Annual report and Accounts 2000

Product Purchasing

Consulting

Integration

IT services

Outsourcing

BECHTLE

Bechtle Konzern at a glance
12 months 2000 in accordance with US GAAP

	1 January to 31 December 2000 TDM	T€	1 January to 31 December 1999 TDM	T€	Change %
Sales	955,572	488,576	614,488	314,183	55.5
EBITDA	33,988	17,378	38,644	19,758	-12.0
EBITA	20,596	10,531	27,973	14,303	-26.4
Earnings performance (EBIT)	15,447	7,898	26,179	13,385	-41.0
Pre-tax earnings (EBT)	16,620	8,498	21,985	11,241	-24.4
Net income for year	10,138	5,184	10,308	5,270	-1.6
DVFA/SG result after goodwill amortisation	10,138	5,184	10,308	5,270	-1.6
Per share in DM (€) *)	0.54	0.27	0.76	0.39	-29.0
DVFA/SG result before goodwill amortisation	15,287	7,816	12,103	6,188	26.3
Per share in DM (€) *)	0.81	0.41	0.89	0.45	-8.8
Number of employees **) as at 31 December 2000 (1999)	1,680		1.370		

* DVFA/SG results have been calculated on the basis of the average number of dividend-bearing shares for the year (2000 financial year: 18,857,500; 1999 financial year: 13,615,344).

** Including trainees

Review by quarter

	1st quarter 01.01. to 31.03.00 TDM	T€	2nd quarter 01.04. to 30.06.00 TDM	T€	3rd quarter 01.07. to 30.09.00 TDM	T€	4th quarter 01.10. to 31.12.00 TDM	T€	2000 Financial Year 01.01. bis 31.12.00 TDM	T€
Sales	**181,028**	**92,558**	**213,631**	**109,228**	**242,814**	**124,149**	**318,099**	**162,641**	**955,572**	**488,576**
EBITDA	**7,054**	**3,607**	**4,343**	**2,221**	**8,386**	**4,288**	**14,205**	**7,263**	**33,988**	**17,378**
Depreciation/ amortisation	3,325	1,700	3,360	1,718	3,170	1,621	3,537	1,809	13,392	6,848
EBITA	**3,729**	**1,907**	**983**	**503**	**5,216**	**2,667**	**10,668**	**5,454**	**20,596**	**10,531**
Goodwill amortisation	814	416	982	502	1,238	633	2,115	1,081	5,149	2,633
EBIT	**2,915**	**1,491**	**1**	**1**	**3,978**	**2,034**	**8,553**	**4,373**	**15,447**	**7,899**
Net interest income	-1,180	-603	282	144	1,283	656	788	403	1,173	600
EBT	**1,735**	**888**	**283**	**145**	**5,261**	**2,690**	**9,341**	**4,775**	**16,620**	**8,498**
Income taxes	1,068	546	797	407	2,501	1,279	2,116	1,082	6,482	3,314
Minority interests	7	4	-3	-2	0	0	-4	-2	0	0
Result for period	**674**	**346**	**-517**	**-264**	**2,760**	**1,411**	**7,221**	**3,692**	**10,138**	**5,184**

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Foreword by the Board of Executive Directors

The golden mean

It’s not the big that swallow the small but the fast that swallow the slow. The new economy has made this motto its own, particularly the IT sector, which moves forward with Gorbachev’s prophesy constantly in mind – „Life punishes the latecomer“.

But is speed really the only decisive factor? Hasn’t many a small fry choked on a big morsel downed in haste? Of late, more and more people have been giving voice to a realisation that is as simple as it is logical - the new economy cannot ignore the rules of the old economy. You can fire and nourish the imagination, grow in leaps and bounds and absorb huge losses, but sooner or later you will reach your limit. Those who overstep this limit are either swallowed up or disappear never to be seen again. But those who take pause after a dynamic start to reflect on the age-old givens of business life have the best chance of finding the road to success.

As with so many things in life, the golden mean often brings the greatest success in the end. Extremes may have their attractions for a while, but they lack substance and staying power. Life is not just black and white. When boundaries blur and the advantages come together, then you are on the way to the ideal position.

We have always sought our success by following this mean, and we have always found it – the middle path between strong expansion and solid growth, between leaps in sales and sensible profits, between old and new economy.

With its leading position, our European e-commerce segment is the stuff that dreams are made of. But these dreams have a solid foundation. Because in this business, too, the new economy cannot exist without the old, as the ups and downs of many an e-commerce company have shown. Commerce is all about selling goods, and it needs logistics to survive. The Internet is simply another form of ordering, but data links can only deliver information, not products. That is why we have put as much effort into perfecting our logistics as we have into creating an attractive, user-friendly Internet Shop. Ready availability, swift delivery, minimum stock levels and prices updated on a daily basis all over Europe are the benefits we offer our customers that make us unique. Companies that have only focused on making sales are now facing the bitter realisation that without a solid logistical foundation you are standing on shaky ground.

Even segments like system integration that have become almost traditional in IT market terms will be guided safely into the future by a balanced mix of new and old economy. Takeovers have become a hallmark of the new economy because many companies lack the substance for sustained internal growth. With 16 takeovers in the last three years (13

in the system house sector and three in e-commerce), we have expanded like virtually no other new economy company. But as we have expanded we have kept the rules of the old economy very much in mind - sensible prices, sound integration, step-by-step progress. The results are there for all to see: in parallel to strong internal growth, we have expanded even more dynamically over the past few years through a string of acquisitions. All the companies we have taken over have been smoothly integrated into the Bechtle Group and, thanks to tight control, most have made a positive contribution towards group performance after just a few months. This is our idea of sensible acquisition policy.

It is almost a matter of necessity that our strategy should be characterised by the golden mean. In a fast-moving sector like the IT market, standing still is the equivalent of taking a step backwards. But switching from one segment to another at the slightest drop in sales and heralding each new trend as the great opportunity for the future is not our style. It's an old but timeless adage: „Do what you do best." The things that have made us successful in the past will keep us on the road to success in the future. We have proved that we are flexible enough to adjust our course whilst keeping our eye firmly on where we are going.

If we look at recent developments on the stock markets, it is clear that the conflict between new economy, with its frequently irrational criteria, and old economy, with its traditional fundamental ratios, will gradually resolve itself. It will still be considered acceptable for start-ups to follow a loss-making entry phase with a period of rapid acquisition of market share, but the time between launch and transformation into profit-oriented organisation must become much shorter. In future, far greater attention will be paid to breakeven and the profit zone. Vision alone is no longer enough, it must go hand in hand with solid, profitable growth, just as we have achieved over the years. After much bitter experience, even the financial community is no longer prepared to buy dreams alone. It, too, has come round to the golden mean – solidity in the past and vision for the future.

Gerhard Schick
Dr Rainer Eggensperger
Ralf Klenk

Small e – big challenge

They all had the mark of the loser, the dealers with their conventional distribution paths and no electronic distribution channel. Over the past few years, e-commerce has moved from fashion phenomenon to absolute must-have. A future without the Internet is a bleak future. This opinion, widely proclaimed by the experts, set off an unprecedented run on Internet shops of all shapes and sizes. Flowers, cakes, wallpaper, insurance – whatever it is, everybody wants a piece of the action and is trying to sell his goods or services on the Web somewhere and in some form or other.

Meanwhile, however, whole hordes of contenders have gone on the retreat. The Olympic motto „It's more important to take part than to win" means nothing in business. Taking part costs money, and only the victors earn it. Portals are closing their doors, marketplaces are becoming deserted, shops are disappearing. Even well-known brand names have realised that there is a whole lot more to it than conjuring up a couple of attractive Web pages and pulling in the customers. Companies can navigate customers smoothly through their pages, take orders in a split second and then still fail if the goods take days to arrive or never materialise. Mailshot advertising in Germany has made this quite clear. It's not enough to sell over the Internet, the logistics are at least as important as the offer itself.

Power and efficiency on the Internet: a comprehensive IT product catalogue backed up by perfect logistics

Profitable e-commerce

e-commerce euphoria has therefore worn off and reality is setting in. At the top of the tree are companies like us, who have learned the business from the bottom up and transferred this knowledge into an e-commerce concept before anyone else even knew what the word meant. The figures alone prove that this is not an empty claim. Bechtle achieves an annual turnover of 203.7 million Marks in e-commerce, it supplies 19,000 quality products and delivers against invoice within 24 hours almost without exception. What makes us even more unusual is that we are still earning money with our Internet business at a time when other companies are pumping tens of millions into electronic marketplaces and shops.

Our success is not just a result of being ahead of our time, as we still are. For all our innovative strength, we are prudent businessmen. We prefer a policy of fast but careful growth to the head-over-heels mentality that has been so prevalent in recent times.

For us, the first step was the business practised by any other successful system house. The second step was to move on to direct marketing by catalogue.

A standard reference work

None of the e-euphoria has made our catalogue less attractive – quite the reverse. From a thin black-and-white volume with 32 products that first appeared in 1992, it has grown into the standard reference work of the European IT world, with 1,068 pages, 18,400 quality products and twice-yearly updates, available in three languages and eight countries, and with a European circulation of 200,000 copies. The entire market is here in this catalogue, with product photos, technical specifications and a whole range of services. The standard catalogue is complemented by special editions on topics such as „Mobile Computing“ or „Networks“.

There is one drawback, however, and that is that many IT prices are one-day prices. The price of memory chips is probably the best example. Print it today, and it will be out of date tomorrow. This makes electronic selling via the Internet the logical way of supporting and expanding our catalogue. The same product range, but with daily updates. Additional new offers, sections for bargain hunters and opportunities for sustainable cross-selling are all attractive accompaniments to the Internet Shop.

Europe-wide service

Since 1997, our business-to-business service at www.becthle.de has been growing steadily. National domains now provide access in five languages to a range of products comprising 18,400 different items in eight currencies. Bechtle manages its e-commerce business through eleven national companies interconnected via a network that centres on Heilbronn, where Bechtle's modern logistics centre is located. Together with a user-friendly online shop it forms the basis of an extremely efficient service.

Unbeatable logistics

While the rest of the world sleeps, an amazing feat of logistics takes place. 85,000 sets of price data are updated all over Europe, every night and with a precision and continuity that are unique.

Competitors' prices are carefully monitored and logged, and within one 24-hour cycle Bechtle carries out online comparisons for 60 defined target items.

This huge task has one aim only, and that is to guarantee our customers automatically-calculated, up-to-date prices every day, prices which are completely right for the market because they have been compared with competitors' prices all over Europe. More and more customers have come to appreciate what we offer, and access to the Bechtle Internet shops increased by over 70 per cent in 2000 alone.

The standard reference work: 18,400 products, 1,068 pages, circulation of 200,000, available in three languages

For those who can provide an efficient service, the prospects for the future are brilliant. Within two years, there will be 33 million Internet users in Germany alone. Nine million of these will buy online, and IT products are among the most popular goods purchased on the Internet.

Tailor-made savings potential

There is also vast potential in the field of corporate procurement. Two-thirds of companies not currently using online purchasing plan to start in the near future. No wonder, then, that a highly specialised offshoot of Bechtle's Internet business is currently growing at an impressive rate. BIOS® is the name of a customised online corporate procurement system that brings massive savings potential for companies.

Prices, products and budgets can be allocated to individual employees or whole departments to enable them to carry out purchases within predefined parameters at the click of a mouse. No long journeys, no costly order processing system, no multi-level approvals procedure. Levels of authorisation are precisely defined at the outset and employees automatically work within their preset limits. IT order processing doesn't come more efficient or cost-effective than that.

Over 100 companies across a range of sectors have already adopted this fast and highly economical method of procurement, and their number is increasing rapidly, with an almost threefold increase in 2000.

