bertrandt

Prepared for the future

Fiscal 2018/2019 Annual Report

Fiscal year 2018/2019

INCOME STATEMENT, CASH FLOW STATEMENT, BALANCE SHEET, SHARE, EMPLOYEES

TABLE 01

IFRS	2018/2019	Changes in %	2017/2018	2016/2017	2015/2016	2014/2015
Income statement						
Total revenues (EUR million)	1,059.870	3.8	1,021.020	993.878	992.693	935.259
EBIT (EUR million)	60.322	-16.4	72.141	62.870	92.865	91.637
Profit from ordinary activities (EUR million)	57.477	-16.9	69.158	60.689	91.487	91.670
Post-tax earnings (EUR million)	39.014	-17.7	47.385	43.866	63.608	62.636
Cash flow statement						
Cash flow from operating activities (EUR million)	72.284	165.7	27.208	42.182	90.631	36.967
Cash flow from investing activities (EUR million)	-47.695	-6.4	-50.935	-35.669	-79.679	-82.313
Free cash flow (EUR million)	24.589	203.6	-23.727	6.513	10.952	-45.346
Capital spending (EUR million)	65.709	24.2	52.500	38.302	83.404	84.917
Balance sheet						
Equity (EUR million)	416.692	4.5	398.876	376.360	357.936	320.306
Equity ratio (%)	51.5	1.8	50.6	48.3	46.9	56.9
Total assets (EUR million)	808.662	2.6	788.395	778.800	763.314	563.009
Share						
Earnings per share (EUR)	3.86	-17.7	4.69	4.35	6.30	6.21
Dividend per share (EUR)	1.60[3]	-20.0	2.00	2.50	2.50	2.45
Share price on 30 September (EUR)[1]	41.35	-48.0	79.55	85.18	97.01	93.23
Share price, high (EUR)[2]	80.65	-26.2	109.30	107.00	115.00	138.70
Share price, low (EUR)[2]	40.80	-46.6	76.40	67.28	82.80	85.25
Shares outstanding on 30 September (number)	10,143.240	-	10,143.240	10,143.240	10,143.240	10,143.240
Market capitalisation on 30 September (EUR million)	419.4	-48.0	806.9	864.0	984.0	945.7
Employees						
Number of employees at Bertrandt Group on 30 September	13,664	3.3	13,229	12,970	12,912	12,367

[1] Closing price in Xetra trading on 30 September or the last trading day of the fiscal year.
[2] In Xetra trading.
[3] Dividend proposed by the Management and the Supervisory Board.

Multiyear overview

CONSOLIDATED INCOME STATEMENT

TABLE 02

EUR million 01/10 until 30/09	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Revenues	**1,058.112**	**1,019.914**	**992.276**	**992.021**	**934.787**
Other internally generated assets	1.758	1.106	1.602	0.672	0.472
Total revenues	**1,059.870**	**1,021.020**	**993.878**	**992.693**	**935.259**
Other operating income	17.406	8.594	8.682	11.471	13.323
Raw materials and consumables used	-108.755	-100.388	-105.605	-98.097	-88.089
Personnel expenses	-765.386	-723.971	-703.593	-695.681	-660.357
Depreciation	-33.687	-33.022	-33.864	-29.725	-25.193
Other operating expenses	-109.126	-100.092	-96.628	-87.796	-83.306
EBIT	**60.322**	**72.141**	**62.870**	**92.865**	**91.637**
Net finance income	**-2.845**	**-2.983**	**-2.181**	**-1.378**	**0.033**
Profit from ordinary activities	**57.477**	**69.158**	**60.689**	**91.487**	**91.670**
Other taxes	-3.257	-3.858	-2.698	-1.674	-1.250
Earnings before tax	**54.220**	**65.300**	**57.991**	**89.813**	**90.420**
Income taxes	-15.206	-17.915	-14.125	-26.205	-27.784
Post-tax earnings	**39.014**	**47.385**	**43.866**	**63.608**	**62.636**
– attributable to minority interest	0	0	0	0	0.017
– attributable to shareholders of Bertrandt AG	39.014	47.385	43.866	63.608	62.619
Number of shares (million) – diluted/basic, average weighting	10.095	10.095	10.091	10.091	10.083
Earnings per share (EUR) – diluted/basic	**3.86**	**4.69**	**4.35**	**6.30**	**6.21**

CONSOLIDATED BALANCE SHEET

TABLE 03

EUR million	30/09/2019	30/09/2018	30/09/2017	30/09/2016	30/09/2015
Assets					
Intangible assets	14.017	13.724	15.740	17.480	17.455
Property, plant and equipment	302.855	282.104	264.284	235.800	184.823
Investment properties	1.342	1.408	1.474	1.540	1.608
Investments accounted for using the equity method	6.453	5.874	5.488	5.077	4.367
Financial receivables	1.412	1.291	1.685	2.729	3.724
Other financial assets	2.581	2.294	2.017	1.988	2.949
Other assets	8.831	8.895	6.693	4.703	3.889
Income tax assets	0	0	0	0	0.150
Deferred taxes	3.072	3.324	3.822	2.473	3.212
Non-current assets	**340.563**	**318.914**	**301.203**	**271.790**	**222.177**
Inventories	0.993	1.156	1.182	0.889	0.558
Contract assets	125.315	121.100	119.607	114.130	139.342
Trade receivables	226.007	236.206	193.024	189.879	167.630
Financial receivables	0.558	1.277	1.640	1.639	1.722
Other financial assets	2.873	2.901	4.379	1.349	1.066
Other assets	15.664	14.515	15.047	21.984	15.921
Income tax assets	5.198	3.921	3.452	1.833	1.525
Cash and cash equivalents	91.491	88.405	139.266	159.821	13.068
Current assets	**468.099**	**469.481**	**477.597**	**491.524**	**340.832**
Total assets	**808.662**	**788.395**	**778.800**	**763.314**	**563.009**
Equity and liabilities					
Issued capital	10.143	10.143	10.143	10.143	10.143
Capital reserves	29.714	29.713	29.374	29.374	28.595
Retained earnings and other reserves	341.071	319.256	297.319	279.025	246.799
Consolidated distributable profit	35.764	39.764	39.524	39.394	34.083
Equity attributable to shareholders of Bertrandt AG	**416.692**	**398.876**	**376.360**	**357.936**	**319.620**
Minority interests	0	0	0	0	0.686
Equity	**416.692**	**398.876**	**376.360**	**357.936**	**320.306**
Borrowings	212.419	199.810	215.737	199.701	0
Other liabilities	1.747	0.447	0.215	0.246	0.278
Provisions	12.445	9.740	9.908	16.927	13.039
Deferred taxes	12.634	12.611	19.578	20.910	24.168
Non-current liabilities	**239.245**	**222.608**	**245.438**	**237.784**	**37.485**
Borrowings	3.498	18.339	5.202	2.367	39.642
Contract liabilities	4.520	6.354	9.743	18.408	13.832
Trade payables	15.751	17.849	18.257	15.066	20.444
Other financial liabilities	22.442	22.517	12.578	7.553	10.486
Other liabilities	72.562	64.648	65.352	70.066	62.049
Other provisions	33.185	36.433	40.458	46.586	54.594
Tax provisions	0.767	0.771	5.412	7.548	4.171
Current liabilities	**152.725**	**166.911**	**157.002**	**167.594**	**205.218**
Total equity and liabilities	**808.662**	**788.395**	**778.800**	**763.314**	**563.009**

From the contents

Prepared for the future

Technical solutions and new approaches are not ends in themselves. Their purpose, on the contrary, is to improve everyone’s day-to-day quality of life. It is for this reason that we and our customers are interested in the current mega trends of autonomous driving, connectivity, digitalisation and electromobility, on the one hand, and Industry 4.0, aerospace and medical technology, on the other.

We already consistently engage in investment and planning activities to create the best possible conditions for meeting the challenges of the future.

The following pages look at several selected topics which we have thought long and hard about in the past year and which we will continue to work on in the future with all our know-how and the passion typical of Bertrandt.

“

As an engineering specialist with over 13,600 employees and as a reliable partner for our customers all around the world, we accept responsibility for making technology increasingly useful and valuable for people. And we are more than a little proud of our ability to shape this permanent process of change with the commitment and know-how of our employees.

HANS-GERD CLAUS
Member of the Management Board Engineering

INDUSTRY 4.0: Smart factory for more efficiency and quality

Very few areas of activity have changed and developed so dramatically in the last 25 years as information technology. Essentially IT – at present the Internet of People and in the future the Internet of Things as well - is about helping people cope better with the challenges of everyday life. The purpose of connectivity, assistance and decision-making support is to enhance efficiency.

Increasingly digitalised production, referred to as Industry 4.0, is enabling more and more production facilities and logistics systems to be operated entirely autonomously without any human intervention.

The “Smart Factory” can only operate smoothly and successfully if all its individual components interact harmoniously together.

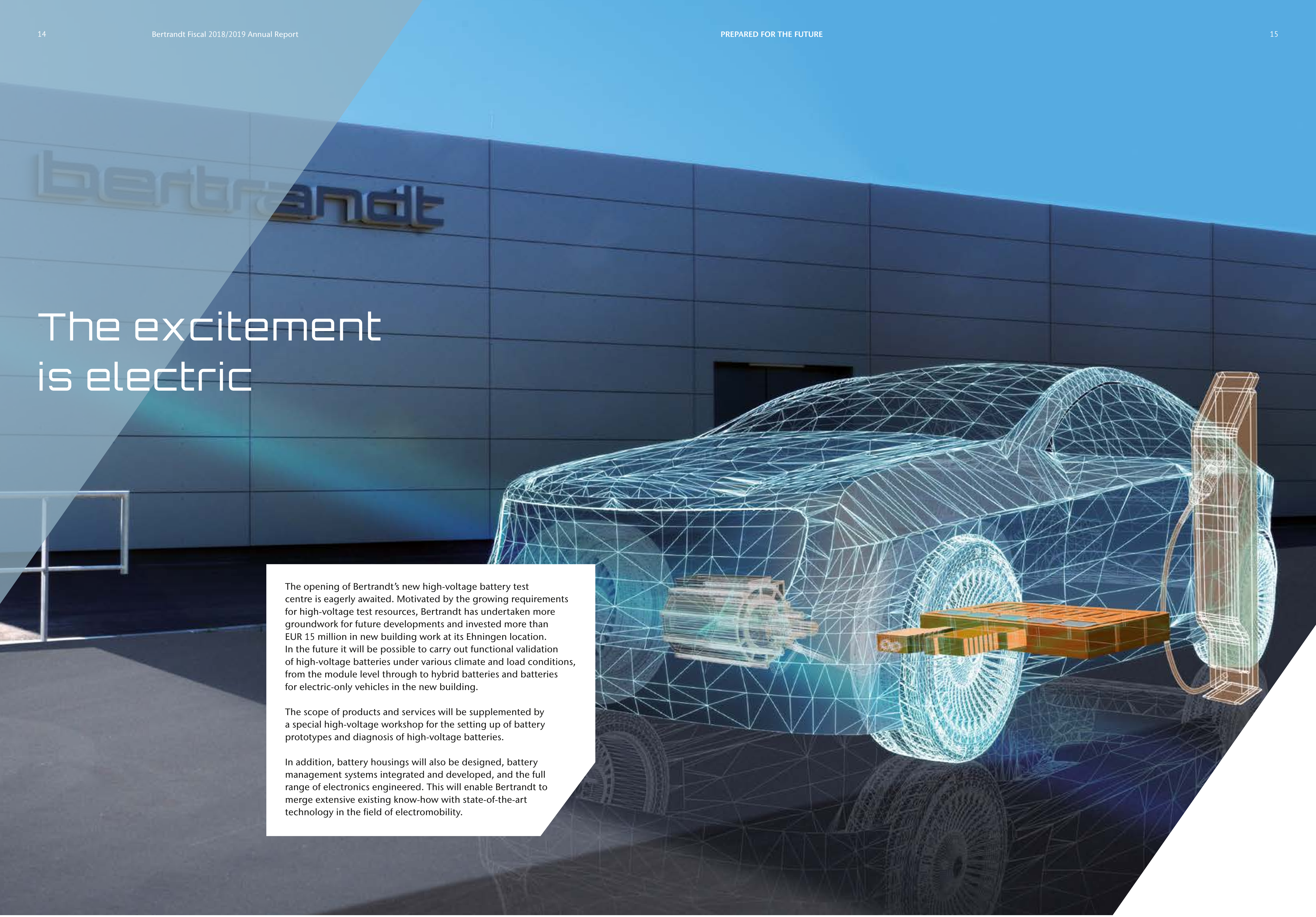
The aim is for digitalisation to boost efficiency and continuously improve processes. Bertrandt’s contribution to achieving this – through smartification, cloud connectivity and mixed reality visualisation - is significant.

