

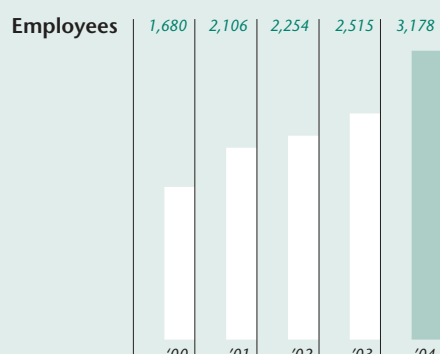
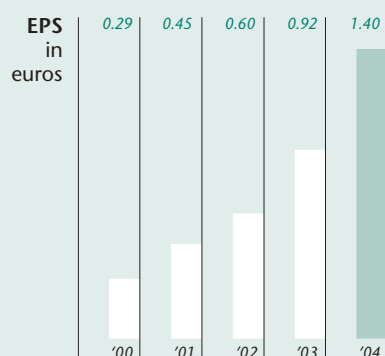
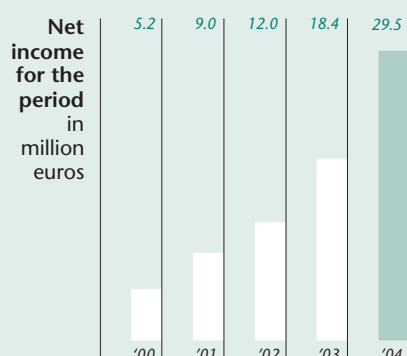
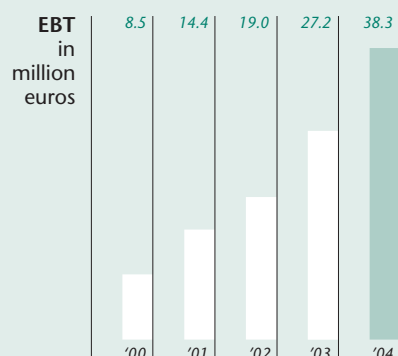
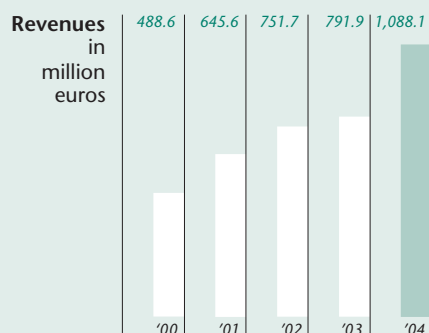
Bechtle – Your strong Partner. Today and Tomorrow.

2004

A n n u a l R e p o r t

www.bechtle.com





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The Bechtle Group in a Five-Year Comparison

		2000	2001	2002	2003	2004	Change in % 2004-2003
Profit and loss account							
Revenues	TEuro	488,576	645,588 ¹⁾	751,709	791,907	1,088,133	37.4
System House	TEuro	384,426	488,291	557,919	602,951	729,981	21.1
eCommerce	TEuro	104,150	157,297	193,790	188,956	358,152	89.5
EBITDA	TEuro	17,378	24,264	27,012	34,848	48,965	40.5
System House	TEuro	14,807	18,172	19,677	24,137	26,380	9.3
eCommerce	TEuro	2,571	6,092	7,335	10,711	22,585	110.9
EBIT	TEuro	7,898	13,140	18,418	27,051	38,509	42.4
System House	TEuro	6,037	7,971	11,919	17,182	18,574	8.1
eCommerce	TEuro	1,861	5,169	6,499	9,869	19,935	102.0
EBT	TEuro	8,498	14,423	18,987	27,240	38,326	40.7
Net result for the period	TEuro	5,184	9,011	12,001	18,365	29,549	60.9
Earnings per share	Euro	0.2850	0.4461	0.5956	0.9171	1.4036	53.0
Consolidated balance sheet							
Shareholders' equity	TEuro	156,533	160,601	164,213	180,224	213,450	18.4
Balance sheet total	TEuro	216,755	229,274	246,755	278,484	381,121	36.9
Financial position and liquidity							
Cash flow from operating activities	TEuro	-37,355	17,584	13,943	27,535	46,115	67.5
Working Capital ²⁾	TEuro	57,497	66,768	76,959	78,652	91,354	16.1
Cash and cash equivalents (incl. marketable securities)	TEuro	23,593	41,200	37,867	33,694	65,793	95.3
Business operating figures							
Return on revenues	%	1.1	1.4	1.6	2.3	2.7	17.1
Revenues per employee	TEuro	336.3	351.2	369.0	338.1	363.2	7.4
Dividend per share	Euro	0.25	0.25	0.25	0.30	0.40 ³⁾	33.3
Cash Flow per share	Euro	-2.06	0.87	0.69	1.36	2.18	59.6
Return on equity	%	3.3	5.6	7.3	10.2	13.8	3.7
Equity capital ratio	%	72.2	70.0	66.6	64.7	56.0	-8.7
Return on total assets	%	3.0	3.9	4.9	6.6	7.8	1.2
Number of employees as at 31.12. ⁴⁾		1,680	2,106	2,254	2,515	3,178	26.4
System House		1,547	1,881	2,022	2,252	2,685	19.2
eCommerce		133	225	232	263	493	87.5

¹⁾ adjusted figure ²⁾ inventories, plus trade receivables, less trade payables, advance payments received and provisions for outstanding invoices

³⁾ proposal to General Shareholders' Meeting ⁴⁾ including trainees

Review by quarter 2004

		1st quarter	2nd quarter	3rd quarter	4th quarter	2004 financial year
Revenues	TEuro	248,379	243,724	259,119	336,911	1,088,133
EBITDA	TEuro	10,863	8,853	12,576	16,673	48,965
Depreciation	TEuro	2,390	2,164	1,918	2,328	8,800
EBITA						
(before amortization of established clientele)	TEuro	8,473	6,689	10,658	14,345	40,165
EBITA	TEuro	8,121	6,245	10,256	13,887	38,509
EBIT	TEuro	8,121	6,245	10,256	13,887	38,509
EBT	TEuro	8,077	6,205	10,274	13,770	38,326
Net income for the period	TEuro	4,937	8,216	6,812	9,584	29,549

Who we are.
What we do for our customers.
And where we're going.



With over 60 system houses providing full coverage in Germany and Switzerland, Bechtle is one of Europe's leading IT eCommerce service providers. It is a combination that allows Bechtle to pursue a unique business strategy in Europe – a blend of system house services and direct sales of branded IT products. Bechtle, which was founded in 1983, is based in Neckarsulm and maintains a continuous course of steady growth: in 2004, with a workforce of 3,178 people, the company generated revenues amounting to 1,088 million euros. Bechtle is a manufacturer-independent company that provides one-stop shopping for all the IT infra-structure needs of more than 24,000 customers from industry, the public sector and the financial markets.

System house: competent partner for IT solutions designed for SMBs

Bechtle provides its largely small and medium-sized business system house customers with a comprehensive portfolio of products and services ranging from IT strategy consultancy services to the supply of hardware and software, project planning and implementation, plus system integration, maintenance and training. It also has a system house network that now provides virtually full coverage in Germany and Switzerland. And in 15 competence centres, Bechtle additionally concentrates specialist expertise in such complex fields as security, storage, CAD, enterprise computing and business solutions like Navision. The Bechtle specialists are available for all system houses and, depending on the customer's specific requirements, provide on-the-spot support for local project teams.

eCommerce: maximum transparency in terms of price and availability

With its *Bechtle direct* and *ARP brands*, Bechtle also offers some 22,000 branded IT products for direct

ordering online over the Internet and from the company's catalogue. Bechtle operates its own companies in the nine key European markets and is the only company capable of providing daily updated prices and availability levels for the entire product portfolio. Extremely lean processes and a high-performance logistics system are the guarantee of profitable growth for Bechtle's reselling business. With *bios®*, the IT specialist also offers its customers a tailor-made online procurement system that reduces process costs for the procurement of IT products by as much as 65 percent by using company-specific shopping baskets and paperless order processing.

Vision 2010: consolidating its leading position in both segments

By 2010, Bechtle intends to have established itself as number 1 on the German system house market and Europe's leading IT reseller organisation. With some 5,000 employees, the aim is to double sales revenues to two billion euros. Bechtle also intends to generate its earnings equally between the IT system house and IT eCommerce segments. In the system house sector, Bechtle – as in the past – also expects to benefit in future from sustained consolidation in the industry and continue to increase its market share. By 2010, the company intends to reach an extended coverage of the network of system houses throughout Germany, Austria and Switzerland. In eCommerce, Bechtle continues its dual-brand strategy with *Bechtle direct* and *ARP DATACON*.

In 2004, Bechtle moves into its new head offices at Bechtle Platz 1, Neckarsulm

Highlights

January

With the purchase of Swiss-based ARP Holding AG, Rotkreuz, Bechtle acquires one of the largest European eCommerce suppliers of computers and IT accessories for corporate customers.

February

Bechtle acquires the Swiss-based ALSO COMSYT AG, Dübendorf. The system house provides IT services and solutions primarily to major high-end customers.

Bechtle moves into its new group head offices in Neckarsulm. The building, which has just under 26,000 sqm of office and logistics space available, is now home to 500 staff who were previously spread over four company locations.

March

Some 500 invited guests from business and politics accepted an invitation to attend the official opening ceremony of the new building located at Bechtle Platz 1.

At the Friends & Family Day, over 1,100 family members and friends take the opportunity to view the group head offices in Neckarsulm.

New executive focus: Ralf Klenk is appointed Chairman of the Bechtle Executive Board. Gerhard Schick now chairs the Supervisory Board.

Gerhard Marz and Jürgen Schäfer join the Executive Board.

April

Bechtle organises its annual strategy conference with around 250 managers attending from throughout the Group.

Over 200 customers attend the "Topics" in-house trade fair organised by Bechtle IT System House in Mannheim. A total of 38 manufacturers display their latest products on the stands and in presentations.

May

Berenberg Bank includes the Bechtle share in its Watch List and recommends a buy.

June

With the startup of Bechtle Data in Darmstadt, the Group specifically strengthens its Enterprise Computing division.

Some 450 shareholders at the 4th Ordinary General Meeting passed a resolution to approve a dividend payment of 0.30 cents.

Bechtle participates in the 5th Capital Market Conference entitled "Progress as Tradition" organised by the BW Bank in Frankfurt am Main.

Over 200 customers use the „Bechtle IT Forum“ – a joint event sponsored by Hewlett Packard and Bechtle – to obtain information on server and storage solutions.

In the ranking of the top 25 system houses in Germany published by the specialist magazine Computer Partner, Bechtle takes 2nd place.

July

Bechtle takes on the core team of an insolvent competitor and founds the Bechtle IT System House in Bielefeld.

August

Bechtle acquires the entire shareholdings in Swiss-based IBM Premier Business Partner Gate Informatic AG, Berne. Gate's core competence is in consultancy and the sale of high-end computer systems, complete with the associated services.

The analysts at Smith Barney Citigroup include Bechtle in their ratings and rate the share as a "buy".

September

59 young people start their training in the Bechtle Group. In 2004, Bechtle provided training in 20 professions and trades for a total of 172 young people throughout Germany.

Bechtle is admitted to the TecDax select index and becomes one of the 30 largest technology companies outside the Dax.

Bechtle acquires all the shares in Servicegesellschaft für Geld- und Banksysteme mbH (SGB) in Aalen.

Bechtle acquires profi CAD GmbH, Hamburg, a company specialising in Computer Added Design.

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October

Young entrepreneurs from the Heilbronn-Franken region visit the Neckarsulm Group head offices. The Executive Board presents Bechtle to approximately 90 regional representatives from business and politics.

November

Bechtle Executive Board Member Jürgen Schäfer, as one of the most important European partners, participates in an event organised by Hewlett Packard and meets HP's former Chairwoman and CEO, Carly Fiorina.

Bechtle logistics ships a record number of 61,572 consignments in one month.

December

At the invitation of the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW – German association of private investors), a presentation of Bechtle is given to approximately 250 private investors and financial consultants at the 3rd Stuttgart shares forum.

Bechtle tops the billion euros sales mark for the first time – and ends 2004 as a record year.

Letter to the Shareholders



*Ralf Klenk
Chairman of the
Executive Board*

Ladies and Gentlemen, dear Shareholders,

We are pleased to report that for your company, Bechtle AG, the 2004 financial year was a record year. In a continuing weak economic environment and a highly competitive sector, we once again performed extremely well. We managed to exceed the billion euros revenues mark quite significantly and increased our pre-tax earnings by over 40.7 percent. We ultimately generated 1,088.1 million euros in revenues, which led to earnings before taxation of 38.3 million euros. Our pre-tax return on capital moved up again: it rose from 3.4 percent in the previous year to 3.5 percent. It means that we managed to exceed the targets we had set for ourselves – and the expectations of the capital market.

Growth in 2004 was considerable, particularly as a result of acquisitions we made. What is particularly significant, however, is that, in organic terms, we clearly outstripped the growth achieved by our market segment at around two percent. Through our own efforts, we achieved an increase of 8.7 percent in revenues and 8.4 percent in earnings. This is the kind of performance that sets Bechtle apart and shows that your company has emerged the winner from the period of consolidation in the IT sector. I think we can be proud of that.

It is our wish, dear shareholder, to let you share in this excellent result. The Supervisory Board and Executive Board will therefore propose to the Annual General Meeting on 22 June that the dividend be increased by a third to 0.40 euros per share. Therefore the distribution, which was in the previous year about 6.4 million euros will be increased to 8.5 million euros in this year.

The past few years put the spotlight once again on well-proven, traditional values. Even in the highly innovative and dynamic IT industry, discussions about the Old and New Economy are a thing of the past. Traditional Swabian values such as hard work, dependability, discipline and moderation – Bechtle's strengths – have become popular again. Particularly in difficult times, we have demonstrated that we did the right thing by resolutely pursuing our own clear strategy over the years. Today, we are one of those very rare technology companies that acts in accordance with the traditional values upheld by owner run companies. Our core values have always included and will continue to include such things as putting earnings before revenues, the prudent use of our financial resources and an M&A policy with a sense of proportion and common sense.

Our group structure helps us to work cost-effectively and also to compete more effectively in the marketplace. The Bechtle Group – your company – is built on a solid foundation: our equity capital ratio is up again, amounting to 56.0 percent for the year just ended, liquid funds and investments of current assets are at 65.8 million euros. Together with our excellent net profit for the year, this means we have sufficient financial scope to spur corporate growth and to exploit whatever opportunities arise.

We also benefited in 2004 from the continuing period of consolidation in the IT sector and completed strategic acquisitions that will expand our business opportunities: on 1st January, ARP Holding AG, the market leader in IT eCommerce in Switzerland, became a member of the Bechtle Group. Another group of competent employees for the system house sector joined Bechtle just one month later – again in Switzerland – as a result of acquiring ALSO COMSYT AG. In August, we acquired Gate Informatic AG and, with this Berne-based company, welcome onboard a proven expert in high-end computer systems. We were also able to expand our presence in Germany in terms of both coverage and the range of product and services we provide with the acquisition of SGB GmbH in Aalen and the start up of Bechtle Data GmbH, Darmstadt and Bechtle IT-Systemhouse Bielefeld. This allowed us to further strengthen our market position in the financial year just ended.

In terms of the company's performance on the stock exchange, 2004 was also a good year for us: Our share price increased by 61.3 percent and clearly outperformed all other indices. Admittance into the TecDAX in September will ensure that even more attention will be paid to the share in future.

At this point, I would like to say something about our most important goals in the current year: In 2005 Bechtle will concentrate itself on the own strength. Our highest priority is organic growth. This does not, of course, mean that we intend to exclude the possibility of acquisitions in the future. As far as growth generated through our own efforts is concerned, we intend once again to do significantly better than the overall market, and have set an increase in revenues within a high single digit range. As for pre-tax earnings, our intention is to achieve a clear improvement growth.

The Executive Board experienced a significant change in the year under review and nevertheless builds on continuity. My two colleagues on the board – Gerhard Marz and Jürgen Schäfer – have a proven track record at Bechtle, having spent many years in executive positions. They thus have in-depth knowledge of the areas for which are responsible based on their own extensive practical experience. At the top of the company, therefore, we have an executive management team with a harmonious blend of complementary skills. It is our intention to use the new ideas and new ways of looking at things on the one hand, combined with the many years of experience and detailed knowledge of the Group on the other, to secure the future of your company.

I would like express my most sincere thanks to the man who has been my close companion since we founded the company together in 1983: Gerhard Schick was always there at my side to support me throughout the years. He has always been the man I looked up to, my mentor and valued advisor. His far-sighted corporate decisions as Chairman of the Executive Board paved the way for Bechtle's development to become the largest independent IT service provider in Germany. I am pleased that, as Chairman of the Supervisory Board, and with great dedication, he will continue to make himself available to the company.

For me personally, Bechtle's accomplishments are always the result of a concerted effort. The credit for our success goes to the entire Bechtle team and is based on their skills and their dedication. I would like to express my sincerest thanks, therefore, to everyone in the group for last year's outstanding performance. They will remain the drivers of Bechtle's dynamic development in the future.

To all members of the Supervisory Board, may I express my sincere thanks and appreciation for the excellent and constructive co-operation. You took your decisions with a sense of responsibility and a genuine concern for the company's interests. Your experience provided the Executive Board with valuable support in the performance of its day-to-day activities as did the critical dialogue we shared with you as the Supervisory Body.

At the beginning of our third decade in business, the Bechtle Group has made considerable progress in its markets. We can look to the future, therefore, with confidence and great optimism. We are aware that, as shareholders, you expect Bechtle's earnings and revenues to grow reliably in the future and that your investment will generate sustained profits. That is both an incentive to us and a commitment. On behalf of my colleagues on the board and myself, I express my appreciation for the trust and confidence you have placed in us. We look forward to your continued support in the future.

Sincerely



Ralf Klenk
Chairman of the Executive Board

Report of the Supervisory Board



*Gerhard Schick
Chairman of the
Supervisory Board*

In the 2004 financial year just ended, the Supervisory Board took a detailed look at the company's situation and carried out the tasks incumbent upon it by law and under the terms of the Articles of Association. It regularly advised the Executive Board concerning the management of the company and supervised the conduct of its affairs. The Supervisory Board was directly involved in all important business transactions and strategic decisions.

The Executive Board regularly kept the Supervisory Board thoroughly informed and up to date, both verbally and in writing, on all relevant questions of company planning and strategic direction, on the progress of transactions and the Group's situation as well as on risk management. The Supervisory Board was also informed of orders and projects of any significance. The company's strategic development was discussed and agreed with the Supervisory Board. All business operations of importance for the Group were thoroughly discussed on the basis of the Executive Board's reports. The Supervisory Board Chairman also maintained regular close contact with the Executive Board outside meetings of the Supervisory Board and was kept informed of the day-to-day development of the business situation and important business transactions.

Meetings and key issues

There were five meetings in the course of the accounting year: on 22 January, 22 March, 22 April, 22 July and 26 October. The Supervisory Board also convened an extraordinary meeting on 22 March following the regular meeting. In addition, various resolutions were adopted by sending a circular letter to all members. The Supervisory Board also received detailed information between meetings from the Chairman of the Executive Board on all projects and plans of special importance to the company or requiring urgent attention.

All measures and transactions requiring the consent of the Supervisory Board were discussed in detail during Supervisory Board meetings. The most important issues during the 2004 financial year were the new appointments to the Executive

Board, acquisitions of companies and startups during the accounting year, plus the balance sheet irregularities at the subsidiary company PSB Aktiengesellschaft für Programmierung & Systemberatung, Ober-Mörlen. A regular part of the discussions also included continuous briefing regarding the development of earnings and revenues of Bechtle AG and its subsidiaries. In this context, key corporate data as well as financial and investment plans were discussed in detail.

Committees

The Balance Sheet and Accounts Committee met on 22 March and 22 July 2004. The focus of deliberations was a discussion of the quarterly reports, preparatory examination of the annual accounts and consolidated financial statements, as well as a review of the Group's risk management system.

The Personnel Committee met on 22 and 31 March and also on 19 May and basically dealt with the retirement and new appointment of members of the Executive Board and their remuneration. A number of resolutions were also adopted by sending a circular letter to all members.

It was not necessary to convene the Mediation Committee in accordance with Article 27 (3) of the German Co-Determination Act.

Appointment of Supervisory Board and Executive Board members

Of particular importance during the 2004 financial year was the appointment of Ralf Klenk as Chairman of the Executive Board and the transfer of Gerhard Schick to the Supervisory Board as the substitute member for Karin Schick-Krief – each with effect from 22 March 2004. On 22 March 2004, Karl-Heinz Gosmann was relieved of his office as member of the Executive Board and two executives with many years of experience, Gerhard Marz and Jürgen Schäfer, appointed as new Executive Board members. During the extraordinary meeting of 22 March, Gerhard Schick was elected Chairman of the Supervisory Board. With effect from 19 July 2004, Dr. Wolfram Türschmann resigned his office as member of the Supervisory Board. He is succeeded by Karin Schick-

Krief, who was appointed Supervisory Board member by the Heilbronn district court with effect from 9 August.

The term of office for Supervisory Board members expires at the end of the Shareholders' General Meeting, which decides on formal approval of their activities for the financial year 2007.

Corporate Governance and Declaration of Compliance

To verify compliance with the German Corporate Governance Code, the Supervisory Board reviewed implementation of the Code's recommendations at Bechtle AG. During the meeting of 1 February 2005, the Supervisory Board and the Executive Board renewed the Declaration of Compliance in accordance with Article 161 of the AktG [German Companies Act]. Both executive bodies expressly confirmed their commitment to transparent, responsible and value added management and control of the company. Any deviations from the Government Commission's recommendations are explained in the "Corporate Governance" Chapter of the business report. The Declaration of Compliance has also been published on Bechtle's website.

Audit of Annual Accounts and Consolidated Financial Statements 2004

Ernst & Young AG, Heilbronn, were chosen by the General Shareholders' Meeting as auditors of the annual accounts and consolidated financial statements for the 2004 financial year. After receiving their mandate from the Supervisory Board, they audited the annual accounts of Bechtle AG, the consolidated financial statements as well as the management report for Bechtle AG and the Bechtle Group for the 2004 financial year, including accounting practice and the early warning risk analysis system, and gave an unqualified attestation. The consolidated financial statements of Bechtle AG were drawn up in accordance with U.S. GAAP. The auditors confirmed that these consolidated financial statements comply with the conditions for an exemption from preparing annual accounts in accordance with German Law.

Details of the accounts, the Executive Board's proposal for utilisation of profits, as well as the

auditors' reports were sent to the members of the Supervisory Board immediately after their completion and also discussed extensively by the Balance Sheet and Accounts Committee and the executive body as a whole. The auditors took part in the balance sheet meeting of 22 March 2005 and reported in detail on key items of the audit and the most essential audit results. They were also available to provide supplementary information.

The Supervisory Board approved the auditors' results, after completing its own examination. After the announcement of the final result of the examination by the Balance Sheet and Accounts Committee and the Supervisory Board, the Supervisory Board subsequently approved the annual accounts and consolidated financial statements prepared by Executive Board during the balance sheet meeting of 22 March 2005. The annual accounts of Bechtle AG have thus been adopted. The Supervisory Board agreed to the Executive Board's proposal for utilisation of profits.

Bechtle AG's results for the financial year just ended clearly demonstrate the company's outstanding operational performance. The Supervisory Board is convinced that its strategic focus and sound financial position form a favourable basis for the company's continued success in the future.

The Supervisory Board wishes to express its thanks to the Executive Board and all members of staff and its appreciation for their successful work during the accounting year. It also would like to thank shareholders for their trust and confidence. The Supervisory Board is convinced that Bechtle – not least due to the commitment of its workforce – will also succeed in achieving its targets in future and in exploiting the opportunities that present themselves.

Neckarsulm, March 2005

On behalf of the Supervisory Board



Gerhard Schick
Chairman

Executive Board Profiles



Ralf Klenk

Chairman of the Executive Board, responsible for finances, corporate planning, communications, personnel and IT

Born in 1958. Ralf Klenk was co-founder and first employee of Bechtle GmbH in 1983. With his business partner Gerhard Schick, he built the company that had started as a one-man system house into one of Germany's leading IT service providers. Member of the Executive Board of Bechtle AG since 1999, he was appointed to

Chairman and CEO in March 2004. He is married and has two children. The qualified mechanical engineer from Heilbronn is a marathon runner, a keen biker and enjoys mountain tours.

Ralf Klenk is also a member of the Executive Board of PSB AG, a member of the general assembly of the Heilbronn-Franken Chamber of Commerce and Industry and a member of the Supervisory Board of Volksbank Heilbronn eG.



Gerhard Marz

Board Member, responsible for the system house division, plus competence and solution centres

Born in 1956. After spending ten years in industry, Gerhard Marz was the managing director of a system house specialising in software before joining Bechtle in 1996. The qualified electrical engineer from Speyer spent eight years as managing director the Bechtle IT System House in

Mannheim. Gerhard Marz has been a member of the Executive Board of Bechtle AG since March 2004. He is married and has two children. In his spare time he plays football and basketball, and is interested in water sports.

Gerhard Marz is also a member of the Supervisory Board of PSB AG.



