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Annual Report 2003

Product purchasement

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Integration

IT-Services

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Key figures of the Bechtle Group in a four-year comparison according to U.S. GAAP

		2003	2002	Change in % 2003-2002	2001	2000
Consolidated profit and loss account						
Revenues	TEuro	791,907	751,709	5.3	645,588***)	488,576
EBITDA	TEuro	34,848	27,012	29.0	24,264	17,378
EBITA (before established clientele amortization)	TEuro	27,938	18,957	47.4	16,641	10,531
EBITA	TEuro	27,051	18,418	46.9	16,566	10,531
EBIT	TEuro	27,051	18,418	46.9	13,140	7,898
EBT	TEuro	27,240	18,987	43.5	14,423	8,498
Net result for the period	TEuro	18,365	12,001	53.0	9,011	5,184
Dividend (proposal for 2003)	TEuro	6,060	5,050	20.0	5,050	5,025
Consolidated balance sheet						
Shareholders' equity	TEuro	180,224	164,213	9.8	160,601	156,533
Balance sheet total	TEuro	278,484	246,755	12.9	229,274	216,755
Business operating figures						
Earnings per share	Euro	0.9171	0.5956	54.0	0.4461	0.2850
Dividend per share (proposal 2003)	Euro	0.30	0.25	20.0	0.25	0.25
Cash flow from operating activities per share	Euro	1.36	0.69	97.6	0.87	-2.06
Number of employees as at 31.12. *)		2,515	2,254	11.6	2,106	1,680
Gross yield (as a percentage of revenues)	%	24.2	21.7	2.5	22.0	22.9
Personal expenditure ratio (as a percentage of revenues)	%	14.4	13.3	1.0	13.3	13.8
Personal intensity (expenditure as a percentage of gross yield)	%	59.4	61.4	-2.0	60.3	60.0
Profitability and efficency						
Return on equity before tax	%	15.1	11,6	3.5	9.0	5.4
Return on equity after tax	%	10.2	7,3	2.9	5.6	3.3
Return on total assets	%	6.6	4.9	1.7	3.9	3.0
Financial position and liquidity						
Cash flow from operating activities	TEuro	27,535	13,943	97,5	17,584	-37,355
Working Capital **)	TEuro	93,546	94,682	-1,2	96,500	102,586
Net liquidity	TEuro	23,886	25,109	-4,9	38,526	17,330
Equity capital ratio	%	64.7	66.6	-1.8	70.0	72.2

*) including trainees
**) current assets net of current liabilities
***) adjusted figure

Review by quarter 2003

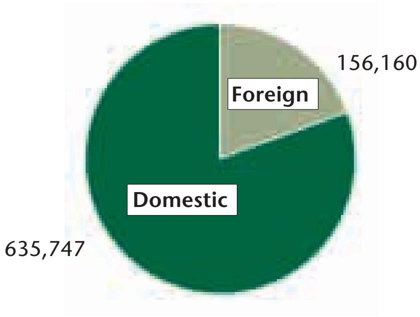
	1st quarter 1 January to 31 March 2003	2nd quarter 1 April to 30 June 2003 TEuro	3rd quarter 1 July to 30 Sept. 2003 TEuro	4th quarter 1 October to 31 Dec. 2003 TEuro	**2003 Financial Year 1 January to 31 Dec. 2003 TEuro**
Revenues	**172,882**	**188,547**	**200,816**	**229,662**	**791,907**
EBITDA	**5,441**	**6,140**	**10,705**	**12,562**	**34,848**
Depreciation	1,527	1,930	1,611	1,842	**6,910**
EBITA (before established clientele amortization)	**3,914**	**4,210**	**9,094**	**10,720**	**27,938**
Established clientele amortization	137	188	196	366	**877**
EBITA	**3,777**	**4,022**	**8,898**	**10,354**	**27,051**
Goodwill amortization	0	0	0	0	**0**
EBIT	**3,777**	**4,022**	**8,898**	**10,354**	**27,051**
Financial result	67	147	8	-33	**189**
EBT	**3,844**	**4,169**	**8,906**	**10,321**	**27,240**
Income tax	1,278	1,804	3,210	2,377	**8,669**
Minority interest	0	-115	-18	-73	**-206**
Net income for period	**2,566**	**2,250**	**5,678**	**7,871**	**18,365**

Segment disclosures

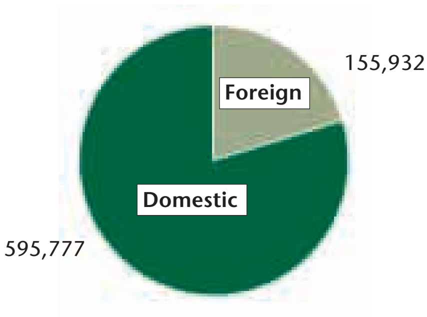
System integration		2003	2002	Change in % 2003-2002	2001	2000
Profit and loss account						
Revenues	TEuro	602,951	557,919	8.1	488,291	384,426
EBITDA	TEuro	24,137	19,677	22.7	18,172	14,807
EBIT	TEuro	17,182	11,919	44.2	7,971	6,037
Number of employees as at 31.12.		2,252	2,022	11.4	1,881	1,547

eCommerce		2003	2002	Change in % 2003-2002	2001	2000
Profit and loss account						
Revenues	TEuro	188,956	193,790	-2.5	157,297	104,150
EBITDA	TEuro	10,711	7,335	46.0	6,092	2,571
EBIT	TEuro	9,869	6,499	51.9	5,169	1,861
Number of employees as at 31.12.		263	232	13.4	225	133

External revenues by region 2003 in TEuro



External revenues by region 2002 in TEuro



The share

Opening price on 02.01.2003 (Xetra)	Euro	6.6
Closing price on 30.12.2003 (Xetra)	Euro	10.2
Share price performance compared		
to Nemax 50 as at 31.12.2003 (Xetra)		+ 6.0
Dividend proposal	Euro	0.30
All-year high (Xetra)	Euro	10.4
All-year low (Xetra)	Euro	6.2
Freefloat (31.12.2003)	%	46
Market capitalization (Freefloat) as at 30.12.2003	Mio. Euro	94.8
Market capitalization (total) as at 30.12.2003	Mio. Euro	206.0
Number of issued shares *		20,200,000
Number of outstanding and entitled		
of full dividend payout shares		20,200,000
Number of weighted average shares		20,024,556
Segment		Prime Standard
Security identification code		515 870
ISIN		DE 000 515 870 3
Date of listing		30.03.2000

* as from 11 February 2004 21,200,000 pieces

Gerhard Schick
(Chairman)

Ralf Klenk

Wind of change

Bechtle turns 20 – in an industry of short company life spans, a special anniversary indeed. But we took it all in our stride, celebrating the occasion fairly quietly in the 2003 business year. As quietly, in fact, as the way in which we have developed gradually over the last 20 years from our roots in the original system house in Heilbronn to become Germany's largest manufacturer-independent IT services provider and from a one-man business into a group of companies with a workforce of over 3,100.

It has been a relatively quiet history, despite the fact that we've acquired and integrated close to 30 companies in these two decades. Strictly speaking, there were only 19 quiet years. The 20th went off with a great bang, with the first event hitting the headlines in March 2003: the majority shareholding in the publicly quoted PSB AG with sales at that time of 137 million euros. This was followed shortly before the end of the year by the second spectacular event: the acquisition of the Swiss ARP-Datacon Group, with sales of over 135 million euros. And then the third within a period of just twelve months: the acquisition in February 2004 of the Swiss-based system house, ALSO COMSYT AG, with sales amounting to some 46 million euros.

Since people are our most valued resource, let's take a brief look at the human scale of these acquisitions: adding three new companies to the Bechtle Group increased the size of Bechtle's workforce by 1,100 employees, with the result that it is now almost 50 percent larger than it had been at the start of the 2003 business year. A considerable challenge in terms of post-acquisition integration, but one that means even greater responsibility for the future.

The stock exchange, it would seem, approves of these expansion plans. And what is more important, it now realizes that when we get involved in acquisitions of this size, they are extremely well planned and make good, solid business sense. We simply don't see eye to eye with all those companies who go off on spending sprees, buying everything in sight on the principle of „more sales, regardless of the cost“ and are subsequently forced to go through the pain of writing off goodwill for ever due to the excessively high price thy paid. The capital market now associates Bechtle with solid growth, profit-driven decision-making and successful integration. How else does one explain a doubling of the share price within a period of twelve months?

The 55 percent price increase in the 2003 business year is impressive enough. But it was the two major deals in Switzerland at the turn of the year that provided the added boost. One 52-week high chased the other – to the delight of our shareholders, and to ourselves, of course, as the capital market, after waiting for so long, finally rewarded our untiring efforts to achieve more growth, more profitability and more intensive communications.

That we are also a safe investment in the long-term is shown with just three figures from the 2003 business year: the equity ratio at the end of the year end was around 65 percent, net liquidity at 31.12.2003 was 23.9 million euros, and our pre-tax return on capital moved up almost an entire percentage point from 2.5 to 3.4 percent. These are figures that emphasise the solidarity of the Bechtle Group in no uncertain terms.

Group sales in 2003 of 792 million euros may be fairly acceptable in a difficult economic environment and what continues to be a strained IT market, but it still does not quite come up to our expectations. On the positive side, however, we once again outperformed our competitors, some of whom were hard hit by the weak market. We were not completely unaffected by the general reluctance to invest, however. An eight percent decline in sales from the company primary business is offset by an overall increase in sales of around five percent resulting from the acquisitions.

On the other hand, many a burst „sales bubble“ has shown that one thing should never be ignored: profitability. In the case of EBT performance, we even exceeded our own forecasts: a massive increase of 44 percent to 27.2 million euros demonstrates very clearly that our policy of „putting earnings before sales“ was resolutely maintained in the 2003 business year. Our basic principle of having responsibility for performance in the local system houses and sales companies, combined with tight, centralized cost control and outstanding logistics, an opinion that is also shared by our competitors, has once again borne fruit.

The stability we enjoy in terms of business development results from the fact that we are aware of our obligations towards our employees and shareholders at all times, even when difficult decisions have to be made. We have a responsibility to both of them to generate earnings, since this is the only way to guarantee the stability of the company and secure jobs. Should company locations become a long-term burden on the group's overall performance or purchase decisions are no longer tenable as a result of changing market conditions, it is our duty to react accordingly, no matter how painful this may be for the individual.


The new Bechtle headquarter

There is no question that we look positively into the future. And it's even visible: in the shape of our new corporate headquarters in Neckarsulm. In one of the weakest periods for the economy as a whole, we took the decision to give the Bechtle Group a new home, so that at one location we now have Bechtle AG, our retail brand „Bechtle direct", the logistics centre, including the entire warehousing facilities, the Heilbronn system house, plus the Bechtle Academy, which is extremely important for our corporate culture. The ground-breaking ceremony was held in September 2002. The new headquarters building is now fully operational and has been the nerve centre for the entire Bechtle Group since the end of the first quarter in 2004.

The 2003 business year at the same time marks another important change: we will now focus on a multibrand strategy. The traditional „Bechtle" brand now has a very strong position in Germany with our key target group, small to medium-sized businesses. In a study published at the beginning of 2004 by the META Group, Bechtle had by far the highest level of recognition among the SMBs that were questioned. And they also gave Bechtle full marks for overall performance.

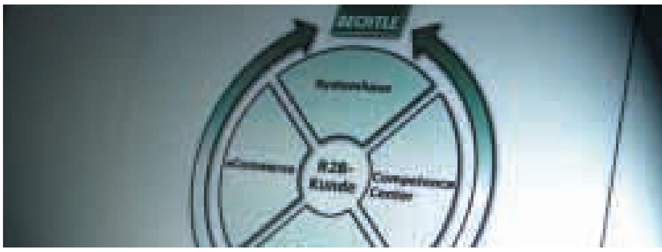
We will thus continue to maintain the „Bechtle" brand. At the same time, we will be retaining the PSB brand, which is well-established on the German market, and will further its expansion throughout Europe. In Switzerland, where we are looking to achieve sales of around 190 million euros in 2004 with three companies and a workforce of over 600, we will also be focusing on the high-recognition ARP and Bechtle brands, which have been introduced there.

This is how the company lines up at the start of the third Bechtle decade. Nobody knows what the future will bring, of course. We are absolutely convinced of one thing, though, despite or perhaps because of the change: the success story that Bechtle began two decades ago will continue!

Gerhard Schick (Chairman)

Ralf Klenk

Content



„Growth in the fastlane“

Expansion is one of Bechtle’s most prominent trademarks. From the first seeds planted in Heilbronn, the company now has a dense network of over 40 system houses. There is hardly a Bechtle company location in fact that is more than an hour’s drive from the next.

Setting up new companies, however, tends to be the exception. Exploiting the benefits of existing customer relations by acquiring established businesses offers greater promise of success in the case of SMB customers. But it only works if the newly established management team continues to be responsible for the company’s business performance. Bechtle combines the strengths of decentralised local business operations with increasing economies of scale and the know-how available in the centralised corporate functions. This is a key competitive advantage that is not available to smaller competitors.

„From the moment we became part of Bechtle, I never once thought about how I should achieve more growth. I didn’t have to ask anyone, and I didn’t have to go cap in hand from bank to the next – right from the word go, Bechtle consistently pursued a policy of expansion and gave us the appropriate financial backing, so that all we had to do was concentrate on keeping the business with our customers geared up for growth,“ says the Managing Director of Bechtle in Karlsruhe, Richard Einstmann, summing up the company’s development. „As a result, like many other Bechtle system houses, we ultimately became the market leader in this region.“

Growth yes, risk no

As a result of his own experience, Einstmann is well aware of the other side of the coin: the lonely battle of the individual system house in an industry, as he puts it, condemned to growth. The gold-rush mood in the eighties was followed by a period of sobriety: the more complex the requirements became and the more urgent the demand for a general contractor, the more difficult it became for the individual to survive. In the rapidly growing PC market, more growth was essential for survival, but also meant increased risk. „And it was almost impossible to find a bank that would put up the finances, because there were simply too many black sheep around,“ recalls Einstmann.

His former employer saw the writing on the wall: he sold his system house as a going concern to Bechtle in 1995. As a member of the Bechtle Group, the Karlsruhe office now had plenty of support to continue on its course of expansion.

Richard Einstmann,
CEO
Bechtle-Systemhouse
Karlsruhe

The Gauls against Rome

Unfortunately, acquisitions like this frequently fail as a result of the integration process. Strategies, procedures and organigrams are developed very quickly; changing mindsets and opinions is difficult. Bechtle as a typical Swabian company, and the office in Karlsruhe is run by people who were proud to be from Baden – „this was like a story from an Asterix comic: the Gauls against Rome," was Einstmann's comparison. „Our people were waiting for the big battle once the takeover was signed and sealed: they expected layoffs, radical rules and regulations, far-reaching restrictions – but none came. There was no battle. Everybody was kept on, we looked after our customers as intensively as we had always done, and there were no new restrictions imposed. And even I, as Managing Director, still had the authority and the responsibility to take decisions as I considered fit."

Success factor: local accountability

„Hands-on decentralisation" is the way Einstmann describes the principle that has made the Bechtle Group what it is today. Decisions and the responsibility for them are taken where the business transaction actually takes place: locally. The centralised functions of the holding company and the logistics subsidiary provide support, but the managing directors of the 40 or so local Bechtle offices have to act and make decisions on their own. Even thinking outside the box is allowed, says Einstmann. The important thing is that it benefits the system house and the Group.

Invisible ties

Describing how the roles are shared between the system houses, which operate as profit centres, and the centralised functions, which provide support, he uses an interesting phrase: „There are invisible ties," he says. On the one hand, the feeling of being free and able to make decisions on one's own, and even required to do so. On the other hand, the feeling there's always someone watching what's going on – through strict cost control procedures, for example – and can provide help at the right time in an emergency.

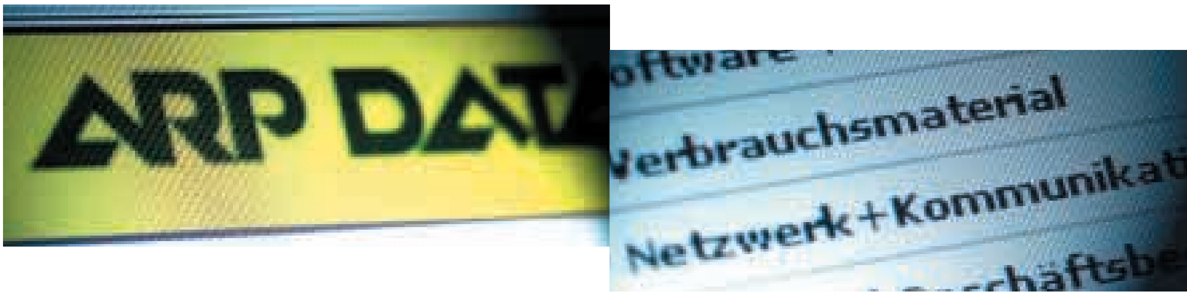
In the old days, the accounting department in Karlsruhe was just down the corridor. „So things made their way into the books," says Einstmann, a little sarcastically. The accounts today are handled centrally by Bechtle AG in Gaildorf. „It's all done very professionally," he explains. „We no longer make sure that everything adds up nicely and is transferred to the next month, if need be, just for convenience sake. Instead, I always know exactly where I stand, and am one hundred percent sure that we don't have any skeletons in our cupboard."

Synergies and expertise

Exploiting the benefits of the Group's decentralised structure and the synergies between the individual company locations, in addition to their smooth integration into the organisation, are the success factors behind Bechtle's growth. So-called Competence Centres have been created within the system houses themselves, with expertise that is available to the entire Group. Karlsruhe's special field is „Storage", i.e. data storage and migration. The small number of projects Karlsruhe had in the early days, however, would never have been sufficient to maintain the start-up costs within reasonable limits. On the other hand, other Bechtle locations had the orders, while Karlsruhe had the experts. So the system houses bought the services in Karlsruhe and subsequently got things moving.

The big plus: centralised logistics

According to Richard Einstmann, the best deal he ever made was the Bechtle Group's logistics centre in Heilbronn. Prior to 1997, the company had its own warehouse just around the corner, as it were, in Karlsruhe. „The problem was that when 100 computers arrived, the cartons had to be stacked up outside the building because we didn't have enough space," recalls Einstmann. The technicians were lugging boxes around instead of giving advice to customers. There was the risk of a drop in value and stocktaking took days. „With the logistics centre, I get first-rate service, pay my expenses, need no staff and benefit from attractive prices due to the large sales volume generated by the company locations as a whole. And," he adds with a grin, „the last stocktaking we had in Karlsruhe was completed in just 23 minutes."



Birds of a feather

Precision watch movements and luxury chocolate are well-known examples of Swiss ingenuity. In contrast, the country's strong position in the European IT retail business is known only to a small number of insiders: Swiss-based ARP DATACON is one of the leading European suppliers of IT equipment for corporate clients. Its great strength: one of Europe's best on-line shops as an electronic purchasing platform for computers, IT accessories, and recently for office materials.

Since January 1 2004, ARP, including its branch offices in Germany and Austria, has been a member of the Bechtle Group. This will now result in a strong market penetration in Switzerland, where Bechtle-Comsoft AG is already excellently positioned in associated market segments. Bechtle at the same time is consolidating its position as one of the most important eCommerce players in Europe.

This evolution is surprising people in several countries with some astonishing parallels. But in several business sectors too, there are some surprising similarities. Whether it's www.bechtle.de or www.arp.com – the responses from Bechtle and ARP to the challenges of the cut-throat competition on the European eCommerce market are remarkably similar: very fast delivery, high and precisely-defined quality standards, a rich portfolio of brands, and low prices. Even the colour's the same: green dominates.