Undreamed-of possibilities

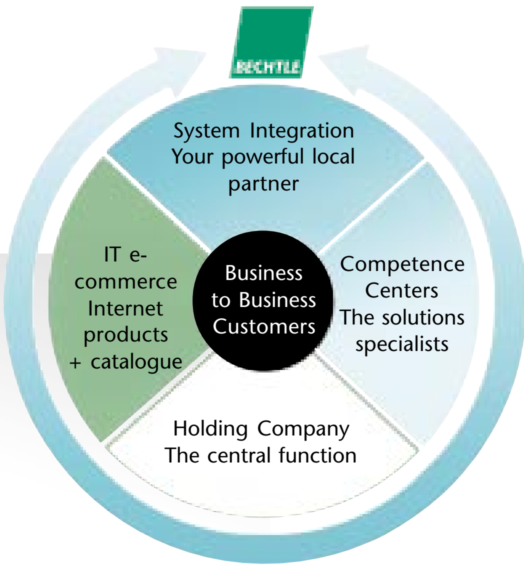
Particularly in the business-to-business segment in which Bechtle operates, efficient logistics are much more than half the battle. A private customer may well be prepared to turn a blind eye to a small delay in delivery, but for corporate customers competitive pricing coupled with immediate availability and problem-free payment against invoice are essential preconditions for a long-term partnership. But for the small „e" this represents a massive logistical challenge. If, like Bechtle, the optimum solution can be put in place, e-commerce really does offer a future of undreamed-of possibilities. There can be no better proof of this than the fact that Bechtle has succeeded in doubling its turnover in e-commerce each year.

Concentrated IT strength

For thousands of small and medium-sized system houses the easy days are over. Customers' expectations in the areas of technical expertise and product availability have risen dramatically. Without the necessary purchasing muscle the squeeze on profits is intense, and project business demands a strong foundation and enough resources to cover all eventualities. It has become almost impossible just to survive. Medium-sized system houses in particular are fighting an almost hopeless battle in the long run.

The solution lies in a path taken by 13 system houses over the past three years, which have become part of the Bechtle Group. These mergers with their multiple synergies provide a powerful base from which companies can grow into the dominant local supplier and use their leading position to provide a range of customer-oriented services at a profit.

Profitability equals stability
At first sight, profitability may only seem to be an essential criterion for shareholders and investors, but closer consideration reveals that it is also extremely important for customers, too. Only companies that are profitable will survive in the long term, and this makes profitable, efficient system integrators the perfect partners for medium-sized companies. There is nothing more difficult than trying to create and operate an IT structure with a string of constantly-changing suppliers. Continuity is essential to maintaining a viable IT environment and to its efficient, cost-effective use.



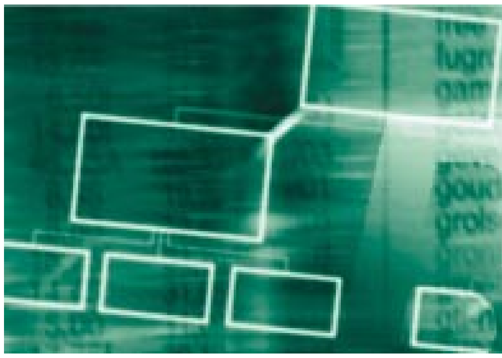
A great all-rounder: IT services and products from a single source

Customers' demands are increasing in line with the growing complexity of systems and applications. Here, too, companies working on their own can soon reach their limits. Specialist expertise cannot be held in reserve or expanded just for a few customers, because the capacity is simply not there. 24-hour service, already an absolute must for many sectors today, is utopia. The customer is left to his own resources and the consequences are inevitable - he looks for a more efficient supplier.

Double the growth
A combination of strong internal growth and targeted external expansion through sensible acquisitions has put Bechtle in an excellent position to continue to satisfy customer requirements over the long term. Through intelligent, progressive expansion from one area to the next, Bechtle has achieved a high profile presence in major regions and entire states of the Federal Republic. The distance between company and customer has become very short, availability of service and expertise has increased many times over, and all-round service has become reality, not only in terms of the hours in the day but also in terms of the range of services available.

Closeness to the customer
Taking the example of a customer in Karlsruhe, Becthle can offer this customer all the advantages of its extensive geographic coverage. Heilbronn, Stuttgart and Mannheim are no more than an hour away, and the drive to Darmstadt or Freiburg is not much farther. Bechtle has sites at each of these locations. There are multiple benefits for the customer. Bechtle can keep highly qualified, expert personnel on call at one of these locations, who can get to the customer within a very short space of time. Round the clock service with response times of one hour or less can be guaranteed. And for customers who need training for their new software, there is a choice between a number of convenient training locations and a wide range of course dates.

With system integrators at over 30 locations in Germany, there are two winners from Becthle's strong presence. The customer enjoys obvious benefits from the company's efficiency, this leads to increased satisfaction, and Bechtle benefits from this satisfaction through long-term customer relationships. It is one of our declared goals to achieve nationwide coverage in Germany. With five takeovers of system houses in 2000 alone, we are now one important step closer to a permanent position as one of the five largest system integrators in the country.



Specialist expertise

One of the things that will help us achieve our objectives is the individual expertise available at our various locations and in many of the enterprises we have acquired, expertise that can be effectively deployed across all regions. In addition to traditional system integration services such as network installation, product procurement, service and training, we can provide the customer with a number of real additional benefits. Bechtle Competence Centers are being set up to extend our system house service spectrum. Technical expertise in specialist areas such as IBM AS/400, RS/600, Lotus Notes and CAD/CAM resides at individual locations, but is available on call to every system integrator within the Bechtle Group.

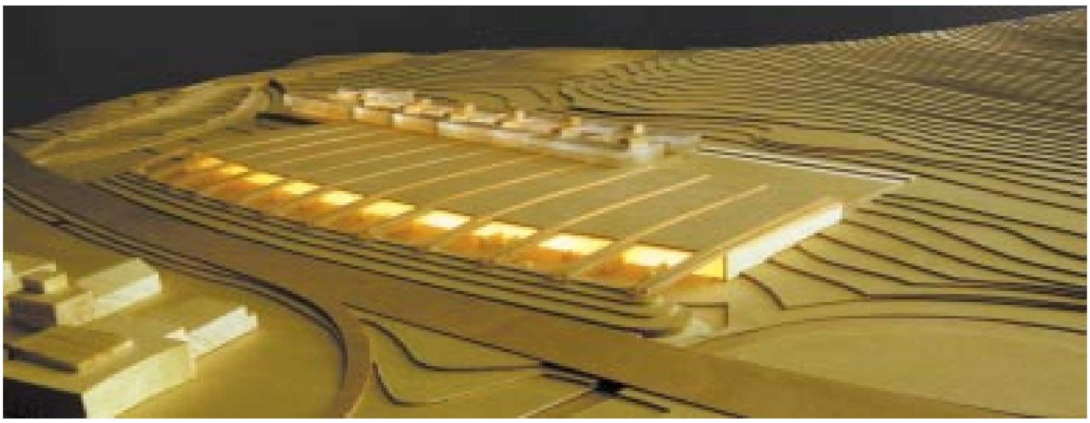
But short distances, nationwide coverage and high levels of expertise are no guarantee of perfect service on their own. Many system houses today are suffering an identity crisis – are they product suppliers or service providers? The modern system integrator will place priority on the latter without neglecting the former. The most promising solution is to position oneself as a service provider who sells products. But the requirement for this product sales component is the same as for e-commerce – good logistics. The more perfect the logistics, the more perfect the service.

Bechtle already controls its logistics operations centrally for the entire Group from its modern logistics centre in Heilbronn. Both its e-commerce business and each one of the company’s system integration locations in Germany enjoy the benefits of this sophisticated system, which offers extremely high availability. Over the next two to three years, individual business areas will move even closer together. A new Bechtle centre is being built in nearby Neckarsulm which, in addition to housing central Bechtle AG holding functions, will

bring together the company's e-commerce, logistics and service and system integration activities at the old Heilbronn location.

Togetherness is tops

This will create a single community under one roof from elements that are frequently regarded as opposites – electronic marketing via the Internet and the conventional services of the system integrator. The Bechtle centre will become a by-word for the reality of an integrated philosophy. This is because efficient system integration creates trust in complementary e-commerce services from the same supplier, and an efficient e-commerce partner creates trust in system integration. Only together can this concentrated IT strength be achieved.



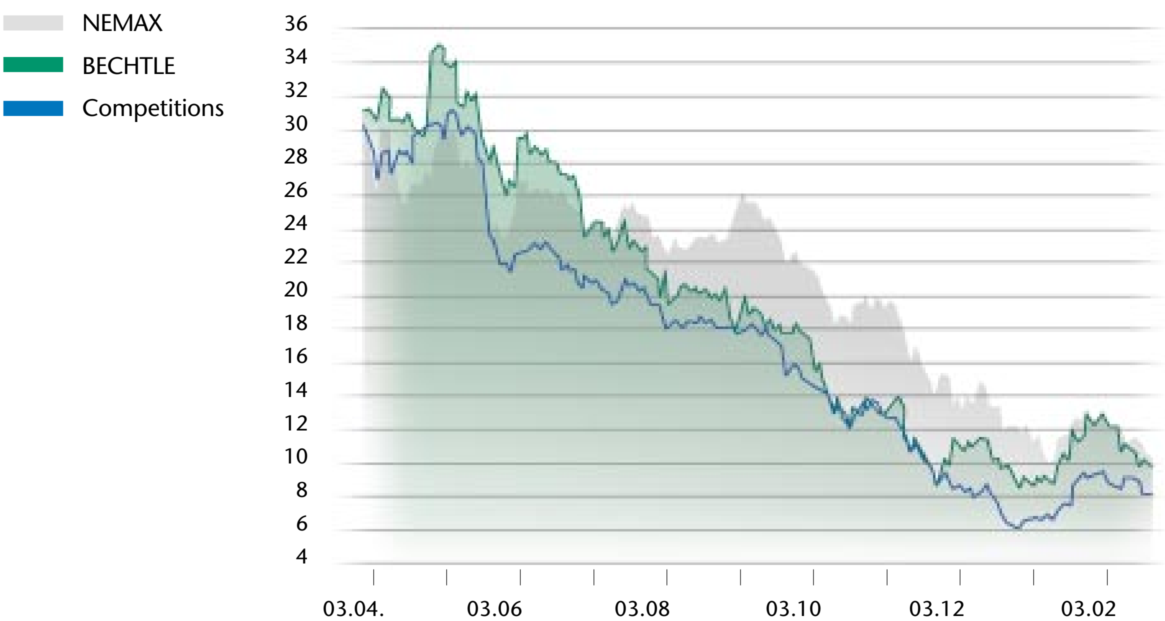
Award winning design
for an integrated future:
the new Becthle centre

The share

Potential for the future

Dividend payments are still an old economy domain. Due to their lack of profitability, very few Neuer Markt companies are in a position to pay dividends to their shareholders. With a proposed dividend of 0.25 euros per share for 2000, Becthle is one of the notable exceptions. But for us, the promise made at the time of the IPO not only to remain capable of paying dividends but to actually pay them to our shareholders to enable them to participate in our profits is a binding obligation. On a relative basis, the size of this dividend is highly respectable.

Somewhat surprising, then, is the performance of our share price, which does not fairly reflect the fundamentals or our vision for the future, particularly in e-commerce. When Becthle went public at the end of March, demand far outstripped supply, and our shares were oversubscribed twelve times. Five million shares were issued at a price of 27 euros. The stock markets had already entered a difficult phase at the time of the IPO, but for a long time the Bechtle share successfully resisted the general downturn and rose above its issue price. Later on in the year, however, even we were sucked into the whirlpool of falling prices and the persistent decline in the Neuer Markt. During the period to year-end, share price performance was more than unsatisfactory.



From the company's point of view the Becthle share was never a speculative tool for short-term profit, but a long-term investment. It has been constantly regraded, but its price performance from the middle of this year has made it difficult for us to sustain this claim.

The challenge is to extricate ourselves from the general downtrend in the stock markets, and particularly the poor performance of IT stocks, and establish our own business cycle. The prospects certainly look good, as there are very few Neuer Markt companies capable of delivering the increased turnover and high profitability that Bechtle has. The same extraordinary vision lies behind the leading position of our European e-commerce segment as behind the expansion of our system integration business, with the takeover of five companies in 2000 alone, all smoothly integrated into the Bechtle Group.

In the light of the above, expectations that the Bechtle share will profit from an upturn in the capital markets are wholly realistic. In 2001, the fundamentals will improve appreciably as we achieve our objectives, and breaking through the billion barrier in turnover and doubling our surplus should generate enough enthusiasm to put our shares back on an upward course. The Bechtle share will then truly fulfil its role as a long-term investment.

Bechtle share key figures in euros per share (except where noted)	2000
Net earnings per share or book value per share	0.27 6.18
Highest/lowest price (to 31.12.2000)	37.85 / 8.55
Shareholders' funds in DM (millions)	306
Number of shares (millions)	20.2
Freefloat	5,757
Stock market value at year-end (market capitalisation, in millions of euro)	181.6

Directors' Report

Market review

In 2000, the growth of the German IT market was far below the level anticipated. Expectations of an orders bottleneck at the turn of the millennium followed by a sharp increase in demand failed to materialise. As a precautionary measure, many companies had increased IT expenditure prior to the millennium, and this resulted in unsatisfactory demand across a broad front in the first half of 2000. Project business in particular remained way below expectations.