Investments in the future

The German automotive industry is currently facing a variety of challenges. One of these is the continually growing variety of drives. Modern combustion engines running on various fuels plus electric, hybrid or fuel cells – the automotive industry is pursuing a number of different concepts simultaneously.

Automotive OEMs and suppliers will rely increasingly on the engineering expertise of technology partners such as Bertrandt to meet the challenges of the market as well as ever greater and increasingly complex development and validation requirements.

The Company is investing around EUR 80 million in building a Bertrandt Powertrain Solution Center in Wolfsburg and Munich, thereby laying the foundations for the drive concepts of the future. Around EUR 80 million will be invested in this construction project. The Bertrandt Powertrain Solution Center will concentrate on certification, homologation, RDE development and other engineering services.



The excitement is electric

The opening of Bertrandt's new high-voltage battery test centre is eagerly awaited. Motivated by the growing requirements for high-voltage test resources, Bertrandt has undertaken more groundwork for future developments and invested more than EUR 15 million in new building work at its Ehningen location. In the future it will be possible to carry out functional validation of high-voltage batteries under various climate and load conditions, from the module level through to hybrid batteries and batteries for electric-only vehicles in the new building.

The scope of products and services will be supplemented by a special high-voltage workshop for the setting up of battery prototypes and diagnosis of high-voltage batteries.

In addition, battery housings will also be designed, battery management systems integrated and developed, and the full range of electronics engineered. This will enable Bertrandt to merge extensive existing know-how with state-of-the-art technology in the field of electromobility.

New approaches to medical technology

Very few sectors are as strictly regulated as the medical technology industry. At the same time, hardly any other industries are as innovative and competitive. New regulations and changes in the law require companies to make far-reaching adjustments. Manufacturers of medical products are expected to meet increasingly demanding levels of quality, safety and effectiveness under high time and cost pressure.

What is more, also the medical technology industry is likely to be almost entirely dependent on digitalisation in the future. Medical software, embedded systems, medical Apps – digitalisation poses a variety of challenges for the entire industry whilst also facilitating the creation of new service and business models.

Bertrandt is seizing this opportunity and has expanded its resources and range of services in recent years to meet these special requirements.

Alongside classic product development, topics such as quality management, regulatory affairs, risk management, equipment qualification and process validation are also increasingly in demand.

HARRI puts our know-how on the road

The future of mobility is currently dominated by four mega trends: digitalisation, autonomous driving, connectivity and electro-mobility. Each of these trends presents an enormous challenge in itself. The most difficult of all, however, is to master and bring together all four topics. Bertrandt is active in all these areas and has an abundance of know-how which it deepens in its work with customers every day.

We have developed a connected e-platform that can drive autonomously in order to bring this broad portfolio of knowledge and experience to the road and to demonstrate that Bertrandt has also mastered the practical aspects of current industry megatrends. LIDAR systems, GNSS receivers and very high-performance 5G networks are as just obvious as topics as machine learning, artificial intelligence and sensor data fusion.

Letter to the shareholders

Management Board report

Members of the Management Board at Bertrandt AG (starting from the left)

MARKUS RUF
Member of the Management Board Finance

MICHAEL LÜCKE
Member of the Management Board Sales

HANS-GERD CLAUS
Member of the Management Board Engineering

Dear shareholders,

The transformation of the automotive industry is an ongoing process. The most important market trends, such as environmentally-friendly mobility or autonomous and connected driving, are influencing all the relevant players and are reflected in many different facets of the industry. The combination of mobility and IT is continuously creating new areas of business activity. The resulting breadth and depth of topics offers opportunities to engineering service providers. The interconnect between mobility and data is growing all the time and is generating new topics and services alongside traditional fields of business in which Bertrandt can take on considerably more responsibility as a reliable technology partner in the development process. Bertrandt's aim is to develop the best solution in each case for its customers.

CHALLENGES TO THE MARKET FRAMEWORK CONDITIONS

The economy slowed throughout fiscal 2018/2019, particularly in the automotive industry. The global economy was negatively influenced by uncertainties regarding trade relations between the USA and China as well as an unresolved Brexit. These challenging constraints are also apparent in the key financial indicators. The Group's total revenues amount to EUR 1,060 million, its total EBIT to EUR 60.3 million and its equity ratio is 51.5 percent. This solid financial base makes Bertrandt a reliable partner for its customers, employees and shareholders. In the light of current market trends, the essential foundations for positive business development in the medium term are intact.

Consulting firm Berylls forecasts that, in the next few years, the market for awarded engineering services in the automotive industry will continue to grow. The experts behind this study identify opportunities for large and high-revenue engineering partners, in particular, which have the necessary infrastructure and sufficient capacity to take on large-scale projects. There is also a discernible shift in customer demand towards innovative solutions for electrical systems and electronics, particularly in the fields of digitalisation and autonomous driving. The study forecasts global market growth from around EUR 11 billion in 2017 to EUR 18 billion in 2023. The size of this market is set to grow in Germany from EUR 4 billion today to EUR 6 billion in the year 2023.

DEVELOPING AND SECURING NEW AREAS OF BUSINESS ACTIVITY

Our expertise in the provision of comprehensive solutions in all the disciplines for which there is demand as well as in efficient interface management enables us to support our customers and respond to all their requirements. We are constantly expanding our know-how and investing in the necessary infrastructure in response to changes in the industry and to serve the current megatrends. Whether autonomous driving, electromobility, virtual reality or other new technologies, as solutions-focused provider of engineering services we are geared up to focus on the market and customer requirements of the future and are consistently and sustainably extending our competencies to achieve this.

> “We are diversifying into new fields of business to ensure we are optimally prepared for the requirements of tomorrow's markets. And not just as a technology partner for the automotive industry.

Our showcase HARRI, which we have completely developed internally, demonstrates our technological capabilities along the entire value chain for future mobility concepts. HARRI brings together the current tend topics of digitalisation, autonomous driving, connectivity and electromobility in a single vehicle. This innovation platform offers completely new solutions for the automotive industry as well as application opportunities for the infrastructure of local authorities, logistics companies or passenger transport.

Bertrandt also continuously invests in building up and expanding its infrastructure. We opened a large high-voltage battery test centre for power electronics last year with the aim of offering innovative services, such as electrified drives.

OVER 13,600 COMPETENT EMPLOYEES FOR MULTIFACETED PROJECTS

We have the expert and committed teams to manage the sheer breadth and depth of topics confronting the Group: As at the reporting date of 30 September 2019, Bertrandt employed 13,664 people worldwide. We are an engineering service provider operating on an international scale. People from many different cultures and backgrounds come together every day in our Company.

For this reason our employees need space for their own personal development. We create this space with our cooperative management style and an open door culture which supports constructive interactions. We also offer our employees a team spirit, flat hierarchies and an employee-friendly environment. Our attractiveness as a conscientious employer is again positively reflected by the Company's nationwide rankings. We were once more ranked among the 100 most popular employers in Germany in the Trendence Graduate Barometer 2018 – Engineering Edition. The Company also won awards in the Trendence Young Professionals rankings in 2019 in the category "engineering services" and for the first time "machinery and plant engineering".

SUSTAINABLE CORPORATE MANAGEMENT AS MARK OF SUCCESS

We attach overwhelming importance to sustainable and responsible corporate management. In this we are guided by clear and fundamental values, such as commitment and trust. We critically evaluate and continuously review the values embodied in our Bertrandt mission statement, which states the guiding principles on which our corporate strategy, day-to-day work and social responsibility are based. This mission statement governs both the way in which we treat each other within the Group and our relationships with our customers and shareholders. It also identifies the roots of our success: being a reliable partner over many years for our customers, shareholders and employees and our commitment to wider society. We understand sustainable and profitable growth and good results as the foundations on which our future rests – with the objective of enhancing the value of the Company on an enduring and sustained basis. We aim to secure and expand our current market share whilst maintaining an optimum balance between customer benefits and business efficiency. Additional information is available in our new 2018/2019 Sustainability Report.

> "We take our responsibility for our customers, our employees and the environment just as seriously as the pursuit of good business results. The value of our Company is also enhanced by our value system.

HIGH DIVIDEND-YIELDING BERTRANDT SHARE

The Bertrandt share reached its highest price in the reporting period on 1 October 2019, at EUR 80.65, closing on the same day in Xetra trading at EUR 78.00. However, over the last 12 months, global economic trends, particularly in the automotive industry, also impacted capital markets. The challenges associated with growing uncertainty over the trade relationship between the USA and China as well as an unresolved Brexit also left their mark on the Bertrandt share, which was losing value up to the end of the fiscal year. Our profit warning and the adjustment of our annual forecast resulted in the share falling to its lowest point at EUR 40.80 on 26 September 2019. The Bertrandt share closed at a value of EUR 41.35 on 30 September 2019. However, the share recovered again after 30 September 2019. We wish to pursue our sustainable dividend policy for fiscal 2018/2019, too. The Management and Supervisory Boards will therefore ask the shareholders to approve a dividend of EUR 1.60 per share at the annual general meeting on 19 February 2020.

PREPARED FOR THE FUTURE

The current process of transformation, with changes in the market, leaps in technology to new drive systems and digitalisation, continues. The economic setting is challenging, particularly in the light of the uncertain development of the trade relationship between the USA and China as well as doubts as to the resolution of the Brexit issue.

We are confronting these many challenges by internationalising our operations further and by maintaining our high level of capital expenditure. These measures have set us on the path for positive development. The new agile units in the fields of medical technology, virtual and augmented reality, cloud solutions, machine learning and big data enable us to strengthen our presence in the market where we are now excellently positioned for the years ahead. Bertrandt is prepared for the future.

We would like to take this opportunity to thank our employees for their commitment and our customers, business partners and shareholders for the confidence shown in us.