Bechtle launched its first online shop in 1995 in Germany and now has nine national IT purchasing platforms in all the key European markets. ARP's online shop was the first Europe-wide, fully-integrated online store based on SAP R/3, and went live in 1999. Not only is it so popular that ARP now generates roughly half of its sales online via the Internet. The shop has also received several international awards, the most recent being the E-Shop Award 2003. This now puts the ARP shop among the TOP 10 of Europe's online shops.

Common strength: logistics

The common areas of the direct sales business of Bechtle and ARP, however, is not restricted to these Internet platforms. Even behind the scenes, there are main resemblances. Such as the sophisticated logistics system: orders are sent to the dispatch department on the same day they are received, so that the ability to meet deadlines is every bit as good as product availability, with an above-average stock turnover rate. Even the fine art of logistics is practised in the same way at the two companies: e-Procurement, i.e. forwarding the order and direct delivery to the

Jörg Kientz,
CEO of the
ARP DATACON Group

customer by the manufacturer, importer or wholesaler leads to a substantial increase in the efficiency of both brands.

It's not surprising that the companies also have more things in common: in contrast to the general trend in the industry, they have enjoyed continuous growth for years, have a very solid equity base and what is for the IT market a very respectable return on investment.

Common and complementary skills
But there are also differences: „We complement each other extremely," explains Jörg Kientz, CEO of the ARP DATACON Group. „If one looks at the customer pyramid, Bechtle chiefly occupies the middle and upper segments, including the big customers. At ARP, because of our SAP system, we can certainly deal directly with big customers, but we are also receptive downwards to smaller firms and single companies."

Competition within the Group?
This means that competition on the domestic market between ARP and the Swiss-based Bechtle subsidiary Bechtle-Comsoft AG is a basic issue, because Bechtle is a recognised advocate of a multibrand strategy. Even the retention of the regional identity with the same management is one of the basic principles in a takeover. Competition is kept within limits, however, due to the different target groups, particularly when there are other differences: the key geographical aspects, on the one hand, and the customer structure, on the other. Bechtle-Comsoft, for example, has a solid link to public institutions.

Another aspect of the ARP takeover, therefore, is the doubling of the existing strengths: both Bechtle-Comsoft and the ARP subsidiary CC Data Disc are Microsoft LARs (Large Account Resellers), with considerable business in Microsoft licences. One and one in this case really is two, so that the reseller situation will be better for both of them due to a significant increase in business volume.

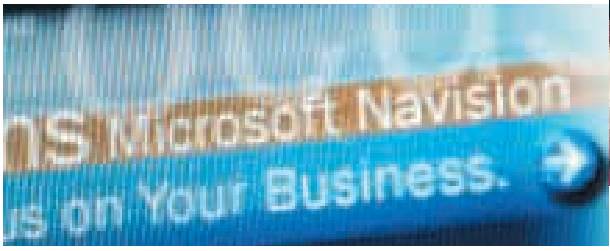
Learning from each other and the creation of synergies
It is also quite obvious that achieving market leadership in different segments and geographical areas is the result of a „best practice" approach to learning from each other and the creation of synergies.

Each one can also benefit from the other in terms of the product portfolio. ARP immediately adds several thousand products to its own range of 10,000 IT brand products, because of its access to the Bechtle range – at 22,000 items, more than twice as large.

In return, the Swiss have a purchasing company of their own in Taiwan, which means they can frequently include exclusive products in their range. And they have two brands of their own – ARP DATACON and CLAXAN – with a product portfolio that is constantly growing as a result of the efforts of the company in Taiwan.

Key to boost in earnings
This synergy potential will have to be developed slowly as part of the multibrand strategy. „We have contacts to manufacturers in Asia and mature know-how in procurement and dispatching," says Jörg Kientz. „But that's something you can't transfer in a couple of weeks. It'll take one to two years to set up."

Mid-term, however, ARP's Chief Executive sees the synergies as being the key to increasing earnings power. „Since our company was founded 1988, we have always managed to cope with the change in product technology and later the challenges of e-Business. It meant that we were constantly implementing change ourselves and have optimised quite a lot," says Kientz. „The only way we're going to follow this up with a genuine boost in earnings is by using the synergies available with Bechtle."



Expert solutions for new developments

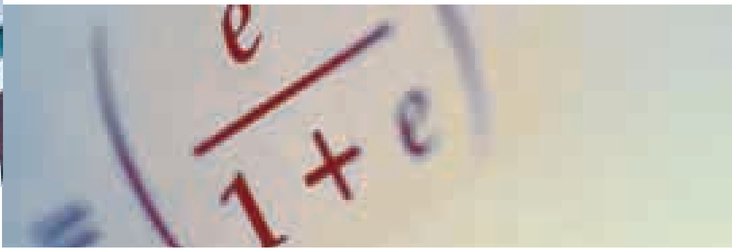
The more dense Bechtle's network of system houses becomes, the easier it is to set up teams of experts with the specialised know-how required to serve the needs of all the locations within the group. Substantial benefits to the customer and profitability, therefore, are key features of Bechtle's Competence Centers. Whether the need is for IT security, digital archiving or international IT equipment hire – Competence Centers are the ideal complement to the range of products and services available from the Bechtle system houses.

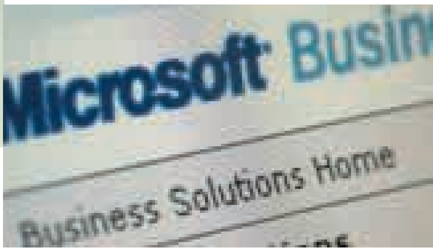
Operating as an independent unit, one Competence Center of particular strategic importance has already developed software solutions for Microsoft Business Solutions-Navision applications, and is spearheading the development of a comprehensive portfolio of software solutions for Bechtle's SMB customers. The time is ripe – the efforts now being made by hard and software manufacturers to seize large portions of the SMB segment suggest there is plenty of support on its way.

A success rate of 100 percent in sales is a salesman's dream. But when you know precisely what the customer requirements are, and your product meets those requirements in every respect, then it can work – this is precisely what has happened with the „Basel II" software module, which Bechtle Softwarelösungen GmbH developed for Microsoft Navision. „Basel II" is an absolute nightmare, particularly for German SMBs. This is due to the regulations laid down by the banking industry for obtaining credit lines, which are now tougher than ever. Some companies need weeks of tedious, painstaking work to collect the figures required for the ratings. The Bechtle module simplifies the whole process: it prepares the entire report more or less at the touch of a button. No wonder customers are flocking to add this module to their Navision solution.

Buy or build?
While this example clearly shows that Bechtle's specialists are aware of precisely what the market needs, development work of this kind is not really typical of Bechtle's current IT solutions business. „The work we do is based primarily on the principle of first buy, and then build," says Joachim Stein, Managing Director of Bechtle Softwarelösungen GmbH, the Bechtle Group's software partner and consultant for SMB customers, with a strong focus on the implementation of Microsoft Business Solutions-Navision software.

Joachim Stein,
CEO of Bechtle Softwarelösungen GmbH





The reason for this strategy is not just that Bechtle is as committed to being a service provider as it is to its focus on retail business. „Customers quite simply are no longer prepared to spend exorbitant amounts of money on complex, tailor-made developments," says Stein. „So, what we basically do is find a finished product that we can modify, and then develop the rest ourselves within a very specific framework." On top of that, the capacity we have available can then be utilised more profitably with customer projects than with customised developments, which can be completed much faster by software specialists.

Reference projects form the basis

Even when it is involved in customising, i.e. taking a standard product and producing a tailor-made solution to meet the customer's specific needs, Bechtle does not adopt the usual approach. „To take a standard industry solution and modify it can still be an expensive way of doing things," explains Stein from experience. „The less expensive approach, and one that often promises better results, is to take standard solutions and modify them slightly. It's logical to assume that if it runs without a hitch at other companies in the same business sector, then there's no reason why it shouldn't be the ideal basis for your company as well."

Success factors „en miniature"

The principle of relying on tried and tested mechanisms is not only true for customer solutions, it is also one of the key factors for the success of the Bechtle Group. It comes as no surprise, therefore, to hear that Bechtle Softwarelösungen GmbH has adopted a whole range of tried and tested solutions that have ultimately made Bechtle successful and are reproduced „en miniature", as it were, in the Group's software unit.

The Bechtle principle of taking care of the customer's entire IT needs, for example. „We are also a full-service provider and act as the general contractor for most projects, ideally complementing the services provided by our system houses in terms of hardware and networks. This is genuine one-stop shopping, because MSBs are simply fed up of being sent from one supplier to another to find the answer to their IT problem," says Joachim Stein, explaining the root of the problem. Offering complete solutions extends to the point where Bechtle will also supply the financing if necessary. Not an easy subject, since hardly anyone today provides services with a leasing contract. „Particularly in difficult economic times, this is definitely a plus," says Stein.

The major factor behind Bechtle's success – that of using the Group's central functions to provide effective relief and support for customer service locally – is found in miniature form at Bechtle Softwarelösungen GmbH. Advice, sales, installation – these are all services that are provided on an individual basis at the customer's premises throughout Germany. Customer support requests via the call centre or assistance in the event of technical problems, but also in-house requirements such as product development or personnel training, are all dealt with from Villingen-Schwennigen, where Bechtle Softwarelösungen GmbH is based.

A great future

The Bechtle division that is involved with the development of IT solutions is still comparatively small. But that will change: in its strategy papers, further expansion is written very clearly in bold letters.

And acclaim is now being heard from the manufacturers. The Navision solution developed by Bechtle for WORTMANN AG, one of Germany's major independent IT companies with around 5,500 resellers, put the company on the top of the winners' podium at this year's Medium Business Partner Award presented by Microsoft in Germany: Microsoft, incidentally, awarded Bechtle the prize for the most innovative solution.

„The Bechtle“ – the IT industry's standard reference work

It has 820 pages, over 22,000 products, and weighs in at three pounds – the fascinating world of IT products in the palm of your hand. Pick it up, take it with you, flick through it and be absorbed by the detail – even in these days of online shops and search engines, printed reference works such as the Bechtle Catalogue have a force of attraction all their own.

No less than 150,000 copies of this standard reference work, which is now published in five languages, are sent from Neckarsulm-based Bechtle Logistik & Service GmbH to nine European countries. Put the pages of the catalogues end to end and you can almost circle the Equator. There is no other catalogue like it in the IT industry and it's an excellent investment: it has given us a genuine competitive edge and it really gets direct online business moving.

Severine Liénard
Production of the catalogue
Bechtle Logistik & Service GmbH

„Consulting the law simplifies the search for justice,“ is one of the fundamental principles up and coming lawyers are taught in Germany. „Consulting ‚the Bechtle‘ simplifies the search for IT products,“ is something that up and coming IT specialists should be taught perhaps.

What was originally conceived simply as a buyer's guide containing products, order numbers and prices has developed in the course of just a few years into considerably more: it is now the standard reference work for the industry. What the Bechtle catalogue offers in terms of information, detailed technical data, product images and prices is not available anywhere in this condensed form.

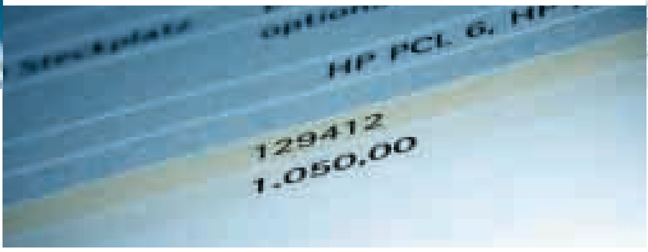
Feeling and common sense

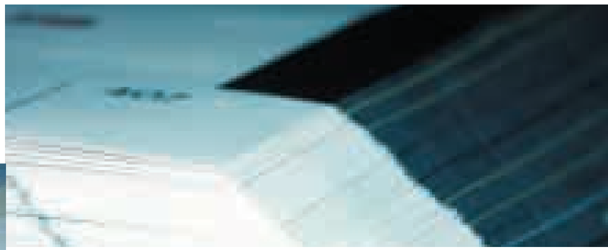
There are two reasons for the exceptional quality of the new catalogue, which appears twice a year: one is technical and the other emotional. Planning and organisation for the production of the catalogue is no different from that required to construct a new office building: sophisticated project management, precise timing of the smallest detail during the hot phase, plus the smooth co-ordination of well over 100 people and a large number of outside partners who make sure the catalogues get delivered.

On a purely emotional level, there's a lot of blood, sweat and tears in the making of a catalogue: „No one can go on holiday during the production period, the overtime piles up, and when we finally hold the first copies „hot off the press“, there are still faces that are beaming with pride,“ confesses Severine Liénard, the lady in charge of catalogue production.

Logistics beyond the norm

The beginnings were humble and very typical for the region. Just simple, straightforward Swabian - 32 pages, 222 products, 5,000 copies in German. And then the requirements began to get a little tougher: in 1991, Bechtle moved from one to two catalogues, with the first catalogue in a foreign language appearing in 1998 for the UK market, followed in 2000 by the French and then catalogues printed in Spanish and Italian two years later.






As if five languages were not enough, there are now additional versions: two catalogues in English, for example – one for the UK market in pounds sterling and the other for the Benelux countries with prices in euros. And to make things even more complicated, the latter also has different versions of its own, with country-specific pages included in the catalogue's leader. „The Bechtle catalogue is printed in five languages, with eight different product contents, and counting the country-specific leader pages, in a total of twelve different versions," says Severine Liénard, summarising a very complex process.

European dimensions in Neckarsulm

The current catalogue in its redesigned layout is Issue no. 27 in the catalogue's history. Content errors are virtually unheard of. One of the main reasons for this is that the core team assigned to catalogue production are all in one place.

There are 45 product managers responsible for feeding the product database with technical details, photos and manufacturer logos. And it's all done by hand. They themselves specified the principle which determines what information in the various product categories is important based on the customer's needs and not on the data provided by the manufacturer.

What's really important is that central product management thinks and works in a European context. For a new HP printer, for example, the individual English specifications and the English warrantee performance details are entered in the databases from the central location in Heilbronn, as are the Italian specs.

A hard drive is a hard drive

The rest of the team sits a few doors away: twelve qualified translators, three to each language - English, French, Italian and Spanish. No Babylonian confusion of language here. Even if one translator is standing in for another – the customers can be sure that nothing is lost in translation. „Using adaptive software ensures that, once translated, a term will always keep that translation – that applies regardless of the translator or the catalogue version," explains Severine Liénard.

Updating with a click

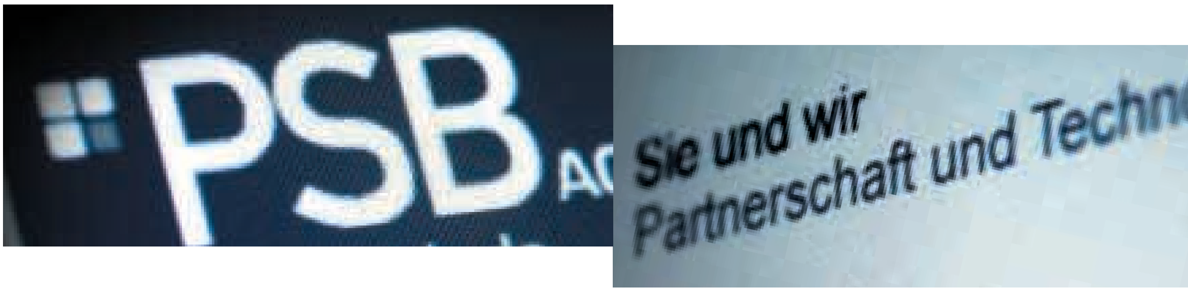
The automated operations are key aspects of the production process, as they make it possible to include the most recent products and the latest information in the catalogue within just a few weeks. The heart of the system is the central product database, which contains all the information, product photos and manufacturer logos. It can be accessed by anyone – at www.bechtle.de, because Europe's best maintained IT product database also drives Bechtle's online shop. Displaying up-to-date daily prices, it offers tailor–made support for the catalogue.

The product section of the catalogue is produced on the basis of the data contained in this central database. „The relevant price details in each currency are retrieved with a mouse-click from our materials management system as late as possible and linked to each of the pages. This ensures that the content is up-to-date when printing starts and not out-of-date as a result of passing through time-consuming pre-production stages," explains Alexander Lang, the man responsible for handling the flow of data to the catalogue.

Twelve to go

When all the preparation work has been completed, a mammoth logistics undertaking gets underway: all twelve versions are printed in one run. Once the printing machine starts running, it keeps running for the next ten days.

Bechtle employs a little trick to keep down the costs of what is already cost-conscious production: the catalogue's four-colour product section with over 800 pages of photographs and coloured areas is produced for all versions in a single print run. The printing machine is then stopped, but only to change a single printing plate: the one for black, which contains the product information and prices for the specific language version. There has to be a certain amount of individuality with so much uniformity around.



When the man with the black case arrives

Successful manufacturers and retail companies have an old saying: the first product is sold by sales, the second by technical support. This means that on the IT market in particular, where costs for servicing and maintenance are often higher than the initial investment cost, there are excellent opportunities to establish long-term relations with the customer by providing high-quality technical support.

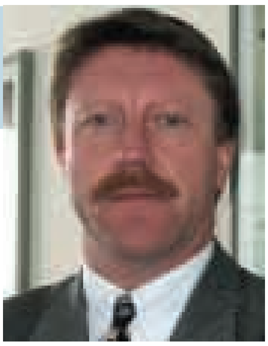
PSB IT-Services, with its nation-wide network is therefore the ideal partner for manufacturers, retailers and system houses requiring technical support throughout the country. The Bechtle Group, which acquired a majority shareholding in PSB AG at the end of March 2003, also enjoys the benefits of the prompt assistance available from the technical support provider.

When the man with the black tool case arrives, help is at hand. The printer produces legible documents again, the scanner accepts the original copy of the image and those urgently awaited emails begin to arrive. All you have to do is call and the technicians from PSB IT-Services are on their way to get your IT equipment running again. And they never leave without it: the First Aid Box for computers and peripherals, known officially as the maintenance kit, that also contains a basic supply of standard replacement parts.

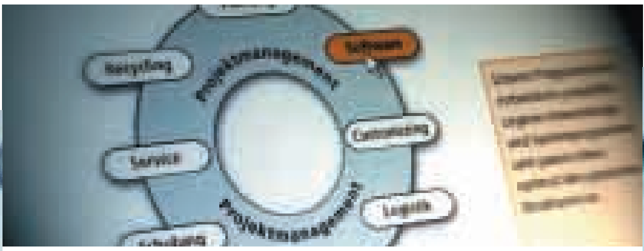
In most cases, a carton with the right replacement for the defective part that is currently keeping the customer from working is enough. The PSB IT-Services technicians do not have to be clairvoyant to know what's wrong before they begin with the repair work. „Our technical support call centre is manned by trained staff, who are able to perform troubleshooting on the phone with the customer in advance," says Manfred Otte, the Managing Director of PSB IT-Services, explaining how it's done. „In most cases, we then know precisely which part has to be replaced."

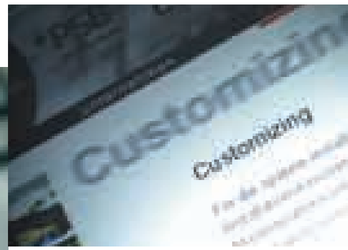
24-hour replacement parts service

A sophisticated replacement parts logistics system, plus the know-how and professional skills of the technicians, is the key to prompt and effective technical support. Once the defective part has been identified, it will be sent overnight direct to the technician from one of the replacement parts warehouses. The replacement is thus possible within 24 hours at the latest. If necessary, the process can be speeded up, of course: arrangements can be made to have the replacement parts or units available in the vicinity of the customer's premises.