Signs of revival did not become apparent until the second half of 2000, but the recovery came too late to compensate for the slow start in the first six months. As a consequence of weak market performance, competition was intense. At the same time, companies were holding spare capacity in reserve in anticipation of the predicted upturn. These two factors combined to weaken profits for many companies, even though in some cases this was accompanied by increased turnover.

Across Europe, market growth in information technology, telecommunication and new media (ITC) remained above the world average. With an 11.5 per cent growth rate, the west European ITC market achieved volume of over one billion Marks for the first time, of which 47 per cent was attributable to the pure IT market. Stronger growth was prevented primarily by the skills shortage in Europe.

Business review

With turnover growth of 55.5 per cent to 955.57 million Marks and pre-tax earnings of 16.62 million Marks, Bechtle did not entirely escape the effects of general market trends. However, in spite of this we were able to expand and to increase our market penetration, and in the face of restrained customer demand, falling margins and intense competition Bechtle continued to achieve clear profits in 2000.

However, although our turnover objectives for 2000 were largely reached, the earnings targets for the year were not achieved, as even Bechtle did not start to feel the benefits of the recovery until the third quarter. In the fourth quarter, the late upturn was reflected in sales of 318.10 million Marks compared with 228.04 million Marks in the previous year and EBT of 9.34 million Marks compared with 7.31 million Marks last year. This meant that the fourth quarter largely fulfilled our original expectations, and on the strength of these results we expect positive growth to continue in 2001.

EBITDA for the year just ended is 33.99 million Marks compared with 38.64 Marks in the previous year. After depreciation excluding goodwill amortisation of 13.40 million Marks, this gives EBITA of 20.60 million Marks. EBIT is 15.45 million Marks, and a positive financial result of 1.17 million Marks is reflected in EBT of 16.62 million Marks. Post-tax earnings for the 2000 financial year are 10.14 million Marks.

Segmental analysis

e-commerce

Bechtle's European e-commerce activities have continued to be characterised by strong growth and profitability in the year under review. With even leading Internet marketplaces and e-commerce companies running into difficulties, Bechtle has remained firmly on the road to success. Within one year, turnover has more than doubled, new e-commerce subsidiaries have been founded in two other European countries, and Bechtle has strengthened its position in Germany and Switzerland through acquisitions.

Sales increased from 92.40 million Marks to 203.70 million Marks, representing growth of 120.5 per cent. It should be noted that for organisational reasons only e-commerce sales generated by the Bechtle direkt trading companies has been included in the e-commerce segment. If we apply a functional definition of the e-commerce transaction process (electronic support of intercompany business relations), e-commerce sales of 15.62 million Marks generated by the company's system houses must also be taken into account. These relate to BIOS(r), the customised corporate purchasing platform supplied to system house customers wishing to optimise their procurement procedures. On this basis, e-commerce sales amounted to 219.32 million Marks.

Adjusted to remove the effect of acquisitions, e-commerce division sales are 149.08 million Marks. This figure still represents appreciable growth of 61.3 per cent.

Bechtle's strong international orientation in the e-commerce sector is reflected in the fact that at 105.57 million Marks, only around half of the total volume is attributable to the German e-commerce sector. The remaining 93.18 million Marks have been achieved across Europe through eight companies in seven different countries.

The performance of Bechlte's French and Belgian companies underlines the success of our move to establish new companies. Operations started in spring 2000 in France, and in autumn that year in Belgium. In spite of their short business year, these two companies made a 3.46 million Mark contribution to group turnover.

The key factors affecting earnings performance in the e-commerce sector are a stable profit situation in Germany and appreciably lower start-up losses outside Germany compared with the previous year. In Germany, EBIT after tax on earnings was 5.29 million Marks, representing an above-average return on sales of 5%, while other countries had to bear start-up losses totalling 1.65 million Marks, of which approximately half is attributable to the two new companies. The positive performance of these foreign companies in the fourth quarter clearly indicates that breakeven point is not far off. EBIT for the e-commerce segment as a whole is 3.64 million Marks.

Parallel to organic growth, Bechtle further consolidated its leading position in the European IT market through three acquisitions. The acquisition of Comsoft Data direct AG in Gland in the French-speaking part of Switzerland has given Bechtle a second important foothold in this country alongside its own e-commerce subsidiary. Takeovers of BCS Computer-vertrieb GmbH & Co. KG in Rottenburg (formerly BCS Computer-Vertriebsgesellschaft mbH) and Hartmann GmbH in Hiltpoltstein have significantly extended the company's market position in Germany and rounded off its Apple and network components product range.

In addition to stable growth through its European orientation, the company's underlying business model, with its twin pillars of e-commerce and system integration, offers excellent potential. Alongside pure product sales business generated throughout Europe via Internet and catalogue, the company's close commercial relationships with its system house customers are becoming increasingly important. BIOS(r) is a customised system which enables companies to dramatically increase the efficiency of their procurement operations, particularly for consumables. For our system house customers, this „internal IT marketplace“ brings considerable savings potential, and the provision of individual BIOS(r) solutions is increasing by leaps and bounds.

System houses

Despite the prevailing trend in the system integration market, Bechtle successfully resisted the market weakness outlined above to further extend its market position in Germany, consolidating its status as one of Germany's top system integration companies with above-average market penetration in a number of federal states.

Overall, sales in this segment increased by 44 per cent from 522.09 million Marks to 751.87 million Marks. This result is a combination of the company's own efforts and the continuation of its takeover policy announced at the time of the IPO.

In the 2000 financial year, five system houses joined the Bechtle group. These are Bechtle GmbH & Co. KG (formerly concept data Hard- und Software GmbH), Bottrop, CSB IT-Systemhaus GmbH, Schorndorf, Behrens Datensysteme DV-Service-Center GmbH & Co. KG, Münster, Bechtle GmbH (formerly OCR Datensysteme GmbH), Mannheim, and Bechtle GmbH (formerly BRAUN Computer GmbH), Rottenburg. As a result, Bechtle is now represented at over 30 system house locations in Germany.

Excluding these acquisitions, turnover growth in the system house business rose by 30 per cent over the previous year to 678.47 million Marks.

Although in spite of the weak markets headcount was not significantly reduced and the slack period was used to invest for the future by undertaking expensive staff training, our system house business remained profitable, and EBIT of 11.81 million Marks was recorded.

Financing and investing activities

During the previous year, the expansion of the Bechtle group has been reflected in investments in intangible and tangible assets totalling 51.18 million Marks. The focus of these investments was the purchase of eight companies for the Bechtle group, so that the ongoing process of growth through acquisitions pursued by the company over prior years was maintained following the IPO. On the other hand, investments in tangible assets and intangible assets excluding goodwill at 15.78 million Marks were not significantly above the 13.39 million Marks recorded for depreciation excluding goodwill amortisation, and thus did not result in significant additional financing requirements from investing activities, which amounted to 59.32 million Marks.

The financing requirement from operating activities at 72.89 million Marks is primarily the result of funding the company's strong turnover growth and the accompanying increase in trade accounts receivable.

The financing requirement was offset by high inflows of liquidity largely attributable to the flotation at the end of March. Of a total amount of 282.16 million Marks received from payments relating to capital increases, of which 264.04 million Marks is attributable to the flotation, net cash inflow of 214.93 million Marks remained after payment of the dividend in respect of the previous year at 7.42 million Marks, issuance costs of 14.76 million Marks and repayment of amounts due to banks totalling 45.00 million Marks.

Compared with the previous year, cashflow has increased by 28.0 per cent from 20.49 million Marks to 26.23 million Marks.

Asset and liability structure, capital structure

Despite its continuing strategy of strong expansion, Bechtle still possesses outstanding capital resources, and this is underlined by an equity ratio of over 72 per cent.

With 96.21 million Marks at the balance sheet date, further financial resources are available in the form of cash reserves for future expansion and acquisition activities. In making acquisitions for the group, we will continue to be guided by our current policy of paying purchase prices which are appropriate and in line with company earnings.

Net liquid assets also remain at a very high level, with a total of 88.81 million Marks available at year-end.

Employees

In spite of the lack of demand for IT services during the first three quarters of 2000, Bechtle maintained a steady headcount on the basis of the companies included at the beginning of the financial year in order to be ready for the positive developments which were already becoming apparent. Particularly in the light of the continuing shortage of qualified specialist IT personnel, we believe that this strategy will prove successful over the medium and long term.

As a result of the expansion of the Bechtle group by the purchase of additional companies, the number of employees rose by 310. Bechtle employed a total of 1,680 people at the end of the year.

Future risks

Leading PC suppliers are increasingly pursuing direct business with large customers. We believe that this development represents only limited risk for our company, as manufacturers' activities are primarily focused on the largest companies and groups. In contrast, we have built up a highly diverse customer base. We concentrate on high quality medium-sized companies while maintaining a focus on any large customers located within the catchment areas of our various locations. With our ability to provide solutions that enable companies to achieve significant savings through procurement via the Internet, and a product range that covers the entire market, we offer a realistic alternative to direct marketing for even the large customer. Moreover, the comprehensive, universal range of services provided by our system houses guarantees the availability of support for consulting, implementation, customer support, training and maintenance.

With our twin system house and e-commerce segments, we operate in markets that are characterised by intense competition. The sale of hardware products, in particular, is subject to continually falling margins. We have met this challenge by reducing costs through optimising our procurement, throughput and distribution processes. We pursue a policy of purchasing goods shortly before delivery to the customer or using distributors as fulfilment partners to deliver direct to the customer on our behalf, so that inventory costs are kept to an absolute minimum. To prevent low inventory levels leading to supply shortages, we have dovetailed our procurement activities with manufacturers and distributors.

We believe further expansion in the system house sector through internal and external growth is a strategy that will enable us to achieve success in an increasingly competitive environment.

On the other hand, the rapid turnover growth achieved by Bechtle and the large number of acquisitions made by the group places considerable demands on our human and financial resources. Bechtle's strong growth could lead to a disproportionate increase in operating expenditure as a result of growth-induced inefficiencies. Over the past three years, we have acquired 16 companies, which have all been successfully integrated into the group. We are therefore confident that we will remain in a position to fund the investments and additional integration costs associated with our expansion strategy by increasing earnings and to successfully continue our growth strategy.

We purchase our products from all the well-known names in the computer industry. We have entered into framework agreements with many of these companies, but have not committed ourselves to purchasing defined volumes of goods. We believe that if current market conditions continue we will be able to provide replacement products quickly in the event of losing a manufacturer or supplier.

Thanks to our broad customer base, we are not dependent on individual customers.

We still regard the shortage of suitably qualified specialist personnel in the labour market as a potential threat to our plans to expand our service offering. However, developments in recent months indicate that the situation in the labour market is easing.

The market for the products and services we supply is subject to constant changes in technology and customer requirements. A key factor is the continual technological change in the computer industry, which results in ever-shorter product cycles and the frequent introduction of new or reworked products. To enable us to keep pace with technological developments, we have set up Competence Centers which closely track new developments and carefully assess the future impact of market trends. This will put us in a position to introduce new products and services rapidly and establish them with our customers.

In its system house business, Bechtle provides contractual guarantees in respect of the systems it supplies under which manufacturers' guarantees are passed on and statutory warranty remains. We regard the risk associated with meeting warranty claims by customers without recourse to manufacturers as relatively small.

Risk management

Bechtle AG operates an internal monitoring system that includes a number of organisational security measures and internal controls. The company's controlling and finance departments undertake a range of planning, information, management and control tasks. One important control tool is the monthly reconciliation between the contribution margins calculated by the inventory control system and the financial accounting department.

With the exception of Bechtle direct Ltd, Chippenham, the financial accounts of all the companies in the Bechtle group are run on the system at Bechtle AG in Gaildorf. This provides significantly increased transparency of the financial position of all group companies and makes it easier for the company to produce its consolidated, quarterly and year-end financial statements.

We have put organisational measures in place to provide early identification of risks with implications for the company's future, and communication channels to ensure rapid communication of early warning indicators relevant to executive decision-making. We also strive to create a corporate culture underpinned by risk awareness on the part of all employees.