Yours sincerely,

M. Lücke M. Ruf

HANS-GERD CLAUS	MICHAEL LÜCKE	MARKUS RUF
Member of the Management Board Engineering	Member of the Management Board Sales	Member of the Management Board Finance

Supervisory Board report

Members of the Supervisory Board at Bertrandt AG (starting from the left)

MICHAEL SCHMIDT
Employee representative

MARIANNE WEISS
Employee representative

HORST BINNIG

DIETMAR BICHLER
Chairman of the Supervisory Board

PROF. DR.-ING. WILFRIED SIHN

UDO BÄDER

Activities of the Supervisory Board during the 2018/2019 fiscal year

Given the challenging business environment, the Company's development in the 2018/2019 fiscal year was less positive than expected. The continuing transformation process in the automotive industry and the tougher economic conditions are having an impact on all industry areas, causing delays in demand for capacity and temporary delays in the award of projects. However, the breadth and depth of Bertrandt's portfolio of services as well as the solid financial base will continue to provide a stable foundation for the Group's business growth.

Bertrandt AG's Supervisory Board diligently performed all of its duties in fiscal 2018/2019 in accordance with the law, the Company's Articles of Association and the Board's Rules of Procedure. The Board regularly advised the Management Board on the management of the Company and monitored the Management Board's activities on an ongoing basis. The Board was consulted on all the decisions of fundamental importance in a direct and timely manner. Regular briefings by the Management Board in written and oral reports formed the principal basis for fulfilling the statutory supervisory tasks. These reports provided comprehensive and up-to-date information on a regular basis on the strategy, business performance, planning and the risk situation. In the context of its activity the Board ensured that applicable statutory provisions, the Company's Articles of Association and the Rules of Procedure of the Supervisory and Management Boards were complied with.

Collaboration between the Supervisory Board and the Management Board was and is characterised by open and ongoing dialogue. In particular, the consultations between the Chairman of the Supervisory Board and the Management Board, which were held in addition to scheduled meetings as necessary, were in-depth and solutions-oriented discussions. The Chairman of the Supervisory Board passed key findings and information obtained from these consultations to the members of the Supervisory Board, thus ensuring that they were up to date on all pertinent matters and given the opportunity to contribute their counsel.

FOCAL POINTS OF THE SUPERVISORY BOARD'S DELIBERATIONS

Throughout the fiscal year, the Supervisory Board monitored the Management Board's actions and provided it with advice. The Supervisory Board therefore received regular reports on Bertrandt's business performance as well as the current market situation and its impact on Bertrandt. In addition to monitoring the business performance of Bertrandt AG and the Bertrandt Group, the Supervisory Board also concerned itself with the performance of individual subsidiaries in and outside Germany. The topics of discussion also included fundamental issues relating to business policy and strategic direction, its implementation in short and medium-term planning as well as risk management and the Company's financing strategy. The Supervisory Board examined the internal control system and compliance management and satisfied itself of their proper functioning. Moreover, the members of the Supervisory Board were provided with detailed information on the Company's business, financial position, market and competitive situation as well as its personnel situation.

In the fiscal year 2018/2019, the Supervisory Board met for one extraordinary, one constituent and four scheduled meetings. The extraordinary meeting was held on 5 November 2018, the scheduled meetings were held on 10 December 2018, on 20 February 2019, on 5 June 2019 and on 23 September 2019. The constituent meeting was held on 20 February 2019.

Four board members attended the extraordinary meeting on 5 November 2018 in person, two members voted in writing. At the meeting, the Supervisory Board discussed a resolution on the termination of Dietmar Bichler's appointment as member and Chairman of the Management Board and deliberated on the intention to nominate Dietmar Bichler as a candidate for the Supervisory Board provided that the legal requirements are met. The Supervisory Board also discussed the early reappointment of board members Hans-Gerd Claus, Michael Lücke and Markus Ruf. In addition, the Board updated the Declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) and the Rules of Procedure for the Management Board as well as the schedule of responsibilities.

The scheduled meeting on 10 December 2018 was attended by five Supervisory Board members in person; one member voted in writing. The deliberations in the meeting particularly related to the financial statements of Bertrandt AG and the Group for fiscal 2017/2018 and to the Corporate Social Responsibility report (CSR report). Moreover, the Supervisory Board adopted the proposals for resolutions to be submitted to the ordinary annual general meeting in Sindelfingen on 20 February 2019. Upon the Audit Committee's proposal, the Board also deliberated on the proposal for the appointment of the auditor for fiscal year 2018/2019. The auditor submitted a written statement of independence. In line with the recommendations of the German Corporate Governance Code, the Supervisory Board also examined the efficiency of its activities and adopted the Corporate Governance Report and the Corporate Governance Declaration pursuant to Section 3.10 German Corporate Governance Code.

On 20 February 2019, all members of the Supervisory Board and the Management Board were present at the second scheduled Supervisory Board meeting, which, amongst other topics, dealt with the Group's key performance indicators. On this occasion, the Supervisory Board was also informed about current HR issues and data.

On the same date, 20 February 2019, the Supervisory Board held its constituent meeting with the new members Dietmar Bichler, Udo Bäder, Horst Binnig, Prof. Dr.-Ing. Wilfried Sihn, Marianne Weiß (employee representative) and Michael Schmidt (employee representative). Management Board members Hans-Gerd Claus, Michael Lücke and Markus Ruf attended part of the meeting. In the meeting, the Supervisory Board chairman and his deputy were elected, as well as the members of the Human Resources Committee and the members and chairman of the Audit Committee. Udo Bäder was appointed as the Company's Financial Expert with the required accounting and auditing expertise.

The meeting on 5 June 2019 was attended by all Supervisory Board members. Topics included Bertrandt's activities in China and the business development of the Group and its segments. The risk report for the first half of fiscal 2018/2019 was presented and the Board discussed the development of the gross and net risk volumes and the efficiency of the counter measures undertaken to mitigate risks.

The Supervisory Board and Management Board members were all present at the meeting on 23 September 2019. The focus of the Supervisory Board's deliberations was on the Group's planning of fiscal 2019/2020. It also adopted the Declaration of conformity to the German Corporate Governance Code pursuant to Section 161 AktG. In addition, the Supervisory Board members were provided with information and guidance regarding the bill for the implementation of the second Shareholder Rights Directive (ARUG II). The Board also discussed the Sustainability Report and the amendments to the Rules of Procedure in the light of ARUG II.

ORGANISATION AND BUSINESS OF THE COMMITTEES

To perform its duties, the Supervisory Board has formed a Human Resources and an Audit Committee. Until the constituent meeting on 20 February 2019, the members of the Human Resources Committee were Dr. Klaus Bleyer (committee chairman), Maximilian Wölfle and Prof. Dr.-Ing. Wilfried Sihn. Since 20 February 2019, the HR Committee has consisted of the members Dietmar Bichler (committee chairman), Horst Binnig and Prof. Wilfried Sihn. To raise efficiency, the HR Committee also performs the duties of the Nomination Committee. Until the reelection on 20 February 2019, the Audit Committee was composed of Dr. Klaus Bleyer (committee chairman), Maximilian Wölfle (deputy chairman) and Horst Binnig. Since 20 February 2019, the members of the Audit Committee have been Udo Bäder, Dietmar Bichler and Horst Binnig. All Audit Committee members are familiar with the industry in which the Company operates. Udo Bäder is chairman of the Audit Committee and acts as Financial Expert with accounting and auditing expertise according to Section 100 (5) AktG.

The Audit Committee held five meetings in the 2018/2019 fiscal year. The meeting on 10 December 2018 was attended by all committee members, the Chairman and one member (Finance) of the Management Board and, for a part of the meeting, by the auditor's (PricewaterhouseCoopers GmbH) representatives. The meeting focused on the financial statements of Bertrandt AG and the Group as well as the audit's contents, focal areas and results. The implementation status of the Accounting Law Modernisation Act (BilMoG) at Bertrandt and the outcome of the measures adopted for this purpose and the current status of the data analysis were presented. In the conference call meetings on 6 February 2019, 20 May 2019 and 19 August 2019, in which all Audit Committee members and one Management Board member participated, the committee discussed, amongst other things, the financial reports to be published soon after these dates with regard to revenues, earnings and cash flow development. At the committee's last meeting on 23 September 2019, which was attended by all committee members and by Management Board members Michael Lücke and Markus Ruf, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft presented the focal areas for the audit of the fiscal year 2018/2019.

The Human Resources Committee held unscheduled meetings on 22 October 2018 and on 5 November 2018. The committee also met on 10 December 2018 in its role as Nomination Committee. All meetings were attended by the members of the Human Resources Committee. The Chairman of the Management Board was also present at some of the meetings. The topics discussed during the extraordinary meeting on 5 November 2018 included the resolutions on the proposal submitted to the Supervisory Board to terminate Dietmar Bichler's appointment and employment as member and Chairman of the Management Board and to nominate him as a candidate for the Supervisory Board, provided that the legal requirements were met. The committee also decided to propose to the Supervisory Board the early reappointment of Management Board members Hans-Gerd Claus, Michael Lücke and Markus Ruf. In addition, it was decided to propose an update of the Declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), an amendment to the Rules of Procedure for the Management Board and a schedule of responsibilities.

AUDIT OF THE FINANCIAL STATEMENTS

On 20 February 2019, the ordinary annual general meeting of Bertrandt AG appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Stuttgart branch, as the auditor for the financial statements of fiscal year 2018/2019. The auditors have audited the annual financial statements and the management report of Bertrandt AG as well as the consolidated financial statements and the management report of the Group for fiscal year 2018/2019 including the accounting and have issued an unqualified audit opinion.

Following their preparation and in good time before the meeting, all Supervisory Board members received the financial statements and management reports for fiscal year 2018/2019, the auditor's reports and the proposal of the Management Board for the appropriation of profits. After the Audit Committee had dealt with and prepared the topics, the Supervisory Board discussed the process of the preparation of the financial statements and the accounting results in its meeting on 9 December 2019.

The external auditors entrusted with the audit of the annual financial statements and the consolidated financial statements participated in the meeting. They reported on the audit as a whole, the defined focal areas of the audit, company-specific matters of particular importance (so-called key audit matters) and other relevant audit results. In addition, they answered questions from the members of the Supervisory Board. The Supervisory Board raised no objections against the audit. After having conducted its own review, which did not give raise to any objections, the Supervisory Board noted the annual financial statements prepared by the Management Board, the consolidated financial statements of the Group, the management reports of Bertrandt AG and the Group and the auditors' report with consent, and approved the annual financial statements and the consolidated financial statements. Thus, the annual financial statements were adopted and the consolidated financial statements approved at the same time. The Supervisory Board followed the proposal of the Management Board how to use Bertrandt AG's distributable profit for the fiscal year 2018/2019.

ACKNOWLEDGEMENT

The Supervisory Board thanks all members of the Management Board and all employees of the Bertrandt Group in Germany and abroad for their work in the year under review. Our special thanks are due to the Supervisory Board members who resigned from their office on 20 February 2019. Their considerable expertise and great commitment were a valuable contribution to the Company's development in the past years.