Manfred Otte,
CEO
PSB IT-Services





Manifold potential

The technical support specialists have several core business areas, which makes the co-operation even more interesting for Bechtle as a retail services provider. Two thirds of the company's business is in maintenance contracts concluded direct with the customer. Regardless of whether they are for the server, PC, printer or other peripheral equipment – these maintenance contracts safeguard freelance and corporate businesses against downtime and subsequent loss of work. How quickly the technicians have to respond, either to repair or replace parts, is specified individually for each customer in so-called service levels.

A nation-wide technical support network with a total workforce of 130 employees means that customers with several company locations can also be served. This is an advantage for the Bechtle system houses with their regional character: if Bechtle customers put large projects out to tender, in which local branch offices or subsidiaries are involved, then nation-wide technical support can be provided on the basis of a co-operation agreement with PSB IT-Services.

Full service for hardware manufacturers

Traditional manufacturer outsourcing accounts for the remaining third of PSB IT-Services' business activities. Printer manufacturers, for example, outsource their maintenance work and let PSB IT-Services do the job. Their technicians ensure that the hardware manufacturer's warranty and maintenance commitments are met and perform the work at the customer's premises.

For Bechtle's profitable retail business, this is a way of establishing new business relations. „Some hardware manufacturers specify that sales agreements with their retail partners include a technical support component," explains Manfred Otte. „In other words, the manufacturer requires that technical support be an integral part of the warranty services or repairs. And we can provide such services throughout Germany, just as we're doing for some manufacturers. For a company like Bechtle, which is an interesting partner anyway for IT equipment manufacturers in view of the size of its retail business, the ability to provide support of this kind is an important extra benefit when an attractive sales agreement is being concluded."

Solidity means security

The opportunities for achieving stronger market penetration have increased for PSB IT-Services since Bechtle acquired a majority shareholding in the parent company, PSB AG. Not only has its range of activities been expanded, because the tech support specialists now work more closely with the more than 40 Bechtle system houses and Bechtle's direct sales organisation. „The Group's solidarity means more security for both manufacturers and customers and has resulted in manufacturers now being more interested in talking to us," explains Managing Director, Manfred Otte.

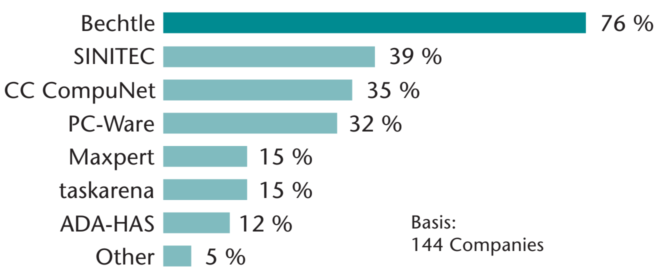
One for all

Notwithstanding Bechtle's majority shareholding, PSB IT-Services will remain a profitable technical support company and an independent player on the market. In addition to the extensive range of services the company provides, Manfred Otte sees multiple brand technical support and independence from manufacturers as being a key competitive advantage: „There are plenty of suppliers around, but in many cases they can't provide the full technical support chain," he says. Being capable of providing professional tech support for the wide range of equipment and systems available from all the well-known brand name manufacturers gives him a genuine competitive edge. „It's that famous ‚one face to the customer' situation: when a company needs technical support for ten different pieces of equipment from five different manufacturers, then he doesn't want to deal with ten companies or even five. He only needs one – and that's us."

Strong brand with high media presence

For a long time, Bechtle was known only to insiders. Even the IPO in March 2000 did very little to change the situation. Today, Bechtle is the most well known system house in the small to medium business sector, the most important sector of the German economy. The level of recognition of the Bechtle brand, according to a study published recently by the META Group, at 76 percent, is almost twice as high as that of its nearest competitor, which achieved 39 percent.

Bechtle – highest recognition level among MSBs
Which of the following system houses are familiar to you?



The high level of recognition is due to the fact that Bechtle's media presence has risen significantly. More intensive public relations work, which the shareholders have requested repeatedly over the last few years, is thus bearing fruit: the number of press releases referring to Bechtle have increased by more than 50%. In the 2003 financial year, there were over 1,800, compared with just under 1,200 in the previous year.

Number of reports

Month	2003	2002
January	178	108
February	229	41
March	234	205
April	73	79
May	172	87
June	54	149
July	44	72
August	195	155
September	143	56
October	40	68
November	253	145
December	200	26
Total	**1,815**	**1,191**

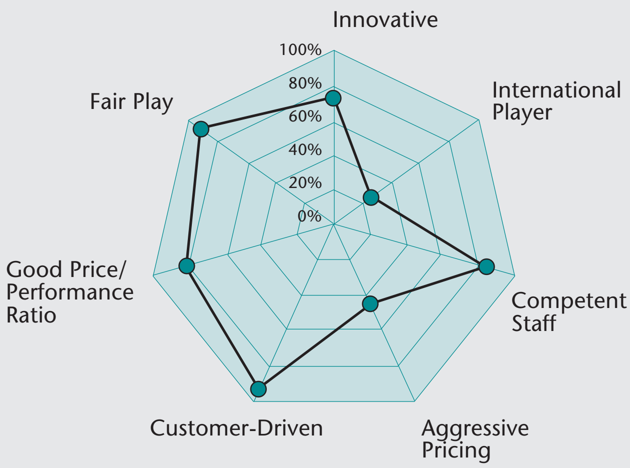
Though not yet compulsory reading on account of the company's size, the „Bechtle story" has nevertheless managed to establish a strong and loyal readership in the business and financial media and the daily newspapers. The strong media presence and high brand recognition have a powerful influence on each other: the more well-known the brand becomes, the greater is the interest shown by journalists, and the more frequently reports appear in the media, the greater is the brand recognition.

In Germany last year, a total of over 52 million newspapers, magazines and trade journals were purchased with a report about Bechtle – on average, this meant that 4.4 million copies that included information on Bechtle were read every month. This remarkable figure resulted in over 114 million contacts last year.

The media presence is widely dispersed: over 80 percent of the reports appeared in daily newspapers, eight percent went to the leading news agencies, ten percent were published in trade journals and specialist IT magazines. The Top Ten in the media ranking charts for Bechtle announcements and reports, seen in terms of the largest circulation, include the Börsen-Zeitung, FAZ, Handelsblatt, dpa, reuters and vwd, constitute the Who's Who of the German media community.

Publications are not reduced however to mere figures. Even the length of individual publications has increased, which means that the depth of the reporting has developed positively. The departure from the purely compulsory reporting of a publicly quoted company took place long ago. What the public want today are interviews, background reports, analyses and opinions.

Premium brand Bechtle
Among MSBs, the image alone produces a genuine competitive edge



The reason behind it is probably the high level of competence in the IT marketplace and the brand's excellent image. In another META Group study namely, almost 100 percent of its SMB customers attest to Bechtle's sense of fair play and customer focus. Around 80 percent see Bechtle as being innovative and rate the employees as competent, while nine out of ten of those interviewed endorses Bechtle's good price/ performance ratio.

The result: Bechtle has an excellent image and is one of the strongest brands in the small to medium business sector today.

TOP 10 based on circulation

Publication	Circulation	Number of articles
Frankfurter Allgemeine, (B)	6,943,889	17
Heilbronner Stimme	2,743,926	27
Süddeutsche Zeitung, (B)	2,659,497	6
Handelsblatt	2,509,660	17
Focus	1,619,933	2
Suttgarter Nachrichten	1,350,110	13
Die Welt (Bundesausgabe)	1,256,247	5
Computer Reseller News	1,113,806	34
Effecten-Spiegel	1,100,000	11
Wirtschaftswoche	1,049,963	5
Total	**22,347,031**	**137**

Wirtschaftswoche from 8th May 2003


BÖRSENWOCHE

KONSERVATIVE EMPFEHLUNGEN

Schwäbisch wachsen


Mittwoch, 30. 4. 2003 – Nr. 83

HANDELSBLATT – Seite 19

GERHARD SCHICK

„Bis 2005 wollen wir Systemhäuser überall in Deutschland haben"

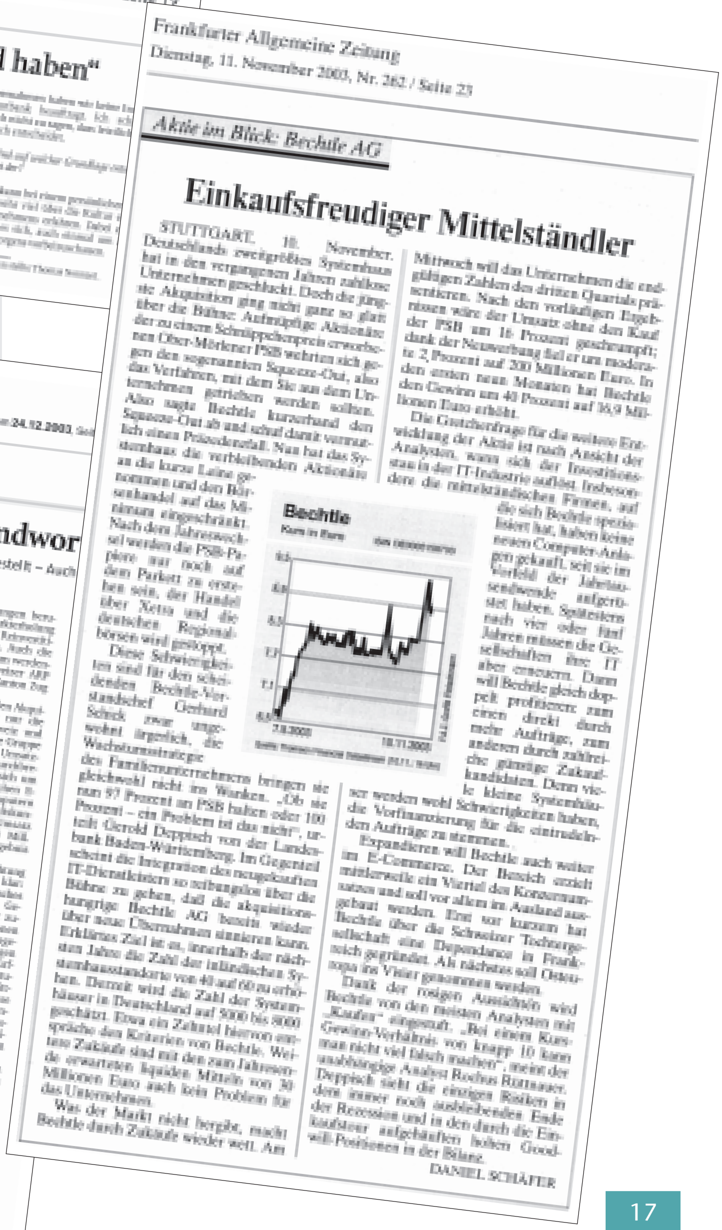

Börsen-Zeitung

– Dokumentation –

Gespräch mit Vorstandschef Gerhard Schick

Für Bechtle sind rote Zahlen ein Fremdwor

Der IT-Dienstleister hat die Weichen für weiteres Umsatz- und Ertragswachstum gestellt – Auch Zukäufe nicht ausgeschlossen


Frankfurter Allgemeine Zeitung

Dienstag, 11. November 2003, Nr. 262 / Seite 23

Aktie im Blick: Bechtle AG

Einkaufsfreudiger Mittelständler

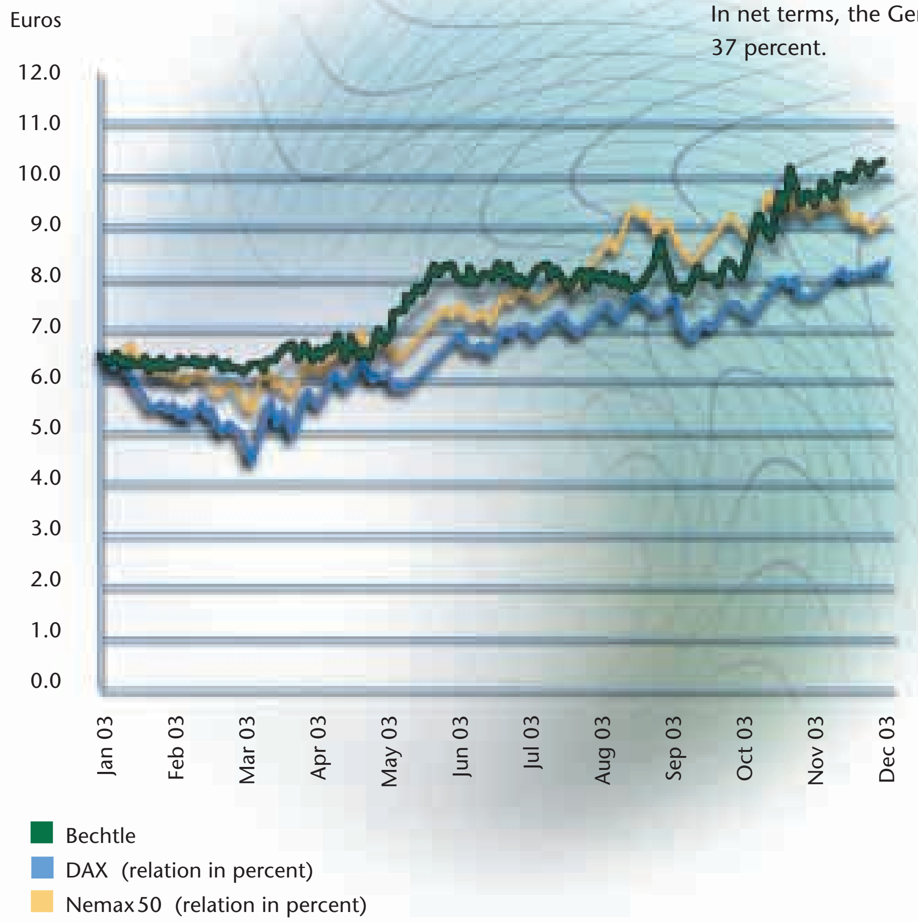
DANIEL SCHÄFER

Bechtle share 2003: riding high

In the summer of 2003, everything clicked into place: the Bechtle share took off and is now one of the major winners on the German share market. Investors were delighted with the price gain of 54 percent at the close of the 2003 stock exchange year. In the new year, the decisive boost came within just a few weeks: between the summer of 2003 and February 2004, the price of the Bechtle share more than doubled.

Profit-taking can certainly mean price setbacks in the future. If, on the other hand, the recommendations to buy are taken seriously, there is still a lot more performance potential in the Bechtle share.

The 2003 stock exchange year
As a result of the strong increase in price, the Bechtle share developed in 2003 into a valuable share in a stock exchange climate that now appears somewhat friendlier overall, following a large number of setbacks. After three years of loss making, the DAX finally closed for the first time once again in the black. In net terms, the German composite index was up by around 37 percent.



However, there were initial difficulties: following a moderate start to the new year, the index plummeted on 12th March to 2,188 points – bottoming out at its lowest point since 1995. Compared with its all-time high of 8,130 points in March 2000, when Bechtle went public, the leading German index had dropped to almost one quarter of its value.

Considering the 2003 stock exchange year overall, however, with an increase of 37 percent, the DAX was the absolute winner Europe-wide. The increases at the key stock exchanges of Zürich (+18 percent) or London (+13.5 percent), or the Euro Stoxx 50 (+15.6 percent) were unable to keep up with the German prices.

The end of the Neuer Markt

Following the closure of the Neuer Markt, public interest in second liners waned, and the equity research analysts of the banks hardly took any notice. The price trends, however, cannot be made responsible – the increases of the small cap indices were too impressive for that: MDax plus 48 percent, SDax and TecDax both at around 51 percent. With the shares of German MSBs like Bechtle, there was definitely plenty of money to be made.

Bechtle share outperforms DAX, MDAX, SDax and TecDax

With its excellent price performance, the Bechtle share in 2003 outperformed all the major German indices. At times, investors were able to achieve gains of over 50 percent with the Bechtle share. While the Bechtle share at the start of the 2003 stock exchange year opened on the Xetra on 2nd January at a relatively low price of 6.60 Euros, it had risen considerably by the end of the year, closing out at 10.20 Euros. This represented a growth of over 54 percent. In the first quarter of 2003, shareholders who had bought shares twelve months earlier saw their investment more than doubled.

Shareholdings in Bechtle AG

Shareholders (at 31st December 2003)	Shares	in %
Schick family		
Gerhard Schick		
– held directly	200,000	0.990
– indirectly by usufruct (K. Krief)	1,026,933	5.084
Karin Krief *	6,784,487	33.587
Schick family total	**6,984,487**	**34.577**
BWK GmbH	**3,916,507**	**19.389**
Ralf Klenk	352,462	1.745
Free Float (German stock exchange)	9,299,006	46.035
Share capital	**20,200,000**	**100.00**
As of 11th February 2004	21,200,000	

* incl. donation G.Schick 1,026,933 shares (5,084 %)

Great interest shown by institutional and private investors

Price gains presumably triggered the sustained interest in the Bechtle share and was the reason for the strong increase in stock exchange activity: whereas in January 2003, less than 2.5 million shares changed hands, at the end of the year, there were on average more than 4.7 million every month.

A factor that is conducive to a further increase in the share's potential is the increasing interest shown by institutional investors in the Bechtle share. One example taken from a wide range of similar positive developments: in December 2003, the DZ-Bank's monitoring of the Bechtle share resulted in a recommendation to buy. The „buy-side analysts", in other words those analysts who carry out their research exclusively on behalf of individual institutional investors and therefore do not publish the results of their work, have heightened their focus on the Bechtle share. The favourable opinions of the bank analysts are supplemented by numerous buy recommendations in the German media, such as those found in the FAZ, Börse Online, Der Aktionär, Wirtschaftswoche and many more.

Almost 50 percent publicly held

Generally speaking, Bechtle's shareholding structure in 2003 remained unchanged. The Schick family, with a total shareholding of 34.577 percent and BWK GmbH Unternehmens-BeteiligungsGesellschaft with 19.389 percent are still the major shareholders of Bechtle AG. Publicly held shares at the end of 2003 represented 46.035 percent. As a result of an increase in capital in February 2004 of one million Euros, all of which went into publicly held shares, this figure has since increased to 48.5 percent.

New Investor Relations section at www.bechtle.com

To bring the information provided for private shareholders and institutional investors in line with the growing interest in the

Bechtle share, the Investor Relations section on the company's Website has been significantly extended and optimised.

Up-to-date information, weekly reports and general background information, together with archived material covering the last three years of the company's business activities, provide a comprehensive pool of information. This is supplemented with announcements and important dates, plus the possibility of downloading presentations and stock market information.

The Overview & Background sub-section in particular provides an extremely wide range of in-depth information. In addition to general background information, such as the Articles of Association or an explanation of Bechtle's Corporate Governance Code, risk reports, forecasts and research reports are also available, plus detailed financial information, such as the equity capital of Bechtle AG.

The IR page displaying the price of the Bechtle share not only shows the current daily prices, but also makes it possible to display the share performance in terms of prices or in chart form for any user-defined period. It offers the user a simple way of monitoring the performance of his own investment in Bechtle shares from the date of purchase. The share performance at the individual exchanges can also be seen.

Private investors, institutional investors, analysts and financial journalists will all find a plethora of information in the new Investor Relations section. Updated daily, the Website provides the attentive user with current information at all times.