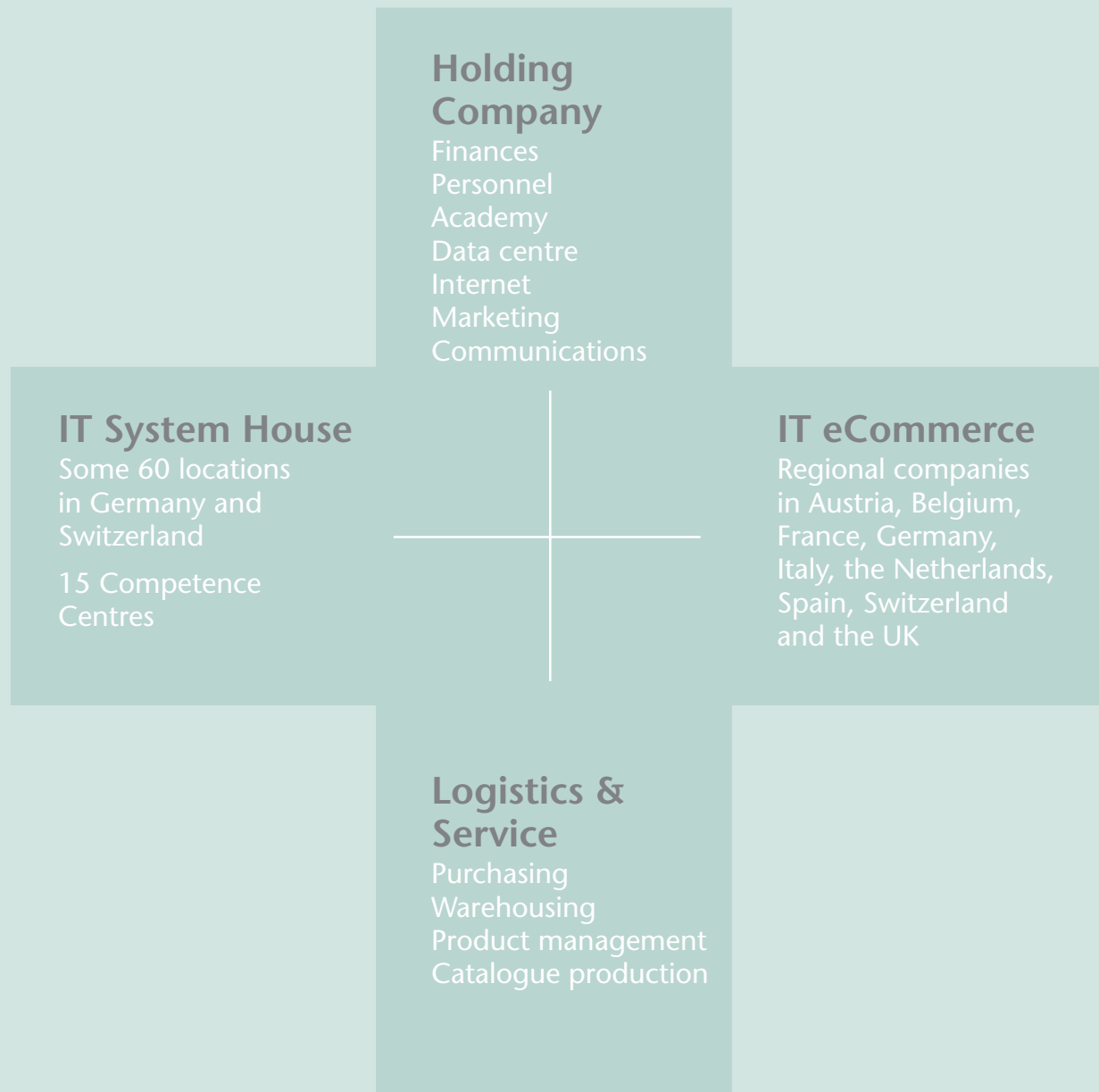
Jürgen Schäfer

Board Member, responsible for e-commerce Europe, plus Logistics & Service

Born in 1958. After completing his business administration studies and spending some time in a medium-sized wholesale company, Jürgen Schäfer joined Bechtle in 1989. Born in Heilbronn, he was responsible for the purchasing and organisation division, then became managing director of the Bechtle IT System House in Würzburg. He subsequently set up the successful

Bechtle direct retail company, was then responsible for the Europe-wide expansion and merger of all retail processes into the central Bechtle Logistics & Service unit. He has been a member of the Executive Board of Bechtle AG since March 2004. Jürgen Schäfer is married and the father of twins. He is interested in musical compositions, he cooks and plays tennis.

The big plus of a good organizational structure



Increasing the edge

A new CEO, an exciting year, and a lot of questions. In an interview with journalists, analysts and investors, Ralf Klenk spoke about the key factors of success in an extremely competitive IT market, about strategy and corporate culture. We've put together the most interesting questions and their answers below.

Competitors have already given up on the retail business or would like to get out of it altogether and concentrate on providing services. For Bechtle, though, retailing is strategically an important segment that is actually growing very profitably. Why is that?

We recognised at a very early stage there was a gap to be filled, because of course the customer's needs don't just go away. Back in 1992, therefore, we founded Bechtle direct, a company that focused exclusively on retail, and by 1995 we were the pioneers in IT eCommerce. We're also convinced, by the way, that in our system house market, a business plan can only grow profitably in the long term when the customer is able to get both – products and services – from a single source.

Over the past few years, there were large and small acquisitions on the agenda, with six acquisitions and new start-ups in 2004 alone.

Doesn't the corporate culture suffer from so many acquisitions?

It's important to us that, as far as each of the employees is concerned, he can still experience "his" company. And it works well, because the individual companies maintain what is very much their own regional character. In addition – and this is not paying lip service – the Bechtle philosophy we have laid down in our corporate principles and guidelines applies to all employees at all company locations. It determines the way we act throughout the entire Group.

What criteria do you apply when you acquire a company?

The company must be compatible with us in terms of strategy, content, and culture. And the management team must also go well with Bechtle. We

don't pay strategic prices, we only pay prices that are compatible with the market.

"Earnings before growth" – has Bechtle deviated from this line somewhat? Or will it remain valid in the future?

The most important principle is and will remain that of exploiting the opportunities for growth in a consolidating market, without ignoring earnings. 2004 is an excellent example of this: along with extremely strong growth in sales, we have also achieved a steady increase in earnings.

Growth in 2004 resulted mainly from acquisitions. Do you see yourself losing some momentum in future?

We will certainly not be able to maintain the extraordinary growth rates we saw in 2004. The important point is that we did not grow solely due to acquisitions, but that we also had organic growth of eight percent. We expect we will also be able to gain significant market share in the future. We want to achieve high single-digit growth rates through our own efforts – and that means more than the overall market, which, in the opinion of the market research institutes, is likely to grow somewhere between two and four percent in the year 2005.

Bechtle, since 2004, is now the largest system house in Germany. What does that mean as far as business is concerned?

In the business in which we operate, we benefit basically in three ways: as a partner to the world's largest manufacturers and suppliers, we have grown considerably in importance and have clearly strengthened our position as a result. For our customers, we are – not least due to our nationwide coverage – the strong and dependable IT partner in the marketplace. And we benefit noticeably as an employer, because the best people want to work for the number 1 in the industry. For us, all three aspects are the incentive we need to maintain our position and increase the edge we have over our competitors.

"The most important principle is and will remain that of exploiting the opportunities for growth in a consolidating market, without ignoring earnings."

How will Bechtle defend this position?

Keeping the proven structures with decentralised responsibility for profit and loss in the hands of the local managing directors as the core element, and continuing to perfect our tight controlling system with its central financial division and the high performance Logistics & Services unit. Ensuring that as much as possible is decentralised and focused on the customer. And working hard each and every day.

Your Vision 2010 sees something approaching a 50:50 distribution of sales between the system house and eCommerce sectors. Retail business will need to improve a lot before then. How is Bechtle planning to do that?

eCommerce is the key growth driver for the future. This is a sector with enormous potential, particularly when you realise that, with the exception Germany and Switzerland, there's virtually no market share to speak of. But the basis for further growth is there – we use modular scalable IT systems, in which we have mapped all the processes that are of relevance to eCommerce: the online shops, the European item and price system, lean logistics processes, and Europe-wide fulfilment partners, to mention just a few. With this structure, we are quite capable of handling a much bigger sales volume.

Does the system house have any future then at all?

Yes, absolutely. And not only because Bechtle's origins go back to the system house, but precisely because the combined business plan offers unbelievable competitive advantages – as a result of the proximity to the market and the customer, and the close relationships with the manufacturers.

Bechtle has 15 competence centres. How do they fit into the overall system house and eCommerce structure?

The competence centres focus the skills of high-level specialists, who make their expertise available to the system houses for the customer's project. In other words, they supplement the portfolio of the system houses, by providing such things as business solutions that are very consultancy intensive, such as Navision, or in complex infrastructure

issues, such as enterprise computing, storage or IT-security.

International manufacturers of hardware and software, plus trade fairs, such as CeBIT, are all focusing their attention on small to medium-sized businesses in 2005. Does that please you, or is it dangerous for Bechtle?

It's quite obvious – it confirms what we've been saying all along! That the structure we established over 20 years ago was right. Today, we are the preferred business partner of all the major manufacturers and have well established ourselves in the demanding sector for small to medium-sized businesses.

Where will Bechtle be in five years time?

Five years from now, with a workforce of over 5,000, we will have doubled our sales to two billion euros. We will have achieved complete coverage in the system house sector with a network of over 60 company locations in the German-speaking region and will be offering complete solutions for small to medium-sized businesses. In eCommerce, we will be the leaders in the European marketplace.

What will the market look like in ten years time?

On-demand thinking will dominate: the customer will no longer be buying hardware and software, but performance. The question then will be: "I have ten employees, and I need to do this and that. What will it cost me per month? Managed Services, such as handling the entire IT operations, will also be in great demand.

Bechtle is a success story in the IT marketplace – what, in your view, is the most important criterion for corporate success?

Stamina, hard work and, of course, a little bit of luck. To do routine things extremely well. Love of detail. And not to get carried away.

"For small to medium-sized businesses, we are the preferred partner today of all the major manufacturers."

172 Development

Investments in Bechtle's future: 172 trainees, more than ever before, and a very respectable trainee percentage of 5.4 percent. Add to that our endeavour to continually strive to be better: 3,000 employees took part in the 259 in-house seminars offered by the Bechtle Academy. Bechtle invested a total of 7,000 man-days in staff training and development to guarantee quality.

The learning company

It was – as is often the case in life – a chance incident that started things off: while Bechtle COO Jürgen Schäfer was playing Mikado with his twins, he looked at the chaos of coloured sticks on the table, and a thought flashed through his mind: “We don’t want this kind of chaos with new recruits at Bechtle.”

The solution has since become an established institution: ‘Mikado’, a two-day kick-off seminar as a compulsory course for every new Bechtle recruit. They all meet there – trainees and managers, Bavarians and “Northern Lights”, IT specialists and sales managers. With one goal: to learn the Bechtle basics, become familiar with the corporate “do’s” and “don’ts”, and create a common basis for all.

Problem solver: Network

From the very first day, the inter-location compact seminar communicates a special kin of Bechtle culture – networks. Not the technical, the human. “These networks develop very clearly in divisional conferences, when the sales managers from all the company locations meet, for example. They also include specialists from various technical departments,” explains Ralf Feeser, head of the Bechtle Academy. “You get to know each other personally, discuss with each other, and if someone has a problem or an idea on the job, then at least he knows someone else at Bechtle he can discuss it with.”

Targeted further education

While the programmes offered by the 19 training centres in Germany are being extended for Bechtle customers, the academy in the company’s head offices in Neckarsulm is focused on the day-to-day business and strategic goals. “We don’t provide training on standard software here,” says Feeser. “We offer our staff special areas, such as sales strategy and project management, but we also run personal development seminars.”

Having an in-house academy illustrates how Bechtle plans for its own future. The academy reflects Bechtle’s view that success depends on being a learning company that can adapt to change. Once you stop learning, you stop being successful.

Personal responsibility & voluntary participation

Learning is not simply attending seminars at the academy, which shares the basic principle of many of Bechtle’s centralised services: to support the decentralised structure of the independent company locations, without claiming to be an absolute

authority. “The academy is one of several training and development modules. The principle of personal responsibility and the culture of voluntary participation apply here,” explains Ralf Feeser. “With the exception of ‘Mikado’, we only have voluntary programmes that each company location can supplement with its own internal training courses or external seminars.”

To illustrate the role of the Academy, Feeser borrows from the Bechtle Logistik & Service GmbH. With its centralised logistics services, it is the connecting element for all the system houses and at the same time the link to the second Bechtle segment, eCommerce. “The spatial relationships are smaller, of course, but what logistics is to products, the academy is to people, and that means our employees,” says Feeser.

Combined programme

This can be seen very clearly in the case of the trainees who begin their careers with Bechtle. The academy offers them an additional centralised training programme that is supplemented by very specific courses, such as preparatory courses for examinations. The basis, however, is provided by the individual training received at the trainee’s “home” location.

Training is provided in a broad range of professions and trades. Besides the traditional commercial fields, training is also available for IT professions, of course, such as system electronics or service technician courses, but also courses for materials handling specialists and media specialists. Bechtle has a trainee quota of more than five percent.

Training gets the chiefs support

“As far as Bechtle’s concerned, training young people is a key commitment,” says Ralf Klenk, the company’s CEO. “It is important for me as CEO to ensure we provide young people with good prospects for the future by offering them proper training. At the same time, it means we’re also doing something to secure our own future when we train Bechtle’s junior staff ourselves.”

The quality standards even in training are correspondingly high. Trainees study at the same professional level as employees in more advanced staff development programmes. The aim ultimately is to make sure that the maxim that is firmly anchored in the company’s core principles is taken seriously right from the start: “Our mission is to ensure that our employees will be the best!”

50,000 Expansion

260 kilometres of data cable, 50,000 cubic metres of earth moved, 6,500 tonnes of finished components – space for 500 employees and 6 Bechtle companies. Bechtle's new group head offices. Key features: emphasis on functionality, high aesthetic standards and an architectural style that is reflected in the company itself – open, flexible and transparent.



A mirror of glass

Form follows function – if this dictum had not been coined as early as 1896 by the American architect Louis Sullivan, it would have been necessary to invent it for the new Bechtle group head offices. This building is so intrinsically functional, it is as if someone had arranged the employees in groups on the green field of the Neckarsulm 'Trendpark South' industrial estate, along with their desks, and had then modelled the building around them.

It was not the corporate structure that was forced to subordinate itself to an architectural masterpiece. It was just the opposite: the building had to portray Bechtle's structure. "We didn't need rooms, we needed areas," says Uli Drautz, outlining the architect's brief. "We created the rooms ourselves, and they were purely functional, by placing "little networks" on these areas, i.e. functional groups of employees, that could expand and determine where the limits of the rooms would be", explains overall project manager of the new building.

Symbol for the future

This concept was implemented with a structure that is simple in design and yet aesthetically beautiful, one that lacks architectural magnificence, yet possesses an elegance that has created a particular fascination. The building is a landmark symbol for the future of Bechtle and not a monument to the successes of the past.

Those who know Bechtle will see in the new building in many respects a mirror of the company – a mirror of glass. Solid walls are found in the building only where they are necessary from a structural engineering point of view. Otherwise, it is glass that dominates. "Transparency is part of our culture," says Uli Drautz. "It's why we have so much glass and so much light."

Designed to promote communications

The building itself is as flat as the structures within Bechtle: three levels are enough. Bechtle's view of itself is manifested once again: "We cannot have a philosophy that has no room for a large number of hierarchical levels and expect it to be credible if we then put up a 20-storey building and place the Executive Board in power on the top floor," says Drautz. "The way we've designed the building ultimately means we are promoting informal communications within the organisation without even trying."

The key communications point: the staff restaurant. This is not the typical conveyor-belt staff canteen, but so bright and attractive that having lunch or a

coffee break is a real pleasure. "For that "we" feeling and the sense of sharing in the development of a successful future, the staff restaurant was a key investment and definitely the right thing to do," says Drautz.

There are many facets to the additional benefits that have been achieved with the new group head offices. Although the focus during the design and planning stage had been on the interior of the building, the exterior gradually developed a strong charismatic aura: for customers and business partners alike, the building is now a focal point; in the first year, there were 100 visitors a day. The 40 meeting rooms are often fully booked, as business partners like the atmosphere for their events. For many other Bechtle company locations, Neckarsulm has now become both the control centre and focal point for corporate communications. This is due in part to the powerful infrastructure, such as the new data centre.

Home port

These "inner values" have made the new head offices twice as valuable. "Once it gets beyond a certain size, a company that has as many company locations as we have needs a home port – a focal point – for everyone," says Ralf Klenk, Bechtle's CEO. "We've always had one, of course, but it was of a virtual nature. It's now become tangible. There is now a reference point that can actually be seen, be experienced, and shared by every one of our employees."

Freedom for expansion

The physical size of the home port has been tailored to meet Bechtle's current situation, but has the same development potential that the company itself has. "The building's design concept is as flexible as we are ourselves," says Uli Drautz. "The company and the building can develop in parallel."

Potential exists for growth on both a large and a small scale. There's still space available for more desks on the current floor area; it is only necessary to rearrange the variable partition screens. And when that major expansion thrust arrives, the cost-conscious Swabian knows a thing or two: the back of the building was not designed to last forever. "We can simply remove this rear facade. And because a new one would be much more expensive, we extend the building and then fasten the facade onto it again," explains Uli Drautz. "The building is certainly not an obstacle to the company's growth, but will actually give us more freedom, regardless of the changes we wish to make."

21 Experience

181 Federal authorities, 170 Ministries, 1,500 Federal land authorities, 4,449 local authorities, 44,000 schools, 2,241 hospitals – the market for public authorities acting as contracting agents is huge. Their annual information technology expenditure in Germany alone amounts to 21 billion euros. It's a potential that Bechtle intends to develop continuously, with selected strategic targets.

Paperless hospitals – Utopia or Reality? “A considerable piece of reality,” people at the Zentrum Operative Medizin, ZOM for short, will say. And indeed: patient files are kept on an online electronic database and are available to anyone with the appropriate access rights at each clinical workstation. Furthermore, 30 digital imaging systems ensure quick access to X-ray pictures. Even operations are documented online.

The basis of ZOM's ultra modern IT management system, which is part of the Würzburg University Clinic, is a powerful, high-capacity data network: “We have access to a gigabit Ethernet network, a high performance video network for multimedia applications and a wireless network offering total coverage,” says the head of IT at the Medical IT Services Centre, Helmut Greger. “We have around 120 server systems and 3,200 PCs connected throughout the clinic.”

During the implementation of this project, ZOM relied on Bechtle as one of their most important partners. On the one hand, Bechtle supplied around 1,000 new PCs, modern LCD displays and printers, on the other hand, Bechtle's technical staff handled the configuration, commissioning and a part of the integration of the PCs into the network.

IT Upgrading

Complex IT concepts such as these have a knock-on effect. Not only on the more than 2,200 clinics in Germany, but also on the entire sector of public authorities. Whether these are federal or local authorities, research institutions or schools – as far as IT is concerned, they're all up-grading at high speed. Bechtle recognized this development and in 2004 founded a separate company division. So-called ‘public sector customers’ Line of Business (LoB ÖA) combines the experience available with the Group and the experience dealing with a demanding market segment. It's a strategy that makes sense, especially in a highly competitive market.

Expertise regarding invitations to tender is in demand

Bechtle obtained the order for ZOM via an international invitation to tender. It wasn't easy. “You don't just sit down around a table and negotiate freely as one does in industry. Invitations to tender from public authorities are a very formal and complex but at the same time transparent process,” states Reiner Louis, the man responsible at Bechtle for ‘public sector customers’. Anyone can look up who has IT requirements, and what they are. The invitation to tender is public, the requirement profile is defined precisely. With this, the market does indeed have the

advantage of very high transparency, but also has to deal with the hurdle of considerable in dealing, especially for large orders extending across the whole of Europe. “We benefit from the fact that we have years of experience with it and have continuously built on it,” explains Reiner Louis.

Complex Subjects

Projects pointing to the future – such as electronic chip cards in the field of medicine – ensure that IT requirements continue to increase. “One has to bear in mind that, with regard to public sector customers, these are normally administrative organizations that are only able to deal with their immense amount of data in a cost-efficient manner if they have the most advanced technology available. This means that modern system infrastructures and process optimization are required,” explains Reiner Louis.

The size of the requirement is illustrated with another example from the Bechtle Group: deliveries of 10,300 PCs, 8,000 monitors, 5,400 laser printers for the Police Authority of the Federal land of Hesse, almost 10,300 flat screen monitors and more than 5,000 laser printers for the Regional Finance Office in Frankfurt – follow-up maintenance service included.

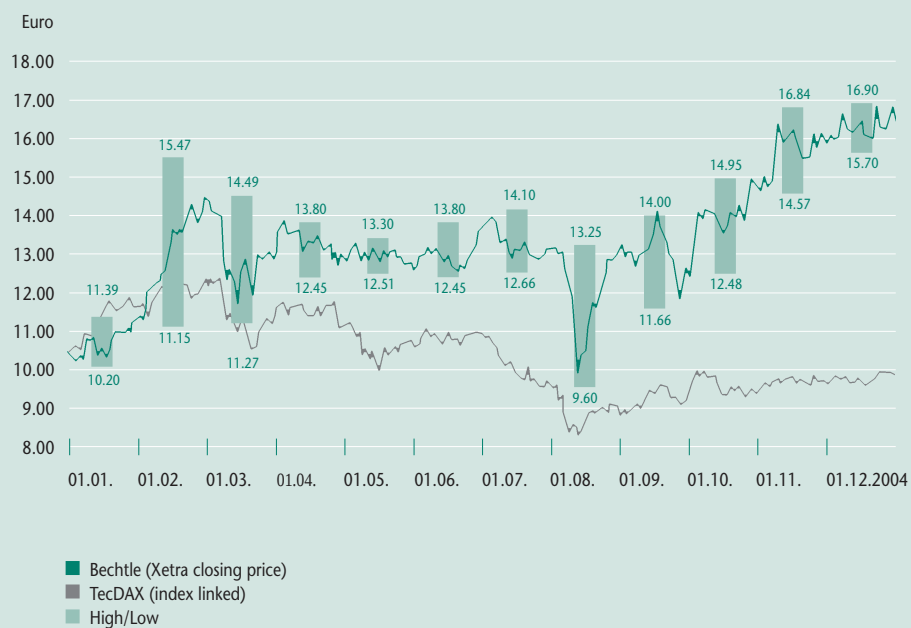
Concentration on the demand side

One further peculiarity is the grouping of large volumes of general framework contracts. This is the case even with individual institutions, such as ZOM for example, where the Medical IT Services Centre prepares all the invitations to tender in the IT field for the Würzburg University Clinic. However, the Regional Finance Office in Frankfurt also uses a central procurement organization with regard to invitations to tender: the Central Data Processing Agency for Hesse (HZD) which on a Federal land level issues invitations to tender.

“The tendency to centralize is growing. Public sector customers see it as a chance for a considerable reduction of their administrative costs,” says Reiner Louis. Anyone, therefore, whose only clients are individual public or local authorities, can find himself out of the running very quickly. Centralized procurement, decentralized action – “Bechtle's structure basically mirrors public sector customers,” says Reiner Louis. “Their concept corresponds to our business concept, because we control purchasing centrally via our logistics department in Neckarsulm, and this allows use to achieve attractive prices. And just like public authorities, administrative departments, schools or clinics, we are spread across a wide area with our system house network. This is an ideal prerequisite for a lasting partnership.”

+61.3% Success

The capital market has taken a fancy to Bechtle AG's business concept – and rewards its financial strength and operating results: the share price was up 61.3 percent during the year to 16.45 euros. Of all 30 companies listed on the TecDAX, the Bechtle share was the third best performer; of all the German index values in 2004, it ranked sixth.



The 2004 Stock Market Year: Bechtle outperforms all indices

For the German stock market, the year 2004 as a whole was positive and not particularly spectacular. Rising company profits and the upward trend of the global economic situation were offset by negative factors that were an obstacle to even better performance: in addition to the terrorist attacks in Madrid and continuing uncertainty in the Middle East, it was above all the combination of the development of oil prices, the downward trend of the dollar exchange rate and the strong rise of the euro that put undue pressure on the stock markets. In addition, investors' continuing aversion to risk slowed down stock market development.

Amongst the four most important German indices, the second and third tier again outperformed the German leading index: whilst DAX gained only 7.3 percent, the MDAX increased its index value by 20.3 percent, with SDAX growing by no less than by 21.6 percent. Only TecDAX, in which Bechtle is also listed, recorded a minus of 3.9 percent and high volatility.

Bechtle shares showing strong growth

For Bechtle, 2004 was again a good year on the stock market: For the second time running, share price development exceeded the performance of all German select indices. Share prices started with an initial quotation of 10.30 euros, which rose steadily to mid-2004. In August, however, the news of the effects of balance sheet irregularities at the subsidiary company PSB AG briefly led to a strong downturn in price, bottoming out on 12 August at 9.60 euros. Prices subsequently began to climb again, and during the final quarter in particular showed strong gains as a reaction to profitable business performance. On 22 December 2004, the share was once again quoted at its annual maximum of 16.90 euros. Bechtle's share closed the year at the stock exchange at 16.45 euros. Prices thus increased by 61.3 percent in 2004.

In view of the positive price performance and an increased number of shares, market capitalisation on a year-on-year comparison was up from 206.0 million euros to 348.7 million euros – an increase of 69.3 percent. In relation to the free float market, capitalisation increased by 75.2 percent from 94.8 million euros in the previous year to 166.1 million euros. In 2004, the liquidity of Bechtle shares (a total of 7.5 million shares traded) was 27.1 percent

Master data for Bechtle share

Type of share	No-par-value share
Stock exchanges	Frankfurt and all eight regional exchanges
Stock market segment	Prime Standard
Index	TecDAX
WKN	515 870
ISIN	DE 000 515 870 3
Reuters (Xetra)	BC8G.DE
Bloomberg	BC8
Date first quoted	30.03.2000

above the previous year's volume (5.9 million shares). Average daily sales increased from 23,498 in the previous year to 29,050. Total trading during the accounting year more than doubled and amounted to around 99.2 million euros, compared with 46.9 million euros in the previous year. According to statements made by the German Stock Exchange concerning the two key criteria, market capitalisation and trading volume, Bechtle shares ranked 21 and 30 on TecDAX at the end of 2004. At the end of the previous year, Bechtle was placed at 33 and 44. At the end of the accounting year, TecDAX weighting was 1.4 percent.