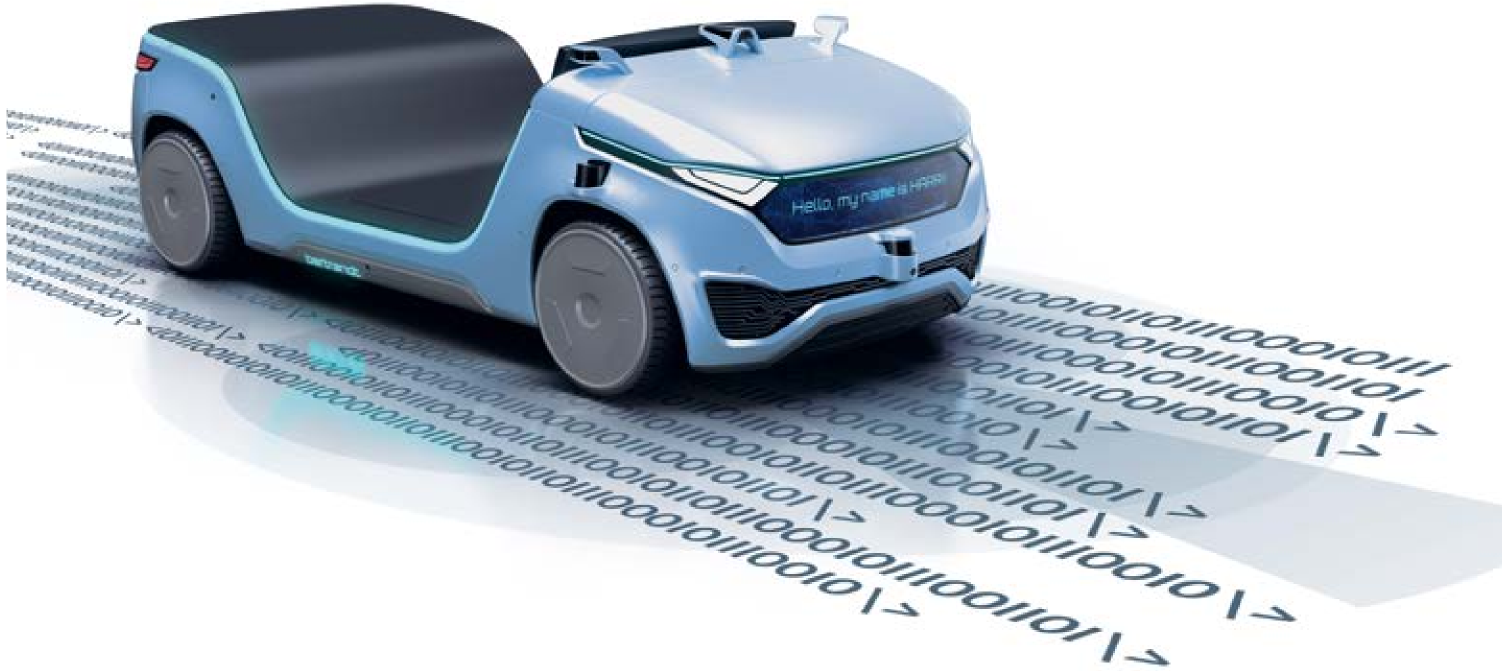
Ehningen, 9 December 2019

DIETMAR BICHLER
Chairman of the Supervisory Board

2020
Looking to the future

Concentrated competencies
HARRI IN LAS VEGAS

HARRI is set to discover America in January 2020. Bertrandt will be present at the Consumer Electronics Show (CES) in Las Vegas for the first time, where its HARRI innovation platform will be showcasing the Company's the technological capabilities along the entire value chain for future mobility concepts. This is an opportunity for Bertrandt to demonstrate with autonomous, electrified and connected driving its competencies in the realisation and combination of current trend topics in the market.



HARRI demonstrates to our customers that we are a professional partner with in-depth technical know-how for every conceivable future mobility concept. We not only cover specific vehicle development components, but the entire spectrum. This means that Bertrandt can develop a complete vehicle, not just its parts. What is more, we also demonstrate that we have mastery of the trend topics currently in demand in the market – digitalisation, autonomous driving, connectivity and electromobility – and combine them in practice.

PETER SCHIEKOFER, Director Engineering
Autonomous Driving/eMobility/HMI

Innovations
THE TECHDAYS: FOCUS ON BUILDING BLOCKS FOR INTELLIGENT MOBILITY

Bertrandt presented the latest innovation projects on site at the TechDays in Regensburg in October 2019. Our experts used the opportunity to give visitors insights into various software solutions used for autonomous driving, electromobility and connected cloud computing.

The investments in innovation projects play an extremely important role at the Regensburg location. "We reinvest around 5 percent of planned total sales revenues in just such projects. Customers value the expert know-how of our interdisciplinary teams. Our innovations are also important building blocks for the intelligent mobility of the future," says Managing Director Christian Ruland.

One example which was presented at the TechDays 2019 was a project for the field-oriented control of multi-phase motors, which enabled Bertrandt to prove its high level of competence in the field of e-mobility.

The autonomous driving team also made outstanding technological progress, which it demonstrated by showcasing reliable, centimetre-precise localisation of a vehicle.

New location
NUREMBERG WILL GROW

Since October 2019, Bertrandt has had a new location in Nuremberg. This location focuses on electrical drive technology and networked systems. The new location will kick off with around 60 employees. Over the next few years, the Company envisages expanding to a total of around 200 people.

One of the key areas of work at the new location will primarily be the development of power electronics and e-machines in all performance classes. The location will also offer services such as support for requirement management and mechanical and electronic functional development. Design, hardware and software development, simulation or testing are also on the cards.

Investments

FUTURE-PROOF INVESTMENTS FOR NEW MOBILITY CONCEPTS

The most important investments in the 2019/2020 fiscal year included the construction of a Bertrandt Powertrain Solution Center in Wolfsburg and Munich. The primary aim is to build on the range of services in test procedures for type approval of motor vehicles in the area of exhaust emission limits for new passenger cars as a service for the automotive industry. As part of these exhaust emissions tests, a passenger car has to go through various test procedures in order to obtain type approval.

These test procedures are basically divided into the Real Driving Emissions (RDE) test procedure, which uses the Portable Emissions Measurement System (PEMS), and the Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP).

By producing its own chassis dynamometers, Bertrandt aims to shift large parts of the RDE procedure from the road on to its in-house rollers.

Test runs of all drive variants are possible in our Bertrandt Powertrain Solution Center. The buildings will be built to energy-efficient standards. These investments are therefore highly future-proof.

Medical technology

BERTRANDT CERTIFIED FOR MEDICAL TECHNOLOGY

The establishment in the 2018/2019 fiscal year of Bertrandt's Medical GmbH will enable the Company to expand its medical technology activities and to set a clear signal for the future of this promising segment.

In order to document in the industry that Bertrandt fulfils both the high regulatory and normative requirements and the stringent safety and quality requirements at all times, the new subsidiary will be certified in January 2020 by the German technical inspection association TÜV according to the QM standard (ISO 13485) for medical technology. This certification, which is already mandatory for the manufacturers of medical technology products but not for service providers, will be obtained voluntarily and at the Company's own initiative. Despite this, customers increasingly expect this quality standard to be met and this certification underlines Bertrandt's expertise in this field.

Smart Factory

CLIFE MAKES THE SMART FACTORY MORE EFFICIENT

CLIFE (Cloud Live Integrated Factory Environment) is a web application which has been developed by Bertrandt Development GmbH in line with state-of-the-art requirements to display static and dynamic real-time data on the so-called digital twin of the smart factory.

Performant, i.e. reliable, readings of static or dynamic data are efficiently pre-processed and displayed, according to requirements or event driven, on the digital twin of the respective machine or component. The system is operated on the web interface and can consequently be used either on premises, i.e. locally, or in a cloud.

Its modern and future-oriented architecture means that CLIFE is compatible with all operating systems and can therefore be used immediately with any device. The CLIFE architecture is based on Microservices and enables solutions which can be adapted quickly to the most diverse of requirements; from 2020 onwards it will be the basis of all further elements of our range of services for Industry 4.0.

AI system

BERTRANDT DATA LABELER AS SOFTWARE FOR ARTIFICIAL INTELLIGENCE

“Data is the new oil of the digital world” and this is especially true of so-called ground truth information – extremely precise reference data – which is critical for the successful development of AI systems in all branches of industry.

In the automotive industry, for example, it is estimated that more than 100 terrabytes of data are recorded per vehicle and per day during the testing of current autonomous driving systems. This large volume of data is needed in order to reach the required validation standard. Several hundred million camera images are needed for camera-assisted AI systems, for example.

Bertrandt is developing technologies for the performant administration and analysis of these volumes of data. 2020 will be the year in which we make decisive progress in the further development of these technologies with the “Bertrandt Data Labeler”.

The main features of this software are its user-friendly operating concepts, horizontal and vertical scalability according to customer requirements, and automation of the annotation process with AI algorithms at its core. This will enable Bertrandt to map consistent effect chains for its customers to achieve maximum time and cost efficiency.

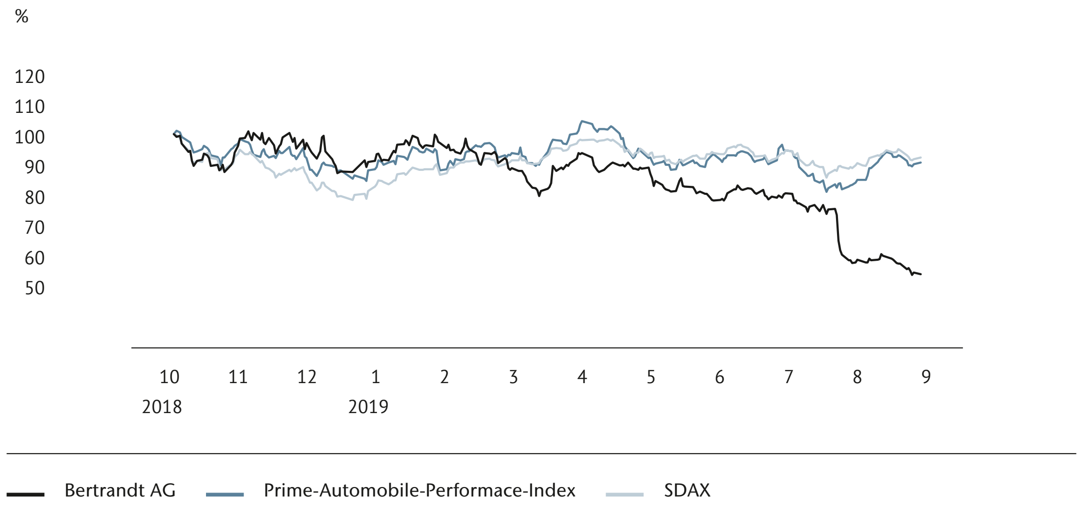
INFORMATION ON THE SHARE

TABLE 04

First trading day	1 October 1996
Ticker symbol	BDT
ISIN	DE0005232805
WKN	523280
Issued share capital (EUR)	10.143.240 EUR
Number of shares	10,143,240 number
Market segment	Prime Standard
Stock exchanges	Xetra, Frankfurt, Stuttgart, Berlin, Hamburg, Düsseldorf, Munich
Index	SDAX

SHARE PRICE IN COMPARISON

CHART 05



Bertrandt on the capital market

The global economy is contracting, with subdued growth in almost all economies for the past 12 months according to German bank M.M.WARBURG & CO. Intensifying uncertainty over the future trade relationship between the USA and China, and persistent Brexit uncertainty are the main drivers of the slowdown. While growth rates in Europe were particularly affected, economic growth in the USA has only seen a moderate decrease so far. Export values in particular have been declining in most countries in the most recent quarters. As exports are of relatively minor importance in the US economy, the weakening of world trade has had little effect on the USA thus far. However, according to M.M. Warburg, most leading indicators also point to a downturn in the US economy in the next quarters. Deteriorating economic conditions in fiscal 2018/2019 for companies worldwide were increasingly reflected in share price developments in global stock market indices, although M.M. Warburg's experts say that monetary policy was significantly more expansionary in 2019. Of the close to 40 observed central banks, 23 lowered their interest rates and only three banks raised their rates. While these lower central bank interest rates helped to improve financing conditions for businesses and consumers, this monetary policy approach entails greater risks for investors as yields on secure government bonds have continued to fall.