Ad-Hoc Reports 2003

10.02.2003	Interim figures for 2002: pre-tax earnings up 25% on previous year
25.03.2003	Bechtle acquires a majority share in PSB AG, Ober-Mörlen
15.05.2003	Bechtle's pre-tax earnings (EBT) up 127 per cent in first quarter
20.05.2003	Bechtle AG achieves a 95% shareholding in PSB AG, Ober-Mörlen
05.08.2003	Preliminary Q2 2003 financial results: Bechtle asserts its position
26.09.2003	Bechtle AG cancelled squeeze-out of PSB AG
04.11.2003	Bechtle: Preliminary Figures for the third quarter
13.11.2003	Bechtle expects higher yield
28.11.2003	Bechtle in future with extended management structure
09.12.2003	Bechtle takes over Swiss ARP and issues a million new shares

Why is the trading volume of the past twelve months so important?

The German stock exchange calculates share indices that are designed to make the markets transparent and comparable on an international scale. In addition, indices are used as the basis for financial products such as futures, options, warrants and funds. Bechtle regards inclusion in the TecDax composite index as an important goal.

The TecDAX index contains the 30 most important and most valuable shares from the technology sector of the prime segment behind the DAX. Companies that wish to be included in this composite index must meet certain prerequisites. As over 30 public limited companies satisfy the principal requirements, selection is made on the basis of two criteria: market capitalisation on the basis of the free float and order book activity in Xetra and on the floor in Frankfurt over the past 12 months. Bechtle met the first prerequisite long ago, but to date has always failed to overcome the second TecDax hurdle.

Besides the two main criteria, there are further aspects to be taken into account: the value of the free float, the availability of the share on the market (calculated on the basis of share sales, prices quoted on the stock exchange and turnover frequency), the sector in which the company operates, and the period during which a company has satisfied the criteria for its initial inclusion in the index or elimination (backwards view).

Position of Bechtle AG in monthly ranking of german Stock exchange

	Market Capitalization Free Float	Trading Volume
January	29	51
February	26	51
March	25	49
April	32	45
May	28	46
June	29	44
July	32	44
August	34	45
September	35	44
October	35	43
November	34	45
December	33	44

Share Price Table 2003 (XETRA daily closing price)

02. Jan	6.60
03. Jan	6.59
06. Jan	6.45
07. Jan	6.45
08. Jan	6.45
09. Jan	6.52
10. Jan	6.45
13. Jan	6.43
14. Jan	6.49
15. Jan	6.42
16. Jan	6.45
17. Jan	6.42
20. Jan	6.38
21. Jan	6.40
22. Jan	6.42
23. Jan	6.45
27. Jan	6.25
28. Jan	6.45
29. Jan	6.31
30. Jan	6.32
31. Jan	6.45
03. Feb	6.33
05. Feb	6.40
06. Feb	6.40
07. Feb	6.35
10. Feb	6.40
11. Feb	6.50
12. Feb	6.45
13. Feb	6.49
14. Feb	6.49
17. Feb	6.52
18. Feb	6.40
19. Feb	6.50
20. Feb	6.40
21. Feb	6.40
24. Feb	6.40
25. Feb	6.45
26. Feb	6.50
27. Feb	6.44
28. Feb	6.35
03. Mar	6.35
04. Mar	6.40
05. Mar	6.33
06. Mar	6.35
07. Mar	6.35
10. Mar	6.30
11. Mar	6.27
12. Mar	6.25
13. Mar	6.32
14. Mar	6.38
17. Mar	6.38
18. Mar	6.40
19. Mar	6.35
20. Mar	6.50
21. Mar	6.60
24. Mar	6.46
25. Mar	6.52
26. Mar	6.59
27. Mar	6.70
28. Mar	6.69
31. Mar	6.70

01. Apr	6.75
02. Apr	6.74
03. Apr	6.60
04. Apr	6.50
07. Apr	6.65
08. Apr	6.75
09. Apr	6.70
10. Apr	6.55
11. Apr	6.60
14. Apr	6.69
15. Apr	6.70
16. Apr	6.61
17. Apr	6.70
22. Apr	6.70
23. Apr	6.78
24. Apr	6.90
25. Apr	6.90
28. Apr	6.75
29. Apr	6.75
30. Apr	6.52
02. May	6.90
05. May	6.65
06. May	6.65
07. May	6.59
08. May	6.69
09. May	6.68
12. May	6.60
13. May	6.79
14. May	6.65
15. May	6.98
16. May	7.06
19. May	6.82
20. May	7.04
21. May	7.00
22. May	7.44
23. May	7.42
26. May	7.44
27. May	7.45
28. May	7.75
29. May	7.72
30. May	7.74
02. Jun	7.85
03. Jun	7.83
04. Jun	7.95
05. Jun	7.97
06. Jun	8.10
09. Jun	8.20
10. Jun	8.30
11. Jun	8.30
12. Jun	8.21
13. Jun	8.30
16. Jun	8.19
17. Jun	8.30
18. Jun	8.20
19. Jun	8.19
20. Jun	8.10
23. Jun	8.09
24. Jun	8.05
25. Jun	8.25
26. Jun	8.10
27. Jun	8.02
30. Jun	8.09

01. Jul	8.08
02. Jul	8.20
03. Jul	8.11
04. Jul	8.11
07. Jul	8.35
08. Jul	8.16
09. Jul	8.11
10. Jul	8.18
11. Jul	8.28
14. Jul	8.20
15. Jul	8.02
16. Jul	8.03
17. Jul	8.08
18. Jul	8.07
21. Jul	8.00
22. Jul	8.03
23. Jul	8.05
24. Jul	8.07
25. Jul	8.25
28. Jul	8.25
29. Jul	8.23
30. Jul	8.30
31. Jul	8.15
01. Aug	8.20
04. Aug	8.24
05. Aug	8.15
06. Aug	8.23
07. Aug	8.02
08. Aug	7.95
11. Aug	8.10
12. Aug	8.04
13. Aug	8.09
14. Aug	8.18
15. Aug	7.91
18. Aug	8.00
19. Aug	8.20
20. Aug	8.10
21. Aug	8.08
22. Aug	8.10
25. Aug	8.10
26. Aug	8.09
27. Aug	8.04
28. Aug	7.99
29. Aug	8.10
01. Sep	7.95
02. Sep	8.05
03. Sep	7.97
04. Sep	7.95
05. Sep	7.99
08. Sep	8.02
09. Sep	8.03
10. Sep	8.00
11. Sep	8.00
12. Sep	8.10
15. Sep	8.40
16. Sep	8.48
17. Sep	8.88
18. Sep	8.68
19. Sep	8.30
22. Sep	8.26
23. Sep	8.01
24. Sep	8.10
25. Sep	7.90
26. Sep	7.95
29. Sep	7.94
30. Sep	7.90

01. Oct	7.88
02. Oct	7.93
03. Oct	8.00
06. Oct	8.27
07. Oct	8.28
08. Oct	8.12
09. Oct	8.15
10. Oct	8.15
13. Oct	8.15
14. Oct	8.10
15. Oct	8.00
16. Oct	8.12
17. Oct	8.30
20. Oct	8.25
21. Oct	8.40
22. Oct	8.25
23. Oct	8.27
24. Oct	8.25
27. Oct	8.20
28. Oct	8.35
29. Oct	8.61
30. Oct	8.88
31. Oct	9.25
03. Nov	9.37
04. Nov	9.30
05. Nov	9.14
06. Nov	9.06
07. Nov	8.90
10. Nov	9.02
11. Nov	9.44
12. Nov	9.80
13. Nov	9.40
14. Nov	9.85
17. Nov	10.15
18. Nov	10.07
19. Nov	9.85
20. Nov	9.51
21. Nov	9.75
24. Nov	9.70
25. Nov	9.80
26. Nov	9.81
27. Nov	9.55
28. Nov	9.80
01. Dec	9.79
02. Dec	9.90
03. Dec	9.80
04. Dec	9.80
05. Dec	9.75
08. Dec	9.70
09. Dec	10.00
10. Dec	10.05
11. Dec	10.00
12. Dec	10.05
15. Dec	10.00
16. Dec	10.00
17. Dec	10.10
18. Dec	10.18
19. Dec	10.30
22. Dec	10.18
23. Dec	10.20
29. Dec	10.36
30. Dec	10.20

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

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

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

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

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

   b) **Formation of committees by the Supervisory Board**

      Until the end of October 2003, the Supervisory Board of Bechtle AG was composed of three persons. Committees with decision-making powers must also be composed of three persons (Article 108 section 2 line 3). As a result no separate committees were formed. Since November 2003, the Supervisory Board consists of 12 persons. In accordance with the recommendations contained within the code, three committees were formed with the result that recommendation code fig. 5.3 has been complied with since November 2003.

   c) **Details of the remuneration system for members of the Executive Board**

      Details of the remuneration system for members of the Board will be made available both in the annual report and on the company website from 2004 (code fig. 4.2.3.).

   d) **Remuneration for members of the Executive Board**

      Up until now, Bechtle AG has published the remuneration of the Executive Board members, divided up into fixed and variable sums, in the notes of the CFS. This disclosure, although not individually itemised, will also be published in future (code fig. 4.2.4).

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

      Bechtle AG is of the opinion that all members of its Supervisory Board perform their duties with maximum commitment and willingness and with a view to the long-term success of the company even with no performance-related remuneration. There will therefore be no performance-related remuneration provided (code fig. 5.4.5). The disclosure about benefits and remuneration for members of the supervisory board demanded by code fig. 5.4.5. in the notes will be made available from the financial year 2004.

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

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

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

b) Remuneration for members of the Executive Board

The company will continue to publish the remuneration of the Board members, divided up into fixed and variable sums, in the notes of the CFS. However this disclosure will not be individually itemised (code fig. 4.2.4).

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

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

Gaildorf, February 2004

For the Board
Gerhard Schick

For the Supervisory Board
Klaus Winkler

Report by the Supervisory Board

Supervisory Board activities 2003
Throughout the 2003 financial year, the Supervisory Board paid close attention to the company's business and financial performance in what remains a difficult market environment, it monitored the two major acquisitions of PSB AG and the Swiss-based ARP Datacon Group, and also supported the company's successful attempts to improve profitability even further.

The Supervisory Board fulfilled the monitoring, supervisory and advisory obligations assigned to it in accordance with the law and the Articles of Association in the course of several meetings and many individual discussions. It was informed by the Board of Management of the state and development of the company, the strategic plans and changes of importance to the company. It was aware of the business development, the financial situation, the investment policy, the personnel situation and fundamental issues relating to the company's business activities at all times. In meetings with the Board of Management, the Chairman of the Supervisory Board also discussed key developments and was kept informed of all major decisions.

Meetings and key topics
The Supervisory Board held four ordinary meetings in the course of the 2003 financial year: the meeting held on March 20th, 2003 to approve the accounts, the constituting Supervisory Board meeting of the new Supervisory Board on November 4th and two more meetings on June 3rd and on November 26th. In addition to this, an extraordinary meeting was held on September 24th.

The key issues dealt with by the Supervisory Board in its advisory capacity were the personnel decisions to reduce the size of the Board of Management in the course of the 2003 financial year, the future composition of the Board of Management, the closure of company locations and the associated personnel measures to be implemented, the increase in capital and the further expansion of the company, particularly by means of the two largest acquisitions in the company's history.

Extension of the Supervisory Board and election
As a result of the size of the workforce exceeding the limit of 2,000, the Supervisory Board in accordance with Article 96 Section 1 of the German Companies Act (AktG) in conjunction with Article 1 of the Co-determination Act and the provisions of the Articles of Association of Bechtle AG, was increase in size by an additional six employees' representatives. The initiation of the status procedure was announced on April 29th, 2003, a list of candidates was submitted on September 24th. The ballot itself took place on October 15th.

Mr. Ralf Feeser, Head of the Bechtle Academy, was elected as Senior Management Representative. Ms. Daniela Ludewig (Darmstadt), Mr. Uli Drautz (Neckarsulm) and Mr. Peter Leweke (Köln) have been elected as Employee Representatives. The unions are represented by Ms. Barbara Greyer as representative of the unified service sector union ver.di Vereinte Dienstleistungsgewerkschaft e.V. and by Dr. Rudolf Luz as representative of the metalworkers' union IG-Metall.

At the General Shareholders' Meeting held on June 13th, 2003, current members of the Supervisory Board – Otto Beilharz, Kurt Dobitsch and Klaus Winkler – were returned as shareholders' representatives for a further period of office. New members elected to the Supervisory Board by the shareholders were Karin Krief, Gaildorf, Magister, Dr. Wolfram Türschmann, Alten-Busek, member of the Management Board of Spar- and Anlageberatung AG, and Dr. Jochen Wolf, Weinsberg, Managing Director of BWK GmbH Unternehmensbeteiligungsgesellschaft.

At the constituting Supervisory Board meeting held on November 4th, 2003, Klaus Winkler was elected Chairman of the Supervisory Board, Ralf Feeser Deputy Chairman, and Dr. Wolf Second Deputy Chairman.

Committees
After the Supervisory Board had been increased to 12 members, it formed three committees: one committee in accordance with § 27 of the German Co-determination Act, a Personal Affairs Committee and an Accounts Committee.

During the 2003 financial year, the Personal Affairs Committee met on November 4th and November 24th. The Accounts Committee met on November 4th and November 26th.

Board changes
Dr. Rainer Eggensperger, the man responsible for the Solutions and Future Tasks Division, left the Board of Management effective April 21st, 2003.

Audit of final accounts 2003
The annual accounts of Bechtle AG prepared by the Board of Management, the consolidated financial statements and the management report for Bechtle AG and the Bechtle Group have been audited by certified auditors of Ernst & Young AG, Heilbronn and given an unqualified audit certificate.

All documents relating to the annual accounts, the Board of Management's proposal on the appropriation of profits and the auditing reports of Ernst & Young AG were presented to the Supervisory Board for examination. They were duly examined by the Supervisory Board and discussed in the meeting to approve the accounts on March 22nd, 2004, in the presence of the company's auditor. As a result of its own examination, the Supervisory Board came to the conclusion that there were no objections to made to the annual accounts.

In its meeting held on March 22nd, 2004, the Supervisory Board gave its approval to the annual accounts of Bechtle AG for 2003 and the 2003 consolidated financial statements of the Bechtle Group. The annual accounts are thereby adopted. At the same time, the Supervisory Board approved the Board of Management's proposal on the appropriation of profits, and this will now be presented to the General Shareholders' Meeting for final acceptance and approval.

The Supervisory Board wishes to take this opportunity to thank all members of the managing Board, as well as all of the company's employees, for their contribution to yet another business year.

Gaildorf, March 2004

Klaus Winkler

Chairman of the Supervisory Board

General economic and market performance

Economic environment

In the past year the largest economies in the Eurozone, Germany and France have experienced zero growth. As a result, GDP was reduced by the Federal Statistics Office in Germany by 0.1 percent whilst in France the central bank reported an insignificant increase of GDP by 0.1 percent. Following an estimate from Eurostat GDP in the Eurozone only grew by 0.4 percent, after growth of 0.9 percent in the previous year.

In Germany, compared to the trend in the two previous years, bankruptcies declined by 5.5 percent in 2003 to 39,700 cases as a result of the Creditreform measures introduced. However there can be no question of a distinct improvement because over the course of the last ten years the number of bankruptcies has more than doubled. The main cause of bankruptcies in Germany being the weakness in equity capital in medium size businesses: Bechtle’s main customer base has seldom been in a worse position than in the last year.

During the period under review many jobs were lost in Germany to an extent not seen since 1993 when state owned companies in the GDR were privatised following the reunification of Germany and many went out of business.

The roller coaster ride in the European equity markets still continued in 2003 even though historical falls in rates had to be managed in the last three years. After a sustained start to the year the DAX fell to 2,188 points, the lowest since 1995. The historical low values of many companies interested more new purchasers over the course of the year resulting in the stock markets closing with a gain for the first time since 2000. However the positive result of the last year cannot hide the fact that the vicissitudes of the capital markets reflected a number of economic uncertainties. The shadows of structural problems in public budgets with consumer reticence and stagnant investments weighed very heavily on many companies. In addition weak share prices made the problems of many listed companies worse. Special amortization had to be made on estimated balance sheets that had fallen as a result of acquisitions and securities being made at too high a price and which accounted additionally for a substantial burden in the financial year.

IT market

After the year 2002 was named as the worst in the history of the IT industry by the American market developer the International Data Corporation (IDC) with a fall unprecedented so far of 2.3 percent, the IT market in Germany and Europe fell back further in 2003. According to the European Information Technology Observatory (EITO) the IT market in Western Europe shrank by 1.2 percent in 2003.The heaviest rates of loss were seen in EITO Italy (down 2.7 percent), France (down 1.9 percent) and Germany (down 1.5 percent). In general it has been observed that the IT market has turned into a saturated market and that high growth rates in all market segments are a thing of the past, although some individual sectors can still turn out double digit growth rates.

Business trends

Group revenues grew by 5.3 percent to 791.9 million euros (2002: 751.7). This means that revenues are at the lower end of the forecast range of 790 to 810 million euros published in November. Organically that is without the majority of the shares acquired in PSB Aktiengesellschaft für Programmierung und Systemberatung, Ober-Mörlen (PSB AG), revenues in particular fell like the shrinking IT market by over eight percent.

Earnings before tax (EBT) were boosted by 43.5 percent to 27.2 million euros(2002: 19.0) and so exceeded the adjusted forecast shown above of 24 to 26 million euros. Even without the consolidation of PSB AG on 1 April Bechtle reported clear growth of more than 26 percent to 24.1 million euros EBT. This must take account above all that Bechtle without the takeover of PSB AG would have had higher interest income which would have been lower than the contribution of PSB AG's results. This clearly shows today that this acquisition was a correct decision from the point of view of increasing sustained earnings power for the long term.

Earnings before interest and tax (EBIT) improved in the reporting period by 46.9 percent to 27.1 million euros (2002: 18.4). The net income for the year was 18.4 million euros (2002: 12.0) actually 53.0 percent higher than the previous year. Earnings before interest, taxes, depreciation and amortization were boosted by 29.0 percent to 34.9 million euros (2002: 27.0), earnings before interest tax and amortization before amortization of the established clientele increased by 47.4 percent to 27.9 million euros (2002: 19.0).

Particularly remarkable is the growth of 53.9 percent in earnings per share to 91.7 eurocents. This is due to a tax share of 31.8 percent, considerably lower compared to the previous year. Amortization in respect of the closing of subsidiaries had a marked effect on taxation and as an increasing share of the result comes from abroad – with lower taxes particularly in Switzerland – taxation fell clearly under the 37 percent level of 2002. The average number of shares (diluted/undiluted) at the balance sheet date was 20,024,556; in the previous year this was 20,149,988.

Segments

Bechtle offers products and services based around medium size businesses, public authorities and major customers for networks and PCs. As business users Bechtle's target customers generally have the required knowledge of IT although they often lack the resources needed to procure all the IT needs of their companies from their own efforts. The spectrum extends from consultancy and the supply of all IT goods currently on the market through the implementation of additional services such as employee training.

For customers price, availability and an extensive offer from different manufacturers are just as important as the solvency of their suppliers, along with comprehensive service and closeness to IT partners. Bechtle is therefore building up the whole of the IT market for products and services with system houses for spare parts and eCommerce. The strategic function often added as an afterthought of logistics and servicing subsidiaries can be added to this The Bechtle group is a decentralized structure that is supported additionally by the main departments of the holding company.

The extended coverage of the network of system houses in the Bechtle group in some 50 locations means there is a direct contact with the customer on site. All companies, with the exception of the PSB companies in which Bechtle currently holds more than 95.5 percent of the shares, are directly or indirectly wholly owned subsidiaries of Bechtle Holding. They are headed by people who operate independently sharing in the success of the company and who have full responsibility for the results.