The Beta factor, also calculated by the German Stock Exchange and based on 250 days, was 0.6 at the end of the year. This figure shows that the Bechtle share had proved to be less susceptible to TecDAX fluctuations.

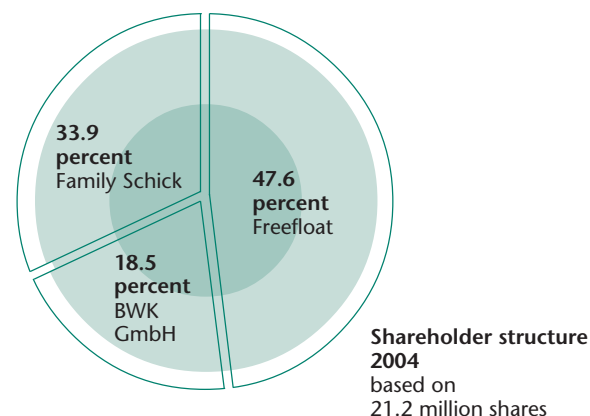
Admittance to TecDAX

The admittance to TecDAX in September was the highlight of the 2004 stock exchange year for Bechtle. Within the Prime Standard, Bechtle's share thus ranks amongst the 30 most important technology shares outside DAX. A listing on TecDAX ensures that there is clearly a greater awareness amongst institutional investors. Furthermore, many funds take their lead from the index, so that the Bechtle share will also have a chance of being included in these portfolios for the first time. Since January 2005, Bechtle has also been quoted on the new German Entrepreneurial Index (GEX). One of the conditions for inclusion is that companies have been quoted on the stock exchange for less than ten years and are run by a majority of owners holding between 25 and 75 percent of the voting rights.

Proposed dividend again increased

Annual studies show that most technology companies are still behaving with great restraint when it comes to dividend payouts. Since going public, Bechtle has continuously made dividend payments and has thus provided a positive contrast. It is also intended to let shareholders share in the company's business success by paying out a dividend in 2005. On the basis of improved net retained earnings in 2004, the Executive Board will submit a proposal to the Shareholder's General Meeting to be held on 22 June 2005 to increase the previous year's dividend of 0.30 euros to 0.40 euros. This is an increase of 33.3 percent. The amount of the payment thus rises by 2,1 million euros to 8,5 million euros. The dividend rate is 73.8 percent of Bechtle AG's net income for the year and 28.7 percent of the Group's net income for the year. For shareholders, this means a dividend yield of 2.4 percent in relation to the year-end rate.

Undiluted earnings per share (EPS) in the accounting year amounted to 1.40 euros. This calculation is based on an average of 21,052,459 million shares in circulation in 2004. Before extraordinary tax effect, EPS amounts to 1.23 euros. Seen on an annual basis, it corresponds to an increase of 34.2 percent. On the basis of 20.0 million shares, the EPS was 0.92 euros in the previous year.



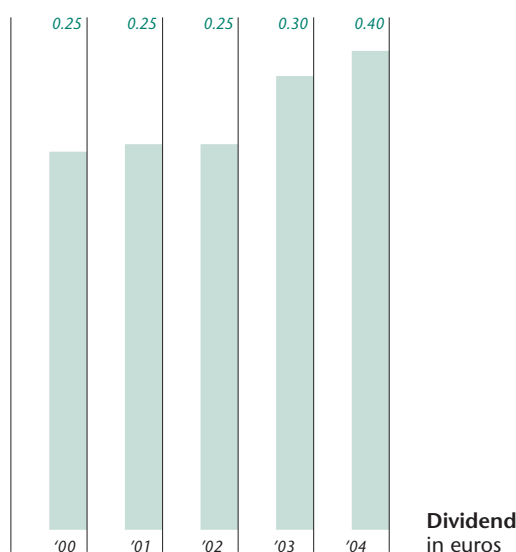
Share capital increased by 1 million euros

Due to the acquisition of ARP Datacon AG, Bechtle increased its capital by one million no-par-value shares in February 2004. Authorised capital increased from 20.2 million euros to 21.2 million euros as a result. The free float subsequently rose from 46.0 percent to 47.6 percent. It is spread over a wide and solid investor structure consisting of private shareholders and institutional investors in and outside Germany. Also contained in the free float are shares held by members of the Executive Board, totalling 1.7 percent. A total of 33.9 percent of the remaining shares is held by the Schick family; a further 18.5 percent is held by the holding company BWK GmbH.

Developing investor relations

National and international investors' and financial analysts' interest in Bechtle rose significantly in 2004, especially after admittance to TecDAX. In order to cope with the increased demand, Bechtle strengthened its communications with the capital market during the year. With regard to all investor relations, the company follows the principle of providing early, frank and comprehensive information. The most important rule is to provide all target groups with the same information at the same time.

One of the key tools used to shape the opinion of shareholders and investors is the recommendation of analysts. In 2004, a total of five banks reported regularly on Bechtle in detailed studies and brief analyses. This included for the first time Berenberg Bank and Citigroup, which took up coverage of Bechtle in 2004 and recommend purchase of the share. In addition, the Baden-Württembergische Bank, DZ Bank and the Landesbank Baden-Württemberg also keep Bechtle on their observation list. Altogether, bank analysts gave 25 valuations re-



garding Bechtle shares during the reporting year – 24 times “buy” or “overweight”.

Dialogue with institutional investors was also intensified during the accounting year. In two international roadshows and one national, the chairman of the Executive Board presented the business plan and company strategy at important financial centres in Germany, France and Switzerland. The aim was – and continues to be – increased dialogue with investors as well as winning over more German and foreign investors. The Executive Board also replies to questions from interested investment companies at separate meetings. Bechtle also accepted the invitation to attend capital market conferences and investor events organised by various banks and presented the company to interested banking representatives as well as private investors.

The most important event in 2004 was Bechtle AG's fourth Annual General Meeting on 11 June

2004 in Stuttgart. Around 440 shareholders attended, representing 70.5 percent of the voting capital. With a majority in each case of almost 100 percent, the meeting adopted all the proposals submitted by the Executive Board and the Supervisory Board.

An important fact when communicating with investors – especially with private shareholders – is Bechtle's presence on the Web. On the investor relations page we provide updated share prices and index charts, ad-hoc information and press releases, financial publications, announcements regarding corporate governance and directors' dealings, plus presentations. Each Monday, a weekly report shows the share price performance of the previous week and summarises the most important press and analysts' comments. The company's investor relations team is available for personal contact by e-mail or phone. Contact partners and data can be found in the business report.

Table of key share data

Shares entitled to dividend	no.
Year's opening price	euros
Year's closing price	euros
Year's high	euros
Year's low	euros
Year's performance (excl. dividend) – absolute	euros
Year's performance (excl. dividend) – percentage	%
Market capitalisation – total	million euros
Market capitalisation – free float weighted	million euros
Average trading volume per trading day	no.
Average trading volume per trading day	euros
Amount distributed	million euros

Details per share

EPS (U.S. GAAP)	euros
EPS – before extraordinary tax effect	euros
Cash dividend ¹⁾	euros
Dividend yield ²⁾	%
Cash flow from operational activities	euros
Price/Earnings ratio ²⁾	
Price / Earnings ratio before extraordinary item ²⁾	

¹⁾ 2004: Proposal to General Meeting

²⁾ Closing price at 30 December

2004	2003
21,200,000	20,200,000
10.30	6.60
16.45	10.20
16.90	10.40
9.60	6.20
+ 6.25	+ 3.60
+ 61.3	+ 54.5
348.7	206.0
166.1	94.8
29,050	23,498
385,930	185,386
6.36	5.05
1.4036	0.9171
1.2312	—
0.40	0.30
2.4	2.9
2.18	1.36
11.7	11.1
13.4	—



Corporate Governance at Bechtle

Corporate Governance means to manage and control business organisations with a sense of responsibility, while focusing on sustained value creation. Particularly in competition for customers, capital and the best employees on an international scale, comparable principles of good corporate management are gaining in importance. Bechtle is also involved in this competitive environment. The Supervisory Board and Executive Board welcome, therefore, the Corporate Governance Code. It includes in particular the strengthening of shareholders' rights, the provision of adequate transparency and reporting standards, and effective co-operation between the Executive Board and Supervisory Board. In essence, the purpose of Corporate Governance is to promote the trust and confidence of the investors, the financial market, the business partners and employees, and the general public, in the management and control of Bechtle AG. The Executive Board and Supervisory Board have always had a sense of commitment to creating and maintaining trust – even before the German Corporate Governance Code was established.

The two executive bodies, in accordance with Code 3.10, report jointly on the Corporate Governance at Bechtle, which is characterised by the following:

Shareholders' rights

The shareholders of Bechtle AG exercise their rights at the Annual General Meeting, including their right to vote. Each share carries one vote. The agenda for the Annual General Meeting, including the required reports and documents are published on the Bechtle website. Shareholders have the option of exercising their right to vote at the Annual General Meeting in person or by an authorised agent issued with a power of attorney or a proxy agent of the company bound by instructions. Bechtle also places a detailed report of the Annual General Meeting, complete with general debate, on its website.

Supervisory Board

The Supervisory Board of Bechtle AG consists of 12 members who are qualified in different specialised fields, including employees' representatives. The most important duties of the Supervisory Board include advising and supervising the Executive Board in its management of the Group. The Supervisory Board is involved in all decisions of fundamental importance to the company. For the

Supervisory Board to perform its duties responsibly, however, it is not necessary in Bechtle's view to add a variable, performance-related component to the remuneration approved by a resolution of the Annual General Meeting. No shareholders' representative on the Supervisory Board performed any additional personal services for the company in the year under review. The company's internal regulations stipulate an age limit of 70 for members of the Supervisory Board.

Executive Board

The Executive Board of Bechtle AG consists of three members. For the first time since it became an AG (public limited company), a change in the position of chief executive took place on the Bechtle Executive Board: Ralf Klenk, co-founder of the company and a member of the Executive Board since the company became an AG, succeeded Gerhard Schick on 22nd March as Chairman of the Executive Board. With Gerhard Marz and Jürgen Schäfer, two experienced and long-standing Bechtle Group executives were added to the Executive Board. The executive body prepares the Group's strategy and ensures that it is implemented. It is also responsible for providing an adequate risk controlling and management system throughout the Group. The Executive Board is also accountable for any deviations from business performance forecasts. The remuneration of the members of the Executive Board consists of a fixed and a variable component. The variable component is performance-related and is calculated on the basis of the pre-tax earnings of the Bechtle Group. There were no share option schemes or other share-based incentive schemes in 2004. The remuneration of the entire executive body is published in the notes to the Consolidated Financial Statements, broken down into fixed and variable components. In the case of the relatively small Executive Board, in the company's view, the disclosure of the total sum for the Executive Board's remuneration, with its break-down into a fixed and a variable component, provides a sufficiently high level of transparency. The company's internal regulations relating to the Executive Board stipulate an age limit of 65 for board members.

Co-operation between Executive Board and Supervisory Board

The basis for any effective corporate management is intensive, continuous and frank dialogue between the Executive Board and the Supervisory

Board. In the case of Bechtle, the 21 years of successful co-operation between the chairmen of the Supervisory Board and the Executive Board is ultimately the guarantee of an intensive exchange of information. The Executive Board reports to the Supervisory Board regularly, without delay and comprehensively on all issues of importance to corporate planning, strategy, business performance and corporate development, including the risk situation and risk management. Any deviations from forecasts and targets are discussed in depth. For important business matters, restrictions on approval are stipulated in the company's internal regulations.

The Executive Board and the Supervisory Board are required to perform their duties in accordance with generally recognised principles of management. If they are found guilty of violating their duty to use proper care and diligence, they can be held liable to Bechtle for damages. To cover such a risk, the company has taken out Executive Board and Supervisory Board members an asset liability insurance policy – so-called Directors & Officers liability insurance – with no deduction. Bechtle is not of the opinion that the sense of responsibility and motivation of the Supervisory Board and the Executive Board can be increased by means of a deduction. The members of both executive bodies do everything in their power to ensure Bechtle's well-being.

Avoidance of conflicts of interest

The members of the Executive Board and the Supervisory Board are required to perform their duties in the company's best interests and may not pursue their own personal interests in any decisions they take. Members of the Executive Board are required to disclose to the Supervisory Board any conflicts of interest without delay and to inform the other members of the Executive Board. In its report, the Supervisory Board shall inform the Annual General Meeting of any conflicts of interest that may have occurred and the consequences.

During their employment with Bechtle, the members of the Executive Board are subject to a comprehensive non-competition obligation. Taking on sideline activities – this includes Supervisory Board mandates outside the Group – requires the approval of the Supervisory Board. There were no conflicts of interest that could have arisen with customers, suppliers, lending banks or business partners in connection with the advisory or

executive work of a member of either the Supervisory Board or the Executive Board. All mandates of the members of the Executive Boards and Supervisory Board are published in this Annual Report.

Dealing with risks

Good corporate governance also includes dealing responsibly with risks. The pursuance of a systematic risk management approach within the Bechtle Group, therefore, helps to identify, assess and optimise risk exposure. The risk management system is continuously optimised, adapted to the changing conditions and examined by the auditors.

Improvement in transparency

Bechtle is involved in a continuous process of promoting open dialogue with the capital market and ensuring equal treatment of all participants. In addition, it is one of Bechtle's basic principles to make key information available to all interested market operators at the same time. All important financial information is therefore published simultaneously in German and English, and made available on the company's website.

Important dates, financial reports, press releases and presentations are also made accessible via the company's website. Bechtle also provides shareholders with information on the performance of the Bechtle share and important opinions from analysts and the media via a weekly report. Including the names of interested investors in a distribution list ensures that corporate publications will also be sent automatically.

Disclosure of share trading and changes in the shareholding structure

In accordance with Article 15a of the German Securities Trading Act (WpHG), members of the Executive Board and Supervisory Board must disclose the purchase or sale of Bechtle shares without delay if the transactions exceed the sum of 5,000 Euros until the end of calendar year. In the year under review, no member of the executive body performed such a purchase or sale. Bechtle publishes all transactions of this kind on its website under Directors' Dealings and in its quarterly reports. In the notes to the Annual Report and in the quarterly reports, Bechtle regularly indicates the shareholdings of the individual members of the executive body.

In accordance with Article 21 (1) of the German Securities Trading Act, Bechtle is also required to publish information on major changes to its shareholding structure, as soon as an investor's possession of voting rights in the company, as a result of purchase, sale or other means, reaches, exceeds or drops below 5, 10, 25, 50 or 75 percent. Bechtle publishes this information on the company's website and in an authorised journal for statutory stock market announcements following notification by the shareholder. In the year under review, Bechtle received no such notification.

Confidentiality obligation and insider trading

Members of the Executive Board and the Supervisory Board of Bechtle AG undertake not to disclose confidential information pertaining to the Group. They are also bound by the provisions of the German Securities Trading Act and therefore may neither pass on internal information to third parties nor use it as the basis for a decision to sell or buy Bechtle shares for themselves or other persons.

Reporting and audit of the Annual Financial Accounts

The Consolidated Financial Statements and the quarterly reports of Bechtle are audited in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP), while the Annual Financial Statement of Bechtle AG is prepared in accordance with the regulations of the German Commercial Code. Commencing in 2005, the Bechtle Group will prepare its accounts in accordance with International Financial Reporting Standards (IFRS), which then come into force. Bechtle is currently preparing to implement this very complex change in its accounting procedures.

Bechtle publishes its quarterly reports within the guideline period recommended by the German Corporate Governance Code for interim reports to be published with a maximum of 45 days after the end of the quarter. Bechtle's business report is accessible to the general public within a period of 90 days after the end of the financial year.

The auditors, Ernst & Young AG, in accordance with Code 7.2.1 of German Corporate Governance Code, have issued a statement of independence. This statement confirms that neither professional, nor personal or financial relations exist between the auditing company and the Bechtle Group that could establish doubt as to the auditor's independence. In addition, the auditing company was not involved in preparing the accounts nor in the preparation of Annual or Consolidated Financial Statements.

On 1 February 2005, the Executive Board and the Supervisory Board updated the Declaration of Compliance with the German Corporate Governance Code to its current version and made it permanently available to the shareholders on the Bechtle website:

Declaration of Compliance with the German Corporate Governance Code by the Executive Board and Supervisory Board of Bechtle AG, Neckarsulm, pursuant to § 161 AktG (German Companies Act)

1. The Executive Board and Supervisory Board of Bechtle AG hereby declare that the company has complied with recommendations of the Government Commission's German Corporate Governance Code published by the Federal Ministry of Justice in the official portion of the electronic federal gazette, amended May 21, 2003, with the exception of the following recommendations:

- a) Deduction in the case of a D&O (directors and officers' liability insurance) policy

In the case of the D&O liability insurance policy taken out by Bechtle AG for all the executive bodies of the company, in particular for the Executive Board and the Supervisory Board, no deduction is currently made. (Code 3.8.)

- b) Remuneration for members of the Executive Board

Bechtle AG has disclosed the remuneration for the members of the Executive Board in the notes to the Consolidated Financial Statements, divided into fixed and variable sums. Bechtle AG will also publish this disclosure in future, albeit not itemised (Code 4.2.4).

- c) Performance-related remuneration for members of the Supervisory Board, disclosure in the notes

Bechtle AG is of the opinion that all members of its Supervisory Board perform their duties with maximum commitment and willingness and with a view to the long-term success of the company even if no performance-related remuneration is provided. Bechtle AG, therefore, will not provide performance-related

remuneration for members of the Supervisory Board (Code 5.4.5).

2. The Executive Board and Supervisory Board of Bechtle AG moreover declare that the company will in future comply with the Government Commission's German Corporate Governance Code recommendations published by the Federal Ministry of Justice in the official portion of the electronic federal gazette, with the exception of the following recommendations:

- a) Deduction in the case of a D&O (directors and officers' liability insurance) policy

In the case of the D&O policy taken out by Bechtle AG for all the executive bodies of the company, in particular for the Executive Board and the Supervisory Board, no deductions are to be made. Bechtle AG believes that remuneration for the members of the Supervisory and Executive Board is calculated in such a way that the D&O insurance premium should be paid for in full by the company (Code 3.8).

- b) Remuneration for members of the Executive Board

The company will continue to disclose the remuneration for the members of the Executive Board in the notes to the Consolidated Financial Statements, divided into fixed and variable sums. This disclosure, however, will not be itemised (Code 4.2.4).

- c) Performance-related remuneration for members of the Supervisory Board

Bechtle AG is of the opinion that all members of its Supervisory Board will continue to perform their duties with maximum commitment and willingness and with a view to the long-term success of the company even if no performance-related remuneration is provided. There will be no performance-related remuneration provided in future, therefore, for members of the Supervisory Board (Code 5.4.5).

Neckarsulm, February 2005

Executive Board
Supervisory Board

Overall economic environment and market performance

Overall economic environment

With an increase in the gross domestic product (GDP) in 2004 of 4.8 percent in real terms, the global economy showed a marked improvement in performance compared with the previous year (3.0 percent). In the Eurozone, the overall economic performance in 2004 also showed a positive trend. GDP grew in comparison to the previous year by 2.0 percent. This figure, however, includes a positive working day effect of 0.3 percent. The growth driver in the Eurozone was again the strong foreign demand. Investments in particular also grew more in 2004 than initially expected. For the first time after three years of decline in this area, a noticeable increase of 1.5 percent was reported. The domestic economy in many member countries, however, did not really get going in 2004 – the expected turnaround in private consumption did not materialize. In addition, the repeated new record levels for the euro and the huge increases in the price of oil slowed down economic performance.

In 2004, the German economy's three-year stagnation phase came to an end. Overall, GDP had increased in real terms compared with the previous year by 1.6 percent. The key factor – despite the strength of the euro and the development of oil prices – had been a strong increase in exports of 8.5 percent, which was significantly above the growth in imports of 6.4 percent. The expected upswing in consumption, however, had not materialized. Private consumption, following a period of stagnation in the previous year, actually declined by 0.4 percent in 2004. The level of investment was also below expectations: For the year as a whole, there was a decline of 0.9 percent. From an economic viewpoint, however, the increase of investments in equipment and facilities of 1.2 percent was seen as a positive development, after having declined in the three years before. In the assessment of the German GDP, the unusually strong calendar effect however is also to be taken into account in the accounting year: As a result, there were 4.7 more working days available in Germany than in the previous year. Adjusted for the number of working days, the increase amounted to just 1.0 percent.

IT market

The IT market in Western Europe in 2004 followed

the upward trend in the economy and, according to data supplied by the IDC (International Data Corporation) market research institute, was up 2.3 percent in Western Europe after two years of decline. According to EITO (European Information Technology Observatory), the market volume in Western Europe amounted to approximately 293 billion euros. IT services, up 3.3 percent in the accounting year, were among the segments exhibiting the strongest growth. Further market drivers were areas such as IT outsourcing, system integration, convergence, system software, information logistics and security. However, sales of IT hardware also saw a turnaround in 2004.

In Germany, the IT market was still mixed. However, initial indications of a stronger willingness to invest became apparent in corporate IT. According to information from IDC and EITO, growth in 2004 was at 1.9 percent. The German Information and Telecommunications Industry Association Bitkom puts the volume for the German IT market at 66.2 billion euros – also up 1.9 percent on 2003. In the last few years, the economic situation in Germany, particularly for small and medium-sized businesses, had resulted in an overall reluctance to spend. Since the last major modernisation wave before the start of the new millennium, the restrictive spending policy led to an investment bottleneck in corporate IT that gradually began to disappear in 2004.

Among the system houses, the process of consolidation continued in 2004. In addition to the insolvencies, the takeover of numerous small to medium-sized companies was an indication of increasing M&A activity in the industry.

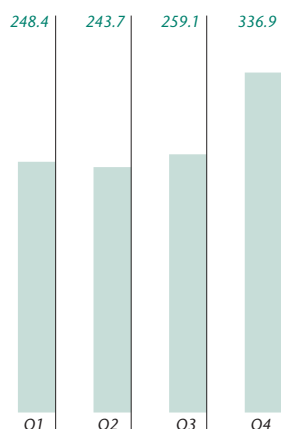
For all figures on the IT market, it must be realised that market research institutes and the industry association include the consumer market in their analyses. Bechtle, however, is involved in the B2B and B2G segment only and thus caters exclusively to customers from industry, the public sector and the financial market.

Business performance

Revenues and earnings

The Bechtle Group in 2004 delivered an excellent revenue and earnings performance. On the one hand, there was a noticeable increase in the willingness of companies to invest in Information Technology and IT services companies. On the

Quarterly revenues 2004 in million euros



other hand, Bechtle was able to benefit from the continuing process of consolidation among the German system houses and gain further market share.

In 2004, Bechtle topped the one billion euros mark in sales revenues for the first time. Group revenues at 1,088.1 million euros were 37.4 percent up on the previous year's level (791.9 million euros). Bechtle thus achieved the figure of one billion euros plus X forecast for the year as a whole.

In the 2004 quarterly reports, the final quarter, with sales revenues of 336.9 million euros, had a significant effect. It was well above expectations with this record figure – even for the fourth quarter, which is traditionally the strongest in the year. Revenues per employee at 8.7 percent improved significantly again in 2004. Based on an average of 2,996 employees (previous year: 2,342), it amounted to 363 thousand euros following 338 thousand euros in the previous year.

Growth in revenues has been positively influenced by the companies acquired in the accounting year. If these acquisitions are excluded, the Group shows an increase in revenues of 8.7 percent. This means that organic growth clearly outstripped the performance of the overall IT market.

The acquisitions in Switzerland have had a noticeable influence on the regional distribution of revenues: with 67.8 percent of Group revenues, approximately two thirds are accounted for by domestic business, with the foreign portion accounting for 32.2 percent. In the previous year, the ratio was 80.3 percent domestic and 19.7 percent foreign.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up 40.5 percent to 49.0 million euros. The EBITDA margin rose slightly from 4.4 percent to 4.5 percent. EBITA (excluding depreciation and amortisation of established clientele) amounted to 40.2 million euros, after 27.9 million euros in the previous year – up 43.8 percent. Depreciation and amortisation

of established clientele came to 1.6 million euros (previous year: 0.9 million euros). This increase is due exclusively to the companies acquired in the accounting year.

Depreciation and amortisation of intangible and tangible assets increased by 27.4 percent from 6.9 million euros to 8.8 million euros. This increase is related primarily to the move into the new Group head offices in Neckarsulm, which was fitted out with new office furniture and equipment, plus the Hybris IT platform for the Bechtle online shop that went live in 2003.

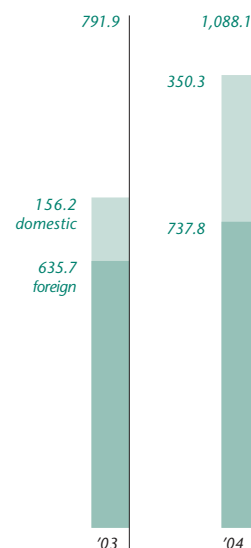
In connection with the move into the company's new head offices at the end of February 2004, Bechtle AG's registered office was also transferred from Gaildorf to Neckarsulm. The central finance department remains in Gaildorf.

Taking into account depreciation and amortisation amounting to a total of 10.5 million euros (previous year: 7.8 million euros), operating profit before interest and taxes (EBIT) amounts to 38.5 million euros (previous year: 27.1 million euros). This corresponds to an increase of 42.4 percent.