KEY FIGURES OF THE BERTRANDT SHARE

TABLE 06

	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Earnings per share (EUR)	3.86	4.69	4.35	6.30	6.21
Dividend per share (EUR)	1.60[3]	2.00	2.50	2.50	2.45
Share price on 30 September (EUR)[1]	41.35	79.55	85.18	97.01	93.23
Share price, high (EUR)[2]	80.65	109.30	107.00	115.00	138.70
Share price, low (EUR)[2]	40.80	76.40	67.28	82.80	85.25
Shares outstanding on 30 September (number)	10,143,240	10,143,240	10,143,240	10,143,240	10,143,240
Market capitalisation on 30 September (EUR million)	419.4	806.9	864.0	984.0	945.7
Book value per share on 30 September (EUR)	41.08	39.32	37.10	35.29	31.58
Cashflow from operating activities per share (EUR)	7.13	2.68	4.16	8.94	3.64
Average daily trading volume (number)	7,716	14,843	31,201	25,373	26,166
Total payout (EUR million)	16.2	20.3	25.4	25.4	24.9
P/E ratio	11.24	17.0	19.6	15.4	15.0

[1] Closing price in Xetra trading on 30 September or the last trading day of the fiscal year.
[2] In Xetra trading.
[3] Dividend proposed by the Management and Supervisory Board.

The increasingly challenging economic environment has also become apparent in the performance of German stock market indices. Thus, after starting the 2018/2019 fiscal year at 12,339 points, the German blue-chip stock market index DAX began to fall, owing to the growing uncertainties in the market, and hit its low of 10,382 points on 27 December 2018. For the rest of the reporting period, it was volatile. On 4 July 2019, the index climbed to its high for the reporting period of 12,630 points and closed on 30 September 2019 with 12,428 points. The SDAX was also volatile in fiscal 2018/2019, starting the year at 11,905 points, which was its high for the reporting period. The index subsequently fell and closed at its low of 9,357 points on 2 January 2019. At the end of Bertrandt's fiscal year, the SDAX closed at 11,027 points. The Prime Automobile Performance Index opened the first trading day of the fiscal year 2018/2019 at 1,427 points. After hitting its high of 1,488 points on 18 April 2019, it fell to its low of 1,150 points on 15 August 2019 and closed at 1,291 points on 30 September 2019.

→ CHART 05

3,86

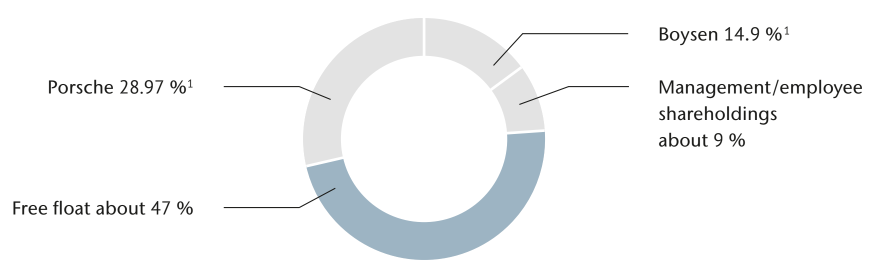
euros earnings per share in fiscal 2018/2019.

THE BERTRANDT SHARE – SHARE PRICE DEVELOPMENT

The uncertain and challenging underlying economic conditions affecting German stock market indices in general also impacted the Bertrandt share price throughout fiscal 2018/2019. On 1 October 2019, the share hit its high of EUR 80.65 for the reporting period and closed in Xetra trading at EUR 78.00. However, this trend was halted by the general clouding of the economic horizon in the wake of growing uncertainty in capital markets about the global economy in general and the automotive industry in particular. The share was unable to resist this trend: Its price continued falling through to the end of the fiscal year and, not least because of the profit warning, closed at its low for the reporting period of EUR 40.80 on 26 September 2019. On 30 September 2019, the Bertrandt share closed at EUR 41.35.

SHAREHOLDER STRUCTURE

CHART 07



[1] All data is based on disclosures made to the company pursuant to Section 21 et. seq. WpHG. As of 30 September 2019

ANALYST RECOMMENDATIONS*

TABLE 08

Bank	Target for the share in EUR	Recommendation
B. Metzler seel. Sohn & Co. KGaA	48	Hold
Bankhaus Lampe KG	46	Hold
Joh. Berenberg, Gossler & Co. KG	53	Hold
Deutsche Bank AG	50	Hold
DZ Bank AG	50	Hold
Hauck & Aufhäuser Privatbankiers AG	50	Hold
Landesbank Baden-Württemberg	84	Buy
M.M.Warburg & CO KGaA	54	Hold

* To the extent this annual report reflects or relates to analyst' estimates, the Company does not endorse, nor are they hereby evaluated or commented in any way, nor is there a claim for completeness made in this respect.

The average daily trading volume considerably decreased to 7,716 shares (previous year 14,843 shares). After 30 September 2019, the share price recovered again.
→ TABLE 06

STABLE SHAREHOLDER STRUCTURE

As at the date when these consolidated financial statements were prepared, shareholdings in Bertrandt AG broke down as follows: A share of 28.97 percent of the shares was held by Porsche AG, Stuttgart, Germany. Another 14.9 percent were held by Friedrich Boysen Holding GmbH, with registered offices in Altensteig, a subsidiary of Friedrich Boysen Unternehmensstiftung. Management and staff held around nine percent of the shares, while free float amounted to around 47 percent.

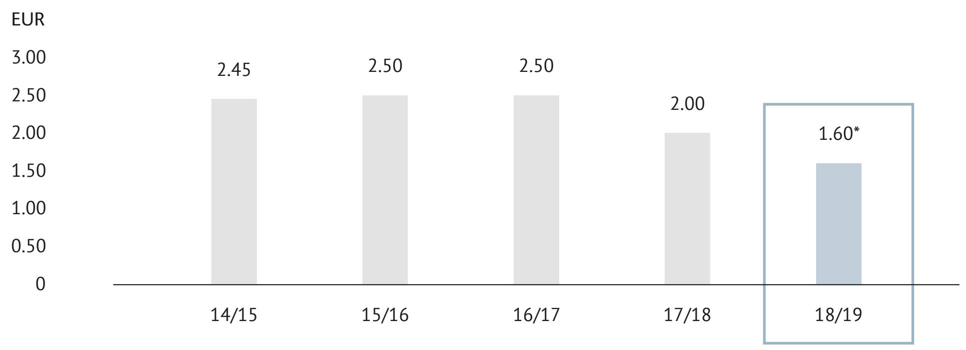
47

percent is the current free float.

Notifications of voting rights pursuant to the German Securities Trading Act are published in the Investor Relations section of Bertrandt's website.
→ CHART 07

DEVELOPMENT OF THE DIVIDEND

CHART 09



* Dividend proposed by the Management and the Supervisory Board.

HOLD RECOMMENDATION BY MAJORITY OF ANALYSTS

The Bertrandt share has been observed and regularly evaluated by well-known analysts for many years. Bertrandt's business performance is currently evaluated by eight analysts who issue recommendations and targets for the Bertrandt share. Analysts' assessments are published in the Investor Relations section of Bertrandt's website.
→ TABLE 08

CURRENT TECHNOLOGY TRENDS IN FOCUS OF 14TH CAPITAL MARKET DAY

Bertrandt invited representatives from banks, analysts and journalists to the Company's fourteenth Capital Market Day in Ehningen on 6 June 2019. As in the past, two renowned guest speakers were present, who discussed current technology trends: Dr Richard Viereckl, Senior Vice President PwC Strategy& shared his insights on 'Challenges and Trends in the Automotive Industry 2019'. Peter Schiekofer, Head of Autonomous Driving and Connectivity Bertrandt AG, talked about 'Autonomous driving – competencies and capabilities at Bertrandt". The two contributions were rounded off by a joint presentation by Markus Ruf, Board Member Finance, and Michael Lücke, Board Member Sales, about Bertrandt AG's current business performance. The Capital Market Day closed with a guided tour of the new high-voltage battery test centre.

1.60

euros was the dividend proposed to the annual general meeting by the Management Board and Supervisory Board.

PROPOSED DIVIDEND EUR 1.60 PER SHARE

The Bertrandt Group has always pursued an appropriate and consistent dividend policy. The Management and Supervisory Boards will be asking the shareholders to approve a dividend of EUR 1.60 per share at the annual general meeting on 19 February 2020. The dividend is somewhat higher than the 40 percent payout ratio communicated/implemented by the Company. In this way we would like to thank our shareholders for their investment in our Company and the confidence they place in us.
→ CHART 09

Detailed and up-todate information on the Bertrandt share is always available on our website.

→ INVESTOR RELATIONS

EXTENSIVE INVESTOR RELATIONS ACTIVITIES

A key component of Bertrandt's corporate policy involves transparent, comprehensive and timely capital markets communication with institutional and private investors, analysts as well as the media. In so doing, the Group seeks to position its share as a long-term investment and, to this end, complies with the high transparency requirements of the Prime Standard of Deutsche Börse as well as nearly all of the recommendations of the German Corporate Governance Code.

In the fiscal year 2018/2019, Bertrandt kept institutional investors and analysts up to date at several conferences and road shows in the finance centres in Europe and informed them about the group's business performance. Bertrandt presented itself to potential and existing institutional and private investors at 15 roadshows in Germany, France, Switzerland and the UK. The Management Board was closely involved in the investor relations activities. Moreover, Bertrandt again organised visits to the location in Ehningen. In addition, the annual press and analyst conference on 13 December 2018 provided information about the Company's business performance to journalists and representatives of financial institutions. The Company's communication focuses on presenting Bertrandt's business model, the Company's strategic orientation as well as explaining the technical and business management background.

BERTRANDT'S WEBSITE

Bertrandt uses the internet as a communication platform to provide all interested parties with comprehensive information on the Company. Information on the group is published in due time in the Investor Relations section of Bertrandt's website in both German and English. In addition to information on the Bertrandt share, basic information, current analysts' recommendations and the financial calendar are published on the website.