In order to minimise potential threats to the company's continued existence, the risk situation of the company and its subsidiaries has been assessed and corporate processes studied and analysed. In 2001, the results will be used to produce appropriate work and communication instructions for successive introduction during the course of the year.

Future outlook

With a strong upward trend (including earnings) in the fourth quarter of 2000, we can realistically expect to achieve our objectives for 2001. By the end of the year, turnover should have reached 1.2 billion Marks and pre-tax earnings (EBT) 32 million Marks.

Bechtle will continue to concentrate on its core strengths and focus on pursuing its adopted strategy of growth in e-commerce and system integration. Our decision to maintain our headcount through the slack period in a labour environment characterised by a shortage of skills and to use this time for staff training will reap dividends in both the medium and long term.

Bechtle's sophisticated logistics system will guarantee continued strong growth in the e-commerce segment. It has become increasingly apparent that logistics is the Achilles heel even for world famous e-commerce companies. The efficient logistics centre created by Bechtle has made daily, competitive prices, rapid delivery and high availability combined with low inventory levels a hallmark of Bechtle's e-commerce business.

In system integration, Bechtle will remain true to its principle of doubling growth through a combination of internal expansion and further acquisitions. Although the new tax legislation introduced in the year for sales of companies is more of an impediment than otherwise, the acquisition of the system house business of Horn & Görwitz EDV-Zentrum GmbH in Berlin in the first few weeks of the current financial year has successfully established another important cornerstone which will help us achieve a national presence.

The initial months of the current financial year have confirmed that the recovery in demand in both of the segments in which Bechtle operates that began in the fourth quarter of 2000 was genuine. In the light of this positive development, we expect to achieve sustained turnover and earnings growth in 2001.

There have been no significant post-balance sheet events.

Gaildorf, March 2001

Bechtle AG

The Board of Executive Directors

Gerhard Schick
Dr Rainer Eggensperger
Ralf Klenk
Jürgen Renz

Report by the Supervisory Board of Bechtle AG

Throughout the year, the Supervisory Board kept itself informed of the business policy of the company, key management issues, the state and development of the company and its operating subsidiaries and significant business activities on the basis of regular verbal and written reports from and discussions with the Board of Executive Directors. In the course of the year under review, the Supervisory Board held seven meetings, at which it received detailed information regarding the position of the company and its operative subsidiaries. In particular, it discussed acquisition projects, business developments in the companies within the Group, the performance of the Bechtle share, personnel matters relating to the Board of Executive Directors, strategic matters relating to the group, and issues of risk control. Where required, the Supervisory Board audited business activities and took decisions on transactions requiring its approval. In addition to the scheduled Supervisory Board meetings, the Chairman of the Supervisory Board maintained regular contact with the Board of Executive Directors, with other members of the Supervisory Board also having regular contact with the Board of Executive Directors on specific issues. A constant flow of up-to-date information was maintained at all times.

At the meeting to approve the balance sheet on 22.03.01, the year-end financial statements for 2000, which had previously been audited and given an unqualified audit certificate, were examined by the Supervisory Board and discussed in detail with the Board of Executive Directors in the presence of the company's auditor. The Supervisory Board gave its approval to the financial statements, which are thereby adopted. The consolidated financial statements for 2000, which had likewise been given an unqualified audit certificate, were also examined by the Supervisory Board, and were noted and approved.

At the meeting on 22.03.01, the Supervisory Board expressed its thanks to the Board of Executive Directors for their constructive and committed work during a difficult year and asked that their thanks be passed on to the employees of the Group.

Mr Herbert Roelofsen relinquished his seat on the Board of Executive Directors on 28.02.01, and continues to remain available to the company in an advisory capacity. The Supervisory Board thank Mr Roelofsen for the major contribution he has made towards successfully integrating SDV, Krefeld into the Bechtle group. Dr Rainer Eggensperger and Mr Jürgen Renz were appointed members of the Board of Executive Directors of Bechtle AG on 15.09.00 and 01.03.01 respectively.

Stuttgart, 22.03.01

The Supervisory Board

Klaus Winkler
Chairman

Consolidated profit and loss account for the period 1 January to 31 December 2000 (1999) in accordance with US GAAP

	1 January to 31 December 2000		1 January to 31 December 1999	
	TDM	T€	TDM	T€
Sales	955,572	488,576	614,488	314,183
Cost of sales	847,365	433,251	531,409	271,705
Gross profit on sales	108,207	55,325	83,079	42,477
Selling expenses	60,883	31,129	41,201	21,066
General administrative costs	43,646	22,315	23,411	11,970
Other operating income	11,769	6,017	8,191	4,188
Financial result	1,173	600	-4,673	-2,389
Profit on ordinary activities	16,620	8,498	21,985	11,241
Tax on income and earnings	6,482	3,314	11,724	5,994
Group income before minority interests	10,138	5,184	10,261	5,246
Minority interests	0	0	47	24
Net income	10,138	5,184	10,308	5,270
Earnings per share (undiluted) in DM (€)	**0.54**	**0.27**	**0.76**	**0.39**
Earnings per share (diluted) in DM (€)	**0.54**	**0.27**	**0.76**	**0.39**

Consolidated balance sheet as at 31 December 2000 (1999) in accordance with US GAAP

	As at 31.12.00 TDM	As at 31.12.00 T€	As at 31.12.99 TDM	As at 31.12.99 T€
Assets				
Current assets				
Cash and cash equivalents	41,302	21,117	13,489	6,897
Securities	4,842	2,476	0	0
Borrower's note loan	50,069	25,600	0	0
Trade accounts receivable	140,833	72,007	80,960	41,394
Receivables from affiliated companies	480	245	514	263
Inventories	47,524	24,299	27,799	14,213
Advance payments and other current assets	25,377	12,975	8,741	4,469
Prepayments and accrued income	354	181	464	237
Deferred taxation	2,447	1,251	1,661	850
Total current assets	**313,228**	**160,151**	**133,628**	**68,323**
Tangible assets	20,369	10,415	22,447	11,477
Financial assets	768	393	423	216
Intangible assets	89,570	45,796	45,082	23,050
	423,935	**216,755**	**201,580**	**103,066**
Liabilities				
Current liabilities				
Trade accounts payable	65,244	33,359	23,309	11,918
Advance payments received	2,084	1,065	2,522	1,289
Liabilities from acceptance of bills of exchange and issue of promissory notes	0	0	3,366	1,721
Provisions	22,803	11,659	35,771	18,289
Short-term loans	2,210	1,130	43,215	22,095
Accruals and deferred income	2,076	1,061	2,571	1,315
Other current liabilities	18,171	9,291	45,662	23,347
Total current liabilities	**112,587**	**57,565**	**156,416**	**79,974**
Long-term liabilities less short-term portion	**5,197**	**2,657**	**9,192**	**4,700**
Minority interests	**0**	**0**	**57**	**29**
Shareholders' equity				
Ordinary shares with par value of 1.00 euro: Nennwert von Euro 1,00; 20,200,000 (previous year: 9,479,836) shares authorised, issued and outstanding	39,508	20,200	18,541	9,480
Capital reserves	262,964	134,452	16,527	8,450
Retained income	10	5	10	5
Other changes in shareholders' equity not affecting net income	122	63	13	7
Net income	3,546	1,813	824	421
Total shareholders' equity	**306,150**	**156,532**	**35,915**	**18,363**
	423,935	**216,755**	**201,580**	**103,066**

Consolidated statement of cashflows for the period 1 January to 31 December 2000 (1999) in accordance with US GAAP

	2000 TDM	2000 T€	1999 TDM	1999 T€
Cashflow from operating activities				
Group net income	**10,138**	**5,184**	**10,261**	**5,247**
Adjustments for				
Depreciation of fixed assets	18,541	9,480	11,986	6,128
Internally produced and capitalised assets	-1,508	-771	-1,032	-528
Increase in deferred tax liabilities	-154	-79	559	286
Increase in deferred tax assets	-785	-402	-1,288	-659
Cashflow in accordance with DVFA/SG = Cash inflow before changes in net current assets	**26,231**	**13,412**	**20,487**	**10,475**
Profit (-)/loss from disposal of fixed assets	-401	-205	151	77
Increase (-)/decrease in inventories	-19,725	-10,085	-9,631	-4,924
Increase (-)/decrease in trade accounts receivable	-59,873	-30,613	-29,473	-15,070
Increase (-)/decrease in receivables from affiliated companies	34	17	0	0
Increase (-)/decrease in other assets	-16,636	-8,506	-4,863	-2,486
Increase (-)/decrease in prepayments and accrued income	110	56	-367	-188
Increase (+)/decrease in taxation provisions	-9,852	-5,037	12,186	6,231
Increase (+)/decrease in other provisions	-2,961	-1,514	12,377	6,328
Increase (+)/decrease in advance payments received	-438	-224	0	0
Increase (+)/decrease in trade accounts payable	41,936	21,441	13,964	7,140
Increase (+)/decrease in liabilities from acceptance of bills of exchange and issue of promissory notes	-3,367	-1,721	0	0
Increase (+)/decrease in other liabilities	-27,491	-14,056	22,480	11,494
Increase (+)/decrease in accruals and deferred income	-496	-253	2,273	1,162
Increase in difference from currency translation	109	56	2	1
Proceeds/expenses from equity consolidation	-72	-37	479	245
Net cash outflow from operating activities	**-72,892**	**-37,269**	**40,064**	**20,484**
Cashflow from investing activities				
Proceeds from disposal of fixed assets	3,766	1,925	14	7
Investments in financial assets	-279	-143	-479	-245
Net additions to scope of consolidation	-1,796	-918	-1,773	-906
Investments in intangible assets and tangible assets not including internally produced and capitalised assets	-61,004	-31,191	-49,027	-25,067
Cash used in investing activities	**-59,315**	**-30,327**	**-51,265**	**-26,212**
Cashflow from financing activities				
Proceeds from capital increases	282,161	144,267	11,647	5,955
Dividends paid	-7,416	-3,792	-18,502	-9,460
Issuance costs	-14,757	-7,545	0	0
Adjustment for minority interests	-57	-29	-152	-78
Proceeds (+)/payments from indebtedness to banks	-45,000	-23,008	24,229	12,388
Cash provided by financing activities	**214,931**	**109,892**	**17,222**	**8,805**
Net change in cash and cash equivalents	**82,724**	**42,296**	**6,020**	**3,078**
Cash and cash equivalents at beginning of period	**13,489**	**6,897**	**7,469**	**3,819**
Cash and cash equivalents at end of period	**96,213**	**49,193**	**13,489**	**6,897**

Statement of changes in shareholders' equity

	Entry onto Commercial Register	Number of ordinary shares issued		Subscriped capital		Capital reserves	
		DM	€	DM	€	DM	€
Shareholders' equity as at 31 December 1998		15.000.000		15.000.000,00	7.669.378,20	8.420.000,00	4.305.077,64
Dividends paid 1998							
Equity and capital reserves on transormation		15.000.000		15.000.000,00	7.669.378,20	8.420.000,00	4.305.077,64
Conversion to euros and translation of a portion of reported capital reserves from companies funds	28.07.99			646.640,00	330.621,80	-646.640,00	-330.621,80
Equity and capital reserves after conversion to euros			8.000.000	15.646.640,00	8.000.000,00	7.773.360,00	3.974.455,84
Increase of capital against cash	30.12.99		337.000	659.114,71	337.000,00	5.272.917,68	2.696.000,00
Increase of capital against non-cash contributions	30.12.99		1.052.836	2.059.168,23	1.052.836,00	2.071.995,04	1.059.394,24
Increase of capital against cash	30.12.99		90.000	176.024,70	90.000,00	1.408.197,54	720.000,00
Group net income 1999							
Exchange adjustment							
Shareholders' equity as at 31 December 1999			**9.479.836**	**18.540.947,64**	**9.479.836,00**	**16.526.470,26**	**8.449.850,08**
Dividends paid 1999							-7.416.378,96
Increase in capital against cash	22.02.00		110.000	215.141,30	110.000,00	1.721.130,40	880.000,00
Increase in capital from company funds	22.02.00		5.410.164	10.581.361,05	5.410.164,00	-10.581.361,06	-5.410.164,00
Equity and capital reserves before IPO			**15.000.000**	**29.337.449,99**	**15.000.000,00**	**7.666.239,60**	**3.919.686,08**
Increase in capital against cash	21.03.00		5.000.000	9.779.150,00	5.000.000,00	254.257.900,00	130.000.000,00
Increase in capital against non-cash contributions	25.08.00		200.000	391.166,00	200.000,00	10.131.199,40	5.180.000,00
Issunace costs						-9.091.869,10	-4.648.598,86
Group net income 2000							
Exchange adjustment							
Shareholders' equity as at 31 December 2000			**20.200.000**	**39.507.765,99**	**20.200.000,00**	**262.963.469,90**	**134.451.087,22**