The net interest result of the Bechtle Group was minus 0.2 million euros (previous year: plus 0.2 million euros). Interest earnings amounting to 0.6 million euros were offset by interest expenditures of 0.8 million euros. The reduced figure was caused by the increase in liabilities to banks related to acquisitions.

Pre-tax earnings (EBT) well exceeded expectations and were up 40.7 percent to 38.3 million euros (previous year: 27.2 million euros). As a result, EBT was also above the forecast that had been corrected upwards from 34 to 35 million euros in November 2004. EBT – the key control size for the Bechtle Group – shows a higher growth rate than sales revenues in the financial year just ended. The EBT margin improved again, increasing from 3.4 percent to 3.5 percent. Bechtle's earnings power – compared with the ratio of pre-tax earnings to revenues – has thus more than doubled in the last four financial years. The increasing synergy effects and economies of scale from the combined business plan for system house and retail business are also reflected in the earnings performance. This is also a result of the lean business processes that were instrumental in optimising the cost structure. In addition, the

Revenues in million euros



EBT in million euros



Percentages are calculated on the basis of one thousand euros. Since the reference values are given in million euros, rounding differences can occur.

EPS in euros



growing willingness on the part of companies to invest has led to an improvement in the utilization of employees working in areas related to services.

Excluding the companies consolidated for the first time in the accounting year, EBT amounts to 29.5 million euros. This is equivalent to organic growth in earnings of 8.4 percent compared with the previous year.

Income tax expenses amounted to 12.4 million euros in the accounting year (previous year: 8.7 million euros), 80 percent of which were paid in Germany. The tax rate for 2004 rose slightly from 31.8 percent on 32.3 percent. In the previous year, the closure of subsidiaries in particular had led to an extraordinary tax benefit. Overall, however, the increasing foreign share of the operating result – especially from low taxed Switzerland – had a positive long-term effect on the tax rate for the Group as a whole.

Group net income for the year at 29.6 million euros was 60.9 percent higher than the previous year (18.4 million euros). This figure includes an extraordinary profit of 3.6 million euros from Swiss-based ARP Holding AG (ARP), Rotkreuz. The extraordinary profit originated as follows: the negative goodwill (negative consolidation difference) resulting from the acquisition of Swiss-based ALSO COMSYT AG, Dübendorf, increased as a result of the merger with Swiss-based ARP DATACON AG, Rotkreuz, that took place in the second quarter of 2004 due to deferred taxes. These resulted from ALSO COMSYT's income tax loss carryovers that had also become eligible for taxation for ARP DATACON due to the merger. ARP DATACON generated the profits necessary for the timely use of the loss carryovers with the required probability of occurrence specified in SFAS No. 141. The deferred taxes were fixed at 3.5 million euros after consultation with the relevant tax authorities and careful evaluation of the utilisation. Since it was thus no longer possible to offset the negative goodwill against the acquired assets in accordance with SFAS No. 141, it was to be entered into the profit and loss account as extraordinary income, together with a residual amount (0.1 million euros), amounting to a total of 3.6 million euros.

Taking into account the extraordinary income and on basis of the average number of 21,052,459 shares, the earnings per share (EPS) increased by 1.40 euros. Adjusted for the extraordinary income,

the EPS amounts to 1.23 euros. This is equivalent to 34.2 percent growth compared with the previous year. EPS in 2003 were 0.92 euros (basis: 20,024,556 shares).

Fa. Bechtle, the central profitability key figure is the return on equity (net profit in relation to shareholders' equity). This figure shows the amount the shareholders' capital was paid interest on. The annual rate of return improved in 2004 on the basis of the extraordinary net profit from 10.2 percent to 13.8 percent. Before extraordinary gain it went up to 12.1 percent.

The dividend payment is based on the separate financial statement of Bechtle AG, which shows retained earnings for the year amounting to 8.48 million euros for the 2004 financial year. At the Annual General Meeting, the Executive Board and the Supervisory Board will propose the payment of a dividend of 0.40 euros per share, following 0.30 euros in the previous year. The number of the shares eligible for dividend payment amounts to 21.2 million. In the previous year, the sum paid amounted to 6.36 million euros. This means that Bechtle will increase the payment to stockholders in the accounting year by 33.3 percent.

Segment report

Bechtle does business in both the IT system house and IT eCommerce segments. The business strategy is thus a combination of system house services with the direct sale of IT retail products by catalogue and online shop on our website. Customers primarily include regional and the high-end small and medium-sized companies, public sector agents and banks.

IT system house

Bechtle provides system house customers with a range of products and services extending from IT strategic consultancy the supply of hardware and software, project planning and implementation, system integration and maintenance down to staff training. The Group currently has around 60 locations in a system house network that provides virtually full coverage in Germany and Switzerland.

The system house segment system in 2004, with an average of 2,526 employees (previous year: 2,073 employees), generated revenues amounting to 730.0 million euros (previous year: 603.0 million

Return on equity in percent



euros) to record an increase of 21.1 percent over the previous year. Bechtle thus achieved 67.1 percent of the consolidated sales revenues with its system house business. Sales revenues per employee increased from 268 thousand euros to 289 thousand euros.

The segment revenues include a total of 61.4 million euros generated by the companies acquired in the 2004 financial year. This includes in Germany, on a pro rata basis in each case, profiCAD Gesellschaft für professionelle CAD/CAM-Systeme und Netzwerke mbH, Hamburg, acquired on 1 September and SGB Servicegesellschaft für Geld- und Banksysteme mbH, Aalen, also acquired on 1 September. Outside Germany, the Swiss-based companies ALSO COMSYT AG, Dübendorf (since 1 February) and Gate Informatic AG, Berne (since 1 August) have contributed to the sales revenues in the IT system house segment.

To provide a better comparison with the previous year, it is necessary to take into account the fact that PSB AG and MVis Informationssysteme GmbH, which were acquired in 2003, were fully consolidated in the Group Financial Statements for the first time in the accounting year. In the previous year, due to the time of purchase, only nine months were included in the Bechtle Group Financial Statements. They accounted for a total sales volume of 89.4 million euros in 2004, whereas in the previous year, on a pro rata basis, it had been 77.6 million euros.

Organic growth in the IT system house segment came to 7.5 percent and was thus much better than the performance achieved by the overall market. In the previous year, growth had resulted solely from acquisitions. Bechtle system houses in 2004 benefited not only from the slight improvement in willingness of companies to invest once again in IT products and services, but also from the continuing process of consolidation among the German system houses. In this situation, in addition to the Group's product and services portfolio, its presence that provided virtually full coverage in Germany and Switzerland offered benefits in gaining market share.

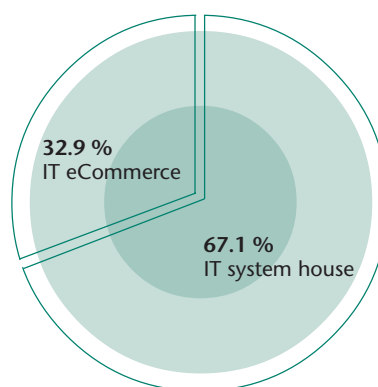
Adjusted for depreciation and amortisation, EBITDA increased by 9.3 percent from 24.1 million euros to 26.4 million euros. The EBITDA margin with a slight declining trend, increased by 3.6 percent compared with 4.0 percent in the previous

year. EBITA recorded an increase of 8.1 percent to 18.6 million euros. Adjusted for depreciation and amortisation of established clientele, EBITA was up 9.0 percent from 17.9 million euros to 19.5 million euros.

Earnings before interest and tax (EBIT) for the IT system house segment increased 8.1 percent in 2004 to 18.6 million euros (previous year: 17.2 million euros). The EBIT margin dropped from 2.8 percent to 2.5 percent. The reduction essentially results from handling larger projects that had lower margins.

IT eCommerce

In its second business segment, Bechtle offers direct sales of some 22,000 IT products to its customers by catalogue and via the company's website. The Group operates its own local companies in the nine key European markets. Following the acquisition of the Swiss-based market leader in IT eCommerce, ARP, on 1 January 2004, the Group entered the market for the first time with the two brands — *Bechtle direct* and *ARP DATACON*.



Apportionment of revenue according to the segments as at 31.12.2004

The Bechtle Group achieved IT retail business revenues amounting to 358.2 million euros in the accounting year (previous year: 189.0 million euros). The significant increase of 89.5 percent is due primarily to the acquisition of ARP. Accordingly, the major part of the first-time consolidated sales at 140.4 million euros were accounted for by the Swiss subsidiary. However, the Group recorded strong growth through its own efforts in the accounting year. Organic growth amounts to 12.5 percent. In 2004, Bechtle employed on average 470 employees (previous

year: 269 employees) in eCommerce. Revenues per employees were up 8.5 percent to 762 thousand euros (previous year: 702 thousand euros).

In the accounting year, Bechtle increased the segment's revenues in all nine countries in some cases quite substantially. Excluding acquisitions, revenues declined in Switzerland only, at 7.2 percent.

To provide a better comparison with the previous year, the first-time full consolidation of the PSB subsidiary TomTech Gesellschaft für EDV und Büroorganisation mbH (TomTech), Langenselbold, which was acquired in 2003, is taken into account. In the previous year, due to the time of purchase, only nine months were included in Bechtle Consolidated Financial Statements. In 2004, TomTech accounted for revenues of 18.2 million euros, whereas in 2003, the pro rata figure had been 13.2 million euros.

EBITDA more than doubled, rising from 10.7 million euros to 22.6 million euros. The EBITDA margin increased from 5.7 percent to 6.3 percent. EBITA was also more than the double, increasing from 9.9 million euros to 19.9 million euros. Excluding depreciation and amortisation of established clientele, there was an increase of 105.9 percent to 20.6 million euros (previous year: 10.0 million euros).

Operating income (EBIT) recorded growth of 102.0 percent from 9.9 million euros to 19.9 million euros. The EBIT margin also performed well, rising from 5.2 percent to 5.6 percent. The reason is the first-time consolidation of ARP, the portfolio of which focuses on accessories with higher margins. The Swiss subsidiary contributed an EBIT of 9.0 million euros to the Group result.

Investments and financing

Investments totalled 31.8 million euros, with 22.5 million euros accounted for by acquisitions. Additions from acquisitions at 18.0 million euros involved intangible assets, including mainly goodwill, customer bases and brands. The remaining investments amounting to 9.3 million euros have virtually doubled compared with investments in the previous year of 4.9 million euros.

The increase of investments is based primarily on a doubling of the tangible asset investments, which amounted to 7.0 million euros in the accounting year. This was a result of purchases of furniture and equipment in Neckarsulm related to the new Group head offices. At all other company locations, investments involved scheduled expenditure for the replacement of individual equipment and facilities and new investments in tangible and intangible assets. In the financial year, investments were offset by 10.5 million euros in depreciation and amortisation. They were thus 34.1 percent above the previous year's level (7.9 million euros). Asset disposals with a net book value of 2.1 million euros basically involve obsolete and replaced business furniture and equipment.

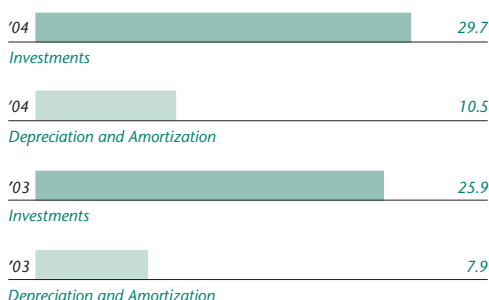
Investments led to a total cash outflow of 38.8 million euros. They were financed to a large extent with long-term loans amounting to 21.0 million euros and a capital increase with cash inflows amounting to 10.0 million euros.

Cash flow from operating activities increased by 67.5 percent from 27.5 million euros to 46.1 million euros. The increase results essentially from the significantly higher net income for the period.

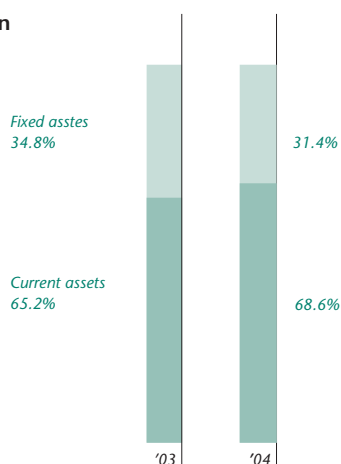
Asset and capital structure

Liquid funds, including marketable securities, virtually doubled, despite high investments. They amounted to 65.8 million euros at the end of the year, after 33.7 million euros in the previous year. This is equivalent to an increase of 95.3 percent. This due on the one hand to the significant increase in profits from the accounting year. On the other hand, it must be realised that the acquisition of ARP was financed largely by loans and, at the time of purchase, ARP held liquid funds and marketable securities amounting to 22.8 million euros. The percentage of liquid funds

Investments and depreciations
(related to tangible and intangible assets)
in million euros



Breakdown of assets in percent

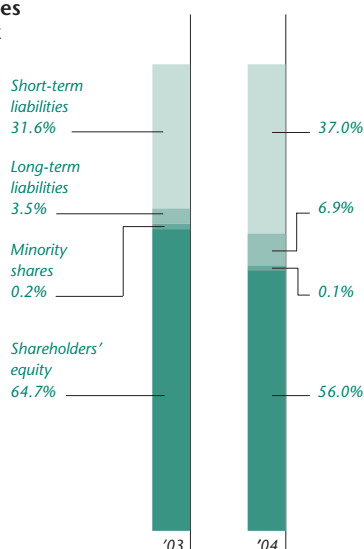


(including marketable securities) included in the total assets increased by comparison with 12.1 percent in the previous year to 17.3 percent. Together with free credit lines amounting to 40.8 million euros, the Bechtle Group has sound liquidity reserves that have grown compared with the previous year, that provide sufficient room for further expansion and future acquisitions.

Current assets, due mainly to the expansion of the scope of consolidation, increased by 44.1 percent to 261.5 million euros (previous year: 179.0 million euros). This figure includes 142.5 million euros (previous year: 106.2 million euros) accounted for by trade accounts receivable that, due to the strong final quarter, are significantly above the quarterly reporting date levels during the year.

As a result of the larger increase in current assets compared with total assets due to acquisitions, the assets ratio (percentage of fixed assets to total assets) was down, despite a higher fixed assets figure in absolute terms. It dropped from 34.8 percent to 31.4 percent. The percentage of current assets has increased accordingly, and now amounts to 68.6 percent compared with 65.2 percent in the previous year.

Breakdown of liabilities in percent



The increase in short-term liabilities from 88.0 million euros to 141.1 million euros is due primarily to the expansion of the scope of consolidation.

The increase in long-term liabilities from 9.6 million euros to 26.1 million euros results essentially from the increase in long-term loans related to the acquisition of ARP.

Shareholders' equity rose in the accounting year by 18.4 percent from 180.2 million euros to 213.5 million euros. A positive influence on equity capital was the net income for the year of 29.5 million euros; dividend payments amounting to 6.4 million euros on the other hand had a diminishing effect. In addition, the capital increase completed in January 2004 is to be taken into account, which led to an increase in the share capital of 1.0 million euros to 21.2 million euros and to an increase in capital reserves of 9.0 million euros. As a result of the increase in total assets, however, the shareholders' equity expressed as a percentage of assets dropped from 64.7 percent to what is still a very sound 56.0 percent.

The gearing ratio of the Bechtle Group (ratio of borrowed capital to equity capital) amounted to 44.0 percent in 2004, following 35.3 percent in the previous year.

Procurement and logistics

The procurement of hardware and software for all German system houses and Bechtle direct is carried out essentially from a central department at the company's base in Neckarsulm. With the exception of Spain and the UK, the Group has also combined the purchasing department for all other companies involved in IT eCommerce in the centralised Logistics & Services organisational unit. ARP, which was acquired in 2004, also has its own warehousing facilities in Switzerland.

In terms of procurement, the Bechtle Group focuses on eProcurement. The company purchases its products from all the key manufacturers and distributors in IT industry. Europe-wide, there are

over 270 manufacturers and more than 140 distributors. Bechtle is able to compensate at short notice if one partner cannot meet deliveries with other suppliers.

Bechtle has developed a unique European logistics concept with fully electronic, cross-border ordering and delivery processes. As a result, the Group has its own product and pricing system, as well as a standardised product database with automatic calculation of local prices that can be accessed by all companies throughout Europe.

Every night, the so-called European price system (EPS) updates over 1.3 million price and availability details from IT manufacturers and distributors.

Anyone capable of guaranteeing immediate delivery of a product anywhere in Europe and offering the most favourable price is chosen as the source of supply when the product is ordered. The central European database contains approximately 22,000 products, each with country-specific specifications. Both system house customers IT eCommerce customers access this system. Bechtle achieves considerable price and cost benefits in procurement as a result of high volume sales and lean processes.

At the same time, the use of fulfilment partners keeps stock levels down and subsequently the risk of devaluation of the IT product portfolio that features short innovation cycles. Outside Germany, virtually all orders are handled directly by the local manufacturers or distributors themselves based on the „fulfilment principle“ to ensure delivery of the ordered product is made within 24 hours. In Germany, a steadily growing percentage of orders is now placed by Bechtle's partners via standardized interfaces in order to provide customers with support, if possible, the following day. In 2004, the fulfilment quota Group-wide in Germany was 23 percent; around 40 percent was accounted for by IT eCommerce.

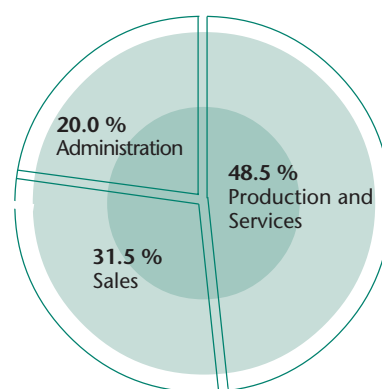
Stocks are maintained almost exclusively of products required for customer support - and not subject to extreme price decline – such as products that must be available at all times for project businesses, e.g. PCs, printers and monitors. To guarantee stock levels, Bechtle concludes stock protection agreements with manufacturers that guarantees reimbursement in the event of price changes within a specified time frame, if necessary. In addition, the extremely high stock rotation rate reduces the risk of devaluation considerably: In

2004, the entire stock was rotated 37 times; in the previous year, there had been a rotation factor of 42.

The purchasing and logistics process throughout the entire group is controlled electronically by the materials management system. Bechtle employs standards, for example, that not only give the company a competitive advantage, but can also be extended very simply to include new Group companies. The concept ensures smooth and rapid integration of newly acquired companies, that are able to access the entire Bechtle system within just a few weeks and benefit very quickly from the synergy effects and economies of scale.

Employees

On the accounting date, 31.12.2004, the Bechtle Group had 3,178 employees, compared with 2,515 in the previous year. The workforce had thus increased by 663 employees or 26.4 percent. On average, 2,996 employees (not including trainees) were employed Group-wide in the accounting year. This corresponds to an increase of 654 employees or 27.9 percent. As in the previous year, the increase in the Group's workforce is almost exclusively the result of acquisitions completed in 2004.



**Employees
by activity
as at 31.12.2004**

In Germany, the number of employees at the end of the year had increased by only 1.4 percent from 2,288 to 2,320. In particular as a result of the first-time consolidation of Swiss-based ARP and ALSO Comsynt, however, the number of employees outside Germany had risen significantly from 227 in the previous year to 858. There are 698

employees in Switzerland alone. Overall, 73.0 percent of the workforce is employed in Germany and 27.0 percent in other European countries. In the previous year, the ratio was still at 90.0 percent for Germany and 10.0 percent abroad.

Classified on the basis of job categories, there were 1,544 employees on the accounting date in production and services, 999 employees in sales and 635 in administration. In a review of the segments, 2,685 employees are assigned to the IT system houses and 493 employees to eCommerce. Compared with the previous year, this represents an increase of 19.2 percent in the IT system house segment and 87.5 percent in IT eCommerce. Once again, this is due primarily to the acquisition of Swiss-based ARP in 2004, the key focus of which is on IT eCommerce.

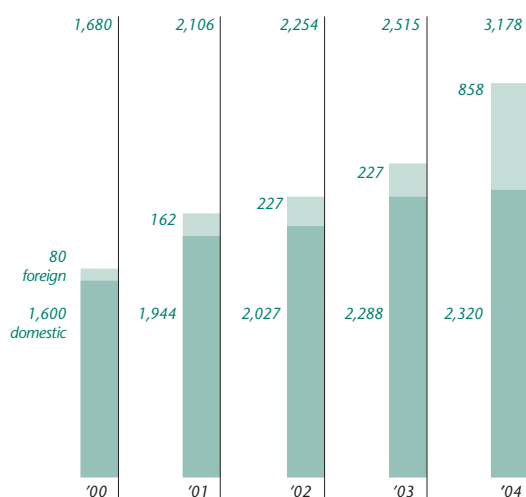
Expenditure for wages and salaries, including social security contributions, was up 36.8 percent in 2004 due to the increase in the number of employees. As a result, personnel costs amounted to 155.7 million euros, compared with 113.8 million euros in the previous year, increasing at a disproportionately low rate compared with revenues, so that the personnel cost ratio improved slightly from 14.4 percent on 14.3 percent. The personnel cost ratio based on gross income dropped from 59.4 percent to 58.6 percent. A key element of Bechtle's personnel policy is a fair and coherent pay system. For this reason, performance-related components are important modules of the

salary scheme, while the amount of the variable pay components is based on individual performance and achieving specific goals. This scheme applies to all employees in managerial positions and sales personnel throughout the Group.

With 172 trainees in 2004, there had never been so many young people receiving vocational skills at Bechtle before. It means that the trainee quota has now reached a quite significant 5.4 percent. A large number of the trainee posts are for IT specialists, IT system electronics technicians and IT system support specialists. Bechtle provides Group-wide training in a total of 20 occupations. Trainees also include students at the Bechtle Academy, where courses are offered in business information technology and information technology engineering. In the accounting year, Bechtle continued its tradition of offering all trainees a permanent job in the Group after successful completion of their studies.

As a technology company, Bechtle focuses on demand-driven further training for its employees with internal and external specialist seminars and product training courses. The company's central seminar programme is run by the Bechtle Academy that was founded in 1998. In 2004, the main focus of the seminars was on sales-related topics such as Bechtle's sales strategy, bios® sales strategy and the sales of IT services. The training programme provided by the Bechtle Academy also includes so-called soft skill training courses designed to develop the communications and organisational skills that are especially important for gaining new customers and for project management.

No. of employees



For new employees at all company locations, Bechtle has developed Mikado, a program that covers the most important business processes in compact form, presents information on the company's business strategy and corporate guidelines, and allows users to familiarise themselves with the central application programs. Bechtle uses Mikado to help newcomers to develop networking thinking and cooperation within the Group from the moment they join the company. In the accounting year, the academy also advanced the use of the „learning organization“ as an effective in-house training tool that exploits existing know-how intelligently. To achieve this aim, Bechtle specifically draws on the experience and expertise of internal advisers: it means that executive staff and other company employees provide training for their own colleagues in their special fields. This

approach reduces seminar costs, while promoting the internal transfer of knowledge. Overall, some 47 percent more seminars were held in the accounting year than in the previous year. Over 3,000 members of staff attended 259 training courses. In the previous year, there had been around 2,300 participants in 176 courses.

Risk report

Risk management

As an IT system house and service provider, Bechtle is exposed to a number of risks that are inseparably connected with entrepreneurial action. It is part of the Bechtle corporate culture to exploit opportunities with a heightened awareness of the risks involved.

In accordance with Article 91 (2) of the German Companies Act, the Executive Board has a monitoring system in place for the early identification, assessment and correct handling of risks. This risk management system is an integral component of the planning, control, and reporting process. The controlling and finance department performs all the information, control and monitoring tasks for the Bechtle Group.

An important controlling tool is the monthly analysis of the contribution margin generated by the materials handling system and the financial accounting system. Controlling prepares internal reports based on the business data from the consolidated companies to inform the Executive Board in advance and comprehensively on possible risks in the day-to-day running of the company. The financial accounts of all companies within the Bechtle Group – with the exception of ARP's companies, Bechtle direct Ltd., Chippenham in the UK, and TomTech – are stored on data media in the central finance department, in most cases in Gaildorf. This enhances the transparency of the financial situation and simplifies the preparation of Group, quarterly, and annual reports. Further components of Bechtle's risk management system include procedures to identify risks at an early stage and reporting channels to inform the Executive Board of early warning indicators required for decision-making purposes. Bechtle has laid down the procedures for dealing with risks in an internal risk management guide.

Each year, the auditors examine the performance and effectiveness of the risk management system

as well as its continuous development and integration into the business processes.

Business environment and sector risks

Product innovations and margins

The IT market is characterised by strong competition in both the retail business and services sector. Significant deterioration in the general economic situation tends to result in companies exhibiting a reluctance to invest. Products also have a short life cycle and are subject to pressure on margins. Bechtle counters this development by continuously optimising its procurement, fulfilment, and sales processes. The fundamental principle is to purchase products shortly before they are scheduled for delivery to the customer or to employ distributors as fulfilment partners. To prevent bottlenecks in view of the extremely stringent approach to stockholding, the procurement processes are closely linked to the systems of the manufacturers and distributors. This guarantees high availability and provides the customer with a fast delivery service.

Customer independence

Bechtle has a very broad customer base, which ensures that its business viability is not dependent in any way on one customer.