Corporate Governance

DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 AKTG

The declaration of conformity required according to Section 161 of the German Stock Corporation Act (AktG) and dated 23 September 2019 is available on the Company's website at "https://www.bertrandt.com/fileadmin/files/files/00_Unternehmen/01_Investor_Relations/05_Corporate_Governance/GJ_18-19/2019_Entsprechenserklaerung_gemaess___161_AktG__23.09.2019_Bertrandt_DE.pdf" in the corporate governance section under "Financial year 2018/2019", and has been published since the first release indicated.

REPORT PURSUANT TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

On 23 September 2019, Bertrandt AG submitted the declaration pursuant to Section 161 AktG for the current year stating whether the Company has conformed and is conforming to the recommendations of the German Corporate Governance Code (GCGC) or which recommendations were or are not applied. The declaration is reproduced in our annual report for fiscal 2018/2019 as part of the corporate governance declaration (pursuant to Section 289f of the German Commercial Code, HGB) in the Group management report and is also published at "https://www.bertrandt.com/fileadmin/files/files/00_Unternehmen/01_Investor_Relations/05_Corporate_Governance/GJ_18-19/2019_Entsprechenserklaerung_gemaess___161_AktG__23.09.2019_Bertrandt_DE.pdf".

The basic principles of Bertrandt's corporate governance are determined by the duties as stipulated by the German Stock Corporation Act:

MANAGEMENT BOARD

The Management Board has direct responsibility for the management of Bertrandt AG and represents the Company. It currently comprises three persons. Notwithstanding the overall responsibility of the Management Board as a whole, specific tasks are assigned to the individual members in accordance with a schedule of responsibilities. One key management duty is the observance of statutory requirements, corporate guidelines and ethical principles (compliance). The members of the Management Board are exclusively bound to act in the Company's best interest. Substantial business transactions require the Supervisory Board's approval.

SUPERVISORY BOARD

The Supervisory Board of Bertrandt AG comprises six members, of whom four are shareholder representatives elected at the annual general meeting. Two members, the employee representatives on the Supervisory Board, were and are voted by Bertrandt employees. The most recent election of the Supervisory Board members took place at the conclusion of the annual general meeting on 20 February 2019. The Supervisory Board currently consists of the shareholder representatives Dietmar Bichler, Udo Bäder, Horst Binnig and Prof. Dr-Ing. Wilfried Sihn. The employee representatives on the board are Michael Schmidt and Marianne Weiß.

The Supervisory Board monitors the Management Board and is responsible for appointing its members. To perform its duties in an effective and efficient manner, the Supervisory Board has formed a Human Resources and an Audit Committee.

The members of the Audit Committee are Udo Bäder, Dietmar Bichler and Horst Binnig. All Audit Committee members are familiar with the industry in which the Company operates. The Supervisory Board has appointed Udo Bäder as an independent Supervisory Board member with accounting and auditing expertise (so-called "financial expert") according to Section 100(5) German Stock Corporation Act (AktG). Udo Bäder is also chairman of the Audit Committee. The Human Resources Committee currently consists of Dietmar Bichler, Horst Binnig and Prof. Dr-Ing. Wilfried Sihn. Dietmar Bichler is chairman of the Human Resources Committee. The Human Resources Committee simultaneously assumes the role of the Nomination Committee. Intensive and ongoing communication takes place between the Management Board and the Supervisory Board. The Management Board informs the Supervisory Board in a timely and comprehensive manner and on a regular basis of matters especially concerning corporate strategy, the course of business, the Group's financial position (including the risk situation and risk management activities as well as compliance) and corporate planning and the Company's orientation. The Audit Committee also discusses the half-year report and the quarterly reports with the Management Board. Further, the Audit Committee deals with the appointment and independence of the auditor.

In particular, the Audit Committee represents the Supervisory Board in negotiating and deciding upon giving prior agreement to non-audit services provided by the auditor, which is required under national and directly applicable EU legislation. There are certain services for which the Audit Committee may provide prior agreement.

ANNUAL GENERAL MEETING

The shareholders of Bertrandt AG use their rights at the annual general meeting, exercising their voting rights. Each share has one vote. There are no shares with multiple, preferential or maximum voting rights. At the annual general meeting, the shareholders pass resolutions in particular on such matters as the appropriation of profits, discharging the Management Board and Supervisory Board from their responsibilities, and they appoint the shareholder representatives for the Supervisory Board and the auditor.

Shareholders are notified of important dates on a regular basis by means of a financial calendar, which is published in the annual report, the quarterly reports as well as on the Company's website. As a matter of principle, the Chairman of the Supervisory Board chairs the annual general meeting. Bertrandt AG offers its shareholders the service of a proxy voter bound by instructions.

Ehningen, 9 December 2019

The Supervisory Board	The Management Board
DIETMAR BICHLER Chairman **HORST BINNIG** Deputy Chairman	**HANS-GERD CLAUS** Member of the Management Board **MICHAEL LÜCKE** Member of the Management Board **MARKUS RUF** Member of the Management Board

B

Group management report

The Group – General information

BUSINESS MODEL AND STRATEGY

As one of Europe’s leading engineering partners, Bertrandt has been devising specific and tailored solutions with customers at 57 locations in Europe, Asia and the United States for over 45 years now. Our services for the automotive and aerospace industries include all process steps in the project phases of conceptual design, CAD, development, design modelling, tool production, vehicle construction and production planning right through to start of production and production support. In addition, the individual development steps are validated by simulation, prototype building and testing. This means that we implement collaborative projects of different sizes at our technology centres in the immediate vicinity of our customers. The technology centres provide dedicated design studios, electronics labs as well as testing facilities. Our customer base comprises nearly all European manufacturers as well as a large number of system suppliers. We also provide technological services outside the mobility industry in such forward-looking sectors as energy, medical technology, electrical engineering as well as machinery and plant engineering throughout Germany. Throughout consistency, reliability and investing in infrastructure and technical equipment all contribute to growing customer relationships. These are key success factors for Bertrandt.

CORPORATE SOCIAL RESPONSIBILITY

Managing the Company’s business sustainably, including non-financial aspects, is an integral part of Bertrandt’s business model. The separate Corporate Responsibility Report for Bertrandt AG is available in digital format, as a navigable PDF. The report provides information on the economic, ecological and social impacts of the Group’s business activities in fiscal 2018/2019. It covers the aspects of sustainability and corporate social responsibility, as well as non-financial aspects according to Sections 315b and 315c in conjunction with Section 289c to 289e of the German Commercial Code (HGB). The Corporate Responsibility Report is available on Bertrandt AG’s website in the investor relations/ financial reports section.

BASIS OF THE BUSINESS MODEL

Spurred by shorter lead times and new technologies, the complexity of individual mobility solutions in the automotive and aerospace sectors, but also in other industries, is constantly increasing. Trends towards environmentally friendly individual mobility, autonomous and connected driving, an increasing variety of models and variants of vehicles or Industry 4.0, for example, require detailed technical know-how and integrated thinking throughout product development. We consider ourselves an active contributor to the development of the technologies of the future and are therefore constantly adapting our range of services to customer needs and changing market conditions. By linking up disciplines and further developing our know-how we secure our position as one of the leading European partners on the market for engineering services. In light of an ongoing consolidation of the industry and growing diversity of customers and their needs and issues, Bertrandt is also looking at inorganic growth opportunities. The engineering expertise Bertrandt has built up over many years of activity in the mobility industries provides a firm foundation upon which the Company can realise and take forward customised development solutions in new sectors. The most significant market trends that drive Bertrandt’s success are the following:

ENVIRONMENTALLY FRIENDLY AND INDIVIDUAL MOBILITY

The electrification of the vehicles of the future continues to play an important role in reducing local emissions. This is achieved in two ways: First, emissions are reduced significantly by combining the mature technology of the combustion engine with the high efficiency of the electric motor in hybrid drive systems. Second, progress in battery technology has also made the electric drive a realistic option for mobility in the future. Truck and bus OEMs in particular are working in this direction and are redoubling their efforts to develop fuel-cell drives which generate electrical power on board the vehicle in a chemical reaction between oxygen and hydrogen.

Legislators will play an important role in spreading these new drive technologies. This is the outcome of the “FAST 2030” study conducted by the VDA in cooperation with Oliver Wyman. CO_2 emission standards are becoming more stringent worldwide. Passenger cars in the European Union have been subject to CO_2 regulations since 2009, for instance. The average emissions of all a manufacturer’s newly registered vehicles must not exceed a statutorily defined grams CO_2 per kilometre and vehicle limit. The limit for passenger cars will be reduced from its current 130 grams CO_2 to 95 grams CO_2 per kilometre by the year 2021. This is equivalent to an average consumption of 3.6 litres of diesel or 4.1 litres of petrol per 100 kilometres. Countries such as the USA or China have set similar environmental targets. Some countries even plan to ban combustion engines in the long-term, for example Norway, starting 2025; the Netherlands, starting 2030 and also France and the UK, starting 2040.

All the players in the German car industry are therefore investing a great deal of effort in the development of alternative drives as electric vehicles can make an important contribution to emission avoidance and environmental protection. In its July 2019 study, the VDA forecasts that OEMs and suppliers will be investing around EUR 40 billion in the development of alternative drive technologies in the next three years. This will result in a compelling model initiative: According to the VDA, the model range offered will increase fivefold to more than 150 electric models by 2023.

150

electric models will be introduced into the market by the year 2023 according to the VDA.

AUTONOMOUS AND CONNECTED DRIVING

In the past ten years, technical innovation in the field of connected and autonomous driving has made continuous progress, according to a study conducted by the Center of Automotive Management CAM in cooperation with the trade journal carIT. According to the current CAM analysis, connected car innovations (CCI) in 2018 in the fields of assistance and safety systems, operating and display concepts, as well as information and communication systems involved 649 new concepts and thus remained at the level of the previous year. CCI therefore accounted for more than 53 percent of all OEM innovations worldwide.

In the premium segment, models are already equipped with partially automated functions of longitudinal and transverse guidance, although it is still the drivers’ responsibility to control the vehicle and keep their hands on the wheel. The new technologies of highly automated driving which are currently being developed will allow drivers to delegate responsibility for vehicle control to the system and to engage in other activities. To bring these technologies to market, OEMs and suppliers will be required to make progress in their development activities, as a study by the Heinrich Böll Foundation has found. This concerns e.g. hardware and software components such as the different sensors, processing capacity, human-machine interfaces, software platforms used, connection of sensors and high-resolution map data for exact positioning and artificial intelligence for improving software algorithms.

Experts at Berylls Strategy Advisors expect that in their efforts to bring these technologies to the market in the near future, OEMs and suppliers will make greater use of the development competence offered by technology partners such as Bertrandt. This is why the consulting firm forecasts a high potential for growth for development partners in the markets of connected and autonomous driving.

DIVERSITY OF MODELS AND VARIANTS

Module and platform strategies as well as common parts enable carmakers to offer a broad range of vehicle variants. Scale effects across several models and model series mean that automotive manufacturers produce variants that are profitable even in small numbers. The ultimate goal of this strategy is to cover major portions of the global market including smaller niches. As emission standards become ever more stringent, many OEMs are focusing their technology development more on e-mobility. Against this backdrop, medium-term model plans are often being updated to develop models with alternative powertrains. In a study published in October 2019, the VDA forecasts a fivefold increase in the range of electric models to 150 by the year 2023. Although the focus of attention currently is on electromobility, other drive technologies, such as the hydrogen and fuel cells or climate-neutral synthetic fuels will continue to be discussed according to experts at the VDA. The adaption of different drive variants offers business opportunities to engineering service providers in addition to vehicle development in its own right according to a study conducted by experts at Berylls.