Cumulative result DM	Cumulative result €	Minority interests DM	Minority interests €	Retained earnings DM	Retained earnings €	Other changes not affecting net income DM	Other changes not affecting net income €	Total shareholders' equity DM	Total shareholders' equity €
9.018.633,64	4.611.154,16	209.691,25	107.213,43	10.000,00	5.112,92	11.007,61	5.628,10	32.669.332,50	16.703.564,45
-18.502.267,85	-9.460.059,34								
10.307.906,89	5.270.349,10	-152.495,29	-77.969,60						
						2.152,56	1.100,59		
824.272,68	**421.443,93**	**57.195,96**	**29.243,83**	**10.000,00**	**5.112,92**	**13.160,17**	**6.728,69**	**35.972.046,71**	**18.392.215,44**
-3.791.934,35									
10.138.174,59	5.183.566,36								
		-57.195,96	-29.243,83			109.219,47	55.843,03		
3.546.068,31	**1.813.075,94**	**0,00**	**0,00**	**10.000,00**	**5.112,92**	**122.379,64**	**62.571,72**	**306.149.683,84**	**156.531.847,79**

Notes to the financial statements (US GAAP) for the 2000 financial year

GENERAL INFORMATION

Foundation, registered office, listing and business of the company

The company was founded in 1982 under the name „dialog Gesellschaft für Mikrocomputer Anwendung GmbH“ with registered office in Mannheim. In 1994 the name of the company was changed to „dialog systemhaus“ GmbH. On 30 December 1996 a resolution was passed by the general meeting of shareholders to move the company's registered office to Gaildorf and to change its name to „Bechtle GmbH“. In May 1999, Bechtle GmbH became Bechtle Aktiengesellschaft (hereinafter called „Bechtle“ or „the company“), and on 30 March 2000 shares in the company were offered for sale in the Neuer Markt at the Frankfurt stock exchange. The company's shares are also traded on the Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart stock exchanges. The company is listed under security code 515 870. Additional shares subject to selling restrictions are listed under security code 515 872.

The principal business of Bechtle AG and its material subsidiaries included in the consolidated financial statements is the marketing and sale of computer and communications product applications and their associated components (hardware and software), the provision of training courses and organisational and operational consulting, the management of projects and the provision of appraisals and expert opinions in the computer applications field.

The parent company also engages in the acquisition, administration and sale of participations in other undertakings, and the assumption of personal liability and management of trading partnerships. Its activities also include financing, the provision of central purchasing, accounting, inventory management, marketing and personnel management functions, and the training of staff employed by the group's companies.

United States Generally Accepted Accounting Principles (US GAAP) – general notes

The German companies in the group prepare their accounts and records in accordance with the provisions of the German Commercial Code (HGB). Foreign Group companies prepare their accounts and records in accordance with the relevant local provisions. The provisions of German commercial law and the local accounting standards used by the group's foreign subsidiaries differ in certain significant respects from United States Generally Accepted Accounting Principles (US GAAP). All the adjustments necessary to conform the year-end financial statements to US GAAP have been carried out.

Information on the use of specific US GAAP provisions in the preparation of individual items in the financial statements is provided in the Notes.

Exempted consolidated financial statements in accordance with § 292a subsections 1 and 2 HGB

We have made use of the provisions of § 292a subsections 1 and 2 HGB to prepare exempted consolidated financial statements in accordance with international accounting provisions (US GAAP).

The main differences between these provisions and the accounting, valuation and consolidation methods prescribed by German law concern the capitalisation of self-produced intangible fixed assets, the treatment of the costs of raising equity capital and the use of the purchase method in capital consolidation. Moreover, deferred taxation is recorded for temporary differences between amounts shown in the financial statements and the carrying amounts for tax purposes. Finally, in a further departure from German commercial law, the profit and loss account includes headings for diluted and undiluted earnings per share, and the financial statements include a statement of changes in shareholders' equity and a consolidated cashflow statement.

Where the provisions of German commercial law (§§ 285, 314 HGB) governing the preparation of consolidated financial statements specifically require disclosures of information not provided in accordance with US GAAP, such disclosures have been made.

Consolidation date

The consolidated financial statements are prepared as of the balance sheet date of the parent company. The company's financial year ends on 31 December. In all cases, „business year" means the 12-month period ending on 31 December of the respective year. Subsidiary undertakings included in the consolidation close their accounts on the same date. The end of the financial year of the subsidiary Bechtle GmbH & Co. KG (formerly concept data Hard- und Software GmbH), Bottrop, has been changed from 31 August to 31 December. The end of the financial year of the subsidiary Bechtle GmbH & Co. KG (formerly BRAUN Computer GmbH), Rottenburg has been changed from 31 March to 31 December.

Currency and translation of foreign currency

The year-end financial statements of the company's foreign subsidiaries are prepared in the functional currency, which is the respective local currency. The consolidated accounts are prepared in German Marks (DM) in accordance with § 244 HGB. DM figures are also presented in euros, translated at the reference rate of 1.95583 DM/euro.

To make the financial statements more meaningful, amounts are rounded off to the nearest thousand DM/euro (abbreviated as TDM/T• respectively).

Assets and liabilities are translated at the average rates of exchange prevailing at the reporting date. Shareholders' equity is computed on the basis of historical rates of exchange. Revenue and expense accounts are translated at month-end average rates of exchange. Differences arising from the use of different exchange rates are recorded under exchange adjustment items as a separate component of shareholders' equity. Exchange gains or losses arising from fluctuations in exchange rates are reported with an effect on net income in accordance with Statement of Financial Accounting Standards (FAS 52.15). A total of TDM 46 (T•24) has been booked to expenses in the year under review.

Basis of consolidation

The consolidated financial statements include Bechtle AG, Gaildorf and all the majority-owned subsidiaries it controls. Bechtle AG holds 100% of the shares of each of the companies included in the consolidation, either directly or indirectly through the holding company Bechtle Beteiligungs-GmbH, Gaildorf. There are therefore no minority interests to report as at the balance sheet date.

Bechtle AG has a 49% stake in Nemetschek direct GmbH, Heilbronn and exercises a substantial influence over this enterprise, which is accounted for using the equity method.

Year-end financial statements of companies included in the consolidation subject to statutory audit under §§ 316 ff. HGB have been audited and given an unqualified audit certificate. Year-end financial statements not requiring statutory audit have been carefully examined by the group auditor.

The following undertakings were acquired or established during the year and are consolidated for the first time:-

Company name	Registered office	Date of first-time consolidation
CSB IT-Systemhaus GmbH	Schorndorf	01.01.00
Bechtle GmbH & Co. KG (formerly concept data Hard- und Software GmbH)	Bottrop	01.01.00
ComSoft Data direct AG	Gland/Switzerland	01.04.00
Bechtle direct s.a.r.l.	Strasbourg/France	01.04.00
Behrens Datensysteme DV-Service-Center GmbH & Co. KG	Münster	01.05.00
OCR Datensysteme GmbH	Mannheim	01.06.00
Hartmann GmbH	Hiltpoltstein	01.07.00
Bechtle GmbH & Co. KG (formerly BRAUN Computer GmbH)	Rottenburg	01.07.00
Bechtle direct NV	Turnhout/Belgium	01.07.00
Bechtle Computervertriebs GmbH & Co. KG (formerly BCS Computer-Vertriebsgesellschaft mbH)	Rottenburg	01.10.00

In addition, thirteen new partnerships with the legal form „GmbH & Co. KG“, with which existing GmbHs in the consolidated group were amalgamated, are included in the consolidation along with the newly-formed GmbHs which function as their general partners.

Further, the GmbH which is the general partner of the recently-acquired Behrens Datensysteme DV-Service-Center GmbH & Co. KG, Münster (K & M Kaupa & Mewald Verwaltungs- und Beteiligungs GmbH, Münster) is also included for the first time.

The remaining shares (15%) in Bechtle direct B.V., Son/Netherlands were acquired at the beginning of the second quarter of 2000.

A complete list of shareholdings is provided in the Supplementary Notes.

If the undertakings acquired during the financial year had already been acquired by the company at the beginning of the 1999 financial year, the following proforma figures would result:-

	2000		Previous year	
	TDM	T€	TDM	T€
Sales	1,000,500	511,548	777,605	397,583
Net earnings after tax	9,983	5,104	10,818	5,531
Earnings per share (€)	0.53	0.27	0.80	0.41

Consolidation methods

Capital consolidation for subsidiaries included in the consolidated financial statements is based on the purchase accounting method in accordance with Accounting Principles Board (APB) Opinion 6. At the time of acquisition or first-time consolidation the acquisition cost is offset against the proportionate share of equity acquired by the parent company in the subsidiary undertaking. Differences arising between the acquisition cost and the pro-rata equity are capitalised as goodwill and amortised (with an effect on net income) over the expected useful life.

Intercompany profits and losses, sales, income and expenses and debtor and creditor balances are eliminated.

No adjustments for the effects of income taxes have been made to consolidation processes with an effect on net income, due to immateriality.

Use of estimates

The preparation of the consolidated financial statements requires the Board of Executive Directors to make estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Presentation of the balance sheet and profit and loss account

In the balance sheet, assets are presented in order of liquidity and liabilities in order of residual term. The profit and loss account is prepared using the cost-of-sales method. For the purpose of clear presentation, required annotations are presented in the Notes. To increase clarity, certain groups of items have been treated as single items in the balance sheet and profit and loss account and reported separately in the Notes.

Expense items not separately disclosed in the profit and loss account due to the basis of presentation used are also set out in the Notes.

Statement of cashflows

The cashflow statement presents information on changes in the cashfows of the Bechtle Group during the year under review arising from inflows and outflows of cash. Cash and cash equivalents comprise cash, sight deposits payable on demand and cash equivalents. Cash equivalents are short-term, highly liquid funds held as reserves of liquidity, which may be converted into cash at any time and are not subject to significant fluctuations in value.

Comprehensive income (statement of changes in shareholders' equity)

SFAS 130, „Reporting Comprehensive Income“, requires companies to report in the year-end financial statements all changes in shareholders' equity in the period under review. The company has elected to report Comprehensive Income in the consolidated statement of changes in shareholders' equity. The statement of changes in shareholders' equity is presented in the financial statements.

Capitalisation of self-produced intangible assets

Development costs of software solutions based on standard software products for future sale that arise after completion of the initial design and concept phase and establishment of technological and commercial feasibility, and the development costs of software for internal use are capitalised in accordance with SFAS 86 or Statement of Position (SOP) 98-1. Salaries and an appropriate allocation of overheads are included in the costs of production. These capitalised costs are amortised over a useful life of three years using the straight line method. It has been assumed that software capitalised in the current financial year was not complete until the balance sheet date and is therefore amortised from the following year. No additional research and development costs have been incurred.

Deferred taxation

The company accounts for income taxes in accordance with the balance-sheet oriented approach adopted in SFAS 109. Deferred tax assets and liabilities are recorded to take account of the future tax consequences attributable to differences between the reported valued of assets and liabilities in the financial statements prepared in accordance with US GAAP and their respective tax bases and tax loss carry forwards. Deferred taxes are not taken into account in respect of quasi-permanent differences (goodwill).

The calculation of deferred tax assets and liabilities reflects the effect on the tax rate of the law on the reduction of rates of taxation and corporate tax reform which entered into effect on 14 July 2000.

Revenue recognition

Revenue from sales is recognised upon performance of service or acceptance by the customer, net of applicable deductions. Income and the costs of income are recorded independently of the timing of payment. Income from maintenance contracts is apportioned pro rata temporis over the term of the contract.

Formation expenses/costs of issuance

External costs of just over TDM 14,757 (T•7,545) arising from the IPO were recorded with no effect on net income and deducted directly from capital reserves, taking into account the tax effect (TDM 5,665, T•2,896).

Maturity of current assets and current liabilities

Current assets and current liabilities stated in the consolidated balance sheet mature within one year except where otherwise noted.

