its operations in the fast-growing mobile solutions area. Thanks to the acquisition of the B2B operations of Ivizi B.V. en Ivizi XL B.V., the new Apple Centre of Excellence in Maastricht has all required certifications for the sale and technical support and service for enterprise customers. Within the scope of the asset deal, 19 employees have joined Bechtle.

Since their acquisition, the companies have contributed a total of €15.8 million to the revenue and –€0.2 million to the earnings after taxes. Had the companies been acquired at the beginning of the reporting period, the revenue of the Bechtle Group for the reporting period would have amounted to €2,681 million, and earnings after taxes would have amounted to €76.4 million. In the course of the acquisitions, an insignificant amount of transaction costs was incurred and recognised in administration expenses.

Acquisitions after the reporting date. As of 31 July 2020, the company acquired the remaining 25 per cent of the interests in Codalis SA. The purchase price was CHF 5,000 thousand and resulted in a cash outflow in the same amount.

XI. EMPLOYEES

The employee numbers were as follows:

	30.06.2020	31.12.2019	01.01– 30.06.2020	01.01– 30.06.2019
Full and part-time staff without absentees	10,990	10,526	10,886	9,699
Trainees without absentees	652	697	656	599
Absent employees	313	264	283	238
Temporary staff	346	348	338	372
Total	12,301	11,835	12,163	10,908

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

	30.06.2020	31.12.2019	01.01– 30.06.2020	01.01– 30.06.2019
IT System House & Managed Services	9,501	9,097	9,353	8,215
Domestic	8,118	7,774	7,986	7,167
Abroad	1,383	1,323	1,367	1,048
IT E-Commerce	2,454	2,390	2,472	2,321
Domestic	669	650	678	655
Abroad	1,785	1,740	1,794	1,666

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

	30.06.2020	31.12.2019	01.01– 30.06.2020	01.01– 30.06.2019
Services	5,633	5,440	5,617	4,818
Sales	3,309	3,171	3,268	3,069
Administration	2,700	2,612	2,657	2,411

XII. NOTEWORTHY EVENTS AFTER THE REPORTING PERIOD

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

Neckarsulm, 12 August 2020

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, 12 August 2020

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 2020 (30 JUNE)

Wednesday, 12 August 2020

QUARTERLY STATEMENT 3RD QUARTER 2020 (30 SEPTEMBER)

Wednesday, 11 November 2020

See [bechtle.com/events-en](https://www.bechtle.com/events-en) or [bechtle.com/financial-calendar](https://www.bechtle.com/financial-calendar) for further dates and changes.

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