INDUSTRY 4.0

The expression “Industry 4.0” stands for the complete digitalisation and integration of the industrial value chain. Combining information and communication technologies with automation and connecting them in the Internet of Things and Services will enable higher degrees of connectivity of and between production facilities from the supplier up to the customer. Digitalisation, or more specifically digitisation, i.e. the transformation from analogue to digital, will bring about a fundamental change in business processes. Besides strong connectivity between people and objects, it enables many innovations which lead to changes across all industries. This development depends on the digital implementation, processing, storage and transmission of all kinds of information. This will be the basis for a new level of organisation and control of the entire value chain along the life-cycle of products.

The resulting change experienced by companies means that they will be able to optimise their production processes and make them more flexible due to greater transparency. The capacity utilisation of machinery and customer-specific product combinations can be improved, or even implemented for the first time.

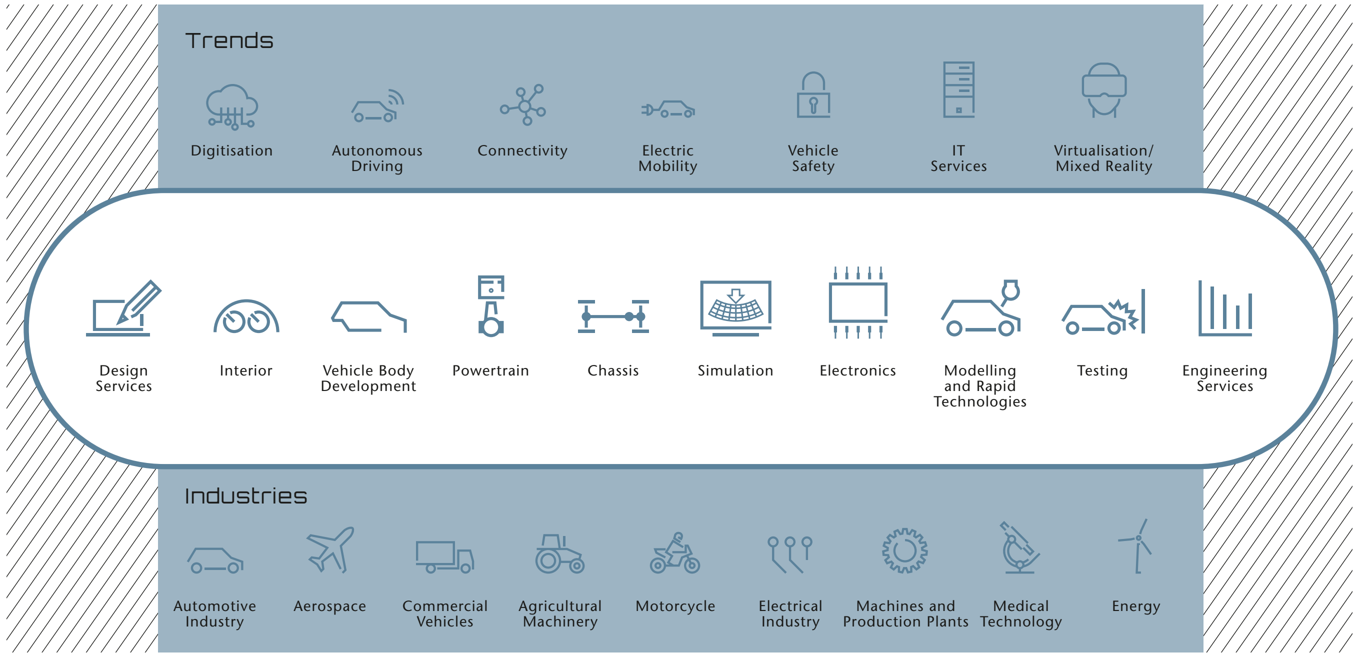
In its most recent study, consulting firm Strategy& analysed the potentials which digitalisation offers to the German economy. According to the study’s findings, the surveyed German companies expect their sales revenues to increase by EUR 276 billion between now and the year 2023. The managers surveyed believe that artificial intelligence has the greatest future potential because it will provide a better basis for making operational decisions.

Product and service range

Bertrandt’s comprehensive range of products and services provides each customer with customised and all-in solutions along the entire product engineering process. As one of Europe’s leading engineering specialists, Bertrandt is a reliable partner when it comes to meeting current and future challenges across all engineering project stages. All the expertise of the entire Company is available to customers through their local Bertrandt subsidiary, because Bertrandt’s Competence Centre structure is replicated throughout the Group. The wide range of services delivered by local subsidiaries includes specialist services, general services and development of components, modules and vehicle derivatives.

BERTRANDT RANGE OF SERVICES

CHART 10



SPECIALIST SERVICES

Specialist know-how relating to every step of the development process is key to our ability to deliver the best possible results to our customers. The high level of expertise of our specialists, their years of experience and the fact that we foster interdisciplinary cooperation at Bertrandt enable us to deliver optimum performance in each individual area. Our specialist services are available individually for very specific missions or are combined for the purpose of module and system development. We are also expanding our competencies in the fields of virtual and augmented reality, cloud solutions, machine learning and big data.

GENERAL SERVICES

In addition to the actual development process, many complementary tasks are managed along the development value chain. Whether project management, quality management, supply chain management, or the documentation of the entire project – Bertrandt has a comprehensive service offering. This is how we effectively support customers so that they can focus on their core business.

MODULE AND DERIVATIVE DEVELOPMENT

Bertrandt continually adjusts its range of services to meet the changing needs of its customers. As OEMs are increasingly focusing on their core business, more complex development tasks are contracted out to external partners. Because of our many years of experience in the industry and the specialists we employ, we possess the know-how required for component and module development through to complete derivative development.

When we take on project responsibility in development tasks, we will, for example, manage all the interfaces between the customer, the system suppliers and Bertrandt, and we will control quality, costs and deadlines.

Find out here how we can help our customers to develop their products with a broad range of knowhow and enormous flexibility.

→ RANGE OF SERVICES

Competence centres at Bertrandt

More than 40 years of collective, group-wide expertise is available to customers locally through Bertrandt's subsidiaries. Bertrandt's Competence Centres manage and coordinate key engineering areas. At the same time, the Competence Centres link up and further develop the host of expertise present at Bertrandt. In this way, we can find the right solutions for individual customer needs.

DESIGN SERVICES/DESIGN MODELLING AND RAPID TECHNOLOGIES

Design means linking up form and function with emotion. It plays a key role in the development process of cars and aircraft, and is a decisive factor in the customer's decision to buy particular product. To ensure that the components interact perfectly, Bertrandt offers various types of design services/design modelling and rapid technologies – on paper, in a virtual environment or as a model. Our customers define the objectives, Bertrandt supports them in their active and creative implementation – and uses virtual reality to turn visions into tangible reality. Always at the cutting edge of the very latest developments. After all, our engineers not only use conventional tools but also employ ground-breaking new technologies such as 3-D visualisation. They also work as research partners for universities.

VEHICLE BODY DEVELOPMENT

Vehicle body development is marked by future CO_2 emissions limits, weight reduction in modern cars and aircraft using lightweight design, material expertise in composite materials, high-strength steel and aluminium, and the latest developments in lighting and visibility. Bertrandt offers its customers competent and promising solutions for future challenges in vehicle body development. Our deep and broad spectrum of services in this field is based on our three core areas: body-in-white, exterior and interior.

INTERIOR DEVELOPMENT

The development of the interior plays a key role in the process of producing new cars and aircraft. Whether for seats or in the cockpit – car manufacturers are increasingly using interior design elements and surface textures as differentiating features. Interior design is characterised by the interior's ergonomics, comfort, safety and functionality. Complex components and modules, such as the dashboard, interior trim parts (hard and soft trim), or complete seat units are therefore designed and developed by Bertrandt from start to finish. From the idea to the optimum solution.

ELECTRONICS DEVELOPMENT

Even today, software and electrical and electronic components contribute a high proportion of the added value in vehicle development, owing to the key role played by mechatronics and electronics with regard to functionality, safety and mobility. The car of the future will require even more technology and innovation, even more electrical systems and electronics. The complexity of the requirements in automotive development is increasing. Electronics in vehicles, the complete product development process – from the requirement and the development, through to the integration and validation of at the level of individual components, systems and complete vehicles. Bertrandt offers these development steps for almost all areas of vehicle electronics. This includes both classic elements such as infotainment, comfort, chassis and onboard networks, etc. as well as the current and new challenges associated with electrified driving and vehicle connectivity (Car2X) for driver assistance systems, autonomous driving, online services/apps and infrastructure/IT.

POWERTRAIN DEVELOPMENT

Rising demands for driving dynamics accompanied by low exhaust emissions and lower fuel consumption – these are the challenges for engine and powertrain development. The main innovation drivers are new and alternative powertrain concepts, for example hybrid and electric drive systems, but also the further development of existing engine concepts. Especially in the fields of combustion engines and hybrid and electric vehicle technology, development service providers need to prove that they have interdisciplinary expertise. Key strengths of Bertrandt's are component and assembly development, thermodynamics, engine management and thermal management. Bertrandt offers individual and tailored solutions – focusing on engine applications, treatment of exhaust, reduction of emissions, downsizing and electrification of the powertrain.

CHASSIS DEVELOPMENT

The influence of the chassis on dynamic handling and ride comfort plays a key role in the characteristics of the vehicle. The increasing use of electronic drive control and driver assistance systems requires strong integration of electronics development into the development process. Not least, energy efficiency and the minimisation of power losses in the chassis have a significant influence on the CO_2 reduction potentials in the vehicle. We offer solutions for all chassis-related sub-processes to our customers from the development of mechanical and mechatronic components through to the design and testing of chassis characteristics. Bertrandt is also a reliable partner in the field of axles, steering and brakes.

SIMULATION

In order to meet our customers' demands for shorter development periods the development process at Bertrandt takes the form of simultaneous engineering. The systematic application of virtual CAE methods allows our simulation engineers to set the direction even in the early development stages for achieving the functional objectives, such as crash performance, occupant protection, stiffness and comfort quality. The Competence Centre simulation focuses on the virtually driven development and reliable performance to attain functional targets.