Concentration of credit risks

The company holds monetary assets and marketable securities that give rise to exposure to credit risks. The company takes measures to secure its liquidity and capital investments. The company's policy restricts investments to certain financial instruments issued by institutions with very high credit ratings. Surplus funds are invested in money market funds, corporate bonds and borrower's note loans vis-à-vis credit institutions.

Effect of new accounting standards

In June 1999, Statement of Financial Accounting Standards No. 133, Accounting for Derivative Financial Instruments and Hedging Activities („SFAS 133“) was issued. This new accounting standard establishes rules with regard to the disclosure of derivate instruments and their treatment in the balance sheet, conditions for the qualification of derivatives as hedging tools, and information requiring disclosure in the notes to the financial statements. SFAS 133 enters into effect for all financial years beginning after 15 June 2000, although companies may elect to apply it before that date.

The company does not anticipate that use of SFAS 133 will have a material effect on its consolidated financial statements.

NOTES TO THE PROFIT AND LOSS ACCOUNT

The notes below provide details of expense and revenue items not stated separately in the profit and loss account due to its classification by function.

Sales

An analysis of sales by business area and region is set out below:

	2000		Previous year	
Division	TDM	T€	TDM	T€
System integration	751,873	384,427	522,091	266,941
e-commerce	203,699	104,149	92,397	47,242
	955,572	**488,576**	**614,488**	**314,183**

	2000		Previous year	
Region	TDM	T€	TDM	T€
Germany	857,441	438,403	590,853	302,098
Rest of world	98,131	50,173	23,635	12,085
	955,572	**488,576**	**614,488**	**314,183**

Revenues are allocated by customer domicile.

Other internally produced and capitalised assets

	2000		Previous year	
	TDM	T€	TDM	T€
Self-produced software	1,508	771	1,032	528

Other operating income

Other operating income mainly relates to advertising subsidies and income from the reversal of allowances and accruals and the disposal of fixed assets.

Material costs

Material costs comprise the following:

Material costs	2000 TDM	2000 T€	Previous year TDM	Previous year T€
Cost of raw materials, operating materials and goods purchased	752,998	385,002	467,578	239,069

Personnel costs

Personnel costs comprise the following:

Personnel costs	2000 TDM	2000 T€	Previous year TDM	Previous year T€
Wages and salaries	111,932	57,230	69,647	35,610
Social security costs and pension contributions	19,510	9,975	12,399	6,340
	131,442	**67,205**	**82,046**	**41,950**

Depreciation

Depreciation comprises the following:

Depreciation	2000 TDM	2000 T€	Previous year TDM	Previous year T€
Goodwill amortisation	5,149	2,633	1,795	918
Depreciation of capitalised, self-produced software	954	488	501	256
Other depreciation of intangible assets and tangible assets	12,438	6,359	10,169	5,199
	18,541	**9,480**	**12,465**	**6,373**

Other depreciation of intangible assets and tangible assets

The company values fixed assets in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets to Be Disposed of, which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The impairment of assets to be held and used is measured by comparing the book value of an asset with the expected future cashflows from the use of the asset. The depreciation requirement corresponds to the amount by which the book value exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of book value or fair value less disposal costs.

Other operating costs

Other operating costs mainly comprise rent, vehicle costs, advertising, telephone, postage, carriage outwards and training costs.

Costs during the period under review for advertising and product promotion totalling TDM 7,490 (previous year: TDM 6,386) were recorded with an effect on net income at the time at which they were incurred.

Other operating costs include neutral expenses of TDM 479 relating to the change of legal form of 13 subsidiary undertakings from stock companies (GmbH) into partnerships (GmbH & Co. KG). These costs mainly relate to consultancy fees and notarial charges.

Financial income

An analysis of financial income is set out below:

	2000 TDM	2000 T€	Previous year TDM	Previous year T€
Depreciation of financial assets	0	0	479	245
Income from other securities and long-term financial investments	69	35	26	13
Other interest and similar income	3,621	1,851	103	53
Interest and similar costs	2,517	1,287	4,323	2,210
	1,173	**599**	**-4,673**	**-2,389**

Income taxes

Income taxes comprise taxes paid and owed on income and earnings, and deferred tax assets and liabilities.

The tax expense is calculated as follows:

Income taxes	2000 TDM	2000 T€	Previous year TDM	Previous year T€
Current taxes	7,177	3,670	12,642	6,464
Deferred taxation	-695	-355	-918	-469
	6,482	**3,315**	**11,724**	**5,995**

The reconciliation from the expected tax expense to the actual tax expense is set out below. The former was calculated on profit before income taxes using a rate of 40 per cent for corporation tax, solidarity surcharge and trade income tax on dividends:

	TDM	T€
Earnings before income tax	16,620	8,498
Expected tax expense	**6,648**	**3,399**
Non-tax-deductible amortisation of goodwill	1,013	518
Tax-deductible amortisation	-1,038	-531
Tax rate adjustments	-130	-66
Other	-11	-6
Actual tax expense	**6,482**	**3,314**

Particulars of the deferred taxation included in the tax expense for the financial year are shown below:

	TDM	T€
Internally-produced and capitalised assets	-94	-48
Construction period interest	-28	-14
Internal costs of financial statements	-15	-8
Foreign losses	-462	-236
Domestic losses	-79	-40
Other	-17	-9
	-695	**-355**

The tax rate of 38.39% used in the calculation of deferred taxes is derived as follows:

	%	2000 %
Earnings before tax	100.00	
16,32 % trade income tax	16.32	16.32
	83.68	
25 % corporation tax	20.92	20.92
5,5 % soidarity surcharge	1.15	1.15
	61.61	**38.39**

The computation of deferred tax refund claims on foreign tax loss carry forwards was based on an average tax rate of 40%.

Adjustments for the application of the reduced rate of taxation in accordance with the law on the reduction of rates of taxation and corporate tax reform resulted in an expense of TDM 227 (T• 116) for deferred tax assets and proceeds of TDM 357 (T• 183) for deferred tax liabilities, representing total tax proceeds of TDM 130 (T• 67).

Earnings per share

Earnings per share are calculated by dividing group profit for the financial year by the weighted average number of shares in issue.

	2000 T€	Previous year T€
Group profit for the financial year/ DVFA/SG result	**5,184**	**5,270**
Average number of dividend-bearing shares for the financial year	18,857,500	13,615,344
Diluted and undiluted earnings per share in accordance with DVFA/SG (in €)	**0.27**	**0.39**
Diluted and undiluted earnings per share in accordance with DVFA/SG (in DM)	**0.54**	**0.76**

The average number of dividend-bearing shares was calculated in compliance with the provisions of the „Joint recommendation of the DVFA and the Schmalenbach-Gesellschaft for the calculation of annual earnings per share 3rd edition". Accordingly, 5,410,164 shares issued in the year under review in connection with the increase of capital from company funds (entered onto the Commercial Register on 22.02.00) are included in respect of the entire period under review and the previous year.

NOTES TO THE BALANCE SHEET

(1) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits, cheques, cash in hand and highly liquid investments with original maturities of less than three months from date of purchase.

(2) Securities

A portion of the funds received from the flotation is invested in securities. These securities are classified as available-for-sale in accordance with SFAS 115.

(3) Borrower's note loan

The borrower's note loan, which is repayable on demand, is against Baden-Württembergische Bank AG, Stuttgart and is held as a liquidity reserve.

(4) Trade accounts receivable

Trade accounts receivable are stated at nominal value less valuation allowances.

Individual valuation allowances on doubtful accounts are calculated separately.

Adequate provision has been made for the general credit risk in the form of general allowances, calculated on the basis of historical experience.

(5) Receivables from affiliated undertakings

The above are receivables in respect of intra-group shipments relating to transactions with Nemetscheck direct GmbH, Munich.

(6) Inventories

Merchandise is valued at the lower of average purchase price and current market price. Appropriate adjustments are made to take account of identifiable inventory risks arising from reduced usefulness or obsolescence. Deductions are made in respect of items that are no longer saleable.

(7) Advance payments and other current assets

Other current assets mainly comprise tax refund claims, expected credits and bonuses.

(8) Deferred tax assets

Deferred tax assets at 31 December 2000 of TDM 2,447 (T• 1,251) relate to deferred tax refund claims arising from tax loss carry forwards of German and foreign subsidiaries, of which TDM 1,629 (T• 833) is primarily attributable to start-up losses of foreign companies. Under current German tax legislation, tax losses may generally be carried forward indefinitely. We anticipate that sufficient future income will be generated to offset these carry forwards.

(9) Tangible assets

Tangible assets are stated at cost of purchase less accrued depreciation. Assets are depreciated over their estimated useful lifetime using the straight line and declining balance methods. The following annual rates are used: business and office equipment and fittings: 30 per cent, declining balance; vehicle fleet: 30 per cent, declining balance; low-value assets: 100 per cent. Buildings are depreciated over a period not exceeding 25 years.

Newly acquired assets are depreciated using the declining balance method. Adjustments have not been made to the linear method of depreciation in the changeover to US GAAP, due to immateriality.

Low-value business assets totalling TDM 1,179 (T• 603) (previous year: TDM 2,127, T• 1,088) are fully depreciated in their year of acquisition.

During the financial year 1999, Bechtle AG constructed an administration building in Weimar, at a total construction cost of TDM 3,318 (T• 1,696). Bechtle AG received a state investment grant of TDM 1,530 (T• 782) for the construction of this building, which was offset upon payment in 1999 against the costs of production. In accordance with SFAS 34, interest attributable to the construction period amounting to TDM 191 (T• 98) has been included in the costs of production. The building was occupied at the end of 1999 and will be depreciated over an estimated useful life of 25 years.

Changes in tangible assets are set out in the schedule provided in the Supplementary Notes.

(10) Financial assets

An analysis of financial assets is set out below:

	31.12.00 TDM	31.12.00 T€	Previous year TDM	Previous year T€
Shares in affiliated undertakings	311	160	0	0
Other participations	20	10	0	0
Securities held as fixed assets	0	0	6	3
Other loans	437	223	417	213
	768	**393**	**423**	**216**

Financial assets are valued at acquisition cost. Shares in affiliated undertakings relate to the company's shares in Nemetschek direct GmbH. This participation has been valued according to the equity method.

Changes in financial assets are set out in the schedule in the Supplementary Notes.

(11) Intangible assets

An analysis of intangible assets is set out below:

	31.12.00 TDM	31.12.00 T€	Previous year TDM	Previous year T€
Software	3,525	1,803	2,725	1,393
Goodwill	84,705	43,309	42,357	21,657
Prepayments	1,340	685	0	0
	89,570	**45,797**	**45,082**	**23,050**

Goodwill

Goodwill arsing from capital consolidation is capitalised and amortised over a period of 15 years. The creation of long-term customer relationships is used as a basis in determining useful life.

Changes in goodwill are set out in the schedule in the Supplementary Notes.

Software

Bought-in software is valued at purchase cost and depreciated over an estimated useful life of 3 years using the straight line method.

TDM 1,508 (T€ 771) of software development costs were capitalised in the financial year. A net book value of TDM 2,035 (T€ 1,040) at 31.12.99 and depreciation of TDM 954 (T€ 488) over the year just ended give a net book value of TDM 2,589 at 31.12.00.

(12) Trade accounts payable

Trade accounts payable are shown at repayment value and relate solely to liabilities to other companies. They also include liabilities assigned by suppliers to financial services companies for sales promotion purposes.

The residual terms of trade payables are shown in a separate list in the Supplementary Notes.

(13) Provisions

Provisions are set up if there is an obligation towards a third party, a claim is probable and the probable amount of the necessary accrual can be reliably estimated.

An analysis of provisions is set out below:

	31.12.00		Previous year	
	TDM	T€	TDM	T€
Tax provisions	3,683	1,883	13,535	6,920
Deferred tax provisions	1,130	578	1,284	656
Other provisions	17,990	9,198	20,951	10,713
	22,803	**11,659**	**35,771**	**18,289**

Deferred tax provisions

Provisions for deferred taxation are recorded in respect of consolidation processes affecting net income that will be reversed at a future date. Of this provision, TDM 994 (T€ 508) relates mainly to deferred taxes on self-provided software.

Other provisions

Other provisions primarily relate to outstanding invoices, guarantees and warranties, services not yet supplied, auditing and consultancy costs, the costs of the financial statements, and vacation payments.

(14) Accruals and deferred income

Accruals and deferred income amounting to TDM 2,067 (T• 1,061) (previous year: TDM 2,571, T• 1,315) were recorded for software maintenance contracts and extended guarantees, and will be written back over the average term of the contracts (generally 12 months).