Bechtle offers customers with sufficient IT knowledge of their own or those who are only interested in acquiring IT goods of all sorts, the services of Bechtle direct, a subsidiary company in Switzerland, Germany and Austria and in addition since the beginning of 2004, through the brand long established there, of ARP DATACON of ARP Holding AG based in Rotkreuz, Switzerland, in the Canton of Zug (ARP). The eCommerce segment focuses exclusively on commercial trade and represented with its own companies in the nine most financially important countries in Europe. Revenues are made through a catalogue that appears twice a year in five languages; the actual price on the day is on the internet. As a large part of orders are routed or serviced through the internet, Bechtle describes these business as IT eCommerce.

Both the eCommerce businesses and the individual system houses need logistic services such as purchasing, product management or despatch. These functions are undertaken by the central processing logistics and service unit (Bechtle Logistik & Service GmbH in Heilbronn, from 1 March 2004 they moved to Neckarsulm), the effects of the synergies between the two segments have been built on and applied. It is also responsible for producing the catalogue for the Bechtle brand.

Bechtle is a market player with the excellently positioned 'ARP DATACON' brand as well as in Europe with 'Bechtle' or 'Bechtle direct' and in Germany with the exclusive brand 'BCS direct'. A ranking of the Metagroup for a study of information technology in medium size businesses gave Bechtle a 'known' mark of 76 percent with customers in this segment, whilst the following IT system houses at rank two and three achieved 39 or 35 percent. In the same study customers of medium size companies awarded Bechtle the best performance of all IT system houses investigated.

Another study of the Metagroup gave an even higher position to Bechtle as a premier brand in medium size businesses in Germany. Whilst not even half of Bechtle's customers said they were aggressive on price (approximately 40 percent), more than 80 percent still testified to a good price-performance ratio. Finally some 80 percent of Bechtle's customers stated they had competent employees and that it is an innovative company. Alongside this all customers described Bechtle as being fair and customer orientated.

System house segment

Revenues in the system house segment grew in 2003 by 8.1 percent to 603.0 million euros (2002: 557.9). This enabled Bechtle to produce a good three quarters of its revenues for 2003 in the system house segment. This growth came exclusively from acquisitions. The companies acquired during 2002 are fully included in the revenues for the period under review at 56.4 million euros (2002: partly 44.5); the companies taken over in 2003 made up a share in revenues of 77.6 million euros. The system houses were not able to escape from the renewed fall in demand for IT products and services due to the economic environment. Without revenues from the acquisitions the fall would have been around eight percent.

Despite the difficult situation of the market, earnings before income and tax in the system house segments increased by over 44 percent to 17.2 million euros (2002: 11.9). Losses reduced the results in locations where companies were closed by an amount of 2.2 million euros, whilst reduced personnel costs were a result of job losses in existing Bechtle companies (consolidated at 31 December 2002) leading to an improvement in the results. More significantly for the increased results PSB AG's consolidated system house companies contributed 2.0 million euros from 1 April 2003. Essentially Bechtle was not prepared to sacrifice revenues at any price.

Earnings before interest, tax, depreciation and amortization restructured by amortization reported an increase by 22.7 percent to 24.1 million euros (2002: 19.7). Earnings before interest tax and amortization rose by 44.2 percent to 17.2 million euros (2002: 11.9) and earnings before interest tax and amortization before amortization of the established clientele by 45.6 percent to 17.9 million euros (2002: 12.3).

eCommerce segment

Revenues in the eCommerce segment dropped in 2003 by 2.5 percent to 189.0 million euros (2002: 193.8). Along with a one-off special effect in the previous year (conversion of Microsoft licence model in the third quarter of 2002) sluggish business in Germany is primarily responsible for the fall in revenues. Whilst in the previous year despite a downturn in the IT market environment organic growth of 5.7 percent was still achieved, earnings declined in the reporting period despite consolidated revenues from 1 April 2003 in TomTech Gesellschaft für

EDV und Büroorganisation mbH Langenselbold (TomTech) that belongs to PSB AG, that contributed to 13.2 million euros in revenues. An organic decline in revenues of 9.3 percent is reported.

Earnings before interest and tax in the eCommerce segment improved on the other hand by 51.9 percent to 9.9 million euros (2002: 6.5). TomTech contributed earnings before interest and tax of 1.0 million euros. Earnings before interest, tax, depreciation and amortization rose by 46.0 percent to 10.7 million euros (2002: 7.3). There was a gain of 51.9 percent to 9.9 million euros (2002: 6.5) in earnings before interest, tax and amortization. And earnings before interest, tax and amortization before amortization of the established clientele experienced growth of 50.7 percent to 10.0 million euros (2002: 6.6).

With the exception of Italy all regional companies ended the financial year with positive earnings before tax. In Italy losses have once again been markedly reduced compared to the previous year and a positive result is also expected for 2004.

Investments and financing
Asset and capital structure

Investments in fixed assets amounting to 10.2 million euros have been financed to a considerable extent by amortization of intangible fixed assets and tangible assets amounting to EUR 7.8 million. A large part of the fixed assets were written off at 6.9 million euros on PSB AG's assets when it was taken over. Funds for investment in established clientele and goodwill from company acquisitions amounting to 14.9 million euros were provided exclusively from ourown business. The main focus of our investments was on the acquisition of PSB AG for 12.3 million euros.

Bechtle AG's dividend payments of 5.1 million euros were made from funds received from our operational business.

Funds of 27.5 million euros were received from our operational business; in the previous year they were 13.9 million euros.

Liquid funds at the year end amounted to over 33.7 million euros (2002: 37.9). Taking bank loans and overdrafts into consideration there is net liquidity of 23.9 million euros (2002: 25.1). This medium size finance was used at the beginning of the financial year mainly for financing the ARP AG shares. The purchase contract was signed on 9 December 2003. The implementation of the contract with the transfer of advantages and disadvantages and the payment of the purchase price was made on 5 January 2004. With free credit lines of 51.4 million euros there are still sufficient liquidity reserves available for future expansions and acquisitions. With future company purchases we will continue to be guided by setting the goal of paying a reasonable purchase price based on the income of the company.

The equity ratio was somewhat reduced in particular on the extension of the balance sheet in respect of the acquisitions from 66.5 percent to 64.9 percent.

Employees

Bechtle employed 2,515 people at the balance sheet date of 31 December 2003. In addition there are 99 temporary employees. During the year a further 525 employees were added to this figure through the acquisitions. In the existing and the new locations established in the reporting year 54 new employees were taken on but at the same time some 150 jobs were cut throughout the group. The average number of employees in the year was 2,342 according to the regulations of the Commercial Code and not taking the number of trainees into account. At the year end there were 167 employees in training.

Risks and risk management

Environmental and sector risks

Product innovation and margins:
The IT market is characterized by strong competition both in the commercial and the services sector. Products have a short life cycle and are burdened by a sustained fall in margins. Bechtle counter guides this trend by continuing to optimise the supply, the transmission and sales process. In so doing Bechtle follows the strict ground rule of obtaining merchandise shortly before delivery to the customers or authorizing distributors to operate as fulfilment partners. In order to prevent this very restrictive warehousing policy from leading to bottlenecks, the supply process is extremely closely dovetailed with the manufacturers' and distributors' systems, ensuring a high degree of availability so that delivery can be made to the customer quickly and on time.

Dependency on customers:
Bechtle serves a very broad range of customers. This means that Bechtle is not dependent in any way on the existence of any single customer.

Growth:
Essentially one of the ways the Bechtle group has strengthened its market position is by acquisitions. In selecting the companies and in making the decisions required for their subsequent integration there is an assumed corporate risk that must be recognized.

The rapid growth of the Bechtle group in the last year and the number of companies taken over and the high number of employees involved are significant in terms of their call on personnel and organisational resources. With over 1,000 employees, over one third of Bechtle's workforce were acquired in the last year by the Bechtle group including the employees of ALSO COMSYT AG acquired in February 2004 (see subsequent events to the balance sheet date).

Three of the largest takeovers in the history of Bechtle took place within a relatively short period of time. Provided it does not have to write down the investments connected with the acquisition of PSB AG, ARP AG and ALSO COMSYT AG and similar expenditure from earnings, Bechtle AG will not be threatened by negative consequences for the businesses. The management is convinced from its many years of experience of acquisitions and integration and the structures created for this that the risks of these takeovers can be overcome and that the opportunities outweigh the risks.

Dependency on suppliers:
Bechtle purchases its products from all major recognized suppliers in the IT sector. If a manufacturer is not able to deliver, Bechtle is quickly able to offer a substitute product. Following the merger of HP and Compaq there is a disproportionate weight of suppliers in favour of the 'New HP'. Bechtle is in no way financially dependent on these suppliers otherwise there could be serious effects on Bechtle's business if there were problems with the relationship. Currently there are no indications that such an event will occur.

Warranty and liability:
In the system house segment, Bechtle has a contractual obligation to provide a warranty for the systems it supplies. Under such a warranty, the manufacturers' guarantees are passed on to the customer. Beyond that, the statutory warranty applies. We consider the risk associated with meeting customer claims under the warranty without recourse to manufacturers to be relatively small. In so far as Bechtle provides its own services and accepts a warranty obligation, the company is insured to an appropriate degree by means of liability insurance.

Information technology risks

Computer supported data banks and operating systems for merchandising, management control and financial planning are subject to the risks inherent in information technology:

An availability risk could in principle arise when systems are needed to ensure smooth operation and must therefore be permanently operational and, due to hardware failure, operator error or physical damage to Bechtle's own IT facilities, are no longer available.

An integrity risk generally arises by processing faults, loss of data or faulty data storage.

A confidentiality risk could occur by the sight of data and the unauthorized entry by third parties in the systems landscape of the Bechtle group.

The availability of Bechtle's systems is in line with the state of the art technology and can continually be described as good to very good. The premises used are protected against the risk of fire and break-in and are under surveillance. All major production systems are backed-up and covered by a maintenance contract with the manufacturer for maximum availability. The WAN connection is backed-up in all locations. Several providers have installed the eCommerce systems and have mutual back-up functions. The eCommerce system itself is distributed across several servers. All production systems are secured by a power supply protected by circuit breakers.

As far as can be ascertained, there are no integrity risks or other risks for Bechtle.

Financial risks

Credit risks:
When investing liquid funds there is the risk that the debtor will not repay the funds transferred to him. The Bechtle group's debtors are exclusively banks with very good solvency.

Liquidity risks:
In order to comply with payment commitments sufficient liquid means must be held at all times to meet them. The current liquidity position of the Bechtle group with net liquidity of 23.9 million euros and positive cashflow from the normal course of business of 27.5 million euros (2002: 13.9) appears to limit the occurrence of a risk.

Risks of non-payment:
Both the system houses and the retail companies of the eCommerce segment supply goods to customers on account. In principle, non-payment is always possible due to the customer's inability to pay. By means of strict centralized financial control and continuous creditworthiness checks, Bechtle has reduced the relevant risks to a minimum.

Risk management

The Executive Board, in compliance with Article 91 section 2 of the German Companies Act (Aktiengesetz), has installed an internal monitoring system designed to provide early identification of risk. The departments for controlling and finance are responsible for various planning, information, control and monitoring tasks. An important control tool is the monthly comparison of the contribution margin calculated with the aid of the enterprise resource planning system and the financial accounts department. The financial accounts of all the companies within the Bechtle Group, with the exception of Bechtle direct Ltd., Chippenham, and some of the companies in the PSB group are handled centrally at Bechtle AG's head office in Gaildorf. This greatly improves the transparency of the financial situation and simplifies the preparation of the consolidated, quarterly and annual financial statements. Bechtle has implemented organisational procedures designed to provide early warning of risks in the company's future development and reporting channels for fast communication of early-warning indicators of relevance to executive decision-making. The company's senior management also attaches great importance to the creation of a corporate culture that increases the risk awareness of each individual employee.

Subsequent events to the balance sheet date

Along with the purchase of all the shares in ARP Holding AG the following events occurring in the period between the balance sheet date and the date this report was drawn up are of particular significance:

Capital increase:
On 21 January 2004 the Executive Board with the approval of the Supervisory Board on 22 January 2004 decided to increase the share capital of Bechtle AG from Euro EUR 20,200,000 by Euro 1,000,000 to Euro 21,200,000 by issuing 1,000,000 shares with no par value with a book value of Euro 1.00 per no par value share with full dividend rights from 1 January 2003 from the authorized capital. This capital increase was entered on the trade register on 11 February 2004. The shares were authorized for introduction on the regulated market on the Frankfurt Stock Exchange on 23 February 2004.

Acquisition of all the shares in ALSO COMSYT AG:
On 6 February 2004 Bechtle AG acquired, through its subsidiary ARP Holding AG, all the shares in the Swiss system house ALSO COMSYT AG with headquarters in Dübendorf in the Canton of Zürich.

Appointment of a new director:
With effect from 1 March 2004 Karl-Heinz Gosmann was appointed to the Executive Board. The notice was made on the trade register on 26 February 2004. Mr Gosmann will take over on the retirement of Gerhard Schick as chairman of the Executive Board.

No other matters of significant importance occurred between the balance sheet date and the date this report was prepared.

Outlook

The Council of Experts in giving an opinion on financial trends anticipates, in its annual opinion for 2004, economic growth in Germany of between 1.5 and 1.7 percent. In the economic area of the European Union, the EU commission assumes average growth of two percent. In Germany the most recent debate on financial reform however has taken an increasingly unpredictable course and so could become an increasing security risk for the indicated upturn in the economy. So the Ifo business climate index published at the end of February fell by 1.1 to 92.6 points interrupting a nine-month upturn.

The opaque business climate in German companies depressed the hopes of experts for a speedy improvement in the economy. Its consequences for the economic growth in Germany in 2004 are controversial.

The European Central Bank (ECB) in its monthly report in the middle of February sees itself strengthened in the expectation that the economy in the Eurozone will be back on track mainly as a result of the global upturn. In its report the ECB emphasises the estimate that the growth of exports due to the strength of the Euro might be only somewhat depressed but at the same time is supported by heavier demand from the major trading partners abroad.

Against the background of this uncertain financial scenario it is naturally difficult to make a reliable forecast for Bechtle AG’s progress. The outlook in the relevant IT markets for Bechtle shows an equally patchy picture. It makes people optimistic that some technology companies reported strong results and sometimes even growth in revenues in the last quarter of 2003. There were some occasional confident statements with the forecasts. However most technology companies have given cautious outlooks.

For Bechtle it is significant that business with customers in the IT sector appears to be becoming more lively. According to Bitkom unit figures for deliveries to companies in Germany climbed by some 20 percent in the fourth quarter although nominal growth fell due to are reduction in prices. The pressure on companies to replace much of their outdated equipment is increasing. Customers are not just exchanging old equipment but widening their IT infrastructure and adjusting to the changed technological requirements. These positive indicators are reflected in Bechtle in the orders received at the beginning of 2004. In January they had increased by six percent compared to the same month in the previous year.

Taking the companies taken over in the last 14 months into account, the cost reduction measures implemented in the last year and the trend of the most recent figures, Bechtle expects the revenues to exceed one billion euros and the earings before tax to exceed 30 million euros in 2004. The aim is to increase earnings per share on a sustained basis in order to continue to increase the value of the company and maintain the continuity of the dividend. In setting the dividend in future the shareholders' legitimate claim to a direct share in the success of the company and the financing needs for future growth will be taken into consideration.

The financial aims should be achieved by further building on the very positive regard in which Bechtle is held by customers and suppliers as a fair partner, a responsive IT service provider with competent personnel and an excellent price-performance ratio, creating a lasting, solid foundation.

Gaildorf, February 2004

Bechtle AG

The Executive Board

Gerhard Schick

Ralf Klenk

Financial Statements as at 31 December 2003

Consolidated Profit and Loss Account in accordance with U.S. GAAP from 1 January to 31 December 2003 (2002)

	Notes	1 January to 31 December 2003 TEuro	1 January to 31 December 2002 TEuro
Revenues		791,907	751,709
Cost of revenues		685,715	658,031
Gross profit / loss		**106,192**	**93,678**
Selling and marketing expenses		41,807	37,800
General and administrative expenses		42,999	41,472
Other operating income	(10)	5,665	4,012
Operating income / loss		**27,051**	**18,418**
Interest income and expenses	(11)	188	566
Other financial result		1	3
Result before income taxes (and minority interest)		**27,240**	**18,987**
Income tax	(12)	8,669	6,986
Result before minority interest		**18,571**	**12,001**
Minority interest		-206	0
Net income / loss		**18,365**	**12,001**
Net income per share (basic) Euro		**0.9171**	**0.5956**
Net income per share (diluted) Euro		**0.9171**	**0.5956**
Weighted average shares outstanding			
(basic)		**20,025**	**20,150**
Weighted average shares outstanding			
(diluted)		**20,025**	**20,150**

The attached notes are integral constituent of the financial statement.

Consolidated Balance Sheet as at 31 December 2003 (2002) in accordance with U.S. GAAP

Assets	Notes	31 December 2003 TEuro	31 December 2002 TEuro
Current assets			
Cash and cash equivalents		33,694	37,867
Trade accounts receivable, net	(1)	106,186	95,332
Inventories	(2)	28,962	24,396
Deferred tax assets	(12)	2,267	1,140
Prepaid expenses and other current assets	(3)	10,469	8,432
Total current assets		**181,578**	**167,167**
Non current assets			
Tangible assets, net		11,848	9,472
Intangible assets, net	(4)	11,760	8,359
Goodwill, net	(5)	69,513	58,866
Deferred tax assets	(12)	3,344	2,891
Other assets	(3)	441	0
Total non current assets		**96,906**	**79,588**
Total assets		**278,484**	**246,755**

Liabilities and shareholders' equity	Notes	TEuro	TEuro
Current liabilities			
Short-term debt and current portion			
of long-term debt		3,647	3,911
Trade accounts payable		42,669	31,911
Advance payments received		3,423	5,408
Accrued expenses	(6)	21,487	13,395
Income tax payable		3,229	3,198
Deferred tax liabilities	(12)	946	241
Other current liabilities	(7)	8,953	10,622
Deferred income		3,678	3,799
Total current liabilities		**88,032**	**72,485**
Non current liabilities			
Long-term debt, less current portion	(8)	6,161	8,847
Deferred income		87	0
Accrued expenses	(6)	808	0
Deferred tax liabilities	(12)	2,558	1,210
Total non current liabilities		**9,614**	**10,057**
Minority interest		**614**	**0**
Shareholders' equity	(9)		
Share capital		20,200	20,200
20,200,000 shares issued with par value			
of Euro 1.00			
Additional paid-in capital		134,515	134,554
Treasury stock		0	-3,327
Retained earnings / accumulated deficit		26,069	12,754
Accumulated other comprehensive income / loss		-560	32
Total shareholders' equity		**180,224**	**164,213**
Total liabilities and shareholders' equity		**278,484**	**246,755**

The attached notes are integral constituent of the financial statement.