Risks from acquisitions

The Bechtle Group will continue to strengthen its market position through acquisitions. There is a fundamental risk in any decision to acquire and integrate another company into the organisation. The possibility that the expectations placed in the company do not materialise cannot be completely excluded. Bechtle covers this risk by performing a comprehensive and careful due diligence. The preparation, completion and monitoring of acquisitions takes place in accordance with clearly defined regulations covering areas of responsibility and approval processes. In addition, the management has many years' experience to draw on in the acquisition and integration of companies and has set up the structures necessary to deal with the processes involved. The rapid growth of the Bechtle Group and the integration of new employees into the organisation as a result of the acquisitions also tie up personnel and organisational resources during the integration phase. On the other hand, these risks are offset by enormous business opportunities for the further development of the Group. All five acquisition completed last

year took place in Germany and the German-speaking part of Switzerland.

Supplier dependence

Bechtle purchases its products from all the best known manufacturers and distributors in the IT industry: Europe-wide, this means over 270 manufacturers and more than 140 distributors. If one partner is not able to supply the required products, Bechtle is capable of offering substitute products at short notice. The Group is not dependent, either financially or in terms of its business viability, on any supplier. Compaq-Hewlett Packard merger, however, has had a major impact. Any disruption of business relations could affect Bechtle's business performance. There are currently no indications, however, of such a situation arising.

Warranty and liability risks

In the IT system house segment, Bechtle has a contractual obligation, as is customary in this business sector, to provide a warranty for the systems it supplies. Under such a warranty, Bechtle passes on the manufacturers' guarantees to the customer. This warranty does not affect the purchaser's statutory warranty rights. The risk associated with meeting customer claims – without recourse to the manufacturers – is considered to be relatively low. To the extent that Bechtle provides its own services and accepts a warranty obligation for such services, a liability insurance provides Bechtle with sufficient cover.

IT risks

There are fundamental IT risks associated with both the operation of computer-driven databases and the use of materials handling, controlling and financial planning systems. An availability risk could arise, for example, if the performance of systems that are necessary for smooth operation can no longer be guaranteed. This could be due to hardware failure, user error or faults in data processing systems. By comparison, the probability and extent of damage due to viruses and hackers cannot be assessed. Unauthorised access to the IT system could also lead to a confidentiality risk. As far as can be ascertained, there is no integrity risk at Bechtle that could arise as a result of incorrect operation, loss of data or faulty storage of data. Bechtle protects the systems using a variety of methods, including the most advanced firewalls and stringent security regulations. The availability of Bechtle's systems is consistent with the state-of-the-art technology employed. Bechtle safeguards

the operation of the systems with redundant data lines. All company locations are connected to the network via backup lines. Bechtle uses a number of providers with a mutual backup function to ensure the stability of the eCommerce systems. All the key production systems are duplicated and covered by a high availability contract from the manufacturer. The systems are also protected by means of an uninterruptible power supply and a standby emergency generator.

Financial risks

Credit risks

Bechtle reduces credit risks by concluding transactions within fixed limits and only with banks with a good credit rating. Payment transactions are also processed via such banks.

Liquidity risks

In order to comply with payment commitments, sufficient liquidity must be available at all times. In view of the current financial situation of the Bechtle Group, with liquid funds and investments marketable securities amounting to 65.8 million euros, unallocated credit lines amounting to 40.8 million euros, and a positive cash flow from current business operations amounting to 46.1 million euros, a liquidity risk is unlikely.

Risks of non-payment

In the system house and eCommerce segment, Bechtle supplies goods to the customer on account. In principle, non-payment can occur in the event of the customer's insolvency. Extremely strict central financial control and constant credit checks minimise risk at Bechtle.

Foreign currency risks

Bechtle is exposed to very minor foreign currency risk. Procurement takes place almost exclusively in Eurozone countries on the basis of euros. Only in extremely rare exceptions are purchases made in dollars.

Legal risks

As an international Group, Bechtle must comply with different national laws. For legal transactions – such as drawing up contracts – risks can arise that Bechtle overcomes if necessary with the assistance of legal advisers. The company is not involved in any legal action that is likely to have a substantial detrimental effect on the consolidated income.

Personnel risks

Bechtle's financial success is dependent to a large extent on the dedication and know-how of its employees. The aim, therefore, is to attract qualified specialists and executives to the company, to integrate them into the organisation successfully, and to ensure long-term employee commitment. As a result of the high level of consolidation on the IT market, there is currently no shortage of well trained sales staff and IT specialists. Moreover, Bechtle is perceived in the industry as an attractive employer, which can ultimately be seen in the dramatic increase in highly qualified and experienced applicants.

Overall risk

In addition to the numerous business opportunities that present themselves, like any other international company, Bechtle is also exposed to risks. To summarise, it can be stated that priority at Bechtle is given to the market risk caused by investment cycles that are tied to the economy. Internal tasks and business processes are carefully controlled by Bechtle and are therefore less prone to risk. Detailed planning and control processes – which also include daily analyses of the business performance – limit the risk for Bechtle.

The overall assessment of the risks and the risk management system in use has shown that the existing risks are limited and manageable, and that the risk management system is effective.

Events after the balance sheet date

For the period between the balance sheet date and the date on which this report was prepared, the following events of particular significance occurred: on 15th February 2005, Bechtle AG, as the majority shareholder, petitioned the Executive Board of PSB AG to launch a so-called squeeze-out process. Under this process, the shareholders' meeting is to pass a resolution to transfer the shares of the remaining minority PSB investors to Bechtle in return for an appropriate cash settlement. At the time of preparing this report, 98.3 percent of PSB's equity is owned by Bechtle AG. The remaining 1.7 percent (61,257 shares) of a total of 3,614,164 PSB shares are currently in the hands of individual investors. The shareholders of PSB AG will decide at the next shareholders' meeting, which is yet to be called, whether or not the share transfer will take place. In making such a move, Bechtle is looking to complete the successful integration of

PSB into the Group and thus save costs associated with stock exchange listing. In 2003 a squeeze-out that had been initiated was not completed at Bechtle's request.

Prospects

Business environment

According to economic research institutes, the global economy in 2005, with an increase of between 3.5 and 4.1 percent, is growing at a somewhat slower rate than in the previous year. For the Eurozone, a moderate economic growth is also predicted. The extremely favourable financing terms, an improved earnings situation and increased efficiency of business enterprises following restructuring programmes is expected to favour investments. Consumer spending is also likely to increase slightly. On the other hand, an excessively high exchange rate between the euro and the dollar could have a dampening effect. Overall, economic growth in the Eurozone is expected to be around 1.8 percent in 2005.

In Germany, added stimulus from abroad should gradually have a positive effect on the domestic economy. In the assessment of the institutes, investments will gather impetus in the current year. Private consumption, on the other hand, is likely to grow somewhat hesitantly in 2005 again, in view of the continuing uncertainty of consumers. The leading economic research institutes expect GDP in Germany in 2005 to fluctuate between 0.8 and 1.8 percent. The divergent figures result, among other things, from the different assumptions relating to the performance of the euro and the oil price. In addition, there are still no reliable indications of trends in domestic demand.

IT market

For 2005, industry analysts expect IT expenditure to increase. In Western Europe, according to EITO, the market should grow more strongly than in the previous year. The institute expects an increase of 4.2 percent to a volume of some 306 billion euros. For Germany, 4.1 percent growth is forecast. Bitkom, the German association for information technology, telecommunications and new media, also expects an increase on the German IT market of approximately 4 percent to 68.8 billion euros. The market research institute IDC has an even more optimistic picture of the IT market in Germany and predicts growth of 6.1 percent for the current year. By 2008, the market is expected to grow at a compounded annual growth rate of 5.8

percent. It must be noted, however, that these figures also include the consumer market. In the business segment that is relevant for Bechtle, Bechtle's Executive Board expects a growth of around 3 percent in 2005.

The sales revenue driver in the business environment remains the replacement and updating of existing IT systems. At the same time, the pressure to invest that was already felt in the previous year is likely to increase even further. After companies had been forced to reduce their IT expenditure drastically from 2000 onwards, the systems have now reached or exceeded their average life cycle and must be updated. In addition, following the cost-saving and rationalisation programmes introduced several years ago, companies are once again on a course of expansion and need a modern IT infrastructure to carry it through. According to a survey conducted by the market research institute Forrester Research, 38 percent of German companies in 2005 want to invest more in IT than in the previous year. The general opinion of a number of different surveys is that investments planned by small to medium-sized businesses involve both hardware and software.

A vehicle for further growth on the IT market is also the increasing importance of eBusiness, particularly for small to medium-sized businesses. This applies not only to online retail business, but also to the closed IT-supported process chain for contacts to customers and business partners. According to information supplied by Bitkom, 40 percent of small to medium-sized businesses plan to increase investments in eBusiness in 2005. Improvements in IT security is yet another key issue for companies in general. According to the market research institutes, the Basel Capital Accord (Basle II), which comes into force on 1st January 2007, is likely to result in more investments going into a stable and state-of-the-art IT environment with high security standards. Additionally, the current doubling of data volume on average every twelve months makes investments in high-performance storage technologies a necessity.

In the IT services field, IDC analysts expect an average, annual increase of 4.3 percent in Germany by 2008. At the same time, high-growth segments such as IT outsourcing and system integration in particular are expected to boost the development of the IT services market.

Bechtle's business performance

The company also intends to benefit in the current financial year from the continuing consolidation of the German system houses. At the end of February 2005, following MVS Mikrocomputer GmbH, Bielefeld, a CMCS system house group company, IBEX AG, Augsburg, and Taskarena AG, Unna, along with ECS Electronic Computer Service AG, Hamburg, in the previous year, yet another small to medium-sized system house group has submitted an insolvency application.

Corporate strategy, the purpose of which is to secure the market position in the long term, is designed primarily to increase market share with the long-term goal of increasing earnings. In the short-term, therefore, integration costs can arise that will have a negative effect on the result.

Again in 2005, the possibility of acquisitions in Germany and abroad that, in addition to expanding coverage, could also enhance Bechtle's range of services, cannot be excluded. However, the Executive Board does not expect any corporate acquisitions on a similar level to that of the financial year just ended.

Taking into account the companies acquired in 2004, the predicted upswing on the IT market and the gain in further market share, Bechtle expects for the 2005 financial year a growth in revenues significantly above the performance of the market. In pre-tax earnings, the company also expects to see a further improvement.

In 2005, Bechtle intends to further increase the earnings per share, so as both to increase corporate value and to maintain continuity in the dividend payment. In calculating the dividend payment, Bechtle will also take into account in future the shareholders' claim for a direct share in the business success and the financing required for further corporate growth.

Neckarsulm, in March 2005
Bechtle AG

The Executive Board

Ralf Klenk
Gerhard Marz
Jürgen Schäfer

Consolidated Financial Statements

as at 31 December 2004

Consolidated Profit and Loss Account in accordance with U.S. GAAP from 1 January to 31 December 2004 (2003)

	Notes	1.1. to 31.12.2004 TEuro	1.1. to 31.12.2003 TEuro
Revenues		1,088,133	791,907
Cost of revenues		939,053	685,715
Gross profit		149,080	106,192
Selling and marketing expenses		59,948	41,807
General and administrative expenses		56,832	42,999
Other operating income	(13)	6,209	5,665
Operating income		38,509	27,051
Interest income and expenses	(14)	-183	188
Other financial result		0	1
Result before income taxes (and minority interest)		38,326	27,240
Income tax	(15)	12,373	8,669
Result before minority interest		25,953	18,571
Minority interest		-35	-206
Net income before extraordinary gain		25,918	18,365
Extraordinary gain	(16)	3,631	0
Net income		29,549	18,365
Net income per share (basic) Euro		1.4036	0.9171
Net income per share (diluted) Euro		1.4036	0.9171
Weighted average shares outstanding (basic)		21,052	20,025
Weighted average shares outstanding (diluted)		21,052	20,025

The attached notes are integral constituent of the financial statement.

Consolidated Balance Sheet in accordance with U.S. GAAP

as at 31 December 2004 (2003)

Assets	Notes	31.12.2004 TEuro	31.12.2003 TEuro
Current assets			
Cash and cash equivalents	(1)	61,497	33,694
Short-term investments / marketable securities	(2)	4,296	0
Trade accounts receivable, net	(3)	142,462	106,186
Inventories	(4)	36,541	28,962
Deferred tax assets	(15)	2,721	2,267
Prepaid expenses and other current assets	(5)	13,970	10,469
Total current assets		261,487	181,578
Non current assets			
Tangible assets, net		14,480	11,848
Intangible assets, net	(6)	17,654	11,760
Goodwill, net	(7)	81,495	69,513
Loans	(8)	1,625	441
Deferred tax assets	(15)	4,380	3,344
Total non current assets		119,634	96,906
Total assets		381,121	278,484

Liabilities and shareholders' equity	Notes	31.12.2004 TEuro	31.12.2003 TEuro
Current liabilities			
Short-term loan and current portion of long-term loan		6,854	3,647
Trade accounts payable		75,323	42,669
Advance payments received		3,931	3,423
Accrued expenses	(9)	29,454	21,487
Income tax payable		5,714	3,229
Deferred tax liabilities	(15)	576	946
Other current liabilities	(10)	15,440	8,953
Deferred income		3,768	3,678
Total current liabilities		141,060	88,032
Non current liabilities			
Long-term loan, less current portion	(11)	20,387	6,161
Deferred income		213	87
Accrued expenses	(9)	340	808
Deferred tax liabilities	(15)	5,166	2,558
Total non current liabilities		26,106	9,614
Minority interest		505	614
Shareholders' equity	(12)		
Share capital		21,200	20,200
21,200,000 shares issued with par value of Euro 1,00			
Additional paid-in capital		143,454	134,515
Retained earnings		49,258	26,069
Accumulated other comprehensive income / loss		-462	-560
Total shareholders' equity		213,450	180,224
Total liabilities and shareholders' equity		381,121	278,484

The attached notes are integral constituent of the financial statement.

Statement of changes in shareholders' equity in accordance with U.S. GAAP

from 1 January to 31 December 2004 (2003)

	Number of ordinary shares issued	Share capital TEuro	Additional paid-in capital TEuro
Shareholders' equity as at 1 January 2003	20,200,000	20,200	134,554
Purchase of treasury stock			
Sales of treasury stock			104
Dividens paid 2002			
Net Income 31.12.2003			
Granted stock options			-143
Exchange adjustments			
Adjustments for financial derivatives			
Shareholders' equity as at 31 December 2003	20,200,000	20,200	134,515
Shareholders' equity as at 1 January 2004	20,200,000	20,200	134,515
Capital increase	1,000,000	1,000	9,000
Dividends paid 2003			
Transfer into revenue reserves			
Net income 31.12.2004			
Granted stock options			-37
Costs of capital increase			-24
Exchange adjustments			
Adjustments for available-for-sale securities			
Adjustments for financial derivatives			
Shareholders' equity as at 31 December 2004	21,200,000	21,200	143,454

The attached notes are integral constituent of the financial statement.

Treasury stock	Retained earnings	Retained earnings	Accumulated other	Total	Comprehensive	Tax effect
	Cumulative results	Revenues reserves	comprehensive income/loss	shareholders' equity	income	
TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
-3,327	6,749	6,005	32	164,213	11,887	
-2,289				-2,289		
5,616				5,720		
	-5,050			-5,050		
	18,365			18,365	18,365	
				-143		
			-655	-655	-655	-251
			63	63	63	29
0	20,064	6,005	-560	180,224	17,773	
0	20,064	6,005	-560	180,224	17,773	
				10,000		
	-6,360			-6,360		
	-3,003	3,003				
	29,549			29,549	29,549	
				-37		
				-24		-14
			164	164	164	63
			-63	-63	-63	-11
			-3	-3	-3	-8
0	40,250	9,008	-462	213,450	29,647	

Consolidated Cash Flow Statement to the Annual Accounts in accordance with U.S. GAAP

from 1 January to 31 December 2004 (2003)

	1 January to 31 Dec 2004 TEuro	1 January to 31 dec 2003 TEuro
Cash Flow from operating activities		
Net income	29,549	18,365
Extraordinary gain	-3,631	0
Net income before extraordinary gain	25,918	18,365
Adjustments for:		
Depreciation and amortization	10,456	7,797
Increase in provisions and accruals	9,983	3,114
Losses / gains on the disposal of fixed assets	575	-241
Increase in deferred taxation on the debit side	-957	318
Decrease in deferred taxation on the assets side	3,383	1,221
Increase in working capital	-3,147	-2,827
Personnel costs of granted stock options	-37	-143
Others	-59	-69
Net cash provided by operating activities	46,115	27,535
Cash Flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-28,877	-23,822
Proceeds from disposal of a subsidiary, net of cash transferred	-8,508	-4,861
Purchase of property, plant and equipment	1,017	1,253
Erwerb von Finanzanlagen	-832	0
Proceeds from sale of equipment	521	0
Investment in financial assets	-2,153	0
Net cash used in investing activities	-38,832	-27,430
Cash Flow from financing activities		
Issuance of share capital	9,976	0
Purchase of treasury stock	0	-2,288
Sales of treasury stock	0	5,631
Proceeds from short or long-term borrowings	21,023	0
Cash repayments of amounts borrowed	-4,238	-2,491
Dividend payments	-6,360	-5,050
Net cash provided by (used in) financing activities	20,401	-4,198
Net effect of currency translation in cash and cash equivalents	185	-143
Adjustments for unrealized gains / losses from financial derivatives	-3	63
Adjustments for unrealized gains / losses from short-term securities	-63	0
Increase / Decrease in cash and cash equivalents	27,803	-4,173
Cash and cash equivalents at beginning of period	33,694	37,867
Cash and cash equivalents at end of period	61,497	33,694

The attached notes are integral constituent of the financial statement.

Notes to the Consolidated Financial Statements

2004 Financial Year



Notes to the Consolidated Financial Statements (U.S. GAAP)

for the 2004 Financial Year

I. Financial Areas and Basic Company Information

The legal form of the Company was changed in May 1999 from Bechtle GmbH into Bechtle Aktiengesellschaft (hereinafter referred to as "Bechtle" or "the Company"), and on 30 March 2000 the shares of the Company were offered for trading on the Neuer Markt of the Frankfurt Stock Exchange. The shares were also traded on the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. The Company is listed under International Securities Identification Number (ISIN) DE0005158703.

The business in which Bechtle AG and the principal subsidiary companies included in the consolidated financial statements are involved is the distribution of IT and communication product applications including the necessary components (hardware and software), training courses, organization and application consultancy services, project management and the preparation of expert appraisals in the field of computer applications.

The business in which the parent company is involved also includes the acquisition, management and sale of shareholdings in other companies, plus the assumption of the personal liability and management of retail companies. The Company is also involved in financing, the handling of centralized purchasing, accounting, warehousing, marketing, personnel management and training for the employees of companies within the group.

II. Summary of Key Accounting, Valuation and Consolidation Principles

The German companies within the group have prepared their accounts and records in accordance with the provisions contained in the German Commercial Code (HGB). Foreign companies within the group have prepared their accounts and records in accordance with the local provisions. German commercial law and the local accounting principles applied in the foreign companies within the group deviate in key aspects from the United States Generally Accepted Accounting Principles (US GAAP). Any adjustments that were necessary to complete the financial statements in accordance with US GAAP have been made.

An adjustment to show a comparative valuation of the balance sheet items as at 31 December 2003 to take into account the effects of changes in PSB AG's annual accounts was not made for reasons of materiality. We refer to our statements on this point under III.7. Goodwill.

Consolidation Principles

As a listed company, the parent company has made use of the provisions provided by Article 292a sections 1 and 2 of the German Commercial Code to prepare exempted consolidated financial statements on the balance sheet date in accordance with US GAAP.

Intragroup profits and losses, revenues, expenses and income, plus accounts payable and liabilities have been eliminated.

The capital consolidation of subsidiary companies included in the consolidated financial statements is based on the purchase method of accounting in accordance with Statement of Accounting Standards (SFAS) No. 141 by offsetting the acquisition cost against the proportionate share of equity acquired by the parent company in the subsidiary undertaking at the time of acquisition or first-time consolidation. Differences arising between the acquisition cost and the pro-rata equity are capitalized as goodwill.

The consolidated profit and loss account includes the earnings of the acquired companies from the time of the actual acquisition.

The consolidated financial statements were prepared on the reporting date of the parent company's annual accounts. The financial year of the Company ends on 31 December. All references to the financial year are based on a 12-month period ending on 31 December of the year under review. Subsidiary companies included in the consolidation close their accounts on the same reporting date.

Scope of Consolidation

The scope of consolidation includes Bechtle AG, Neckarsulm, and all its majority owned and controlled subsidiaries. Bechtle AG holds all shares in all of its affiliated companies directly or indirectly via the intermediate holding company Bechtle Beteiligungs-GmbH, Gaildorf and ARP Holding AG, Rotkreuz, Switzerland. An exception is PSB AG für Programmierung und Systemberatung, Ober-Mörlen (PSB AG) and its subsidiary companies, in which Bechtle AG has a direct or indirect 95.5 percent shareholding.

The following companies were acquired during the accounting period and included in the scope of consolidation for the first time:

Company	Registered Office	Date of first-time consolidation	Acquisition/ Founded
ARP Holding AG *)	Rotkreuz, Switzerland	01.01.2004	Acquisition
ALSO COMSYT AG	Dübendorf, Switzerland	01.02.2004	Acquisition
Bechtle Data GmbH & Co. KG	Darmstadt	01.06.2004	Founded
Gate Informatic AG	Bern, Switzerland	01.08.2004	Acquisition
profiCAD Gesellschaft für professionelle CAD/CAM-Systeme and Netzwerke mbH	Hamburg	01.09.2004	Acquisition
SGB Servicegesellschaft für Geld- und Banksysteme mbH	Aalen	30.09.2004	Acquisition

*) incl. subsidiaries

The complete list of shareholdings will be submitted to the Commercial Register with the annual accounts of Bechtle AG.

Use of Estimates

The preparation of the consolidated financial statements requires the Executive Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements. The actual results may differ, therefore, from the estimated figures.

Restructuring

Individual figures from the previous year have been adjusted to match current figures.

Revenue Recognition

Revenues are transacted in the segments system house and eCommerce. A distinction is made between service provision and products.

The revenues are recorded after service has been rendered or after acceptance by the customer, with consideration given to revenues deductions.

Earnings and associated expenses are recorded independently of the underlying cash flows.

Revenues from maintenance contracts are collected on a pro rata temporis basis over the term of the contract.

For software maintenance contracts and warranty extensions, deferred income amounting to TEuro 3,981 (previous year: TEuro 3,765) was posted to the balance sheet and written back over the average term of the contracts.

Advertising Expenses

Expenditure for advertising and sales promotion activities are recorded as expenses as they are incurred. In the year under review TEuro 3,224 (previous year: TEuro 1,083) were included in the profit and loss account.

Shipping Costs

Costs relating to the delivery of products to customers are shown as sales, marketing and distribution expenses

Research and Development Costs

With the exception of the development costs incurred in connection with the development of self-used or commercial software, no significant research and development costs were incurred. In this regard, we refer to our notes to homegrown software.

Marketable Securities

Marketable securities are classified as "available for sale" and thus valued at market value.

Cash and Cash Equivalents

The cash assets include current credit with banks and cash balances, as well as financial investments that can be translated into cash at short notice with original maturity dates of three months or less from date of acquisition.

Inventories

Merchandise is valued at the average purchasing prices or the lower market prices. All recognizable inventory risks arising in connection with restricted usability or obsolescence are covered by appropriate markdowns. Reductions in value were made for items that were not readily marketable.

Tangible Assets

Tangible assets are stated at cost of purchase less accrued depreciation. Assets are depreciated over their estimated useful lifetime using planned depreciation methods based on the maximum annual rates approved by the tax authorities.

The useful lifetimes are as follows:

Office equipment:	3 - 5 years
Business equipment and fittings:	5 - 10 years
Vehicle fleet:	3 - 6 years
Buildings:	25 - 50 years

In line with German accounting practice, low-value tangible assets with an acquisition cost of less than Euro 410 in a total amount of TEuro 946 (previous year: TEuro 223) are fully depreciated in the year of acquisition. They are simultaneously treated as disposals in changes in group tangible assets.

Maintenance costs are accounted for with effect on income at the time incurred.

Intangible Assets and Goodwill

Intangible Assets

Intangible assets include established clientele and brands, plus bought-in and homegrown software, as well as service contracts.

Established Clientele

Established clientele are valued at cost of purchase. Established clientele acquired as part of corporate acquisitions are reported in accordance with SFAS 141 and valued at an amount that represents the benefit to be obtained from the clientele. Established clientele are depreciated on a straight-line basis over a period dependent on the expected use for the Company. It is generally assumed that customer relations are of a long-term nature. The expected useful life is between five and twelve years.

Brands

Brand name rights acquired as part of corporate acquisitions are reported in accordance with SFAS 141 and valued at an amount that represents the benefit to be obtained from the brand name rights. An unlimited useful life is assumed.

Bought-In Software and Online Shop

Bought-in software is valued at cost of purchase and depreciated on a straight-line basis over a useful life of three to five years. In the case of the online shop, this involves bought-in software.

Homegrown Software

Homegrown software can be intended for sale to third parties or used by the Company itself.

In either case, capitalization of the costs is dependent on when the point of technical feasibility is attained. The costs arising in the period before technical feasibility is attained are to be included immediately under expenditure as development costs.

The capitalization of homegrown software intended for sale to third parties is regulated by SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". According to this statement, technical feasibility is established when the program design, i.e. all functions, features and performance requirements have reached the production stage.

The capitalization of software intended for internal use is regulated by statement No. 98-1, "Accounting for the Costs of Computer Software developed or obtained for internal use". According to this statement, technical feasibility is established only if the management has authorized the software project, has provided the necessary funds, and it is likely that the project will be completed and the software used for the purpose intended.

From the time technical feasibility has been established until the time the software is market-ready or software development has been finalized, all costs are to be capitalized, i.e. essentially the costs for programming and testing.

In either case, staff labour costs are subject to capitalization in as far as they can be assigned directly to the project. Overhead costs related to the project are not subject to capitalization.