(15) Other current liabilities

A list of the residual terms of other current liabilities including „thereof" information is presented in the Supplementary Notes.

(16) Shareholders' equity

Subscribed capital

At the balance sheet date, the subscribed share capital (equity capital) of Bechtle AG was • 20,200,000.00, divided into 20,200,000 bearer shares, each representing a mathematical share of • 1.00 of the company's equity and (with the exception of the shares issued on 6 June 2000 in connection with the capital increase against contributions in kind) with entitlement to participate in full in the profits of the company as from 1 January 2000. The shares issued in connection with the capital increase against contributions in kind are entitled to participate in profits as from 1 July 2000. Each bearer share carries one vote.

On 8 February 2000, the following resolutions were passed by the general meeting:-

- The equity capital of € 9,479,836.00 was increased by € 110,000.00 through the issue of 110,000 bearer shares of € 1 each in return for contributions in cash, with entitlement to participate in profits as from 1 January 2000.
- The equity capital of € 9,589,836.00 created by the above resolution was increased by a further resolution by € 5,410,164.00 to € 15,000,000.00 from company funds through the issue of 5,410,164 new bearer shares of € 1 each, with entitlement to participate in profits as from 1 January 2000.
- The shareholders further resolved to increase the capital from the amount of € 15,000,000.00 thus created by € 5,000.000.00 to € 20,000,000.00 in return for contributions in cash through the issue of 5,000.000 bearer shares of € 1 each.

On 5 June 2000, the Board of Executive Directors, with the approval of the Supervisory Board, decided to increase the equity capital by a further € 200,000.00 from € 20,000,000.00 to € 20,200,000.00. The amount of Authorised Capital II still available is € 1,800,000.00.

Authorised capital

By further resolution of the general meeting on 8 February 2000, Authorised Capital I, II and III were suspended and new Authorised Capital created.

In the period to and including 30 June 2004, The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the company's equity capital by up to € 8,000,000.00 in one or more stages through the issue of new bearer shares of € 1 each in return for contributions in cash and/or in kind (Authorised Capital I). The shareholders are entitled to subscription rights. However, the Board of Executive Directors may preclude shareholders from subscription rights in respect of fractional amounts.

In the period to 30 June 2004, The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the company's equity capital by up to € 2,000,000.00 in one or more stages through the issue of new bearer shares of € 1 each in return for contributions in cash and/or in kind (Authorised Capital II). The increases may be made against contributions in cash and/or in kind. However, the Board of Executive Directors may preclude shareholders from subscription rights in respect of fractional amounts. The Board of Executive Directors is further authorised, with the approval of the Supervisory Board, to preclude shareholders from subscription rights provided that (1) the capital increase is undertaken for the purpose of issuing employee shares, (2) the increase is made in return for contributions in cash, does not exceed 10% of equity capital, and the issue price does not significantly fall below the quoted market price, or (3) the increase is made in return for contributions in kind for the purpose of acquiring companies or participations in companies. On 5 June, an increase in cash capital of € 200,000.00 was made from Authorised Capital II through the issue of 200,000 bearer shares of € 1 each. As a result, Authorised Capital II as at 31 December is € 1,800.00.

On 8 February 2000, the general meeting also approved a conditional increase in the company's equity capital by up to a nominal amount of € 800,000.00 (2000/1 Conditional Capital). This conditional increase is to be achieved through the issue of 800,000 bearer shares of € 1 each with entitlement to participate in profits from the beginning of the financial year of issue, and is undertaken for the sole purpose of fulfilling obligations arising from subscription rights granted under the company's 2000/2001 share option scheme. The conditional increase of capital is to be carried out only to the extent required to meet obligations arising from subscription rights granted under the 2000/2001 share option scheme that are exercised by the owners of such rights.

Dividends

Dividends may only be allocated and paid from the company's net profit and retained earnings as recorded in the unconsolidated German year-end financial statements of Bechtle AG. These amounts differ from the total derived from the amounts shown for equity capital in the consolidated balance sheet prepared in accordance with US GAAP that forms part of the financial statements contained in this report. The amount and distribution of any dividends is proposed jointly by the Board of Executive Directors and the Supervisory Board of the company and resolved by the general meeting. The level of dividends is influenced in particular by such factors as the profitability, financial position, capital requirements, business prospects and general economic environment of the company. As the company pursues a strategy geared towards achieving internal and external growth, it will need to make investments, which - so far as possible - should be financed internally. The Board of Executive Directors and the Supervisory Board of the company will propose to the general meeting that a dividend be paid in respect of the year 2000 of 25.00 cents per full dividend-bearing share (20,000,000 shares) and 12.50 cents per share for shares entitled to dividends as from 1 July 2000 (200,000 shares), and that the remaining TDM 1,596 (T€ 816) be carried forward.

The net income reported in the balance sheet of the unconsolidated German financial statements of Bechtle AG, which was prepared in accordance with the provisions of German commercial law, has developed as follows:

	TDM	T€
1 January 2000	13,284	6,792
Dividends paid	7,416	3,792
Net income for the financial year	5,556	2,841
31 December 2000	**11,424**	**5,841**

Capital reserves

Of the increases in capital over the year, an amount of TDM 246,437 (T€ 125,996) is attributable to capital reserves. Issuance costs relating to the IPO totalling TDM 14,757 have been offset net of tax (TDM 9,092 (T€ 4,649)) against capital reserves with no effect on net income in accordance with US GAAP APB Opinion No. 9.

Net profit

The balance sheet net income has developed as follows:

	TDM	T€
1 January 2000	824	421
Dividends paid	7,416	3,792
Net Group income for the financial year	10,138	4,427
31 December 2000	**3,546**	**1,056**

An analysis of changes in equity is provided in the summary of changes in shareholder's equity which forms part of the financial statements.

NOTES TO THE CASHFLOW STATEMENT

(1) Net cash outflow from operating activities

Cash outflows from operating activities amounted to TDM 72,982 (T€ 37,269) in 2000 (previous year: TDM 40,064 inflow), largely as a result of increases in trade accounts receivable, inventories and other assets totalling TDM 94,720 (T€ 48,430). A highly positive result of TDM 26,231 (T€ 13,412) is recorded for cashflow.

(2) Cash used in investing activities

Cash used in investing activities totalled TDM 59,315 (T€ 30,327). This amount is mainly attributable to an increase of TDM 47,497 (T€ 24,285) in goodwill arising from the acquisition of subsidiary undertakings, and investments in tangible fixed assets of TDM 12,203 (T€ 6,239).

(3) Cash provided by financing activities

The result of TDM 214,931 recorded for cash provided by financing activities mainly relates to the net proceeds from issuance of TDM 249,280 (T€ 127,455) and repayment of long-term debts of TDM 45,000 (T€ 23,008).

(4) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31.12.00 TDM	31.12.00 T€	Previous year TDM	Previous year T€
Liquid funds	41,302	21,117	13,489	6,897
Securities	4,842	2,476	0	0
Borrower's note loan	50,069	25,600	0	0
	96,213	**49,193**	**13,489**	**6,897**

SUPPLEMENTARY NOTES

(1) Segmental analysis

The business activities of the company are divided into two segments, system integration and e-commerce.

	2000 System integration TDM	2000 System integration T€	2000 e-commerce TDM	2000 e-commerce T€
Sales	751,873	384,427	203,699	104,149
EBIT	11,809	6,038	3,638	1,860
Operational assets *)	30,901	15,799	2,039	1,043
Investments **)	13,519	7,073	1,497	995
Depreciation	17,201	8,795	1,340	685
Long-lived assets	23,552	12,042	1,681	859

	1999 System integration TDM	1999 System integration T€	1999 e-commerce TDM	1999 e-commerce T€
Sales	522,091	266,941	92,397	47,242
EBIT	24,456	12,504	1,723	881
Operational assets *)	32,302	16,516	1,901	972
Investments **)	18,330	9,372	1,581	808
Depreciation	9,716	4,968	954	488
Long-lived assets	23,780	12,159	1,392	712

*) Goodwill arising from capital consolidation and receivables and payables arising from the financing of the segments by Bechtle AG, the financial holding company, are not included in segmental assets.

**) Goodwill arising from capital consolidation is not included in investments.

Further information on segmental analysis in accordance with SFAS 131 is provided in the directors' report.

A breakdown of long-lived assets by region is shown below:

	2000		Previous year	
Region	TDM	T€	TDM	T€
Germany	24,112	12,328	24,445	12,499
Rest of world	1,121	573	727	372

(2) Residual terms and „thereof" of liabilities

	Total		Due within 1 year		Due within 5 years		Residual term over 5 years	
	TDM	T€	TDM	T€	TDM	T€	TDM	T€
Liabilities to credit institutions	7,407	3,787	2,210	1,130	5,197	2,657	0	0
(previous year)	(52,407)	(26,795)	(43,215)	(22,096)	(9,117)	(4,661)	(75)	(38)
Advanced payments received	2,084	1,066	2,084	1,066	0	0	0	0
(previous year)	(2,522)	(1,289)	(2,522)	(1,289)	(0)	(0)	(0)	(0)
Trade accounts payable	65,244	33,359	65,244	33,359	0	0	0	0
(previous year)	(23,309)	(11,918)	(23,309)	(11,918)	(0)	(0)	(0)	(0)
Liabilities from acceptance of bills of exchange and issue of promissory notes	0	0	0	0	0	0	0	0
(previous year)	(3,367)	(1,722)	(3,367)	(1,722)	(0)	(0)	(0)	(0)
Other liabilities	18,967	9,698	18,967	9,698	0	0	0	0
(previous year)	(45,662)	(23,347)	(45,662)	(23,347)	(0)	(0)	(0)	(0)
– thereof from taxes	8,675	4,435	2,967	1,517	0	0	0	0
(previous year)			(8,387)	(4,288)	(0)	(0)	(0)	(0)
– thereof social security	3,480	1,779	3,480	1,779	0	0	0	0
(previous year)	2,464	1,260	(2,612)	(1,335)	(0)	(0)	(0)	(0)

(3) Contingent liabilities

Bechtle AG has an outstanding obligation from its investment in Nemetschek direct GmbH, Munich arising from the payment for the capital contribution in respect of an amount of 122,500 euros not yet called in.

(4) Other financial liabilities

Rental agreements

The company has entered into a number of non-terminable rental agreements for office accommodation and storage facilities. As at 31 December 2000, the minimum rents due under these contracts in future years are as follows:

Financial year	TDM	T€
2001	8,227	4,206
2002	5,997	3,066
2003	4,899	2,505
2004	3,758	1,921
2005	2,332	1,192
over 5 years	5,469	2,797
	30,682	**15,687**

Rent expenses for the 2000 financial year totalled TDM 9,277 (T€ 4,743). (Previous year: TDM 8,543 (T€ 4,368).)

Leasing contracts

The company rents vehicles and services in operating lease transactions which may not be terminated during the basic term of the agreement. Payments under rental contracts amounting to TDM 1,595 (T€ 816) (previous year: TDM 341 (T€ 174)) have been charged to expenses. Future obligations arising from the above agreements, which have an initial or remaining residual term of over one year as at 31 December 2000, amount to TDM 4,076 (T€ 2,084).

(5) Related party transactions

In 2000 no significant revenues were generated from transactions with partners, executive employees or companies controlled by them.

Members of the Board of Executive Directors have rented office accommodation to Bechtle GmbH, Chemnitz at normal market terms under a lease expiring in 2001.

Consultancy fees amounting to TDM 150 in connection with the IPO were paid to a member of the Supervisory Board.

Receivables from affiliated undertakings exist vis-à-vis Nemetschek direct GmbH, Heilbronn and relate to trade accounts receivable. Sales of TDM 8,543 (T€ 4,368) were generated from transactions with Nemetschek direct GmbH.