Consolidated Cash Flow Statement to the Interim Accounts in accordance with U.S. GAAP from 1 January to 31 December 2003 (2002)

	1 January to 31 December 2003 TEuro	1 January to 31 December 2002 TEuro
Cash Flow from operating activities		
Net profit / loss	**18,365**	**12,001**
Adjustments for:		
Depreciation and amortization	7,797	8,594
Increase / decrease in provisions and accruals	3,114	1,903
Losses / gains on the disposal of fixed assets	-241	-279
Other company-produced additions to assets	0	-340
Increase in deferred taxation on the debit side	318	138
Decrease / increase in deferred taxation on the asset side	1,221	-1,221
Increase in net working capital	-2,827	-6,885
Personnel costs of granted stock options	-143	102
Others	-69	-70
Net cash provided by operating activities	**27,535**	**13,943**
Cash Flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-23,822	-190
Purchase of property, plant and equipment	-4,861	-20,235
Proceeds from sale of equipment	1,253	1,344
Investment in financial assets	0	213
Net cash used in investing activities	**-27,430**	**-18,868**
Cash Flow from financing activities		
Purchase of treasury stock	-2,288	-3,327
Sales of treasury stock	5,631	0
Proceeds from short or long-term borrowings	0	11,099
Cash repayments of amounts borrowed	-2,491	-1,016
Dividend payments	-5,050	-5,050
Net cash used in (provided by) financing activities	**-4,198**	**1,706**
Net effect of currency translation		
in cash and cash equivalents	-143	82
Adjustment for derivative instruments	63	-196
Net decrease in cash and cash equivalents	**-4,173**	**-3,333**
Cash and cash equivalents at beginning of period	**37,867**	**41,200**
Cash and cash equivalents at end of period	**33,694**	**37,867**

The attached notes are integral constituent of the financial statement.

Statement of changes in shareholders' equity from 1 January to 31 December 2003 (2002)

	Number of ordinary shares issued	Subscriped capital	Capital reserves
		TEuro	TEuro
Shareholders' equity as at 01 January 2002	**20,200,000**	**20,200**	**134,452**
Purchase of treasury stock			
Dividends paid 2001			
Allocation to appropriated retained earnings			
Net income 31.12.2002			
Granted stock options			102
Exchange adjustment *)			
Adjustment for derivative instruments **)			
Shareholders' equity as at 31 December 2002	**20,200,000**	**20,200**	**134,554**
Shareholders' equity as at 01 January 2003	**20,200,000**	**20,200**	**134,554**
Purchase of treasury stock			
Sales of treasury stock			104
Dividends paid 2002			
Net income 31.12.2003			
Granted stock options			-143
Exchange adjustment ***)			
Adjustment for derivative instruments ****)			
Shareholders' equity as at 31 December 2003	**20,200,000**	**20,200**	**134,515**

*) Related tax effect: +33 TEuro
**) Related tax effect: -84 TEuro
***) Related tax effect: -251 TEuro
****) Related tax effect: +29 TEuro

The attached notes are integral constituent of the financial statement.

Treasury stock TEuro	Retained earnings Cumulative results TEuro	Retained earnings Appropriated retained earnings TEuro	Accumulated other comprehensive income TEuro	Total shareholders' equity TEuro	Comprehensive income TEuro
0	**5,798**	**5**	**146**	**160,601**	**9,094**
-3,327				-3,327	
	-5,050			-5,050	
	-6,000	6,000		0	
	12,001			12,001	12,001
				102	
			82	82	82
			-196	-196	-196
-3,327	**6,749**	**6,005**	**32**	**164,213**	**11,887**
-3,327	**6,749**	**6,005**	**32**	**164,213**	**11,887**
-2,289				-2,289	
5,616				5,720	
	-5,050			-5,050	
	18,365			18,365	18,365
				-143	
			-655	-655	-655
			63	63	63
0	**20,064**	**6,005**	**-560**	**180,224**	**17.773**

Notes to the Consolidated Financial Statements (U.S. GAAP) for the Financial Year 2003

I. Financial Areas and Basic Company Information

The company was converted from Bechtle Gesellschaft mit beschränkter Haftung to Bechtle Aktiengesellschaft (referred to hereinafter as "Bechtle" or "company") in May 1999. The shares of the company were listed on the Neuer Markt at the Frankfurt Stock Exchange on March 30, 2000. Shares also traded at the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. The company is quoted under International Securities Identification Number (ISIN) DE 0005158703.

The object of Bechtle AG and the principal subsidiaries included in the consolidated financial statements is the distribution of IT and communication product applications including the necessary components (hardware and software), the provision of training courses, organizational and application support, project management and the preparation of expert assessments in computer applications.

The objects of the parent company also include the acquisition and sale of holdings in other companies, assumption of personal liability, management of trading companies, financing, central purchasing, accounting, warehousing, marketing, personnel administration and training of the employees of group companies.

II. Summary of Key Accounting, Valuation and Consolidation Principles

The consolidated German companies prepare their accounts and documentation in accordance with the provisions of the German Commercial Code. Consolidated foreign companies prepare their accounts and documentation in accordance with the respective local regulations. The German Commercial Law and the local principles of accounting applied to consolidated foreign companies differ in significant respects from the United States Generally Accepted Accounting Principles (U.S. GAAP). All adjustments necessary to represent the annual financial statements in compliance with U.S. GAAP were made.

Consolidation Principles

As a stock market listed company as at the balance-sheet date, the parent company has exercised its option to consolidated financial statements releasing the group companies from presenting individual financial statements in accordance with U.S. GAAP pursuant to Article 292a, sections 1 and 2 of the German Commercial Code.

Intergroup profits and losses, revenues, expenditures and earnings, as well as accounts payable and liabilities have been eliminated.

Capital investments in subsidiaries included in the consolidated financial statements are consolidated according to the purchase method of accounting pursuant to Statement of Accounting Standards (SFAS) No. 141 by balancing the acquisition cost against the proportion of equity capital of the subsidiaries allocated to the parent company at the time of acquisition or initial consolidation. A difference between acquisition costs and proportionate equity capital is capitalized as goodwill.

The Consolidated Profit and Loss Account takes into account the profits/losses of acquired companies at the actual time of acquisition.

The consolidated financial statements were prepared on the reporting date of the annual financial statements of the parent company. The financial year of the company ends 31 December. All references to the financial year refer to the 12-month period ending 31 December of the reporting year. The financial statements of the subsidiaries included in the consolidation are drawn up to the same reporting date.

Scope of Consolidation

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

The companies listed below were acquired or established during the previous financial year, and have been included in the scope of consolidation for the first time:

Company	Registered office	Date of first-time consolidation	Acquisition / Founded
MVis informationssysteme GmbH (MVis GmbH)	Mannheim	31.03.2003	Acquisition
PSB AG *)	Ober-Mörlen		
– 60.18 %-participation		31.03.2003	Acquisition
– 36.70 %-participation		31.05.2003	Acquisition
– 1.38 %-participation		10.10.2003	Sale
IMA Hard und Software Handelsgesellschaft mbH (IMA GmbH) **)	Kassel	31.10.2003	Acquisition
Comsoft direct S.A.	Gland, Switzerland	01.10.2003	Founded
Comsoft direct S.A.R.L.	Paris, France	01.10.2003	Founded

*) and subsidiaries
**) The IMA GmbH merged with Bechtle GmbH, Kassel on 31.10.2003

The complete list of investment holdings will be submitted to the Commercial Register together with the annual financial statements of Bechtle AG.

Use of Estimates

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

Revenue Recognition

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

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

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

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

For software maintenance contracts and warranty extensions, deferred income amounting to TEuro 3,765 (previous year: TEuro 3,799) was posted to the balance sheet and written back over the average term of the contracts.

Advertising Expenses

The company generally expenses advertising and sales promotion as incurred. In the reporting year, expenses amounting to TEuro 1,083 (previous year: TEuro 723) were accounted for with effect on income.

Research and Development Costs

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

Cash and Cash Equivalents

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

Inventories

Commercial items were valuated at the average purchasing prices or the lower market prices. All recognisable inventory risks arising in connection with restricted usability are obsolescence are covered by appropriate markdowns. Reductions in value were made for non-readily marketable articles.

Tangible Assets

The tangible assets were stated at acquisition cost net of depreciation. The assets of the tangible assets are reduced according to their probable useful life by scheduled depreciations on the basis of accepted maximum tax rates.

The useful lifetimes are:

Office machinery:	3 years
Office equipment:	5-10 years
Vehicle fleet:	4-5 years
Buildings:	25-50 years

Analogly to the german accounting practise low-value assets of the tangible assets with an acquisition cost of less than Euro 410 in a total amount of TEuro 223 (previous year: TEuro 458) are fully depreciated in the year of acquisition. They are simultaneously treated as disposals in the changes in group fixed assets.

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

Intangible Assets and Goodwill

Intangible Assets

Intangible assets include bought-in and homegrown software and established clientele.

Bought-In Software

Bought-in software is valuated at acquisition costs and depreciated in a straight-line over a useful life of three years.

Homegrown Software

Homegrown software is intended for sale to third parties or to be used by the company itself.

In both cases, capitalization of the costs is dependent on the point of technical feasibility. Software development costs must be expensed as incurred until technical feasibility is established.

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

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

All costs, i.e. principally the costs of programming and testing, must be capitalized with effect from the time of technical feasibility until the point at which the software is ready for the market or software development is completed.

In both cases, the labour costs of employees are subject to capitalization in as far as they can be allocated directly to the project. Overhead associated with the project is not subject to capitalization.

The activated costs are depreciated on a straight-line basis for the period of the expected economic life of three to five years.

Established Clientele

Established clientele are depreciated on a straight-line basis over a period dependent on the expected use for the company. It is generally assumed that customer relations are of a long-term nature. The expected useful life is between five and twelve years.

Goodwill

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

According to SFAS No. 142, goodwill is no longer to be regularly amortized by its economic life, rather should be reviewed for impairment at least once a year in a twofold process. This 'impairment test' is based on the fair market value and involves business units known as 'reporting units' which correspond to either the segment level or to a level below. If the first step of the impairment test reveals the fair value to be lower than the book value including assigned goodwill, there is a potential need for devaluation which must then be measured in the second step of the impairment test.

Bechtle carried out the initial impairment test according to the new standards in the financial year 2002 as well as the annual impairment test in 2003. Two reporting units were identified, identical with the system integration and eCommerce segments from the segment reporting. The impairment test, based on the discounted cash flow procedure, did not reveal the need for devaluation for either of the reporting units in 2002 or 2003.

Goodwill was depreciated on schedule over 15 years with effect December 31, 2001.

Impairment of Fixed Assets

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

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

Stock Option Programme

The stock option programme is balanced on principle in accordance with SFAS No. 123 „Accounting for Stock-Based Compensation". The fair value of the granted options is accounted for as personnel expenses on a pro rata basis over the retention period with an offsetting entry in the capital reserves.

Treasury Stock

Treasury stock in the amount of the acquisition costs is openly reported as a reduction in shareholders' equity. The number of outstanding, i.e. circulating, shares of the company is reduced according to the amount of treasury stock. The number of emitted shares remains unchanged. Gains or losses arising from the realienation of treasury stock were offset by the capital reserves.

Derivative Instruments

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

Currency and Translation of Foreign Currency

The subsidiaries of Bechtle prepare their accounts in the local currency.

Assets and liabilities are translated at the average exchange rate into the reporting currency Euro on the balance sheet date. The shareholders' equity is determined on the basis of historic rates. The revenues and expense accounts were translated at the average month-end exchange rates. The currency differences arising from the use of different rates are reported separately under the item ‚Other Comprehensive Income' in the shareholders' equity account. Currency conversion differences arising from exchange-rate fluctuations are recorded with effect on income. In the period under review, a total amount of TEuro 31 (previous year: TEuro 15 booked to income) has been booked to expenses.

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

The profit and loss account is drawn up according to the cost-of-sales method.

Income Tax

The company determines the income taxes according to the balance sheet oriented approach pursuant to SFAS No. 109. Deferred tax assets and liabilities are recorded for future tax effects from differences between assets/liabilities stated in the commercial balance sheet according to U.S. GAAP and the associated tax bases as well as for tax loss carryforwards. The deferred tax assets and liabilities are valued using the enacted tax rates expected to be in effect when difference reverses. The effect of changes in the tax rate is recognised with effect on income tax in the year of the legal amendment.

Comprehensive Income

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

Earnings Per Share

Earnings per share were calculated according to SFAS No. 128, „Earnings per Share". SFAS No. 121 stipulates that earnings per share (or EPS) be disclosed for all companies that have issued common shares. Ordinary EPS is computed by dividing net earnings by the weighted average number of common shares outstanding.

New Accounting Standards

The FASB published interpretation (FIN) 46 ("Consolidation of Variable Interest Entities") in January 2003, which it then revised in December 2003. FIN 46 regulates the use of Accounting Research Bulletin (ARB) 51 for the consolidation of certain companies (VIEs) with a controlling financial interest which is not based on a voting rights majority. FIN 46 envisages consolidation of a VIE by the primary beneficiary as well as disclosure of considerable shares in VIEs as non-primary beneficiaries. For further information please refer to the 'Contingencies and Commitments – Other Financial Liabilities' section.

The new standards SFAS Nos. 149 and 150 published by FASB in 2003 which are summarized below are of no real significance to Bechtle.

SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" containing amendments and clarifications pertaining to the balancing and reporting of derivatives, including embedded derivatives, as well as to that of hedging activities was published in April 2003 by FASB.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was published by FASB in May 2003 and stipulates that certain financial instruments, previously designated as equity, be allocated within outside capital. This new regulation mainly affects financial instruments from which the assessed company will be committed to buy back treasury stock in future.

Corporate Governance

Bechtle AG publishes a declaration on the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act. The actual declaration is available on the company's website.

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

1. Trade Accounts Receivable

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

	2003 TEuro	Previous year TEuro
Trade accounts receivable	107,596	96,519
Valuation adjustments	1,410	1,187
	106,186	**95,332**

Concentration of credit risks

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

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

2. Inventories

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

	2003 TEuro	Previous year TEuro
Inventories	29,791	25,194
Valuation adjustments	829	798
	28,962	**24,396**

3. Prepaid Expenses and Other Assets

	2003 TEuro	Previous year TEuro
Bonuses outstanding	2,916	2,311
Tax rebate claims	2,634	1,248
Credit notes outstanding	1,558	1,930
Accounts receivable from leasing companies	1,233	1,059
Accounts receivable from suppliers	349	750
Accounts receivable from personnel	338	0
Contributions to advertising costs	267	116
Others	826	643
Other current assets	10,121	8,057
Prepaid expenses	789	375
	10,910	8,432
Prepaid expenses and other current assets	**10,469**	**8,432**
Other assets	**441**	0

4. Intangible assets

	2003 TEuro	Previous year TEuro
Established clientele	7,391	4,782
Online-Shop	2,363	1,749
Homegrown software	716	735
Downpayments made	137	0
Other intangible assets	1,153	1,093
	11,760	**8,359**

Established clientele	TEuro
Book value (31.12.2003)	7,391
Amortization period (weighted average)	9.9 years
Cumulative depreciations	1,501
Expenses for period (01.01.-31.12.2003)	887

Scheduled amortization of established clientele is expected to amount to a total of TEuro 911 p.a. for the next five years.

Homegrown software	2003 TEuro	Previous year TEuro
Book value as at 01.01.	735	1,343
Additions	427	340
Depreciations during the financial year *)	446	948
Book value as at 31.12.	**716**	**735**

*) Previous year: including unscheduled depreciations in the system integration segment in a total amount of TEuro 279 due to reduction in expected utility.

5. Goodwill

As at December 31, 2003, Bechtle had recorded goodwill amounting to TEuro 69,513 on the balance sheet. This includes the balance as at December 31, 2002 (TEuro 58,866) as well as newly acquired goodwill (TEuro 11,067) from corporate acquisitions during the financial year 2003 and currency conversion differences (TEuro -420) were also taken into consideration.

The fiscally depreciable goodwill from corporate acquisitions amounts to TEuro 18,849.

6. Accrued Expenses

Accrued expenses for	2003 TEuro	Previous year TEuro
Commissions	2,050	1,450
Remunerations	1,756	1,074
Professional association	788	591
Vacation payments	745	622
Severely handicapped payments	199	188
Bonuses	149	274
Other personnel expenses	1,514	411
Personnel	7,201	4,610
Accounts receivable	10,020	5,450
Restructuring	980	506
Legal and consultation costs	728	486
Guarantees	705	618
Customer bonuses	438	0
Vehicle costs	384	58
Contributions and insurances	227	301
Other accrued liabilities	1,612	1,366
	22,295	13,395
Current accrued expenses	**21,487**	**13,395**
Non-current accrued expenses	**808**	**0**

7. Other Current Liabilities

	2003 TEuro	Previous year TEuro
Turnover tax	3,584	4,959
Social insurance contributions	2,698	2,258
Income tax on wages/salaries and church tax	1,840	1,414
Unrealized losses from derivative instruments	188	279
Others	643	1,712
	8,953	**10,622**

8. Long-term Debt, less Current Portion

	2003 TEuro	Previous year TEuro
Baden-Württembergische Bank		
– Debt for acquisition of the System House		
Division of Eurodis Switzerland AG	7,701	8,267
– Debt for financing		
Bechtle GmbH & Co. KG, Darmstadt	355	781
Sparkasse Schwäbisch Hall - Crailsheim	194	710
Südwestbank AG	13	104
Long-term debt, total	8,263	9,862
Current portion	2,102	1,015
Long-term debt net of current portion	**6,161**	**8,847**

The two loans payable to the Baden-Württembergische Bank in the amount of TEuro 7,701 are de-nominated in Swiss francs and are due to mature on December 30, 2008; they bear a floating interest rate (CHF-LIBOR-6M + 90 basis points). The six monthly amortization will total TEuro 770 from June 30, 2004. The surety on the loans consists in the obligation that funds generated from the resale of assets acquired from Eurodis AG must be utilised primarily for repayment of these loans.

The risks associated with the floating interest rate on the above two loans will be eliminated by means of two interest swaps. The interest swaps are designated as cash flow hedges and are 100 percent effective in hedging against the interest rate risk. Excepting the reference amounts (totalling TCHF 12,000), both interest swaps have identical terms. Bechtle pays a fixed interest rate of 2.54 percent and receives the CHF-LIBOR-6M as a floating interest rate. The expiration date is fixed at December 30, 2008. The fair market values as at December 31, 2003 amounted to TEuro –188.

Taking into account the interest swaps as hedges against market interest rate fluctuations, the interest rate payable on both loans amounts to 3.44 percent.

The loan payable to the Baden-Württembergische Bank in the amount of TEuro 355 matures on October 1, 2004 and bears interest of 4.5 percent. The surety on the loan consists in the obligation that securities be treated equally, that accounts receivable and inventories not be charged and that shares of Bechtle GmbH & Co. KG, Darmstadt, not be sold without the consent of Baden-Württembergische Bank.

The loan payable to the Sparkasse Schwäbisch Hall – Crailsheim matures on May 31, 2004 and bears interest of 4.15 percent. The surety on the loan consists in the obligation to treat securities equally.

The loan payable to Südwestbank AG matures on October 31, 2004 and bear interest of 5.0 percent respectively. Bechtle AG has provided a guaranty on the loan as security.

The company has global lines of credit amounting to TEuro 55,552 plus lines of credit by way of bank guaranty in the amount of TEuro 665. At the balance-sheet date cash credits and credits by way of bank guaranty respectively accounted for TEuro 1,654 and TEuro 3,197 of this amount, leaving an unused line of credit of TEuro 51,366.

9. Shareholders' Equity

Share Capital

The share capital of the company is divided into 20,200,000 shares of issued and outstanding common stock with a theoretical nominal value of Euro 1.00 per share. Each share carries one vote.

Whereas the number of issued shares remained the same as for the previous year at 20,200,000, the number of outstanding shares rose to 20,200,000 by December 31, 2003 (previous year: 19,700,714) due to the realienation of all treasury stock. The weighted average of outstanding shares in the financial year 2003, ascertained according to SFAS No. 128, totalled 20,024,556 (previous year: 20,149,988).

Authorized Capital

According to No. 4.3 of the articles of incorporation, the Executive Board is, subject to the approval of the Supervisory Board, authorized to increase the capital stock by up to TEuro 8,000 one time or several times during the period up to June 30, 2004 (Authorized Capital I). When doing so, shareholders must be granted subscription rights.