These capitalized costs are depreciated on a straight-line basis over a useful life of three to five years.

Service Contracts

Service contracts are valued at cost of purchase. Service contracts acquired as part of corporate acquisitions are reported in accordance with SFAS 141 and valued at an amount that represents the benefit to be obtained from the service contracts. Service contracts are depreciated over the remaining time to maturity in accordance with the benefit to be obtained from them.

Goodwill

Bechtle applies the Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets", published in June 2001 by the Financial Accounting Standards Board (FASB), with effect 01 January 2002.

According to SFAS No. 142, goodwill is no longer to be regularly amortized over its useful economic life, but is to be reviewed for impairment at least once a year in a two-stage process. This so-called 'impairment test' is based on the market value and takes place on the level of so-called 'reporting units', which correspond either to the segments or to a level below. If the first stage of the impairment test reveals the market value of a reporting unit to be lower than its book value, including any assigned goodwill, there is then a potential devaluation need, the amount of which is then to be calculated in the second stage of the impairment test.

Bechtle carried out the initial impairment test during the first application of the new standards in the 2002 financial year and the annual impairment test in 2004. Two reporting units were identified, which are identical with the system house and eCommerce segments from the segment report. The impairment test, which was carried out using the discounted cash flow method, did not reveal the need for devaluation for either of the reporting units in either 2004 or in the previous years.

Goodwill was depreciated with effect 31 December 2001 as scheduled over 15 years.

Impairment of Fixed Assets

The Company values its assets in accordance with SFAS No. 144 "Accounting for the Impairment of Disposal of Long-Lived Assets".

According to this statement, assets and certain intangible assets must be assessed for impairment if events or changes occur that can result in reduced recoverability. The recoverability of assets designated to remain in the hands of the Company is determined by comparing the book values of the asset with the estimated future influx of funds generated by the asset. The depreciation requirement corresponds to the amount by which the book value of the asset exceeds the fair value. Assets that no longer serve the needs of the business are valued at book value or lower realizable value less costs of disposal.

Stock Option Programme

Stock option programme are accounted for in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation". Accordingly, the fair value of the options is accounted for as personnel expenses on a pro rata basis over the retention period by means of a balancing entry in the capital reserves.

Treasury Stock

Treasury stock to the amount of the acquisition costs is reported separately as a reduction in shareholders' equity. The number of outstanding, i.e. publicly held shares of the Company, is reduced according to the number of shares held in treasury stock. The number of emitted shares remains unchanged. Gains or losses arising from the resale of treasury stock were offset against the capital reserves.

Financial Derivatives

Derivative financial instruments are employed by Bechtle for hedging purposes only. The Company uses interest swaps to reduce the interest rate fluctuation risk related to interest on bank borrowing. According to SFAS No. 133, "Accounting for Derivative Instrument and Hedging Activities", including the amendments to SFAS No. 137, "Accounting of Derivative Instrument and Hedging Activities – Deferred of the Effective Date of FASB Statement No. 133" and SFAS No. 138, "Accounting for certain Derivative Instrument and certain Hedging Activities", all derivative financial instruments must be accounted for at their market value as either assets or liabilities. In the case of any interest swaps of the Company to be classified as a cash flow hedge, the changes in the fair market value of the financial derivatives are reported under shareholders' equity as 'Other Comprehensive Income' after deduction of deferred taxes. The market value of interest swaps is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current market interest rates and the yield curve.

Currency and Translation of Foreign Currency

The accounts of Bechtle's subsidiaries are prepared in the local currency.

Assets and liabilities are translated into euros, which is our reporting currency, at the mean exchange rate prevailing at the reporting date. Shareholders' equity is computed on the basis of historical rates of exchange. Revenue and expense accounts were translated at month-end average rates of exchange. Differences arising from the use of different exchange rates are recorded under "Other Comprehensive Income" as a separate component of shareholders' equity. Differences arising from fluctuations in exchange rates are reported with an effect on net income. In the year under review, a total of TEuro 328 (previous year: TEuro 31 booked to expenses) has been booked to income.

Preparation of Profit and Loss Account using the Cost-of-Sales Method

The profit and loss account is prepared using the cost-of-sales method.

Income Tax

The Company calculates income taxes using the balance sheet oriented approach adopted in SFAS No. 109. Accordingly, deferred tax assets and liabilities are included in order to take account of future tax effects resulting from differences between assets/liabilities reported in the financial statements prepared in accordance with U.S. GAAP, in addition to their respective tax bases and tax loss carryforwards. The calculation is based on the tax rates valid in the year of reversal. Changes in the tax rate are taken into account in the year in which the change in the law becomes effective.

Comprehensive Income

SFAS No. 130 "Reporting Comprehensive Income" requires companies applying the standard to report comprehensive income and its component parts, net income and other comprehensive income separately in their annual accounts. Other comprehensive income includes revenues, expenses, profits and losses not included in net income. Both other comprehensive income and comprehensive income are disclosed in the consolidated statements of changes in shareholders' equity.

Earnings Per Share

Earnings per share were calculated according to SFAS No. 128, "Earnings per Share". SFAS No. 128 stipulates that earnings per share (or EPS) be disclosed for all companies that have issued ordinary shares. Ordinary EPS is net income divided by the weighted average of the unpaid ordinary shares.

New Accounting Standards

On 24 November 2004, the Financial Accounting Standards Board issued SFAS No. 151, which amends the guidance in ARB 43, Chapter 4 on "Inventory Pricing". The new standard defines the costs to be included when evaluating inventory and specifies that abnormal amounts of costs, e.g. idle production capacity, double freight costs, etc. should be recognized as period costs. The new standard also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities.

This new standard has no significant importance or consequences for Bechtle.

Corporate Governance

Bechtle AG publishes a declaration of compliance with the German Corporate Governance Code pursuant to Article 161 of the German Companies Act. The most recently updated declaration is published on the Company's website.

III. Further Notes to the Balance Sheet and Profit and Loss Account

1. Cash and Cash Equivalents / Available-for-sale Securities

Of the cash assets shown in the accounts as at 31.12.2004 totalling TEuro 61,497, a sum of TEuro 2,020 was pledged as collateral for a liability of the same amount relating to a corporate acquisition payment.

2. Marketable Securities

	31.12.2004 TEuro	Previous year TEuro
Purchase costs	4,359	0
Market and fair value	4,296	0
Accrued interest	23	0
Unrealized gains	54	0
Unrealized losses	-117	0

3. Trade Accounts Receivable

To cover the general credit risk, appropriate valuation adjustments will be made based on past experience.

	31.12.2004 TEuro	Previous year TEuro
Trade outstanding invoices	145,685	107,596
Valuation adjustments	3,223	1,410
	142,462	106,186

Concentration of credit risks

Accounts receivable by the Company are unsecured, and the Company therefore bears the risk of non-payment of these amounts. In the past, the Company had to absorb minor defaults on payments by individual customers or groups of customers.

During the accounting period, there were no individual customer revenues exceeding five percent of total revenues.

4. Inventories

The Company's stock comprises retail goods and spare/replacement parts required to fulfil maintenance contracts.

	31.12.2004 TEuro	Previous year TEuro
Inventories	38,790	29,791
Valuation adjustments	2,249	829
	36,541	28,962

5. Prepaid Expenses and Other Current Assets

	31.12.2004 TEuro	Previous year TEuro
Expected bonuses and advertising cost contributions	4,127	3,183
Tax rebate claims	3,894	2,634
Credit notes outstanding	1,774	1,558
Accounts receivable from suppliers	1,388	349
Accounts receivable from personnel	53	338
Accounts receivable from leasing companies	0	1,233
Other	1,074	826
Other current assets	12,310	10,121
Prepaid expenses	1,660	789
	13,970	10,910
Prepaid expenses and other current assets	13,970	10,469

6. Intangible Assets

	31.12.2004 TEuro	Previous year TEuro
Established clientele	11,082	7,391
Brands	2,750	0
Online shop	1,511	2,363
Homegrown software	333	716
Service contracts	272	0
Advance payments	0	137
Other intangible assets	1,706	1,153
	17,654	11,760

Established clientele	31.12.2004 TEuro
Book value (31.12.2004)	11,082
Amortization period (weighted average)	9.9 years
Cumulative depreciations	3,119
Expenses for period (01.01.-31.12.2004)	1,618

Homegrown software	31.12.2004 TEuro	Previous year TEuro
Book value as at 01.01.	716	735
Additions	0	427
Depreciations during the accounting period	383	446
Book value as at 31.12.	333	716

Future depreciation of intangible assets amounts to TEuro 14,904.

Financial year	TEuro
2005	3,843
2006	3,092
2007	1,889
2008	1,688
2009	1,689
Over 5 years	2,703
Total depreciations	14,904

7. Goodwill

As at 31 December 2004, Bechtle had recorded goodwill amounting to TEuro 81,495 in the accounts. This includes the balance as at 31 December 2003 (TEuro 69,513), newly acquired goodwill resulting from corporate acquisitions in the 2004 financial year (TEuro 8,734) and currency conversion differences (TEuro 58), plus subsequent adjustments to the acquisitions price (TEuro 40). The increase in goodwill (TEuro 3,150) that remains is due to the change in the first-time consolidation of PSB AG and their subsidiary companies that was acquired in the previous year and the associated adjustment of a disposal from a sale of 50,000 PSB AG shares at the end of 2003. The revaluation of the first-time consolidation

had become necessary due to the changes made to PSB AG's consolidated financial statements for the 2001 to 2003 financial years.

As a result of the revaluation, the acquisition of PSB AG and all subsidiary companies at the time of the first-time consolidation on 31.03.2003, including minority interest was recorded in the accounts as follows:

First-time consolidation 31.03.2003	After revaluation (Status: 31.12.2004) TEuro	Prior to revaluation (Status: 31.12.2003) TEuro	Change TEuro
Current assets			
Inventories	5,755	7,657	-1,902
Accounts receivable	15,025	15,025	0
Deferred tax assets	1,761	1,761	0
Other current assets	3,049	3,042	7
	25,590	27,485	-1,895
Non-current assets			
Tangible assets	5,186	5,186	0
Established clientele	2,574	2,905	-331
Goodwill	13,260	10,070	3,190
Other intangible assets	828	828	0
Deferred tax assets	1,693	1,024	669
	23,541	20,013	3,528
Total assets	49,131	47,498	1,633
Current liabilities			
Loans	6,663	6,663	0
Trade accounts payable	7,674	7,674	0
Deferred tax liabilities	652	271	381
Other current liabilities	9,578	8,224	1,354
	24,567	22,832	1,735
Non-current liabilities			
Deferred tax liabilities	1,221	1,221	0
Other non-current liabilities	155	155	0
	1,376	1,376	0
Total liabilities	25,943	24,208	1,735
Minority interests	278	380	-102
Total assets - Total liabilities - Total minority interest =	22,910	22,910	0

As a result of the correction to the first-time consolidation in 2003, there was also an insignificant effect on the net income for 2003. This was entered into the profit and loss account 2004.

8. Loans

Loans (TEuro 1,625) include tax-privileged job creation reserves in Switzerland, which are deposited on a blocked bank account (TEuro 806), and a loan made to a selected investment and leasing company (TEuro 819), which was recorded in the accounts in the previous year under Other assets (previous year: TEuro 441).

9. Accrued expenses

Accrued expenses	31.12.2004 TEuro	Previous year TEuro
Commissions	5,817	2,050
Remunerations	3,021	1,756
Holiday payments	949	745
Other personnel expenses	1,744	2,650
Personnel	11,531	7,201
Outstanding invoices	8,395	10,404
Guarantees	1,856	705
Legal and consultation costs	1,209	728
Restructuring	813	980
Customer bonuses	605	438
Other accrued expenses	5,385	1,839
	29,794	22,295
Current accrued expenses	29,454	21,487
Non-current accrued expenses	340	808

10. Other Current Liabilities

	31.12.2004 TEuro	Previous year TEuro
Turnover tax	5,910	3,584
Social security payments	3,318	2,698
Amounts payable under purchase contracts	2,020	0
Wage tax and church tax	1,798	1,840
Liabilities to customers	944	0
Unrealized losses from financial derivatives	198	188
Other	1,252	643
	15,440	8,953

11. Long-Term Loans, Less Short-Term Portion

	31.12.2004 TEuro	Previous year TEuro
Deutsche Bank		
– loan to acquire ARP Holding AG	13,167	0
Baden-Württembergische Bank		
– Loan to acquire the System House Division of Eurodis Switzerland AG	6,220	7,701
– Loan to finance Bechtle GmbH & Co, KG, Darmstadt	0	355
Sparkasse Schwäbisch Hall - Crailsheim		
– Loan to acquire ARP Holding AG	6,486	0
– Other loans	0	194
Südwestbank AG	0	13
Long-term loans, total	25,873	8,263
Short-term portion	5,486	2,102
Long-term loans, less short-term portion	20,387	6,161

The loan granted by Deutsche Bank amounting to TEuro 13,167 was denominated in Swiss francs (TCHF 20,300) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-3M + 100 basis points) and is amortized with annual payments amounting to TEuro 2,633, payable on 1 April, beginning as of 1 April 2005. Security for the loan is provided in the negative covenant and in the equalization obligation in the provision of securities. The risks associated with the loan's floating interest rate have been eliminated by means of an interest swap. The interest swap, which has a reference amount of initially TCHF 20,300, has been designated as a cash flow hedge and is 100 percent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.50 percent and receives the CHF-LIBOR-6M as a floating interest rate. The expiration date has been fixed at 1 April 2009. The market value of the interest swap as at 31 December 2004 amounted to TEuro -6. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the loan amounts to 2.50 percent.

Two loans granted by the Baden-Württembergische Bank amounting in total to TEuro 6,220 were denominated in Swiss francs and are due to mature on 30 December 2008; they bear a floating interest rate (CHF-LIBOR-6M + 90 basis points). The bi-annual payments amount TEuro 777 beginning 30 June 2004. Security for the loans is provided in the obligation to use the funds from the resale of the assets acquired from Eurodis AG primarily for the repayment of these loans. The risks associated with the floating interest rate on the two loans have been eliminated by means of two interest swaps. The interest swaps have been designated a cash flow hedge and are 100 percent effective in hedging against the risk of interest fluctuations. With the exception of the reference amounts (initially a total of TCHF 12,000), both interest swaps have identical conditions. Bechtle pays the fixed interest rate of 2.54 percent and is given CHF-LIBOR-6M as the floating interest rate. The expiration date has been fixed at 30 December 2008. The market value of the two interest swaps as at 31 December 2004 amounted to TEuro – 140. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the two loans amounts to 3.44 percent.

The loan granted by the Sparkasse Schwäbisch Hall – Crailsheim amounting to TEuro 6,486 was denominated in Swiss francs (TCHF 10,000) and is due to mature on 1 April 2009. It bears a floating interest rate (CHF-LIBOR-6M + 90 basis points) and is amortized with annual payments amounting to

TEuro 1,297, payable on 1 April, beginning as of 1 April 2005. Security for the loan is provided in the negative covenant and in the equalization obligation in the provision of securities. The risks associated with the loan's floating interest rate have been eliminated by means of an interest swap. The interest swap, which has a reference amount of initially TCHF 10,000, has been designated as a cash flow hedge and is 100 percent effective in hedging against the interest rate risk. Bechtle pays a fixed interest rate of 1.49 percent and receives the CHF-LIBOR-6M as a floating interest rate. The expiration date has been fixed at 1 April 2009. The market value of the interest swap as at 31 December 2004 amounted to TEuro -52. Taking into account the use of the interest swap as a hedge against the risk of interest rate fluctuations, the interest rate payable on the loan amounts to 2.39 percent.

The Company has global lines of credit amounting to TEuro 46,313, plus lines of credit by way of bank guarantee to the amount of TEuro 509. At the balance-sheet date, cash loans amounting to TEuro 1,293 and credits by way of bank guarantee amounting to TEuro 4,735 were used of this amount, leaving an unused line of credit of TEuro 40,794.

Bechtle AG has provided group guarantees for its subsidiaries amounting to TEuro 26,684. In addition, there are unlimited group guarantees for 10 company locations.

12. Shareholders' Equity

Share Capital

On 21 January 2004, the Executive Board, with the approval of the Supervisory Board as of 22 January 2004, decided to increase the subscribed share capital of the Company, from 20,200,000 euros by 1,000,000 euros to 21,200,000 euros with an issue of 1,000,000 non par value shares with a calculated portion of the share capital of 1.00 euros per non par value share with full entitlement to share in the profits as of 1 January 2003 from the authorized capital. The capital increase was entered into the Commercial Register on 11 February 2004. The shares were admitted to the regulated market at the Frankfurt Stock Exchange on 23 February 2004.

The Company's share capital as at 31 December 2004 is thus made up of 21,200,000 issued and outstanding ordinary shares with a calculated nominal value 1.00 euros. Each share carries one vote.

The number of outstanding shares also increased by 1,000,000 in the 2004 financial year to 21,200,000 as at 31 December 2004 (previous year: 20,200,000). The weighted average of outstanding shares in the 2004 financial year, ascertained in accordance with SFAS No. 128, totalled 21,052,459 (previous year: 20,024,556). This is calculated on the basis of the number of outstanding shares as at 1 January 2004 (20,200,000) and at 31 December 2004 (21,200,000), plus the issue of 1,000,000 new shares (capital increase) on 24 February 2004.

Authorized Capital

By means of a resolution passed at the General Shareholders' Meeting of Bechtle AG on 11.06.2004, Article 4 section 3 of the Articles of Association of Bechtle AG was rewritten. Article 4 section 4 was rescinded.

In accordance with Article 4 section 3, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital until 10.06.2009 by TEuro 10,600 through the issue of new shares made out to bearer (Authorized Capital).

The capital increases can be made in the form of cash contributions and/or non-cash contributions. The Executive Board is authorized, with the consent of the Supervisory Board to exclude fractional amounts from the shareholders' subscription right. The Executive Board is further authorized, with the consent of

the Supervisory Board, to exclude the subscription right, if (case 1) the capital increase is made in the form of non-cash contributions tangible assets for the purchase of companies or interests in companies, or (case 2) the capital increase is in the form of cash contributions, does not exceed 10 percent of the subscribed share capital at the time of issue, and the issuing price is not significantly below the market price, or (case 3) the capital increase is for the purpose of issuing staff shares, if the pro rata amount does not exceed 10 percent of the subscribed share capital at the time of issue.

The Executive Board is authorized, with the consent of the Supervisory Board, to specify any further details relating to capital increases from authorized capital.

Contingent Capital

The General Shareholders' Meeting of 1 June, 2001 resolved to increase the Company's subscribed share capital by a nominal amount not exceeding TEuro 2,000 by issuing up to 2,000,000 new shares with profit entitlement from the beginning of the financial year in which the issue is made. This contingent capital increase serves exclusively to exercise subscription rights which were granted in the content of the 2001/2008 stock option scheme in accordance with the General Shareholders' Meeting resolution of 1 June, 2001 and may only be performed to the extent that the subscription rights are issued in the context of the 2001/2008 stock option scheme and the bearers of these subscription rights actually make use of them (Contingent Capital 2001).

Dividends

At the General Shareholders' Meeting held on 11 June, 2004, a resolution was passed to pay a dividend for the 2003 financial year amounting to TEuro 6,030 (0,30 euros per share entitled to dividend payment).

Dividends may only be paid from the balance-sheet net income and the retained earnings of the Company as disclosed in the German annual financial statements of Bechtle AG. These amounts deviate from the sum total from the shareholders' equity as reported in the consolidated financial statements according to US GAAP. The payment of future dividends is jointly proposed by the Company's Executive Board and the Supervisory Board and approved by the General Shareholders' Meeting. The determining factors are, in particular, the profitability, the financial position, the capital requirements, the business outlook and the general economic conditions of the Company. As the Company's strategy is geared to internal and external growth, investments will be necessary and, where possible, will be financed internally. The Executive Board and the Supervisory Board will propose to the General Shareholders' Meeting that a dividend of Euro 0.40 be paid per share.

Balance Sheet Net Income

The balance-sheet net income as stated in the commercial annual financial statement of Bechtle AG for the financial year just ended is shown below:

	TEUR
Balance at 1 January 2004	6,360
Dividend payment	-6,360
Profit/loss carried forward	0
Net earnings in 2004	11,483
Transfer into other revenue reserves	-3,003
Balance at 31 December 2004	8,480

Capital Reserves

Bechtle AG's Stock Option Scheme

The stock option scheme was cancelled prematurely at the end of 2003. Since then, there have been no stock options.

PSB AG's Stock Option Scheme

PSB AG, in which Bechtle AG acquired a majority holding in 2003, granted a total of 55,000 stock options to managers and senior employees for the year 2002. After two years holding period the options can be exercised for three years (exercise deadline). If exercised, the beneficiary receives a share in PSB AG per option following payment of the striking price. This stands at 7.71 euros for 32,000 of the options and 8.35 euros for 23,000. The price was determined as an average of the closing value of the PSB AG share on the Xetra index over the last 30 trading days before the option issue date, plus a surcharge of ten percent as a target value. To finance the options, PSB AG approved a provisional sum of up to a nominal value of TEuro 360 by issuing up to 360 000 new shares at their 2001 General Shareholders Meeting.

To determine the value of the individual option (an average of 3.01 euros) on the option issue date, the following parameters were incorporated into the fiscal option valuation model: share value 7.31 euros or 6.60 euros, striking price 8.35 euros or 7.71 euros, exchange ratio 1:1, volatility 62 percent, annual dividend distribution per share 0.00 euros, expected holding period as option duration 3.5 years, risk-free interest rate of 4.0 percent p.a.

By multiplying the expected number of options to be exercised (13,000) by the average individual share value of 3.01 euros, a total cost of TEuro 40 was calculated for the two-year waiting period. TEuro 37 of this amount was thus included for the years prior to consolidation as personnel expenses as a balancing entry in capital reserves.

The stock option scheme was subsequently cancelled prematurely in the accounting period, so that at 31 December 2004, there were no outstanding stock options available. For abandoning their stock options, those employees entitled to receive options received a total of TEuro 10 in cash, which was entered in the accounts as personnel expenses. By way of compensation, the personnel expenses for the years prior to consolidation were cancelled with a reversing entry in the capital reserves amounting to TEuro 37. In net terms, this leads to a gain of TEuro 27 in the year under review.

The following table summarizes the information on PSB AG's stock options in the year under review:

PSB AG	Quantity	Exercise price Euro	Fair market value of option of granting date Euro
Outstanding stock options at 01.01.2004	13,000	8.15	3.10
In financial year 2004			
newly granted stock options	0		
expired stock options	13,000	8.15	3.10
lapsed stock options	0		
Outstanding stock options at 31.12.2004	0		

Treasury Stock

The Executive Board was authorized by a resolution of the General Shareholders' Meeting of 13 June 2003 and General Shareholders' Meeting of 11 June 2004, with the consent of the Supervisory Board, to acquire treasury stock of the Company in accordance with Article 71, section 1 (8) of the German Companies Act. The acquisition of treasury stock must comply with the conditions laid down in the applicable resolution of the General Shareholders' Meeting.

After all treasury stock previously acquired in the 2003 financial year had been resold and no treasury stock transactions were made in the accounting period, the Company did not hold any treasury stock as at 31 December 2004.

Other Comprehensive Income

The following table summarises the information on the other comprehensive income on the balance sheet date:

	31.12.2004 TEuro	Previous year TEuro
Exchange differences	-264	- 428
Unrealized losses financial derivatives	-135	- 132
Unrealized profits / losses securities	-63	0
	-462	- 560

The development of the group's consolidated shareholders' equity can be seen in detail in the enclosed statement of changes in shareholders' equity.

13. Other Operating Income

The other operating income amounting to TEuro 6,209 (previous year: TEuro 5,665) principally involves income from the release of provisions and valuation adjustments, plus the disposal of assets from the fixed assets and marketing development funds.

As part of a sale-leaseback transaction for diverse IT hardware, a net income of TEuro 35 will be amortized over the contract period. The resultant rental obligations are presented under Other financial liabilities in item VI.

14. Interest Income and Expenses

	2004 TEuro	Previous year TEuro
Other interest and similar income	592	731
Interest and similar expenses	775	543
	-183	188

15. Income Tax

Paid and due taxes on income and earnings as well as the deferred tax assets are reported as income taxes.

The tax expenses incurred in the accounting period are composed as follows:

	2004 TEuro	Previous year TEuro
Current tax expenses	10,326	7,474
Deferred taxes	2,047	1,195
Tax expenses	12,373	8,669

The balance for the accounting period between the actual tax expenses and the amount arising from a weighted domestic and foreign tax rate of around 32 percent on the earnings before income tax is as follows:

	2004 TEuro	Previous year TEuro
Earnings before taxes on income	38,326	27,240
Expected tax expenses	12,152	10,079
Tax income from previous years	-577	0
Non tax-deductible operating expenses	299	110
Only tax-deductible goodwill amortization	-232	- 1,683
Depreciation of deferred tax assets	86	264
Charge-off of deferred tax liabilities	0	-147
Other	645	46
Actual tax expenses	12,373	8,669

The following table shows the deferred tax assets and liabilities. In addition to changes in the current year, it includes the deferred tax assets to be taken into account in the first-time consolidation of acquired companies as well as tax effects arising from changes in shareholders' equity not affecting the operating result.