(6) Supervisory Board and Board of Executive Directors

The members of the Board of Executive Directors of Bechtle AG are:-

– Gerhard Schick, Gaildorf – Chairman	
– Ralf Klenk, Heilbronn	
– Herbert Roelofsen, Viersen	(to 28 February 2001)
– Robert Gmeiner, Wartenberg	(to 8 February 2001)
– Dr Rainer Eggensperger, Tamm	(from 15 September 2000)
– Jürgen Renz, Krefeld	(from 1 March 2001)

The members of the Supervisory Board are:
- Klaus Winkler, company director, Kirchheim/Teck
  Chairman
- Kurt Dobitsch, management consultant, Baldham
  Vice chairman
- Otto Beilharz, company director, Ingelfingen

Membership of other Supervisory Boards:
- Klaus Winkler:
  Vice chairman of the Supervisory Board of Heller GmbH, Nürtingen,
  IMS Morat Söhne GmbH, Donaueschingen,
  Schmidt Holding GmbH, St. Blasien, and
  Sick AG, Waldkirch,
  Vollmer Werke Maschinenfabrik GmbH, Biberach.
  Member of the Supervisory Board of Binz GmbH & Co., Lorch, and Mulag Fahrzeugwerke Heinz Wössner GmbH & Co. KG, Peterstal

– Kurt Dobitsch:
  Chairman of the Supervisory Board of United Internet AG, Montabaur, and GMX Ges. für Datenkommunikationsdienste AG, Munich.
  Member of the Supervisory Board of Finex AG, Ebersberg, Nemetschek AG, Munich, and
  WorkX AG, Hofolding/Munich.

– Otto Beilharz:
  Member of the Supervisory Board of Kellner & Kunz AG, Vienna.
  Chairman of the Advisory Council of Schüssler GmbH & Co. Präzisions-Werkzeugfabrik, Bodelshausen

(7) Remuneration of the Supervisory Board and Board of Executive Directors

The total remuneration of the members of the Board of Executive Directors of Bechtle AG amounts to TDM 1,480 (T€ 757) for the 2000 financial year.

The total remuneration of former members of the Board of Executive Directors of Bechtle AG amounts to TDM 500 (T€ 256) for the 2000 financial year.

The total remuneration of the Supervisory Board of Bechtle AG, Gaildorf amounts to TDM 68 (T€ 35) (previous year: TDM 48, (T€ 25), in accordance with the provisions of the company's articles of incorporation.

(8) Employees

The average number of employees for the year is 1,453 (previous year: 1,211).

Gaildorf, 1 March 2001

Bechtle AG

Gerhard Schick
Dr Rainer Eggensperger
Ralf Klenk
Jürgen Renz

List of shareholdings

No. Company name	Location	Country	% of capital	Currency	Shareholders' equity in local currency (thousands)	Net income in local currency (thousands)
Companies included in the consolidated financial statements						
Germany						
1 Bechtle Logistk & Service GmbH (formerly Bechtle Logistik GmbH, Heilbronn)	Heilbronn	Germany	100	DM	5,151	259
2 Bechtle Beteiligungsgesellschaft mbH	Gaildorf	Germany	100	DM	6,580	1,906
3 Bechtle GmbH & Co. KG	Mannheim	Germany	100	DM	14,254	791
4 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Heilbronn)	Heilbronn	Germany	100	DM	7,016	1,197
5 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Karlsruhe)	Karlsruhe	Germany	100	DM	8,218	289
6 Bechtle GmbH	Stuttgart	Germany	100	DM	-373	-236
7 Bechtle GmbH	Freiburg	Germany	100	DM	139	-622
8 Bechtle SL GmbH (formerly Bechtle GmbH, Stuttgart-Leinfelden)	Stuttgart	Germany	100	DM	138	-352
9 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Regensburg)	Regensburg	Germany	100	DM	5,188	-511
10 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Friedrichshafen)	Friedrichshafen	Germany	100	DM	3,177	424
11 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Sulz)	Sulz	Germany	100	DM	4,735	-223
12 CSB IT-Systemhaus GmbH	Schorndorf	Germany	100	DM	1,621	643
13 Bechtle GmbH & Co. KG (formerly concept data Hard- und Software GmbH, Bottrop)	Bottrop	Germany	100	DM	4,231	-598
14 BCS Computervertrieb GmbH & Co. KG (vormals: BCS Computer-Vertriebsgesellschaft mbH, Rottenburg)	Rottenburg	Germany	100	DM	3,166	285

No. Company name	Location	Country	% of capital	Currency	Shareholders' equity in local currency (thousands)	Net income in local currency (thousands)
15 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Darmstadt)	Darmstadt	Germany	100	DM	8,799	817
16 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Ingolstadt)	Ingolstadt	Germany	100	DM	3,853	162
17 Bechtle GmbH & Co. KG (formerly BRAUN Computer GmbH, Rottenburg)	Rottenburg	Germany	100	DM	5,947	186
18 Bechtle GmbH	Höchberg	Germany	100	DM	750	0
19 SDV Informationssystem GmbH & Co. KG	Krefeld	Germany	100	DM	2,946	-545
20 Behrens Datensysteme DV-Service-Center GmbH & Co. KG	Münster	Germany	100	DM	1,727	693
21 Bechtle GmbH & Co. KG (formerly Bechtle GmbH, Chemnitz)	Chemnitz	Germany	100	DM	1,969	-148
22 Bechtle GmbH	Leipzig	Germany	100	DM	347	0
23 Bechtle GmbH	Weimar	Germany	100	DM	2,226	180
24 Bechtle Software-lösungen GmbH	Villingen-Schwenningen	Germany	100	DM	265	64
25 gdi Gesellschaft für Digitale Informationstechnik mbH & Co. KG (formerly gdi Gesellschaft für Digitale Informationstechnik mbH, Mainhausen)	Mainhausen	Germany	100	DM	4,049	620
26 Bechtle direkt GmbH	Heilbronn	Germany	100	DM	4,103	3,103
27 Hartmann GmbH	Hiltpoltstein	Germany	100	DM	263	-315
28 Bechtle DV-GmbH	Gaildorf	Germany	100	DM	49	0
29 Bechtle Immobilien GmbH (formerly DV GmbH, Gaildorf)	Gaildorf	Germany	100	DM	47	-1

*) Where existing GmbHs have been changed to and amalgamated with GmbH & Co. KGs, the net income of merged GmbHs from the beginning of the financial year to the transfer date has been included in the results shown for the purpose of proper disclosure of the profit situation.

No. Company name	Location	Country	% of capital	Currency	Shareholders' equity in local currency (thousands)	Net income in local currency (thousands)
Rest of world						
30 Bechtle direkt AG	Fehraltdorf	Switzerland	100	CHF	289	-128
31 ComSoft Data direct	Gland/Nyon	Switzerland	100	CHF	1,912	299
32 Bechtle Direct Ltd.	Chippenham	Great Britain	100	GBP	491	-106
33 Bechtle direkt GmbH	Linz	Austria	100	ATS	999	-831
34 Bechtle direkt S.r.L.	Bozen	Italy	100	ITL	-146,117	-339,744
35 Bechtle direct B.V.	Son	Netherlands	100	NLG	12	-37
36 Bechtle direct s.a.r.l.	Strasbourg	France	100	euro	-172	-324
37 Bechtle direct NV	Turnhout	Belgium	100	euro	11	-54
Non-operative companies functioning as general partners						
38 Bechtle Kapitalbeteiligungs-Verwaltungs-GmbH	Gaildorf	Germany	100	DM	47	-3
39 K & M Kaupa & Mewald Verwaltungs- und Beteiligungs GmbH	Münster	Germany	100	DM	62	6
40 HN Bechtle Verwaltungs-GmbH	Heilbronn	Germany	100	DM	51	2
41 CN Bechtle Verwaltungs-GmbH	Chemnitz	Germany	100	DM	51	2
42 KA Bechtle Verwaltungs-GmbH	Karlsruhe	Germany	100	DM	51	2
43 MA Bechtle Verwaltungs-GmbH	Mannheim	Germany	100	DM	51	2
44 IN Bechtle Verwaltungs-GmbH	Ingolstadt	Germany	100	DM	51	2
45 REG Bechtle Verwaltungs-GmbH	Regensburg	Germany	100	DM	51	2
46 DA Bechtle Verwaltungs-GmbH	Darmstadt	Germany	100	DM	51	2
47 FH Bechtle Verwaltungs-GmbH	Friedrichshafen	Germany	100	DM	51	2
48 MH Bechtle Verwaltungs-GmbH	Mainhausen	Germany	100	DM	51	2
49 SAN Bechtle Verwaltungs-GmbH	Sulz	Germany	100	DM	51	2
50 BO Bechtle Verwaltungs-GmbH	Bottrop	Germany	100	DM	51	2
51 RB Bechtle Verwaltungs-GmbH	Rottenburg	Germany	100	DM	51	2
52 TU Bechtle Verwaltungs-GmbH	Rottenburg	Germany	100	DM	51	2

No. Company name	Location	Country	% of capital	Currency	Share-holders' equity in local currency (thousands)	Net income in local currency (thousands)
Associates						
53 Nemetschek direkt GmbH	Heilbronn	Germany	49	DM	1,125	-303
54 ADVO SOLUTION Rhein-Ruhr Aktiengesellschaft	Düsseldorf	Germany	20			

*) Founded in 2000. Year-end financial statements not available at time of preparation of the Notes.

Changes in Group fixed assets of Bechtle AG

Balance sheet item	Costs of a acquisition and production				
	01.01.00 TDM	Change in scope of consolidation TDM	Other additions TDM	Disposals TDM	31.12.00 TDM
I. Intangible assets					
1. Software	6,106	871	1,473	459	7,991
2. Goodwill	47,730	0	47,497	0	95,227
3. Advance payments	0	0	1,340	0	1,340
	53,836	**871**	**50,310**	**459**	**104,558**
II. Tangible assets					
1. Land and buildings	4,589	0	0	2.453	2.137
2. Miscellaneous equipment and fixtures	39,220	3,577	12.203	6.191	48.809
	43,809	**3,577**	**12,203**	**8,644**	**50,946**
III. Financial assets					
1. Interests in affiliated undertakings	479	0	240	0	719
2. Investments in assiciates	0	0	20	0	20
3. Securities held as fixed assets	6	0	0	6	0
4. Sundry loans	417	0	20	0	437
	902	**0**	**280**	**6**	**1,176**
Fixed assets	**98,547**	**4,448**	**62,793**	**9,109**	**156,680**

Cumulate depreciation						Net book values	
01.01.00 TDM	Change in scope of consolidation TDM	Other additions TDM	Disposals TDM	31.12.00 TDM	Cumulative adjustment at equity TDM	31.12.00 TDM	31.12.99 TDM
3,382	109	1,429	453	4,467	0	3,524	2,724
5,372	0	5,149	0	10,521	0	84,706	42,358
0	0	0	0	0	0	1,340	0
8,754	**109**	**6,578**	**453**	**14,988**	**0**	**89,570**	**45,082**
37	0	72	0	109	0	2,028	4,552
21,325	2,544	11,891	5,292	30,468	0	18,341	17,895
21,362	**2,544**	**11,963**	**5,292**	**30,577**	**0**	**20,369**	**22,447**
0	0	0	0	0	408	311	0
0	0	0	0	0	0	20	0
0	0	0	0	0	0	0	6
0	0	0	0	0	0	437	417
0	**0**	**0**	**0**	**0**	**408**	**768**	**423**
30,116	**2,653**	**18,541**	**5,745**	**45,565**	**408**	**110,707**	**67,952**

Auditor’s report

We have issued the following report on the consolidated financial statements:

„We have audited the consolidated financial statements of Bechtle AG, Gaildorf for the financial year 1 January to 31 December 2000, comprising the balance sheet, profit and loss account, statement of changes in shareholders’ equity, cashflow statement and notes. The Board of Executive Directors is responsible for the preparation and contents of the consolidated financial statements. It is our responsibility to form an independent opinion, based on our audit, as to whether the financial statements have been properly prepared in compliance with US Generally Accepted Accounting Principles (US GAAP).

We conducted our audit in accordance with German auditing standards and the standards issued in Germany by the Institut der Wirtschaftsprüfer (IDW) for the proper auditing of year-end financial statements, which require us to plan and perform our audit so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. Our audit was also based on our knowledge of the business of the Group and the economic and legal environment in which it operates, and on our expectations regarding the likelihood of errors. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles used and of the significant estimates made by management, and evaluation of the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the assets, financial position and profit of the Group and the cashflows of the Group for the financial year, in conformity with US GAAP.

We found no objections during our audit, which included reading the directors' report for the financial year from 1 January to 31 December 2000. We believe that the directors' report and the information disclosed in the financial statements give a true and fair view of the state of affairs of the Group and of future risks. Further, we confirm that the financial statements and directors' report fulfil the requirements for an exemption from preparing consolidated financial statements in accordance with the provisions of German law."

Heilbronn, 14 March 2001

HEILBRONNER TREUHAND-GMBH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Mayer) (Ketterle)
Certified auditor Certified auditor

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