Based on No. 4.4 of the articles of incorporation, the Executive Board is authorized to increase the capital stock by a total of TEuro 2,000 one time or several times during the period up to June 30, 2004 (Authorized Capital II) by issuing new bearer shares against cash contributions and/or non-cash contributions. The Executive Board is entitled to decide on the exclusion of the subscription right of the shareholders. The Executive Board is also entitled, in each case subject to the approval of the Supervisory Board, to decide on the exclusion of the subscription right of the shareholders if (Case 1) the capital increase is made against cash contributions and does not exceed ten percent of the capital stock, and if the issuing price of the new bearer shares is not significantly higher than the price of the company's listed shares or, in case of a capital increase against non-cash contributions (Case 2), the intent of the increase is to acquire an enterprise or an interest in an enterprise.

In 2000 the board raised the share capital by TEuro 200 to TEuro 20,200 with the permission of the supervisory board on the basis of the authorization in No. 4.4 of the constitution.

The authorized capital as at December 31, 2003 totalled TEuro 9,800.

Contingent Capital

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

Dividends

The General Shareholders' Meeting of June 13, 2003 decided to pay a dividend for 2002 amounting to TEuro 5.050 (Euro 0.25 per share with full dividend rights).

Dividends are only allowed to be paid from the balance-sheet profit and the retained earnings of the company as disclosed in the German annual financial statements of Bechtle AG. These amounts deviate from the sum total from the shareholders' equity as reported in the consolidated financial statements according to U.S. GAAP. The payment of future dividends is jointly proposed by the company's Executive Board and the Supervisory Board and decided by the General Shareholders' Meeting. The determining factors are, in particular, the profitability, the financial position, the capital requirements, the business outlook and the general economic conditions of the company. As the company's strategy is geared to internal and external growth, investments to this end will be necessary and, where possible, will be financed internally. The Executive Board and the Supervisory Board will propose to the General Shareholders' Meeting that a dividend of Euro 0.30 be paid per share.

The balance-sheet profit as stated in the commercial annual financial statement of Bechtle AG has developed as follows during the previous financial year:

	TEuro
Balance at January 1, 2003	5,050
Dividend disbursement	- 5,050
Profit/loss brought forward	**0**
Net earnings in 2003	7,924
Withdrawal from reserves for treasury stock	3,320
Other reserves	-4,884
Balance at December 31, 2003	**6,360**

Capital Reserves

Stock Option Programme of Bechtle AG

As part of the stock option programme of Bechtle AG (BEST Programme No. 1), lot 2002, management and key staff were granted a total of 248,200 stock options in March 2002. If the bearer of the stock options has not achieved certain targets defined for the financial year 2002 during the one-year basic term, his options will expire. Stock options which have not expired may, after two years at the earliest (retention period), be exercised for a period of five years (exercise period) provided that the share price at the exercise date is at least Euro 8.96. If the work contract is terminated during the retention period, the subscription rights will expire. If the work contract is terminated during the exercise period, the options must be either exercised or they will expire. Options which have not been exercised on expiration of the programme at the end of the exercise period will also lapse. If options are exercised, the owner receives one share of Bechtle AG per option against a payment of Euro 7.79 (exercise price). To enable options to be exercised, the company obtained the authorization of the General Shareholders' Meeting in 2001 to raise contingent capital not exceeding a nominal amount of TEuro 2,000 through the issue of up to 2,000,000 new stocks. The exercise price was defined as the average of the closing prices of the Bechtle AG share in the XETRA trading system during the week from March 11 to 15 2002.

The original total expenditure was calculated by multiplying the value of the individual option at the date of the grant by the expected number of options to be exercised. The following parameters were incorporated into the fiscal option valuation model for determining the value of the individual option (Euro 3.77): share value Euro 7.79, striking price Euro 7.79, exchange ratio 1:1, volatility 62 percent, annual dividend distribution per share Euro 0.25, expected holding period as option duration 5.5 years, risk-free interest rate 4.5 percent p.a., exercise hurdle of Euro 8.96. The expected number of options to be exercised (103,266) was based on 248,200 initially granted subscription rights, an estimated cancellation quota among those entitled to these options of four percent per year and the number of options cancelled due to unattained targets at the end of 2002.

According to this, the total expenditure to be deposited pro rata over the three year waiting period would have come to TEuro 389, of which TEuro 232 would have been deducted for personnel expenses for the period up to December 31, 2003. However, the stock option programme was ended prematurely at the end of 2003 with the result that there were no outstanding stock options on December 31, 2003. As compensation for foregoing their stock options, those employees concerned received TEuro 156 in cash and 43,420 Bechtle shares reduced in price by a total of TEuro 89 (reduction of Euro 2.05 per share at a striking price of Euro 7.79 and a market price of Euro 9.84 per share.) Both the cash payment of TEuro 156 and the TEuro 89 reduced share price offer for employees were charged as expenses (personnel expenses). Of this, TEuro 102 were accounted for in the previous year's personnel expenses, leaving just TEuro 143 to be allotted to the 2003 financial year.

The following table summarizes the information on the stock options in the reporting year:

Bechtle AG	Quantity	Exercise price Euro	Fair market value of option of granting date Euro
Outstanding stock options at 01.01.2003	113,000	7.79	3.77
During financial year 2003			
– newly granted stock options	0		
– expired stock options	113,000	7.79	3.77
– lapsed stock options	0		
Outstanding stock options at 31.12.2003	0		

Stock Option Programme of PSB AG

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

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

Originally a total of TEuro 152 for the two year waiting period was calculated by multiplying the expected number of options to be exercised (50,600) by the average individual share value of Euro 3.01. Of this TEuro 79 referred to the period before the first consolidation (March 31, 2003) and were correspondingly recorded as commitment for the first consolidation. Following the cancellation of 42,000 options due to employees leaving the firm or declining the offer between the date of the first consolidation and the balance sheet date, a total expenditure of just TEuro 40 was reported for the two year waiting period, of which TEuro 37 were accounted for in the period up to the balance sheet date. TEuro 42 which were accounted for as personnel expenses at the first consolidation could then be written back at the end of 2003.

As at 31 December 2003 the number of outstanding stock options came to just 13,000, whose remaining life stood at an average of 3.19 years.

The following table summarizes the information on the stock options in the reporting year:

PSB AG	Quantity	Exercise price Euro	Fair market value of option of granting date Euro
Outstanding stock options at 01.01.2003	55,000	7.98	3.01
During financial year 2003			
– newly granted stock options	0		
– expired stock options	42,000	7.92	2.98
– lapsed stock options	0		
Outstanding stock options at 31.12.2003	13,000	8.15	3.10
– of which are exercisable	0		

Treasury Stock

The General Shareholders' Meeting of June 13, 2003 authorized the Executive Board to acquire, with the approval of the Supervisory Board, treasury stock of the company in accordance with Article 71, section 1 (8) of the German Stock Corporation Act during the period up to December 1, 2004. This authorization may be exercised on one or more occasions, and in whole or in partial amounts. The Executive Board is entitled to purchase, in total, treasury stock representing up to ten percent of the capital stock.

The company may acquire its treasury stock either through the stock exchange or by means of a public offering. The price paid by the company per share may not exceed ten percent above or below the average spot price of the share in the XETRA trading system during the last five days prior to the share purchase date or, in the case of a public offering, prior to public announcement of the purchase offer.

The General Shareholders' Meeting authorized the Executive Board to utilise acquired shares of the company exclusively as an acquisition currency and for the purposes of changing the company's capital structure, acquisition of shares and introducing shares in the company to foreign stock exchanges on which they have not previously been listed. The Executive Board was also authorized to acquire treasury stock with the approval of the Supervisory Board, but without the need for a further resolution the General Shareholders' Meeting. Realienation of treasury stock must take place via the stock exchange or via a public offer to all shareholders.

During the reporting period, 328,733 treasury stock were purchased at an average price of Euro 6.96 (as at 31 December 2002: 499,286 treasury stock, average purchase price Euro 6.66). In order to partly finance the purchase of a majority holding in PSB AG, 718,019 treasury stock were resold in the period under review (average selling price per share Euro 6.54). This trading took place exclusively via the stock exchange. In conjunction with Bechtle's stock option programme, BEST-programme no. 1, tranche 2002, 43,420 treasury stock was redesignated according to Article 71 section 1, no. 2 of the German Companies Act for acquisition purposes and offered to employees at a striking price of Euro 7.79 (market price Euro 9.84) per share; this employee offer of a Euro 2.05 reduction per share was registered as personnel expenses in line with economic circumstances. The remaining 66,580 shares were sold over the stock exchange at an average price of Euro 8.97 per share, with the result that there was no treasury stock remaining in the portfolio as at 31 December 2003. This treasury stock trading brought in market returns totalling TEuro 104 for the financial year 2003 which were set against the capital reserves.

Other Comprehensive Income

The following table summarizes the information on the other comprehensive income on the balance sheet date.

	2003 TEuro	Previous year TEuro
Exchange differences	- 428	228
Derivative instruments	- 132	- 196
	- 560	**32**

The enclosed statement of changes in shareholders' equity shows in detail the development of the company's consolidated shareholders' equity.

10. Other Operating Income

The other operating income totalling TEuro 5,665 (previous year: TEuro 4,012) mainly relates to income from providing company cars to employees, as well as the disposal of assets from fixed assets and marketing development funds.

11. Interest Income and Expenses

	2003 TEuro	Previous year TEuro
Other interest and similar income	731	1,028
Interest and similar expenses	543	462
	188	**566**

12. Income Tax

The paid and due income taxes as well as the deferred tax assets are reported as income taxes.

The tax expenses incurred in the financial year are composed as follows:

	2003 TEuro	Previous year TEuro
Current tax expenses	7,474	8,429
Deferred taxes	1,195	-1,443
Tax expenses	**8,669**	**6,986**

The balance for the financial year between the actual tax expenses and the amount arising from a weighted domestic and foreign tax rate of around 37 percent on the earnings before income tax is as follows:

	2003 TEuro	Previous year TEuro
Earnings before taxes on income	27,240	18,987
Expended tax expenses	**10,079**	**7,215**
Non tax-deductible amortization of goodwill	305	671
Only tax-deductible goodwill amortization	- 1,683	- 1,042
Depreciation of deferred tax assets	264	550
Charge-off of deferred tax liabilities	- 147	- 707
Previous years' tax expenses	0	383
Others	- 149	- 84
Actual tax expenses	**8,669**	**6,986**

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

Deferred tax assets	2003 TEuro	Previous year TEuro
Tax loss carryforwards	5,358	4,205
Accrued liabilities	462	232
Established clientele overseas	0	60
Interest swap	55	84
	5,875	4,581
Depreciation of deferred tax assets	264	550
Deferred tax assets	5,611	4,031
Current deferred tax assets	**2,267**	**1,140**
Non-current deferred tax assets	**3,344**	**2,891**

Deferred tax liabilities		
Established clientele	1,335	428
Goodwill	1,048	649
Valuation adjustment assets intercompany	341	0
Capitalized software	274	292
Service contracts	167	0
Accrued liabilities	144	0
Other	195	82
Deferred tax liabilities	3,504	1,451
Current deferred tax liabilities	**946**	**241**
Non-current deferred tax liabilities	**2,558**	**1,210**

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

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

The actual tax rate is taken as the basis for calculating deferred tax rebate claims on loss carryforwards.

The tax loss carryforwards in the total amount of TEuro 12,493 at December 31, 2003 for which the deferred tax assets were established relate to domestic and foreign subsidiaries. Start-up losses of foreign companies account for TEuro 1,469 (previous year TEuro 2,561). The tax loss carryforwards are unlimited in time according to the national tax laws currently in effect, with the exception of Spain. There are loss carryforwards in the spanish subsidiary amounting to TEuro 264. Such losses can be carried forward for a maximum period of now 14 years.

IV. Acquisition of New Companies and Business Segments

MVis informationssysteme GmbH, Mannheim

On 24 March 2003, Bechtle acquired MVis informationssysteme GmbH for a purchase price of TEuro 900 plus incidental acquisition expenses of TEuro 3 in cash and payment in kind of TEuro 28. The purchase of the company was registered using the purchase method. At a total purchase price of TEuro 931, the capital consolidation resulted in a difference in amount of TEuro 945 once the assets and debts were taken into consideration. In accordance with SFAS No. 141, TEuro 475 of this were accounted for by the acquired established clientele, which will be amortized over a ten year period. Whilst activating the established clientele, deferred tax liabilities totalling TEuro 182 were accumulated, which increased the goodwill and will be written off again parallel to the planned amortization of the established clientele during its economic life. The remaining amount of TEuro 652 could neither be accounted for as registered assets nor as assets shown separately and was thus recorded as goodwill.

The acquired company, MVis informationssysteme GmbH (three employees), has been an IBM Business Partner for many years. It focuses on system integration in the support and further development of business information processing, in particular for the iSeries 400, AS/400, RS 6,000 sectors and therefore complements Bechtle's system integration segment.

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

	TEuro
Current assets	
Inventories	316
Accounts receivable	1,117
Other current assets	453
Deferred tax assets	17
	1,903
Non-current assets	
Tangible assets	38
Established clientele	475
Goodwill	652
	1,165
Total assets	**3,068**
Current liabilities	
Trade accounts payable	1,434
Deferred tax liabilities	182
Other current liabilities	521
	2,137
Total liabilities	**2,137**
Total assets - **Total liabilities =**	**931**

PSB AG für Programmierung und Systemberatung, Ober-Mörlen (PSB AG)

On March 25, 2003, Bechtle acquired a 60.18 percent share in PSB AG, thus achieving direct control over the company. As part of a compulsory offer in compliance with the WpÜG (German Securities Acquisition and Takeover Act - TOA), an additional 36.70 percent of PSB AG shares were purchased by May 28, 2003. The purchase price for this majority shareholding (96.88 percent) came to TEuro 22,409 (Euro 6.40 per share) plus incidental acquisition expenses of TEuro 501.

With this purchase price of TEuro 22,910, a difference in amount of TEuro 11,329 followed from the capital consolidation as part of the purchase method after consideration of the pro rata net assets of TEuro 11,581. The established clientele was valued at a total of TEuro 2,905 of which TEuro 862 were already recorded in the net assets. The additional established clientele of TEuro 2,043 will be amortized over a period of ten years. Whilst activating the established clientele, deferred tax liabilities totalling TEuro 784 were accumulated, which increased the goodwill and will be written off again parallel to the planned amortization of the established clientele during its economic life. The remaining amount of TEuro 10,070 could neither be accounted for as registered assets nor as assets shown separately and was thus recorded as goodwill.

The PSB group (approx. 470 employees) ranks amongst the largest manufacturer independent system houses in Germany, is represented in ten locations (Hamburg, Essen, Frankfurt, Dreieich, Hanau, Idstein, Langenselbold, Stuttgart, Constance and Ober-Mörlen) and boasts an extensive service network. While the IT mail order company Tom-Tech in Langenselbold strengthens the eCommerce segment of Bechtle, are the remaining locations add to the system integration segment.

The acquisition, shown inclusive of minority interests at the time of initial consolidation, appears on the balance sheet as follows:

	TEuro
Current assets	
Inventories	7,657
Accounts reveivable	15,025
Deferred tax assets	1,761
Other current assets	3,042
	27,485
Non-current assets	
Tangible assets	5,186
Established clientele	2,905
Goodwill	10,070
Other tangible assets	828
Deferred tax assets	1,024
	20,013
Total assets	**47,498**
Current liabilities	
Debt	6,663
Trade accounts payable	7,674
Deferred tax liabilities	271
Other current liabilities	8,224
	22,832
Non-current liabilities	
Deferred tax liabilities	1,221
Other non-current liabilities	155
	1,376
Total liabilities	**24,208**
Minority interest	380
Total assets - **Total liabilities -** **Total minority interest =**	**22,910**

50,000 shares in PSB AG were resold via the stock exchange in October 2003 (Euro 8.50 per share), which left Bechtle with a shareholding of 95.5 percent as at 31 December 2003.

Hardware Revenues Division of Röth Datensysteme Wuppertal GmbH

On July 1, 2003 Bechtle GmbH, Solingen purchased the Wuppertal hardware revenues, support and customer service divisions of Röth Datensysteme Wuppertal GmbH. For the total purchase price of TEuro 230, just the tangible assets (TEuro 11), inventories (TEuro 43) and goodwill (TEuro 176) were acquired.

Consistent with SFAS No. 141, TEuro 114 of this amount were accounted for by goodwill on the acquired established clientele which will be amortized over a ten year period. The remaining balance (TEuro 62) could neither be allocated to a capitalized asset nor accounted for as a separate asset and was thus recorded as goodwill.

Bechtle and Röth Datensysteme Wuppertal GmbH have already co-operated for many years on a regional level in the retail and service business. The activities of both houses have now been brought together at Bechtle GmbH, Solingen by this acquisition. Along with the established business divisions, the takeover includes 20 employees and long-term customer relations based in Wuppertal. The acquisition will allow the Bechtle Group to expand its system integration branch.

IMA Hardware und Software Handelsgesellschaft mbH, Kassel

On November 1, 2003 Bechtle acquired IMA Hardware und Software Handelsgesellschaft mbH for a purchase price of TEuro 700. With this purchase price, a balance of TEuro 524 followed from the capital consolidation as part of the purchase method after consideration of the net assets of TEuro 176. In accordance with SFAS No. 141, TEuro 157 of this can be accounted for by the acquired established clientele which will be amortized over a period of ten years. Whilst activating the established clientele, deferred tax liabilities totalling TEuro 60 were accumulated, which increased the goodwill and will be written off parallel to the planned amortization of the established clientele during its economic life. The remaining balance of TEuro 427 could neither be allocated to a capitalized asset nor accounted for as a separate asset and was thus recorded as goodwill.

The acquired IMA Hardware und Software Handelsgesellschaft mbH (30 employees) was one of the first system houses in Germany to enter into a partnership with Navision (in 1993) and now complements Bechtle’s system integration segment. The acquisition of this company will allow the Bechtle Group to expand its presence in North Hesse, South Lower Saxony and West Thuringia whilst also strengthening their market position in dealings with Microsoft Business Solutions (MBS/Navision).

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

	TEuro
Current assets	
Accounts receivable	242
Other current assets	23
	265
Non-current assets	
Tangible assets	110
Established clientele	157
Goodwill	427
	694
Total assets	**959**
Current liabilities	
Trade accounts payable	76
Deferred tax liabilities	60
Other current liabilities	59
	195
Non-current liabilities	64
Total liabilities	**259**
Total assets - Total liabilities =	**700**

V. Pro-Forma Information

If the companies and participations on majority acquired during the financial year had been acquired at the beginning of financial year 2002, the key balance-sheet data would have been as follows:

	2003 TEuro	Previous year TEuro
Revenues	826,947	905,181
Net income	18,789	13,457
Earnings per share	0.9383	0.6678

VI. Contingencies and Commitments

Other Financial Liabilities

The company has several non-cancellable leasing agreements for office and storage space. The company also leases buildings, vehicles and various services under operating leases which are non-cancellable during the basic term of the lease. Total payments under all operating leases amounting to TEuro 12,119 (previous year: TEuro 10,034) were accounted for as expenses.

The future liabilities with respect to the foregoing agreements with an initial or remaining term of more than one year as at December 31, 2003 amount to TEuro 84,681 (previous year: TEuro 80,506).