Deferred tax assets	31.12.2004 TEuro	Previous year TEuro
Tax loss carryforwards	6,893	5,358
Tangible assets	437	0
Accrued liabilities	182	462
Interest swap	64	55
	7,576	5,875
Valuation adjustments	475	264
Deferred tax assets	7,101	5,611
Current deferred tax assets	2,721	2,267
Non-current deferred tax assets	4,380	3,344

Deferred tax liabilities	31.12.2004 TEuro	Vorjahr TEuro
Established clientele	2,121	1,335
Goodwill	1,644	1,048
Property	388	0
Inventories	337	0
Accrued expenses	321	144
Accounts receivable	317	0
Tangible assets	242	0
Capitalized software	127	274
Service contracts	104	0
Valuation adjustments assets intercompany	0	341
Maintenance contracts	0	167
Other	141	195
Deferred tax liabilities	5,742	3,504
Current deferred tax liabilities	576	946
Non-current deferred tax liabilities	5,166	2,558

The deferred tax assets mainly result from earnings tax loss carryforwards, which, according to German tax regulations, can be carried forward without limitation. We assume that in future sufficient earnings will be generated to offset any tax losses carried forward.

The changes in German tax legislation with regard to the use of tax loss carryforwards (minimum taxation) were taken into account when assessing the impairment of deferred tax assets on tax loss carryforwards.

The basic tax rate used for the accrual of deferred taxes is approximately 38 percent.

The calculation of deferred tax rebate claims on foreign loss carryforwards is based on the actual tax rate.

Tax loss carryforwards amounting in total to TEuro 25,819 at 31 December 2004, on which the deferred tax assets were determined, refer to domestic and foreign subsidiaries. A total of TEuro 16,765 (previous year: TEuro 1,469) are accounted for foreign companies. Domestic tax loss carryforwards are currently regarded as having no time limitation, whereas tax loss carryforwards abroad expire in some cases in over five years time.

16. Extraordinary Gain

In the acquisition of ALSO COMSYT AG, Switzerland, the market value of the acquired net assets exceeded the acquisition costs of the shareholding, with negative difference (negative goodwill) arising on consolidation. In accordance with SFAS No. 141, such goodwill may not, under any circumstances, be reported in the consolidated financial statements, but is to be offset initially against the acquired fixed assets. Any negative goodwill that subsequently remains is to be entered into the profit and loss account as extraordinary gain. From the consolidation of ALSO COMSYT AG, Switzerland, after off-setting against the acquired fixed assets had taken place, negative goodwill remained amounting to the equivalent of TEuro 3,631 (originally TCHF 5,605), which subsequently had to be entered into the profit and loss account as extraordinary gain.

IV. Acquisition of New Companies and Business Segments

ARP Holding AG, Rotkreuz, Canton Zug, Switzerland

On 1 January 2004 Bechtle AG acquired all shares in ARP Holding AG. The purchase price amounted to TEuro 46,293, plus incidental acquisition expenses of TEuro 282 to be supplied in cash.

With this total purchase price of TEuro 46,575, and in view of the acquired net assets (TEuro 31,376), there was a difference of TEuro 15,199 arising on consolidation based on the purchase method. In accordance with SFAS No. 141, TEuro 5,320 of this amount were accounted for by the acquired established clientele, which will be amortized over a period of ten years, and TEuro 2,750 by the acquired rights to brand names, which are valued at an unlimited useful life, and thus not subject to scheduled amortization. In the capitalization of the established clientele, deferred tax liabilities of TEuro 920 were accumulated, which increased goodwill and will be written back again concurrently with the scheduled amortization of the established clientele in the course of its useful life. The difference that remains could neither be allocated to a capitalized asset nor accounted for as a separate asset, and was therefore reported as goodwill (TEuro 8,049).

The ARP Group (approx. 220 employees) with branches in Switzerland (Rotkreuz, Zurich and Cham), in Germany (Dietzenbach) and in Austria (Wiener-Neudorf), plus a purchasing company in Taiwan (Taipeh), is one of the largest eCommerce suppliers of computers and IT accessories for business customers in Europe. The Bechtle Group has accordingly strengthened its eCommerce segment with this acquisition and is clearly strengthening its market position in Switzerland and Austria.

The company had the following balance sheet as at the time of first-time consolidation:

	TEURO
Current assets	
Inventories	9,342
Accounts receivable	27,868
Cash and cash equivalents	20,615
Securities	2,142
Deferred tax assets	69
Other current assets	1,258
	<u>61,294</u>
Non-current assets	
Tangible assets	1,941
Established clientele	5,320
Brands	2,750
Goodwill	8,049
Other intangible assets	617
Financial assets	793
Deferred tax assets	301
	<u>19,771</u>
Total assets	<u>81,065</u>
Current liabilities	
Trade accounts payable	21,358
Deferred tax liabilities	1,667
Other current liabilities	10,529
	<u>33,554</u>
Non-current liabilities	
Deferred tax liabilities	828
Other non-current liabilities	55
	<u>883</u>
Total liabilities	<u>34,437</u>
Minority interests	53
Total assets - Total liabilities - Minority interests =	<u>46,575</u>

ALSO COMSYT AG, Dübendorf, Canton Zurich, Switzerland

On 5 February 2004, all shares of ALSO COMSYT AG (with a stated Shareholders' equity of TEuro 4,637) were acquired for a purchase price of TEuro 1,288. Initially this resulted in negative goodwill (negative consolidation difference) of TEuro 3,349.

The acquisition of the company was shown in the accounts using the purchase method. Apart from the acquired net assets, established clientele and deferred tax liabilities were identified as separate assets, in accordance with SFAS No. 141. The established clientele was valued at TEuro 644 with an amortization period of 10 years. The deferred tax liability resulted from Comsy's tax losses on earnings which had been carried forward and which, due to the merger with Swiss-based ARP Datacon AG, are tax deductible. ARP Datacon AG is quite likely to achieve the necessary net income required for it to make timely use of losses carried forward, as stipulated in SFAS No. 141. Following consultation with the competent tax authorities and a cautious evaluation of its utilization, the deferred tax liability was valued at TEuro 3,477. The negative goodwill is now quantified at TEuro 7,470. To offset the negative goodwill in accordance with SFAS No. 141, the acquired capital assets had to be completely scaled down accordingly. The negative goodwill that remained amounting to the equivalent of TEuro 3,609 (originally TCHF 5,605) had to be entered into the profit and loss account as extraordinary gain.

ALSO COMSYT AG (approx. 400 employees), with its network of three Business Centres in Basle, Zurich and Lausanne, an Operation Centre in Adligenswil (Lucerne) and eleven service depots throughout Switzerland, is one of the largest Swiss system houses, and expands the Bechtle Group's system house segment accordingly.

The company had the following balance sheet as at the time of first-time consolidation:

	TEuro
Current assets	
Inventories	268
Accounts receivable	5,501
Deferred tax assets	869
Other current assets	1,277
	<u>7,915</u>
Non-current assets	
Tangible assets	0
Established clientele	0
"Negative goodwill" (transferred into profit and loss account as extraordinary gain)	-3,609
Other non-current assets	0
Deferred tax assets	2,965
	<u>-644</u>
Total assets	<u><u>7,271</u></u>
Current liabilities	
Trade accounts payable	787
Other current liabilities	4,906
	<u>5,693</u>
Non-current liabilities	<u>290</u>
Total liabilities	<u><u>5,983</u></u>
Minority interests	<u>0</u>
Total assets - Total liabilities - Minority interests =	<u><u>1,288</u></u>

Gate Informatic AG, Berne, Switzerland

On 5 August 2004, all shares of Gate Informatic AG were acquired for a purchase price of TEuro 3,257. The purchase price will be increased later if certain targets with regard to earnings before tax are achieved during the 2005, 2006 and 2007 financial years. The purchase price increase will amount to TEuro 1,824 maximum, so that the final total purchase price will be an amount not exceeding TEuro 5,081. Should a purchase price adjustment take place, acquisition costs will be increased accordingly.

The corporate acquisition was shown in the accounts using the purchase method. With the total purchase price of TEuro 3,257 currently to be applied, there was a difference of TEuro 72 arising on consolidation when acquired net assets were taken into account. The acquired established clientele was also valued at that amount. The difference that remains is thus TEuro 0. In the capitalization of the

established clientele, deferred tax liabilities of TEuro 14 were accumulated, which lead to the accrual of goodwill and will be written back again concurrently with the scheduled amortization of the established clientele in the course of its five-year-long useful life.

Gate Informatic is an IBM Premier Business Partner with core competencies in the provision of consultancy services and sales of high-end IBM computer systems and associated services. The acquisition of Gate Informatic (approx. 50 employees) will allow Bechtle to extend its market position in Switzerland significantly in the segment for high-end IT systems solutions and, from a regional point of view, supplements the Swiss subsidiary Bechtle Data AG, which operates in this field.

The company had the following balance sheet as at the time of first-time consolidation:

	TEuro
Current assets	
Inventories	31
Accounts receivable	4,887
Cash and cash equivalents	3,291
Other current assets	1,443
	<u>9,652</u>
Non-current assets	
Tangible assets	851
Established clientele	72
Goodwill	14
Financial assets	521
	<u>1,458</u>
Total assets	<u>11,110</u>
Current liabilities	
Loans	651
Trade accounts payable	4,992
Other current liabilities	1,671
	<u>7,314</u>
Non-current liabilities	
Deferred tax liabilities	119
Other non-current liabilities	420
	<u>539</u>
Total liabilities	<u>7,853</u>
Minority interests	0
Total assets - Total liabilities - Minority interests =	<u>3,257</u>

profiCAD Gesellschaft für professionelle CAD/CAM-Systeme and Netzwerke mbH, Hamburg

On 1 September 2004, all shares in profiCAD GmbH were acquired for a purchase price of TEuro 82, plus incidental acquisition expenses. The acquisition of the company was shown in the accounts using the purchase method. With the total purchase price of TEuro 82 including incidental acquisition expenses, there was a difference of TEuro 10 arising on consolidation, the acquired net assets taking into account. The acquired established clientele was also valued at that amount. The remaining difference is thus TEuro 0. In the capitalization of the established clientele, deferred tax liabilities of TEuro 4 were accumulated, which lead to the accrual of goodwill and will be written back again concurrently with the scheduled amortization of the established clientele in the course of its five-year-long useful life.

The acquisition of profiCAD (4 employees) will allow Bechtle to spread in the mechanical CAD to environment (system house segment) also to Northern Germany. For the profiCAD Autodesk Systems Center, which has already been very successful in the past, this merger constitutes a considerable expansion in terms of sales opportunities and recognizable added value for its customers. As a Competence Center within Bechtle GmbH's system house in Hamburg, major accounts will now receive the appropriate level of service and support.

The company had the following balance sheet as at the time of first-time consolidation:

	TEuro
Current assets	
Inventories	4
Accounts receivable	137
Other current assets	16
	<u>157</u>
Non-current assets	
Tangible assets	6
Established clientele	10
Goodwill	4
	<u>20</u>
Total assets	<u><u>177</u></u>
Current liabilities	
Trade accounts payable	54
Other current liabilities	37
	<u>91</u>
Non-current liabilities	
Deferred tax liabilities	4
	<u>4</u>
Total liabilities	<u><u>95</u></u>
Minority interests	<u>0</u>
Total assets - Total liabilities - Minority interests =	<u><u>82</u></u>

SGB Servicegesellschaft für Geld- and Banksysteme mbH, Aalen

On 30 September 2004, all shares in SGB GmbH were acquired for a purchase price of TEuro 2,020, plus incidental acquisition expenses amounting to TEuro 9. The purchase price will be increased later if certain targets with regard to earnings before tax are achieved during the 2005, 2006 and 2007 financial years. The purchase price increase will amount to TEuro 2,000 maximum, so that the final total purchase price will be an amount not exceeding TEuro 4,029. Should a purchase price adjustment take place, acquisition costs will be increased accordingly.

The acquisition of the company was shown in the accounts using the purchase method. The acquired net assets (TEuro 1,998) had to be reduced by shares shown in the GmbH treasury stock (TEuro 950) to TEuro 1,048. Taking these net assets into account, there was a difference on consolidation of TEuro 981 when the total purchase price of TEuro 2,029 was taken into account. In accordance with SFAS No. 141, TEuro 310 of this amount were accounted for by the acquired client service contracts, which will be amortized over their residual maturity period, and TEuro 200 by the acquired established clientele, which will be amortized over a period of five years. The difference that remains could neither be attributed to a capitalized asset nor accounted for as a separate asset, and was thus recorded as goodwill (TEuro 471). In the capitalization of the service contracts and the established clientele, deferred tax liabilities of TEuro 196 were accumulated which increased goodwill and will be written back again concurrently with the scheduled amortization of the service contracts and the established clientele in the course of their respective useful lives.

The acquisition of SGB (40 employees) will allow Bechtle to extend its product portfolio in the business area of finance, which falls within the system house segment, to provide services for self-service units such as ATMs and bank statement printers. This will improve its market position as an important full-services provider in the banking and savings bank sectors.

The company had the following balance sheet as at the time of first-time consolidation:

	TEuro
Current assets	
Inventories	33
Accounts receivable	283
Other current assets	973
	<u>1,289</u>
Non-current assets	
Tangible assets	379
Customer service contracts	310
Established clientele	200
Goodwill	667
Other intangible assets	3
	<u>1,559</u>
Total assets	<u>2,848</u>
Current liabilities	
Trade accounts payable	139
Other current liabilities	484
	<u>623</u>
Non-current liabilities	
Deferred tax liabilities	196
	<u>196</u>
Total liabilities	<u>819</u>
Minority interests	0
Total assets	
Total liabilities	
Minority interests =	<u>2,029</u>

“Wintel, Operations and Trading” division from Pragmatica AG

On 1 October 2004, ARP Datacon AG, Rotkreuz, Switzerland, as a wholly owned subsidiary of ARP Holding AG, in which Bechtle AG in turn holds all the shares, took over the “Wintel, Operations and Trading” division of Pragmatica AG, Cham, Switzerland. Against payment of a total cash purchase price of TEuro 88, plus TEuro 7 VAT, only the established clientele (TEuro 129), plus accounts receivable (TEuro 2) and liabilities (TEuro 43) from current service contracts were acquired.

With the acquisition of the established division, which was subsequently integrated into Bechtle’s IT System House in Zurich, 8 employees in the field of system infrastructure services, operating services and retail trading were taken on. This will strengthen the Bechtle Group’s existing business in the system house segment.

V. Pro-Forma Information

If the companies acquired in the year under review had been acquired at the start of the financial year 2003, the Company's key data would have been as follows:

	2004 TEuro	Previous year TEuro
Revenues	1,124,525	1,053,739
Net income	29,862	14,620
Earnings per share before extraordinary gain	1.2460	0.7301
Earnings per share after extraordinary gain	1.4184	0.7301

VI. Contingencies and Commitments

Other Financial Liabilities

The Company concluded non-cancellable leasing contracts for office and storage space. The Company also leased buildings, vehicles and various services under operate-lease arrangements that are non-cancellable during the basic term of the contract. Expenses for leasing contracts include payments amounting to TEuro 14,408 (previous year: TEuro 12,119) accounted for as expenses.

Future commitments with respect to the above-mentioned agreements with an initial or remaining term of more than one year as at 31 December 2004 amount to TEuro 80,958 (previous year: TEuro 84,681).

Financial year	TEuro
2005	13,642
2006	10,441
2007	7,439
2008	6,176
2009	5,560
over 5 years	37,700
Minimum leasing payments total	80,958

Other financial commitments include TEuro 44,153 from a leasing contract for the central logistics and administration building in Neckarsulm, which was concluded in 2002. The owner of the building is Fabiana Grundstücksverwaltungsgesellschaft mbH, Mannheim (Fabiana). The only business in which the company is engaged is that of leasing the building to Bechtle AG through the Südleasing GmbH leasing agency. Fabiana has a share capital of TEuro 25 and has financed the investment of TEuro 31,150 primarily through loans. Bechtle AG has neither a direct nor indirect interest in Fabiana.

When the leasing contract expires in 2022, the Company has a purchase option on the building. According to a valuation report, the Company is not to be regarded as a primary beneficiary as defined in FIN 46 and is therefore not authorized to consolidate Fabiana. In addition, no losses from the leasing contract are expected, as the company is not compelled to exercise its option to buy.

As part of the acquisition of Gate Informatic AG, Berne, Switzerland, the Company is contractually committed to paying a number of subsequent increases in the purchase price. The amount of these subsequent increases in the purchase price is determined by specific targets being achieved with regard to earnings before tax in the 2005, 2006, 2007 financial years, and can amount to a maximum of TEuro 1,824.

As part of the acquisition of SGB Servicegesellschaft für Geld- und Banksysteme mbH, Aalen, the Company is contractually committed to paying a number of subsequent increases in the purchase price. The amount of these subsequent increases in the purchase price is determined by specific targets being achieved with regard to earnings before tax in the 2005, 2006, 2007 financial years, and can amount to a maximum of TEuro 2,000.

Litigation

A substantial sum is included under Other accrued expenses to cover possible settlement and court costs relating to pending labour court proceedings.

The company is unaware of any proceedings that would have a substantial detrimental effect on its earnings, liquidity or financial position.

VII. Additional Notes to the Cash Flow Statement

Cash Flow from Operating Activities

The cash inflow from operating activities during the 2004 financial year amounted to TEuro 46,115 (previous year: TEuro 27,535). This was attributable principally to an increase in net income for the period.

Cash Flow used in Investing-Activities

The cash outflow from investment activities amounted to TEuro 38,832 (previous year: TEuro 27,430) and is attributable principally to the acquisition of ARP Holding AG, ALSO COMSYT AG, SGB Servicegesellschaft für Geld- und Banksysteme mbH and der Gate Informatic AG.

Cash Flow from Financing Activities

The cash inflow from financing activities of TEuro 20,401 (previous year: TEuro 4,198) is mainly the result of borrowings and the capital increase that took place in the financial year 2004.

Cash and Cash Equivalents	2004 TEuro	Previous year TEuro
Liquid funds	61,497	33,694

Cash Outflow in the Period	2004 TEuro	Previous year TEuro
Interest	775	543
Income tax	8,398	9,551

VIII. Related Parties

Transactions with Related Parties

In the financial year 2004, there was no significant revenue from transactions with shareholders, executive staff or companies controlled by such persons.

Leasing agreements on various properties exist between consolidated companies and Executive Board members, managing directors, their close relatives and companies controlled by these persons. In the year under review, leasing expenses amounting to TEuro 288 (previous year: TEuro 175) were entered in the profit and loss account.

IX. Segment Disclosures

In terms of segment reporting in accordance with SFAS No. 131, the group is currently active in two business segments – the System House segment and in eCommerce. The segments differ in respect of their scope of activity and have a different approach to reselling IT products.

The **System House** segment combines the provision of services and product procurement when designing the customer's IT infrastructure. The range of services extends from advice on hardware procurement, development of networks, peripheral hardware integration, service, maintenance and training through to complete technical support. The Bechtle Group is organized regionally and, with virtually nationwide IT system house coverage, has built up an extensive network of consultancy centres in close proximity to the customer. To concentrate its know-how in individual specialist fields (e.g. IBM AS/400 and RS/6000, Lotus Notes, CAD/CAM), the Bechtle Group has set up competence centres whose knowledge can be accessed by every company location in the network for the benefit of the customer. In the course of its system house activities, the Bechtle Group has set up training centres at several locations, offering customer employees a wide range of seminars which can be either of a general nature or tailored to the customer's specific requirements.

The **eCommerce** segment focuses solely on retail trading by direct sales to trade and public sector customers with more than 20 PC workstations. The product line is designed to offer customers hardware and software products, peripheral equipment and the necessary consumables for all applications. It reflects the market in terms of its range and diversity. The focus is on brand-name products of all major suppliers including Hewlett Packard, IBM, Fujitsu Siemens, Cisco, Toshiba, Lexmark, Microsoft and Lotus. Approximately 22,000 articles are available in nine countries via an online shop and a main catalogue with over 800 pages, which is published twice annually. The main catalogues have a circulation of over 140,000 and are sent to existing and prospective customers throughout Europe.

The Bechtle Group is represented in nine European countries by thirteen direct sales companies.

In Germany, the Bechtle Group has offices in Aachen, Aalen, Berlin, Bielefeld, Chemnitz, Darmstadt, Dietzenbach, Dortmund, Dreieich, Dresden, Eisenach, Essen, Frankfurt, Freiburg, Friedrichshafen, Gaildorf, Gera, Groß-Glogau, Hamburg, Hanover, Höchberg, Karlsruhe, Kassel, Kiel, Cologne, Constance, Krefeld, Langenselbold, Langenzenn, Magdeburg, Mannheim, Mainhausen, Mainz, Münster, Neckarsulm, Oberhausen, Ober-Mörlen, Regensburg, Rottenburg, Schorndorf, Schkeuditz, Schwaig, Schwarzheide, Solingen, Stuttgart, Villingen-Schwenningen and Weimar.

Internationally, the group has offices in Bolzano (Italy), Linz and Vienna-Neudorf (Austria), Son (Netherlands), Chippenham (United Kingdom), Adligenswil, Basle, Berne, Carouge, Cham, Dübendorf, Ecublens, Gland, Hünenberg, Lausanne, Muttens, Regensdorf, Reinach, Renens, Rotkreuz, Steinhausen, St. Gallen and Zürich (Switzerland), Paris and Strasbourg (France), Turnhout (Belgium), Taipeh (Taiwan), Barcelona and Madrid (Spain).

The administration of the group companies is centred primarily in Gaildorf.

There are no major transactions between the segments.

Earnings before interest and taxes is the control variable of the segments. Interest is therefore not included, as the segments are financed primarily through Bechtle AG and external interest expenses and/or income basically arise here.

External revenues by segment	2004 TEuro	Previous year TEuro
System House	729,981	602,951
eCommerce	358,152	188,956
Company total	1,088,133	791,907

Extraordinary gain by segment	2004 TEuro	Previous year TEuro
System House	3,631	0
eCommerce	0	0
Company total	3,631	0

Depreciation and amortization by segment	2004 TEuro	Previous year TEuro
System House	7,003	6,819
eCommerce	3,453	978
Company total	10,456	7,797

Operating income by segment	2004 TEuro	Previous year TEuro
System House	18,574	17,182
eCommerce	19,935	9,869
Total operating income	38,509	27,051
Financial result	-183	189
Earnings before taxes	38,326	27,240

Gross assets by segment	2004 TEuro	Previous year TEuro
System House	263,811	218,182
eCommerce	117,310	60,302
Balance sheet total	381,121	278,484

Goodwill by segment	2004 TEuro	Previous year TEuro
System House	58,562	60,434
eCommerce	22,933	9,079
Company total	81,495	69,513

Long-lived assets *) by segment	2004 TEuro	Previous year TEuro
System House	21,107	21,432
eCommerce	12,652	2,176
Company total	33,759	23,608

Investments in long-lived assets *) by segment	2004 TEuro	Previous year TEuro
System House	7,707	4,659
eCommerce	1,633	202
Company total	9,340	4,861

*) Software, advance payments, established clientele, service contracts, loans and tangible assets.

Geographical Information

In the period under review, the following amounts can be assigned to geographical regions,

External revenues by region	2004 TEuro	Previous year TEuro
Domestic	737,844	635,747
Foreign	350,289	156,160
Company total	1,088,133	791,907

Revenues are assigned to the country in which the subsidiary's registered office is located. Seen from the subsidiary's viewpoint, revenues are generated only in its own domestic market.

The long-lived assets are assigned to the various regions as follows:

Long-lived assets*) by region	2004 TEuro	Previous year TEuro
Domestic	18,220	19,475
Foreign	15,539	4,133
Company total	33,759	23,608

All long-lived assets are located in the country in which the subsidiary's registered office is located.

*) Software, advance payments, established clientele, service contracts, loans and tangible assets.

X. Earnings Per Ordinary Share

The following table presents the calculation of the undiluted and diluted net earnings per ordinary share:

	2004 TEuro*)	Previous year TEuro*)
Net income for the period before extraordinary gain for ordinary shareholders	25,918	18,365
Average number of shares	21,052,459	20,024,556
Undiluted and diluted earnings before extraordinary gain per share	1.231	0.917
Extraordinary gain for ordinary shareholders	3,631	0
Average number of shares	21,052,459	20,024,556
Undiluted and diluted extraordinary gain per share	0.173	0
Net income for the period / Net income for ordinary shareholders	29,549	18,365
Average number of shares	21,052,459	20,024,556
Undiluted and diluted earnings per share	1.404	0.917

*) excluding quantity and amount per share

XI. Remuneration of Executive Bodies

Executive Board

The total benefits of the Executive Board of Bechtle AG in the financial year amounted to TEuro 1,218. The benefits of the Executive Board consisted of a fixed component and variable component. The fixed benefits amounted to TEuro 593 and the variable benefits amounted to TEuro 625.

No details of the emoluments of former members of the Executive Board are published in accordance with Article 286 section IV of the German Commercial Code

Supervisory Board

All details relating to the Supervisory Board, which are to be published in compliance with statutory regulations or a recommendation of the German Corporate Governance Codex government commission are summarised in attachment B to these notes.

XII. Employees

Bechtle employed an annual average of 2,996 employees (previous year: 2,342).

XIII. Events after the Balance-Sheet Date

On 15 February, as the group's majority shareholder, Bechtle AG petitioned the Executive Board of PSB AG to launch a so-called „squeeze-out“ process. Under this process, the shareholders' meeting is to pass a resolution permitting the shares of the remaining minority PSB investors to be transferred to Bechtle in return for an appropriate cash settlement. Bechtle holds 98.3 percent of PSB AG shares, with the remaining 1.7 percent (61,257) of a total of 3,614,164 PSB shares held by individual investors. The shareholders of PSB AG will decide at the next shareholders' meeting, which is yet to be called, whether or not the share transfer will take place. Bechtle's intention is to complete the integration of PSB into the group and save the costs associated with the stock exchange listing, following a squeeze-out process that had already been initiated in 2003, but at Bechtle's request was not completed.