Financial year	TEuro
2004	12,057
2005	10,021
2006	7,534
2007	5,679
2008	5,474
over 5 years	43,916
Total minimum leasing payments	**84,681**

Other financial commitments include TEuro 47,232 from the leasing contract for the central logistics and administration building in Neckarsulm, which was made in 2002. The owner of the building is Fabiana Grundstücksverwaltungsgesellschaft mbH, Mannheim (Fabiana), whose only commercial purpose is to let the building to the Bechtle AG through the Süd-leasing GmbH. Fabiana has a capital stock of TEuro 25 and has mainly financed the investment of TEuro 31.150 through taking out loans. Bechtle AG is neither directly nor indirectly associated with Fabiana.

Once the lease contract expires in 2022, the company will receive the right to buy the building. On the basis of a valuation report, the company is not to be regarded as a primary beneficiary according to FIN 46 and is therefore not entitled to consolidate Fabiana. Moreover no losses from the leasing contract are expected as the company is not compelled to exercise on its right to buy.

In addition, there are other financial commitments as at 31 December 2003 from the purchase of a 100 percent shareholding in ARP Holding AG, Rotkreuz, Switzerland, totalling TEuro 46,236.

Litigation

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

VII. Additional Notes to the Cash Flow Statement

Cash Flow from Operating Activities

The cash inflow from operating activities during financial year 2003 amounted to TEuro 27,535 (previous year: TEuro 13,943). This was principally attributable to an increase in net income and an increase in accrued expenses.

Cash Flow from Investing Activities

The cash outflow from investment activities amounted to TEuro 27,430 and mainly attributable to the acquisition of MVis GmbH and PSB AG amounting in total to TEuro 23,822.

Cash Flow from Financing Activities

The cash outflow from financing activities of TEuro 4,198 is mainly the result of the dividend payments and cash repayments of amounts borrowed.

Cash and Cash Equivalents	2003 TEuro	Previous year TEuro
Liquid funds	33,694	37,867

Cash Outflow in the Period	2003 TEuro	Previous year TEuro
Interest	543	462
Income taxes	9,551	3,685

VIII. Related Parties

Transactions with Related Parties

In 2003, there was no significant revenue from transactions with shareholders, executive employees or companies controlled by such persons.

Leasing agreements on various properties exist between consolidated companies and managing board members, directors, their close relatives and companies controlled by these persons. In the reporting year, leasing expenses amounting to TEuro 175 (previous year: TEuro 222) were treated as revenue expenditure.

IX. Segment Disclosures

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

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

The eCommerce segment concentrates purely on trading through direct selling to trade customers with over 20 PC workstations. The product line is designed to offer customers hardware and software products, peripheral equipment and the necessary consumables for all applications. It reflects the market in terms of its range and diversity. The focus is on brand-name products of all major suppliers including IBM, Hewlett Packard, Fujitsu Siemens, Cisco, Toshiba, Lexmark, Microsoft, Novell and Lotus. Approximately 22,000 articles are available in nine countries via an online shop and a main catalogue with over 800 pages which is published twice annually. The main catalogues have a circulation of over 150,000 and are sent to existing and prospective customers throughout Europe. The Bechtle Group is represented in nine European countries by ten direct-selling companies.

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

Internationally, the group has offices in Bolzano (Italy), Linz (Austria), Son (Netherlands), Chippenham (United Kingdom), Basle, Bern, Fehraltdorf, Gland and Regensdorf (Switzerland), Paris and Strasbourg (France), Turnhout (Belgium), Barcelona and Madrid (Spain).

Central administration of the group companies is in Gaildorf.

There are no major inter-segment transactions.

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

External revenues by segment	2003 TEuro	Previous year TEuro
System integration	602,951	557,919
eCommerce	188,956	193,790
Company total	**791,907**	**751,709**

Depreciation and amortization by segment	2003 TEuro	Previous year TEuro
System integration	6,819	7,180
eCommerce	978	1,414
Company total	**7,797**	**8,594**

Operating income by segment	2003 TEuro	Previous year TEuro
System integration	17,182	11,919
eCommerce	9,869	6,499
Total operating income	**27,051**	**18,418**
Financial result	189	569
Earnings before taxes	**27,240**	**18,987**

Gross assets by segment	2003 TEuro	Previous year TEuro
System integration	218,182	196,814
eCommerce	60,302	49,941
Balance sheet total	**278,484**	**246,755**

Goodwill by segment	2003 TEuro	Previous year TEuro
System integration	60,434	49,787
eCommerce	9,079	9,079
Company total	**69,513**	**58,866**

Long-lived assets *) by segment	2003 TEuro	Previous year TEuro
System integration	21,432	15,146
eCommerce	2,176	2,685
Company total	**23,608**	**17,831**

Investments in long-lived assets *) by segment	2003 TEuro	Previous year TEuro
System integration	4,659	10,381
eCommerce	202	861
Company total	**4,861**	**11,242**

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

Geographical Information

The following amounts may be allocated to geographical regions in the annual financial statements.

External revenues by region	2003 TEuro	Previous year TEuro
Domestic	635,747	595,777
Foreign	156,160	155,932
Company total	**791,907**	**751,709**

The revenues are allocated to the country in which the subsidiary is headquartered. Revenues are transacted only in the home market, as seen the subsidiary's viewpoint.

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

Long-lived assets*) by region	2003 TEuro	Previous year TEuro
Domestic	19,475	12,752
Foreign	4,133	5,079
Company total	**23,608**	**17,831**

All long-lived assets are located in the country in which the subsidiary is headquartered.

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

X. Earnings Per Share

The following table presents the computation of the basic and diluted net earnings per ordinary share:

	2003 TEuro	Previous year TEuro
	(excepting quantity and amount per share)	
Net income / net profit for ordinary stockholders	**18,365**	**12,001**
Weighted average shares outstanding	20,024,556	20,149,988
Basic and diluted earnings per share	**0.917**	**0.596**

XI. Remuneration of Executive Bodies

Executive Board

The benefits of the Executive Board of Bechtle AG in the financial year totalled TEuro 765. The compensation of the Executive Board consisted of a fixed component and variable component. The fixed and variable benefits amounted to TEuro 465 and TEuro 300 respectively.

Bechtle will not publish figures relating to remuneration received by former members of the board in accordance with Article 286 section 4 of the German Commercial Code.

Supervisory Board

All disclosures relating to the Supervisory Board which must be published to comply with legal requirements or a recommendation of the Government Commission's German Corporate Governance Code are summarized in attachment B to notes.

XII. Employees

Bechtle employed an annual average of 2,342 employees (previous year: 2,037).

XIII. Subsequent Events to the Balance-Sheet Date

Besides the completion of the contract of sale for the 100 percent shareholding in ARP Holding AG, the following significant events also occurred in the period between the balance sheet date and the date of this report:

Increase in Capital

On January 21, 2004, the Executive Board decided to increase Bechtle AG's capital stock from the approved capital by Euro 1,000,000 from Euro 20,200,000 to Euro 21,200,000 by issuing one million no-par value shares representing a calculated value of Euro 1.00 per share with full dividend entitlement from January 01, 2003. This move was approved by the Supervisory Board on the following day and was entered into the companies register on the February 11, 2004. The shares were admitted to the Regulated Market at the Frankfurt Stock Exchange on February 23, 2004.

Acquisition of a full Shareholding in ALSO COMSYT AG

On February 06, 2004, Bechtle AG acquired a full shareholding in the Swiss system house ALSO COMSYT AG based in Dübendorf/Zürich canton through its subsidiary company ARP Holding AG.

Appointment of a New Executive Board Member

With effect from March 01, 2004, Karl-Heinz Gosmann was appointed to the Executive Board. The companies register was informed of this on February 26, 2004. Mr. Gosmann will take over from the departing Mr. Schick as chairman of the Executive Board.

There were no further events of particular importance in the period between the balance sheet date and the date of this report.

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

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

Content and the Representation of the Consolidated Financial Statements

The consolidated financial statements in accordance with Article 297 of the German Commercial Code (HGB) consists of the consolidated balance sheet, the consolidated profit and loss account and the annex to the consolidated financial statements. Stock market listed companies are required to include a cash flow statement and segment disclosures with the annex to the consolidated financial statements. According to U.S. GAAP, the consolidated financial statements must also include a statement of changes in shareholders' equity.

The consolidated balance sheet pursuant to the German Commercial Code (HGB) must, basically, be structured in accordance with Article 266 HGB. According to this, assets and debts are not reported separately on the basis commitment period or maturity. According to U.S. GAAP, assets and debts must, according to their commitment period or maturity, be distinguished from the long-term balance-sheet items as „short-term committed assets“ or „short-term debts due“.

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

Capitalization of Homegrown Intangible Assets of the Fixed Assets

According to Article 248 HGB, intangible assets of the fixed assets which have not been acquired against payment, are not allowed to be capitalized. According to U.S. GAAP, expenses incurred in connection with homegrown software may, under certain conditions, be capitalized if such software is intended for sale to third parties or for internal use.

Costs of Capital Procurement

According to HGB, it is not permissible for the costs of capital procurement to be accrued or offset against borrowed funds. According to U.S. GAAP, are the costs of procurement of shareholders' equity (e.g. flotation costs related to an initial public offering) less the effects of tax deductibility deducted from the gross funds borrowed, and thereby reducing the capital reserves.

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

According to Article 301 HGB, options exist with respect to the methods to be applied in the capital consolidation of the subsidiaries included in the consolidated financial statements and the treatment of a difference arising from capital consolidation. According to U.S. GAAP, the capital is consolidated according to the purchase method by offsetting the acquisition costs against the parent company's proportionate shareholders' equity at the time of acquisition or first-time consolidation.

Goodwill and Intangible Assets

In comparison with HGB rules, certain intangible assets related to corporate acquisitions must, according to U.S. GAAP, be stated separately from derivative goodwill in the balance sheet, thus reducing the value of the derivative goodwill. Derivative goodwill as well as intangible assets must, according to HGB, be depreciated on scheduled manner and also, if necessary, in a non-scheduled manner. By comparison, U.S. GAAP prohibits the scheduled depreciation of goodwill as well as intangible assets with indefinite life. Instead, it prescribes an annual impairment test, from which follows a non-scheduled depreciation as required. Intangible assets with a definite life are also depreciated in a scheduled and non-scheduled manner according to U.S. GAAP.

Acquisition of Treasury Stock

According to HGB, treasury stock must always be reported on the asset side of the balance sheet, under a separate item, in current assets. In addition, a reserve for treasury stock must be established from the annual profit or loss, the profit carryforward or free reserves in the same amount on the liabilities side. Treasury stock is therefore subject to the strict lowest value principle and are value-adjusted as required. Realienation gains or loss are recorded as affecting net income. According to U.S. GAAP, treasury stock must not be capitalized as separate assets, rather they must be reported as a reduction in the shareholders' equity in the amount of the acquisition costs. Valuation adjustments are not made. Gains resulting from realienating treasury stock are recorded in the capital reserves as not affecting net income; losses are set against the capital reserves up to the value of previously recorded profits, losses over and above this amount are set against the revenue reserve.

Stock Option Programme

Under German law, there are to date no specific rules on balancing stock option plans. The granting of stock options on the basis of a certain capital amount as recompense for work performed does not, according to HGB, result in personnel expenses. The capital reserves are not allocated to the personnel expenses in the form of an offsetting entry. According to U.S. GAAP, the issue of stock options as recompense for work are to be booked as personnel expenses in the amount of the fair value of the stock options at the time of granting. The offsetting entry is made in the capital reserves. If the stock options represent remuneration for several periods, the allocation of the capital reserves and personnel expenses must be distributed over the service period.

Derivative Instruments

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

Deferred Taxation

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

XV. Changes in Group Fixed Assets

The changes in group fixed assets are shown in the in the fixed-asset movement schedule in the attachment A to notes.

XVI. Executive Bodies

Members of the Executive Board

Gerhard Schick, CEO
Chairman of the Executive Board
with responsibility for Finance, Corporate Planning, Public Relations and for the eCommerce segment

– Member of the Supervisory Board
of PSB AG für Programmierung und Systemberatung, Ober-Mörlen

Ralf Klenk, COO
with responsibility for the System Integration segment, Competence Centre, Logistics & Service, IT, Personnel and Marketing

– Member of the Supervisory Board
  of PSB AG für Programmierung und Systemberatung, Ober-Mörlen

Dr. Rainer Eggensperger
until 21 April 2003

Number of Shares of Bechtle AG

Executive Board	31.12.2003	Previous year
Gerhard Schick		
– direct owned	200,000	1,226,933
– indirect over usufruct	1,026,933	0
Ralf Klenk	352,462	852,462

Disclosure of Securities Transactions

Date of Business Transaction	09.09.2003
Name	Ralf Klenk
Legal Relation (Board of Directors, Governing Body, Spouse)	COO
Security	Shares of Bechtle AG WKN 515870 ISIN DE0005158703
Type of Business	Sale
Price of Share	Euro 7.90
Number	500,000
Nominal Value of Security	Euro 1.00

Members of the Supervisory Board

All figures relating to the Supervisory Board which must be published to comply with legal requirements or a recommendation of the Government Comission’s German Corporate Governance Code are summarized in the attachment B to notes.

Gaildorf, February 27, 2004

Bechtle AG

The Executive Board

Gerhard Schick

Ralf Klenk

Changes in Group Fixed Assets

Attachment A to Notes

	Cost of acquisition and production						
	01.01.2003	Change in scope of consoli-dation	Other additions	Differences in currency	Disposals	Transfer restructure	31.12.2003
	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
I. Intangible Assets							
1. Software	5,963	899	579	0	276	2,391	9,556
2. Establishes clientele	5,396	3,652	0	-162	0	0	8,886
3. Goodwill	67,671	11,211	0	-420	144	0	78,318
4. Advanced payments	1,749	0	779	0	0	-2,391	137
	80,779	**15,762**	**1,358**	**-582**	**420**	**0**	**96,897**
II. Tangible Assets							
1. Land and buildings	1,093	3,983	0	0	0	0	5,076
2. Miscellaneous equipment and fixtures	28,061	1,244	3,488	-120	7,268	0	25,405
3. Plant and machinery	38	0	15	0	0	0	53
	29,192	**5,227**	**3,503**	**-120**	**7,268**	**0**	**30,534**
	109,971	**20,989**	**4,861**	**-702**	**7,688**	**0**	**127,431**

Cumulate depreciation							Net Book value	
01.01.2003	Change in scope of consoli-dation	Other additions	Differences in currency	Disposals	Transfer restructure	31.12.2003	31.12.2003	31.12.2002
TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro	TEuro
4,135	0	1,440	0	251	0	5,324	4,232	1,828
614	0	887	-6	0	0	1,495	7,391	4,782
8,805	0	0	0	0	0	8,805	69,513	58,866
0	0	0	0	0	0	0	137	1,749
13,554	**0**	**2,327**	**-6**	**251**	**0**	**15,624**	**81,273**	**67,225**
130	0	107	0	0	0	237	4,839	963
19,576	-1	5,359	-79	6,424	0	18,431	6,974	8,485
14	0	4	0	0	0	18	35	24
19,720	**-1**	**5,470**	**-79**	**6,424**	**0**	**18,686**	**11,848**	**9,472**
33,274	**-1**	**7,797**	**-85**	**6,675**	**0**	**34,310**	**93,121**	**76,697**

Members of the Supervisory Board

Attachment B to notes

	Member since	Occupation	Remuneration in Euro Basic Remuneration
Shareholders' Representatives			
Beilharz, Otto	May 1999	CEO	20,000
Dobitsch, Kurt **	May 1999	Entrepreneur	20,000
Krief, Karin as a gift from Mr. Schick	02. Oktober 2003	MA	5,000
Dr. Türschmann, Wolfram	02 October 2003	Board	5,000
Winkler, Klaus, Chairman of Supervisory Board	May 1999	CEO	20,000
Dr. Wolf, Jochen, 2nd Deputy Chairman of the Supervisory Board – owned – on behalf of BWK GmbH UnternehmensBeteiligungsGesellschaft	02 October 2003	CEO	5,000
Employees' Representatives			
Drautz, Uli	15 October 2003	Commercial Employee	4,167
Feeser, Ralf, Deputy Chairman of the Supervisory Board	15 October 2003	Executive Commercial Employee	4,167
Greyer, Barbara	15 October 2003	Manager of IT Branch ver.di Baden-Württemberg	4,167
Leweke, Peter	15 October 2003	Technical Employee	4,167
Ludewig, Daniela	15 October 2003	Commercial Employee	4,167
Dr. Luz, Rudolf	15 October 2003	Senior Representative of IG Metall Heilbronn-Neckarsulm	4,167

* new members of the supervisory board, subject to registration from 31.12.03 only.

** Mr. Dobitsch receives a payment of TEuro 6 throughout the business year for his role as an advisor.

Chairman / Deputyship	Committee Remuneration	Total 2003	Membership of Supervisory Boards and Other Supervisory Bodies in terms of § 125 Para.1 Clause 3 German Companies Act	Number of Shares 31.12.2003	31.12.2002
		20,000	– Member of the Supervisory Board	4,448	4,448
			of Kellner & Kunz AG, Vienna		
7,500		27,500	– Chairman of the Supervisory Board	0	0
			of United Internet AG, Montabaur		
			as well as Nemetschek AG, Munich		
			– Member of the Supervisory Board		
			of 1&1 Internet AG, Karlsruhe		
			of Adlink AG, Montabaur		
			of twenty4help knowledge Service AG,		
			Dortmund		
			as well as DOCUWARE AG, Munich		
	833	5,833		6,784,487	*
				1,026,933	
		5,000	– Chairman of the Supervisory Board	0	*
			of PSB AG für Programmierung und		
			Systemberatung, Ober-Mörlen		
19,167	1,667	40,833	– Member of the Supervisory Board	725	650
			of Sick AG, Waldkirch		
	1,667	6,667			
				0	*
				3,916,507	3,916,507
	833	5,000		1,644	*
1,667	833	6,667		606	*
		4,167		0	*
		4,167		180	*
	833	5,000		0	*
		4,167	– Deputy Chairman of the Supervisory Board	0	*
			of Kolbenschmidt Pierburg AG, Neckarsulm		

"We have audited the consolidated financial statement of Bechtle AG, Gaildorf, consisting of the balance sheet, profit and loss statement, statement of changes in shareholders' equity and cash flow statement as well as the notes to the financial statement for the fiscal year from January 01 to December 31, 2003. The preparation and content of the financial statement are the responsibility of the company's Executive Board. It is our responsibility to express an opinion whether the financial statement is in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP).

We conducted our audit in accordance with German auditing regulations and the generally accepted standards promulgated by the Institute of German Certified Public Accountants (IDW). Those standards require that we plan and perform the audit in such manner that inaccuracies and misstatement which have a significant impact on the presentation of the consolidated financial statement are detected with reasonable assurance. The determination of auditing procedures makes allowance for knowledge of the business activity and of the economic and legal environment of the company as well as the expectations of possible errors. Within the scope of the audit, the evidence supporting the figures disclosed in the consolidated financial statement is evaluated on the basis of random checks. The audit also includes assessing the accounting principles used and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audit provides a sufficiently sound basis for our opinion.

Our audit gave rise to no objections.

In our opinion, the consolidated financial statement gives a true and fair view of the net assets, financial position and results of operations of Bechtle AG, Gaildorf, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Our audit, which also encompassed the Group management report drawn up by the Executive Board for the fiscal year from January 01 to December 31, 2003, gave rise to no objections. In our opinion, the Group management report and the other information contained in the consolidated financial statement provide a true and fair view of the situation of the Group overall and a proper presentation of the risks associated with future development. We also confirm that the consolidated financial statement and the Group management report for the fiscal year from January 01 to December 31, 2003 meet the conditions for an exemption of the Group from the duty to prepare consolidated financial statement and a Group management report under German law."

Heilbronn, March 05, 2004

Ernst & Young
Certified Accountants

Sohler	Moschall
Public Accountant	Public Accountant

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