XIV. Significant Differences between U.S. GAAP and German Accounting Principles

Deviations from the accounting, valuation and consolidation methods applicable under German law essentially relate to the contents and presentation of the consolidated financial statements, the capitalization of homegrown intangible assets of the fixed assets, the treatment of costs of shareholders' equity procurement as well as the application of the purchase method (purchase accounting) to capital consolidation. Furthermore, deferred taxes are established for all significant temporary differences arising between the commercial balance sheet and the tax balance sheet.

Content and the Representation of the Consolidated Financial Statements

The consolidated financial statements in accordance with Article 297 of the German Commercial Code (HGB) consists of the consolidated balance sheet, the consolidated profit and loss account and the notes to the consolidated financial statements. Companies listed on the stock exchange are required to extend the notes to the consolidated financial statements with a cash flow statement and segment results. According to U.S. GAAP, the consolidated financial statements must also include a separate statement of changes in shareholders' equity.

The consolidated balance sheet in accordance with the German Commercial Code (HGB) is to be structured in accordance with Article 266 HGB. This states that assets and debts are not to be reported separately in view of the commitment period or maturity. According to U.S. GAAP, assets and liabilities must, according to their commitment period or maturity, be distinguished from the long-term balance-sheet items as "current assets" or "current liabilities".

The profit and loss account according to the cost of sales method is structured in accordance with Article 275, section 3 of the German Commercial Code. According to U.S. GAAP, the undiluted and diluted number of shares and the associated earnings per share are stated additionally within the framework of the profit and loss account.

Capitalization of Homegrown Intangible Assets of the Fixed Assets

According to Article 248 HGB, intangible assets of the fixed assets that were not acquired against payment may not be capitalized. According to U.S. GAAP, expenses for homegrown software may, under certain conditions, be capitalized if such software is intended for sale to third parties or for internal use

Costs of Capital Procurement

According to HGB, it is not permissible for the costs of capital procurement to be accrued or offset against borrowed funds. U.S. GAAP stipulates that costs incurred for the procurement of Shareholders'

capital (e.g. flotation costs related to an initial public offering) less the effect of their tax deductibility are to be deducted from the gross amount of the borrowed funds, and thereby reduce the capital reserves.

Application of the Purchase Method (purchase accounting) in the Capital Consolidation

According to Article 301 HGB, options exist with respect to the methods to be applied in the capital consolidation of subsidiary companies included in the consolidated financial statements and the treatment of any difference arising on consolidation. In accordance with U.S. GAAP, the capital is consolidated according to the purchase method by offsetting the acquisition costs against the parent company's pro rata Shareholders' capital at the time of acquisition or first-time consolidation.

Goodwill and Intangible Assets

In contrast to HGB regulations, U.S. GAAP stipulates that specific intangible assets relating to corporate acquisitions are to be stated separately from derivative goodwill in the accounts, thus reducing the value of the derivative goodwill. According to HGB, derivative goodwill, as well as intangible assets, must be amortized on a scheduled basis and, if necessary, on a non-scheduled basis. U.S. GAAP, on the other hand, prohibits the scheduled amortization of goodwill as well as intangible assets with an undefined useful life. Instead, it prescribes an annual impairment test, which may lead to non-scheduled amortization. Intangible assets with a defined useful life are also amortized on a scheduled and non-scheduled basis in accordance with U.S. GAAP.

Treasury Stock

According to HGB, treasury stock must always be reported on the asset side of the balance sheet, under a separate item in current assets. In addition, a reserve for treasury stock must be established from the annual result, the profit carried forward or free reserves to the same amount on the liabilities side. Treasury stock is thus subject to the strict lowest value principle and is value-adjusted as required. Capital gains or losses are recorded as entered in the profit and loss account. According to U.S. GAAP, treasury stock may not be capitalized as a separate asset, but must be reported as a reduction in the Shareholders' capital to the amount of the acquisition costs. Valuation adjustments are not made. Gains resulting from reselling treasury stock are recorded in the capital reserves with no effect on the profit; losses are offsetting against the capital reserves to a value not exceeding the value of previously recorded profits, with any losses over and above this amount offset against the revenue reserves.

Stock option Scheme

Under German law, there are to date no specific rules on accounting for stock option schemes in the accounts. The granting of stock options on the basis of a specified amount of capital as a reward for individual performance does not, according to HGB, result in personnel expenses; capital reserves are not allocated to personnel expenses in the form of a balancing entry. According to US-GAAP, stock options issued as a reward for performance are to be entered as personnel expenses at the fair value of the stock options at the time of issue. The balancing entry is made in the capital reserves. If the stock options represent remuneration for several periods, the allocation of the capital reserves and personnel expenses is to be distributed over the service period.

Financial Derivatives

Under German law, most derivative financial instruments are not recorded in the statement of accounts. Unrealized profits are not taken into consideration. An accrual must be established for unrealized losses, as this is not avoided through the formation of a valuation unit for the underlying transaction to be hedged. According to U.S. GAAP, derivative financial instruments must be stated in the accounts at their fair market value. If specific hedge criteria are met, then the profits and losses are initially reported after taking account of tax effects in the equity item "Cumulative other comprehensive income" and entered into the profit and loss account together with the profit or loss from the secured item or transaction

Deferred Taxes

According to HGB, deferred taxes must be calculated using the so-called "asset and liability method", but only remaining debit balances are accounted for in the consolidated financial statements. In addition, it is not permitted to account for deferred tax assets from tax loss carryforwards. According to U.S. GAAP, deferred taxes are determined for the period in which the differences are expected to reverse on the basis of temporary valuation differences between assets and liabilities stated in the tax balance sheet and consolidated financial statements, based on the expected tax rate at the end of the period under review. Changes in the tax rate may only be taken into consideration at the time of adoption of the amendment. According to U.S. GAAP, deferred taxes on tax loss carryforwards are also to be calculated if the company has such tax loss carryforwards. If deferred tax assets are non-recoverable, they have to be value-adjusted. The decisive factor for an evaluation of impairment is an estimation of the probability that these items will actually be realizable in future

XV. Changes in Group Fixed Assets

Changes in Group fixed assets are shown in the changes in fixed-assets schedule in the attachment A to these notes.

XVI. Executive Bodies

Members of the Executive Board

Ralf Klenk, CEO, Dipl.-Ing. (FH)

Place of residence: Heilbronn

responsible for the "PSB" and "ARP" brands, plus the IT, Finances, Business Planning, Public Relations, Marketing and Personnel business segments.

- Member of the Supervisory Board
of PSB AG für Programmierung und Systemberatung, Ober-Mörlen (until 26.10.2004)
and of the Volksbank Heilbronn eG
- Member of the Executive Board
of PSB AG für Programmierung und Systemberatung, Ober-Mörlen (since 12.11.2004)
- Member of the IHK general assembly Heilbronn-Franken

Gerhard Marz, COO, Dipl.-Ing

Place of residence: Speyer

responsible for the System House, Competence and Solutions Centres business segments.
(Since 22 March 2004)

- Member of the Executive Board
of PSB AG für Programmierung und Systemberatung, Ober-Mörlen (since 5 April 2004)

Jürgen Schäfer, COO, Dipl.-Kfm.

Place of residence: Heilbronn

responsible for European direct sales of the "Bechtle" brand and the Logistics & Service division.
(Since 22 March 2004)

Gerhard Schick, CEO,
Place of residence: Gaildorf
(Until 22 March 2004)

Karl-Heinz Gosmann, CEO, Dipl.-Ing.
Place of residence: Altenstadt
(from 1 March 2004 to 22 March 2004)

Number of Shares held in Bechtle AG

Executive Board	31.12.2004	Previous year
Ralf Klenk	352,462	352,462
Gerhard Marz	6,916	6,916
Jürgen Schäfer	4,000	4,000

Members of the Supervisory Board

All details relating to the Supervisory Board, which must be published to comply with legal requirements or a recommendation of the German Corporate Governance Codex government commission are summarised in the attachment B to these notes.

Neckarsulm, 1 March 2005

Bechtle AG

The Executive Board

Changes in Group Fixed Assets

Attachment A to notes

	Cost of acquisition and production							
	Status at 01.01.2004	Adjustments first-time of consoli- dation	Changes in scope of consoli- dation	Other additions	Differences in currency	Disposals	Transfer restructure	Status at 31.12.2004
	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
I. Intangible assets								
1. Software	9,556	0	620	1,407	0	566	0	11,017
2. Established clientele	8,886	-331	5,602	129	7	0	0	14,293
3. Brands	0	0	2,750	0	0	0	0	2,750
4. Service contracts	0	0	310	0	0	0	0	310
5. Goodwill	78,318	3,190	8,734	0	58	0	0	90,300
6. Advanced payments	137	0	0	0	0	28	-109	0
	96,897	2,859	18,016	1,536	65	594	-109	118,670
II. Tangible Assets								
1. Property and buildings	5,076	0	597	567	0	57	0	6,183
2. Miscellaneous equipment and fixtures	25,405	0	2,580	6,403	50	6,110	109	28,437
3. Plant and machinery	53	0	0	2	0	0	0	55
	30,534	0	3,177	6,972	50	6,167	109	34,675
III. Financial Assets								
1. Other lendings	0	0	1,314	832	0	521	0	1,625
	0	0	1,314	832	0	521	0	1,625
	127,431	2,859	22,507	9,340	115	7,282	0	154,970

Status at 01.01.2004	Cumulate depreciation			Other additions	Differences in currency	Disposals	Transfer restructure	Status at 31.12.2004	Net book value	
	Adjustments first-time of consoli- dation	Changes in scope of consoli- dation							Status at 31.12.2004	Status at 31.12.2003
TEuro	TEuro	TEuro		TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
5,324	0	0		2,378	0	235	0	7,467	3,550	4,232
1,495	0	0		1,618	98	0	0	3,211	11,082	7,391
0	0	0		0	0	0	0	0	2,750	0
0	0	0		38	0	0	0	38	272	0
8,805	0	0		0	0	0	0	8,805	81,495	69,513
0	0	0		0	0	0	0	0	0	137
15,624	0	0		4,034	98	235	0	19,521	99,149	81,273
237	0	0		496	0	0	0	733	5,450	4,839
18,431	0	0		5,922	20	4,933	0	19,440	8,997	6,974
18	0	0		4	0	0	0	22	33	35
18,686	0	0		6,422	20	4,933	0	20,195	14,480	11,848
0	0	0		0	0	0	0	0	1,625	0
0	0	0		0	0	0	0	0	1,625	0
34,310	0	0		10,456	118	5,168	0	39,716	115,254	93,121

Members of the Supervisory Board

Attachment B to the Notes

	Member since	Occupation	Remuneration in euros		
			Basic remuneration	Chairmanship or Deputy Chairmanship	
Shareholders' representatives					
Beilharz, Otto	20 May 1999	CEO	20,000		
Dobitsch, Kurt	20 May 1999	Entrepreneur	20,000		
Schick, Gerhard, Chairman of the Supervisory Board	22 March 2004	Professional Businessman	15,444	15,444	
Schick-Krief, Karin	(02.10.03 - 22.03.04) since 9 August 2004	Magister	12,444		
Dr. Türschmann, Wolfram	02 October 2003 until 19 July 2004	Managing Director	11,056		
Winkler, Klaus	20 May 1999	CEO	20,000	7,056	
Dr. Wolf, Jochen 2nd Deputy Chairman of the Supervisory Board	02 October 2003	CEO	20,000	2,500	

Committee fees	Total in 2004	Membership of supervisory boards and other executive bodies within the meaning of Article § 125, section 1, line 3 of the German Companies Act	Shares held	
			31.12.2004	31.12.2003
	20,000	Member of the Supervisory Board – of Kellner & Kunz AG, Vienna – of PSB AG für Programmierung und Systemberatung, Ober-Mörlen Chairman of the Advisory Council – of Karl Schüssler GmbH & Co. KG, Bodelshausen	4,248	4,448
	20,000	Chairman of the Supervisory Board – of United Internet AG, Montabaur – and of Nemetschek AG, Munich Member of the Supervisory Board – of 1&1 Internet AG, Karlsruhe – of Adlink AG, Montabaur – of twenty4help knowledge Service AG, Dortmund – of PSB AG für Programmierung und Systemberatung, Ober-Mörlen – and of DOCUWARE AG, Munich	0	0
7,722	38,610	Chairman of the Supervisory Board – of PSB AG für Programmierung und Systemberatung, Ober-Mörlen Chairman of the Administrative Board – of Bechtle Data AG, Regensburg (Zürich/Switzerland) Member of the Administrative Council – of ARP Holding AG, Rotkreuz (Switzerland) – of Bechtle Comsoft Direct S.A., Gland (Switzerland) – of Comsoft Direct S.A., Gland (Switzerland) – and of Gate Informatic AG, Bern (Switzerland)	– holds directly 200,000 – indirectly by usufruct 1,026,933	200,000 1,026,933
1,139	13,583		– assignable shares, total 6,784,487 – including, as a gift from Mr Schick 1,026,933	6,784,487 1,026,933
	11,056	Chairman of the Supervisory Board – of PSB AG für Programmierung und Systemberatung, Ober-Mörlen (until 19 July 2004)	0	0
6,139	33,194	Member of the Supervisory Board – of Sick AG, Waldkirch – of IMS Gear GmbH, Eisenach – of BW Venture Capital GmbH, Stuttgart Member of the Advisory Council – of Dieffenbacher GmbH & Co., Eppingen – of Joma Polytec GmbH, Bodelshausen – of Reich Spezialmaschinen GmbH, Nürtingen	725	725
10,000	32,500	Chairman of the Supervisory Board – of Storsack Holding GmbH, Viernheim Member of the Supervisory Board – of LTS Lohmann Therapie-Systeme AG, Andernach – of r-biopharm AG, Darmstadt Member of the Administrative Boards – of E.G.O. Blanc & Fischer-Firmengruppe, Oberderdingen Member of the Advisory Council – of Bardusch GmbH & Co., Ettlingen	– in personal ownership 0 – on behalf of BWK GmbH UnternehmensBeteiligungs-Gesellschaft 3,916,507	0 3,916,507

Members of the Supervisory Board

Appendix B to the Notes

	Member since	Occupation	Remuneration in euros		
			Basic remuneration	Chairmanship or Deputy Chairmanship	
Employee Representatives					
Drautz, Uli	15 October 2003	Clerical Staff Member	20,000		
Feeser, Ralf Deputy Chairman of the Supervisory Board	15 October 2003	Senior Clerical Staff Member	20,000	10,000	
Greyer, Barbara	15 October 2003	Head of IT districts division of the German public service union (ver.di) Baden-Württemberg	20,000		
Leweke, Peter	15 October 2003	Technical Staff Member	20,000		
Ludewig, Daniela	15 October 2003	Clerical Staff Member	20,000		
Dr. Luz, Rudolf	15 October 2003	Chief Representative of the Metal Workers' Union (IG Metall) Heilbronn-Neckarsulm	20,000		

Committee fees	Total in 2004	Membership of supervisory boards and other executive bodies within the meaning of Article § 125, section 1, line 3 of the German Companies Act	Shares held	
			31.12.2004	31.12.2003
5,000	25,000		1,644	1,644
5,000	35,000		656	606
	20,000		0	0
	20,000		0	180
5,000	25,000		0	0
	20,000	Deputy Chairman of the Supervisory Board – of Kolbenschmidt Pierburg AG, Neckarsulm Member of the Supervisory Board – of Rheinmetall AG, Düsseldorf – of Wirtschaftsförderung Raum Heilbronn GmbH	0	0



Independent Auditors' Report

We have issued the following audit certificate for the consolidated financial statements and the group management report:

"We have audited the consolidated financial statement of Bechtle AG, Neckarsulm, consisting of the balance sheet, profit and loss statement, statement of changes in shareholders' equity and cash flow statement, as well as the notes to the financial statement for the financial year from 1 January to 31 December 2004. The preparation and content of the financial statement are the responsibility of the company's Executive Board. It is our responsibility to form an opinion, based on our audit, as to whether the consolidated financial statements are in accordance with the US Generally Accepted Accounting Principles (US GAAP).

We conducted our audit in accordance with German auditing regulations and the generally accepted standards promulgated by the Institute of German Certified Public Accountants (IDW). These standards require that we plan and perform the audit so as to obtain reasonable assurance that inaccuracies significantly affecting the view of the consolidated financial statement are identified. In determining the scope of the audit, our understanding of the business operations, the company's economic and legal environment, and any anticipated potential errors have been taken into account. In the course of the audit, the effectiveness of the internal accounting control system and evidence of the disclosures in the consolidated financial statements and management report have been assessed on the basis of random checks. The audit also includes an assessment of the accounting principles used and the significant estimates made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statement. We believe that our audit provides a sufficiently sound basis for our opinion.

Our audit gave rise to no objections.

We believe that the consolidated financial statements, in compliance with US GAAP, present a true and fair view of the assets, liabilities, financial and earnings position of the group, as well as the cash flows of the financial year.

Our audit, which also included the group management report prepared by the Executive Board for the financial year from 1 January to 31 December 2004, did not give rise to any objections. We believe that the group management report and the information disclosed in the consolidated financial statements give a true and fair view of the state of affairs of the group and the risks relating to future developments. Further, we confirm that the consolidated financial statements and group management report for the financial year from 1 January to 31 December 2004 fulfil the requirements for exempting the company from preparing consolidated financial statements and group management report in accordance with the provisions of German law."

Heilbronn, 8 March 2005

Ernst & Young
Certified Accountants

Sohler
Registered auditor

Moschall
Registered auditor

Specialist Glossary

CAD (Computer Aided Design)

CAD systems allow designers to produce and modify technical drawings with the aid of a special program. They are used for interactive 2D and 3D geometric modelling on the computer.

eCommerce

is the abbreviation for electronic commerce. The main components of eCommerce are purchase and sales transactions by internet.

Enterprise Computing

Enterprise Computing focuses on the IT organization of large companies and refers to the use of high availability systems and a company-wide network infrastructure to deal with the special challenges of processing of large quantities of data.

eProcurement

refers to electronic, i.e. online web-based procurement. The aim is to improve quality and costs in purchasing.

Ethernet

Technology for a local network.

Fulfilment partner

the fulfilment partner handles the entire order processing system. The services provided range from taking the order to delivering the goods to the customer by the fastest possible means.

Gigabit

Measurement for information units: Giga stands for 1 billion. (1 giga bit = 1.024 mega bit or 1.073.741.824 bit).

IT

is the abbreviation for information technology and has become a generic term for computer technology and telecommunications, in particular for data transmission technologies.

LCD

Abbreviation for Liquid Crystal Display. Liquid crystals in-between two plates are used to polarise light. LCD is presently the commanding technology for flat screens.

Navision

a software solution from Microsoft for small and medium-sized businesses. It offers a complete business solution that covers all the key business processes of a company: from materials handling, purchasing, warehousing and reporting to sales and accounting.

Security:

in the IT world, this refers to all the hardware and software tools used to protect or monitor a computer or computer system.

Storage

the rapid increase in the amount of data to be stored and the enormous demands placed on the information available are a severe challenge to a company's IT infrastructure and require intelligent storage networks.

Financial Glossary

Capital Consolidation

as part of the consolidated financial statements, consolidation of the cross-shareholding relationships between the companies within a group must take place. This involves adding the subsidiary statements to create one consolidated statement, e.g. the individual accounts of the subsidiary companies to form the consolidated group accounts. This is done by offsetting the net book value of the investment against the pro rata return on capital employed ratio of each of the subsidiary companies.

Cash Flow

a cash balance consisting of cash inflow and outflow. Cash Flow is derived from a company's annual accounts.

Corporate Governance

the purpose of the German Corporate Governance Code is to make the rules in Germany governing the management and control of business organizations transparent for both national and international investors, in order to strengthen the trust and confidence placed in the corporate management of German companies. When a company agrees to accept the rules and regulations, it automatically commits itself to disclosing any deviations from the basic principles of the Corporate Governance Code.

Declaration of Compliance

a statement made by the Executive Board and the Supervisory Board in accordance with Article 161 AktG (German Companies Act) that they comply with the recommendations of the Government Commission's German Corporate Governance Code.

Designated Sponsor

banks, merchant banks, private bankers, investment and venture capital companies can assume the role of the designated sponsor for companies on the stock exchange. Their job is look after the AG (public limited company) and guarantee liquid trading at the stock exchange.

Directors' Dealings

the disclosure and publication obligations specified in Article 15 WpHG (German Securities Trading Act) stipulate that transactions by members of the Executive Board and Supervisory Board of listed companies, including registered life partners, dependent children and other relatives, in securities of their own company are to be disclosed immediately.

EBIT

(Operating) Earnings before Interest and Taxes. When taxes and interest are deducted from operating earnings, the result is net income. The benefit of this indicator is that it excludes extraordinary effects. EBIT is an internationally recognized performance indicator with a high level of comparability, as both the gearing ratio and the different local tax burdens are eliminated.

EBITDA

Earnings before Interest, Taxes, Depreciation and Amortization.

EBT

Earnings before taxes. The higher the resultant value, the higher the profitability of the company. It is the central key figure at Bechtle.

EBT Margin

is calculated by dividing EBT by net revenues. The higher the resultant value, the higher the profitability power.

Equity capital ratio

an indicator used in capital structure analysis, which compares equity with the company's total assets. The higher the resultant value, the lower the gearing ratio.

EPS

Earning per Share.

Free Float

of the total number of issued shares, free float refers to the number or percentage of shares of a public company that are not held by major shareholders and thus available for trading on the stock market. Major shareholders in this context refers to anyone who owns more than five percent of the shareholding in a company.

Gearing Ratio

indicates the ratio of borrowed funds to shareholders' equity.

Goodwill

Goodwill arises at the time of the first-time consolidation following a merger or acquisition from the difference between purchase price and the value of the net assets acquired.

IFRS

Since 1 January 2005, all listed companies within the EU are required to prepare their consolidated financial statements in accordance with IFRS. The International Financial Reporting Standards (IFRS) are accounting standards issued by IASB (International Accounting Standards Board), an internationally recognized accounting organization. The aim is to create a transparent and comparable accounting system on an international scale. Annual accounts prepared in accordance with IFRS provide investors with the information they require to make informed decisions on the liquidity and earnings situation of a company. Annual accounts prepared in accordance with the German Commercial Code (HGB), in contrast, is based primarily on the concept of protecting the creditor. (see : U.S. GAAP)

Market Capitalization

indicates the value of a company as determined by the stock market, and is calculated by multiplying the number of issued shares by their current market price. In addition to trading volume, market capitalization is one of the key criteria for a share's inclusion in a share index.

Performance

an indication of the growth of a security.

Price Earnings Ratio (PER)

is the quotient of share prices and profit per share. The ratio indicates with how many multiples the profit of the company is evaluated at the stock exchange. The key figure enables a comparability of different shares within a business sector.

Return on Equity

ROE indicates the profit a company earned in comparison to the total amount of shareholders' equity on the balance sheet. The indicator shows what interest the shareholders' equity carries.

Return on total assets

ROI is the ratio of net income to total assets. It provides information on the return on invested capital in the financial year.

Return on Sales

net income as a percentage of sales. This value indicates what percentage of sales is returned to the company as net income after all costs, the financial result, taxes and extraordinary items have been deducted.

Risk Management

Systematic approach used to identify and assess potential risks, and to select and implement procedures to deal with risks.

Road Show

The road show is an investor relations instrument. It involves presenting the company in financial centres.

Squeeze-out:

Proceeding that allows the majority shareholder in a company to take control of the stakes of the minority shareholders, compensating them with a suitable cash payment. A prerequisite for this practice, in accordance with German law is that the majority shareholder owns at least 95 percent of the company's shares. A squeeze-out facilitates a so called Going Private – the complete recapture of a listed company from the stock exchange. Shareholders will decide whether or not the share transfer takes place at the shareholders' meeting.

TecDAX

German select index for the 30 technology companies that follow the DAX share index in terms of order book trading volume and market capitalization. Bechtle AG is also listed in this index.

U.S. GAAP

In total, there are three key standards for listed companies in Germany: the International Financial Reporting Standards (IFRS), United States Generally Accepted Accounting Principles (U.S. GAAP) and the German Commercial Code (HGB). U.S. GAAP are the most widely used accounting principles in the USA. Since 1 January 2005, all listed companies throughout the EU are required to prepare their accounts in accordance with IFRS. This is intended to make the international comparability of companies easier and provide more transparency on the capital markets. IFRS and U.S. GAAP are similar in terms of their classification and structure. The HGB method, however, deviates significantly from these two standards (see IFRS).

Volatility

expresses the fluctuation range of a share price around its mean value within a specified period.

Working Capital

current assets less current liabilities. The term indicates what part of the current assets generates sales for a company, without, in the strict sense of the word, resulting in cost of capital.

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Financial Calendar

Accounts Press Conference

30 March 2005, Steigenberger Hotel Graf Zeppelin, Stuttgart

Analysts' Conference

31 March 2005, DVFA-Center, Frankfurt am Main

Interim Report 1st Quarter 2005 (1 January to 31 March)

13 May 2005

General Shareholders' Meeting 2005

22 June 2005, 10.00 a.m., Harmonie Concert and Congress Centre, Heilbronn

Dividend Payment

23 June 2005, (subject to approval by the General Shareholders' Meeting)

Interim Report 2nd Quarter 2005 (1 April to 30 June)

12 August 2005

Interim Report 3rd Quarter 2005 (1 July to 30 September)

11 November 2005

Credits**Published by**

Bechtle AG, Neckarsulm

Concept, Content, Text

Sabine Emich

Bechtle AG, Neckarsulm

Text, Production and Coordination

PR IM TURM Öffentlichkeitsarbeit GmbH, Mannheim

Layout and illustration

Schirmer werbung. design. neue medien. GmbH, Lampertheim

Photography

fotostudio m42, Heilbronn

Print

ColorDruck, Leimen

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