TESTING/TRIALS

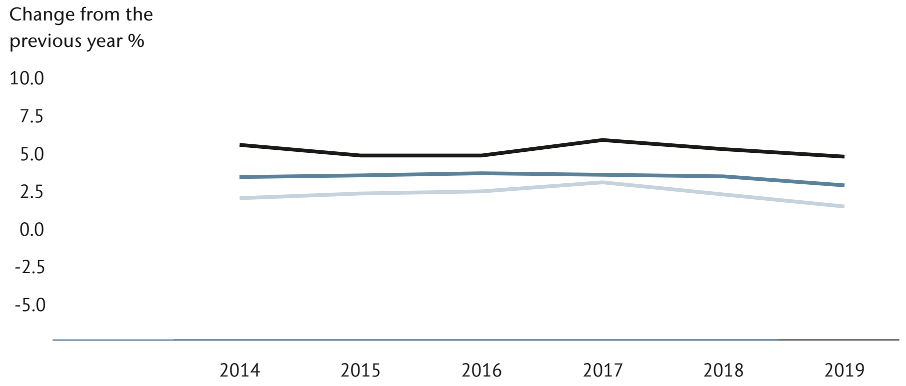
Sustainability calls for the development of new realities and solutions. In order to ensure an optimum and ground-breaking result for our customers, Bertrandt examines, tests and validates ideas and solutions in a manner that is close to reality and uncompromising – and extremely inventive when it comes to the development of new and extremely rigorous testing procedures and systems: with a clear objective and promise to support customers with know-how and ground-breaking testing systems – from the initial concept right through to the testing of complete vehicles. The better and the earlier the product can be accurately and reproducibly tested, and validated, the shorter the development cycle becomes, thus minimising costs and optimising cost-effectiveness. No matter whether it is a question of functional testing and endurance tests, environmental simulation, the testing of tank systems, SHED measurements or complete vehicle testing – Bertrandt is a highly sought-after partner in all disciplines.

ENGINEERING SERVICES

Increasing quality requirements and high process reliability play a major role for car manufacturers and automotive suppliers. Bertrandt's engineering services meet precisely these challenges. Our range of services covers four main fields of competencies: project management, quality management, process management and logistics. We support our customers along the entire process chain including after sales. We offer support for data management, lean management, industrial engineering, production planning, logistics planning and material flow simulation.

REAL GROSS DOMESTIC PRODUCT

CHART 11



The global economic environment is challenging.
Emerging Economies — World — Europe

Source: Joint Economic Forecast Project Group, Joint Economic Forecast Autumn 2019.

Report on enconomic postition

ECONOMIC DEVELOPMENT

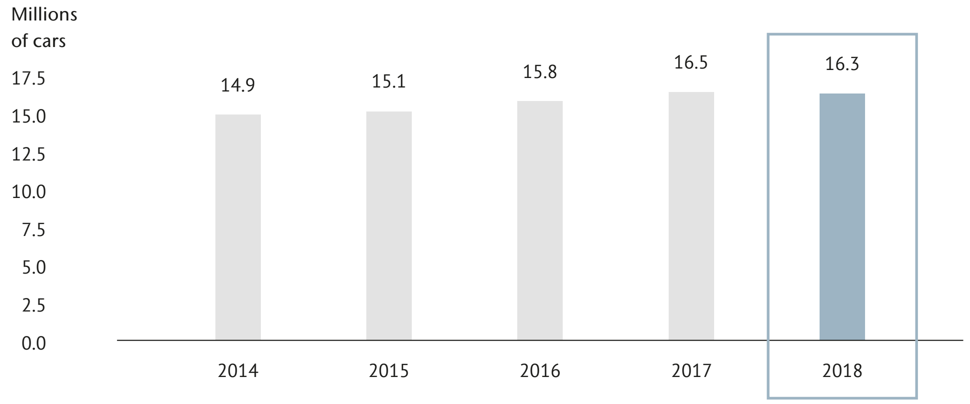
Overall global economic data deteriorated in the course of Bertrandt's fiscal year. According to the ifo Joint Economic Forecast experts, the restrictions on trade between the USA and China, as well as uncertainty regarding the imposition of new tariffs, are impairing foreign trade and discouraging investment. The September 2019 German Association of the Automotive Industry (VDA) barometer of economic activity identifies construction and services as the sole sectors supporting the economy at present.

Experts in the Joint Economic Forecast Group reported 2.9 percent GDP growth in the USA for the 2018 calendar year. China's GDP grew by 6.6 percent in 2018 while GDP in the Member States of the European Union rose by 2.2 percent. In 2018, Germany's economy grew by 1.5 percent compared to the previous year. Nonetheless, uncertainties about economic prospects grew in fiscal 2018/2019 and the outlook clouded noticeably during the course of 2019.

In their autumn report reflecting on this context, experts from the Joint Economic Forecast Project Group forecast year-on-year growth in the US economy for 2019 of just 2.3 percent. The momentum of the Chinese economy is likely to slow down to 6.2 percent growth. The forecast anticipates just 1.3 percent growth in the European Union, with Germany's GDP growing at only 0.5 percent.
→ CHART 11

GLOBAL CAR PRODUCTION OF GERMAN MANUFACTURERS

CHART 12



German car production output totalled 16.3 million vehicles in 2018.

Source: On the basis of VDA

3.4

million newly registered passenger cars are expected in Germany in 2019 according to the VDA.

DEVELOPMENT IN THE AUTOMOTIVE INDUSTRY

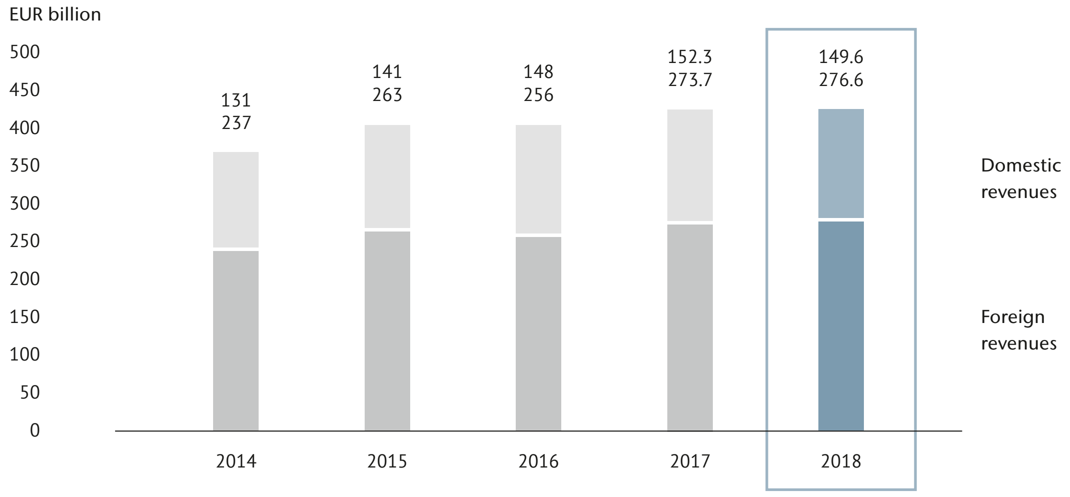
According to VDA figures, 84.2 million passenger cars worldwide were newly registered in 2018, or 0.6 percent fewer than in the previous year. In the United States of America, 17.2 million cars were newly registered, which is around 0.4 percent more than in the previous year. In 2018, 23.3 million cars were newly registered in China, which continues to be the biggest single market worldwide, although this too represents a fall of 3.8 percent. With an increase of 0.1 percent to 15.2 million newly registered cars the figures for the European Union have hardly changed in the period under review.

The largely subdued trend in the automotive industry continued right up to the end of Bertrandt's fiscal year on 30 September 2019. Numerous profit warnings were issued along with announcements of restructuring measures.

In the first three quarters of the year 2019, sales of light vehicles in the USA dropped by 1.1 percent to some 12.7 million units. The only unbroken trend in the USA in 2019 was towards larger vehicles. At a total of 15.0 million passenger cars in the first nine months of 2019, around 12 percent fewer vehicles were registered in China. Compared to the previous year, the Western European market contracted by 2 percent in the first nine months of 2019 to 11 million new registrations. The VDA anticipates around 81 million newly registered passenger cars worldwide in 2019 or four percent fewer than in the previous year.

REVENUES IN THE GERMAN AUTOMOTIVE INDUSTRY

CHART 13



The German car industry reported sales revenues of EUR 426.2 billion in 2018 according to the VDA.

Source: On the basis of VDA

A total of 3.4 million passenger cars were newly registered in Germany in 2018, which corresponds to a year-on-year drop of 0.2 percent. For the overall year 2019, the VDA expects a fall of one percent with new registrations still at just 3.4 million units. According to a survey conducted by the VDA, total sales revenues generated by the German car industry increased by 0.8 percent to EUR 426.2 billion in 2018. The export share rose to EUR 276.6 billion (plus 1.8 percent above the previous year) while domestic sales revenues fell by 1.1 percent compared to the previous year to EUR 149.6 billion.
→ CHART 13

DEVELOPMENT IN AEROSPACE

According to the German Aerospace Industries Association (BDLI), the German aerospace industry maintained its position as a key industry for Germany in 2018. It successfully sustained the growth trajectory of the year 2017. The industry as a whole again generated sales revenues of around EUR 40 billion (previous year EUR 40 billion). The number of employees in the industry continued to go up, climbing to a new historical high of 111,500 (previous year: 109.500). Spending on research and development of EUR four billion equalled that of the previous year, thus corresponding to 10 percent of industry sales revenues.

4

billion euros were invested by the German aerospace industry in research and development in 2018.

After bringing development work on important aircraft programmes to a close, the industry is now increasingly investing in new technologies and products linked to the development of the next generation of aircraft and in the ongoing development of products for current aircraft programmes. One important topic is the introduction of Industry 4.0 and the digitalisation of development, production and services. Other current fields of development include unmanned flight and hybrid or electric propulsion technology. The two big aerospace groups, Airbus and Boeing, both report an unbroken worldwide growth trend in civil aviation. Airbus' annually updated long-term forecast anticipates worldwide demand for new aircraft for civil aviation of up to 39,210 units between 2019 and 2038. Boeing anticipates an even higher volume of new civil aircraft demand in its forecast for the same period and predicts 44,040 new units by 2038. This is equal to a present market value of almost EUR 6.2 trillion.

DEVELOPMENTS IN OTHER SECTORS

According to the German Engineering Association (VDMA), the mechanical engineering industry generated sales revenues of EUR 232.5 billion in 2018, which corresponds to growth of 2.8 percent compared to the previous year. Nonetheless, the order situation in this industry as well was weaker than last year. The VDMA anticipates a decline in sales for the year 2019 as a whole of 16 percent, although it also expects sales revenues to rise by 3 percent in 2020.

According to the VDMA, sales revenues for the whole of 2018 rose in the electrical and electronics industry by 1 percent to around EUR 193 billion. However, according to the German Electrical and Electronic Manufacturers Association (ZVEI), uncertainties about global economic developments are also making themselves felt in this industry. Price-adjusted production fell between January and August 2019 by 4 percent compared to the same period last year. The ZVEI experts assume that, given the challenging setting, production throughout the whole of 2019 will fall by a similar magnitude as in the first eight months. Cumulative industry revenues from January to August amounted to EUR 125.6 billion, or 0.8 percent less than in the same period in the previous year.

The trade association Medical Technology, a division of the German Industry Association for Optical, Medical and Mechatronical Technologies (SPECTARIS) reported an increase in sales revenues generated by the 1,352 German medical technology producers in 2018 of 1.2 percent, equal to total sales revenues of EUR 30.3 billion. Foreign business in particular increased by 3.8 percent in comparison to the previous year to EUR 19.8 billion. The workforce grew by 3.9 percent to around 143,200 employees. The share of research and development in the industry was around 9 percent of sales revenues.

The Power Engineering division of the ZVEI reported that the global market for power engineering was worth EUR 248.7 billion in 2018. The industry experts anticipate the global market for power engineering expanding by four percent in the years 2019 and 2020.

DEVELOPMENT OF THE ENGINEERING MARKET

The engineering service provider industry is also feeling the impact of the challenging economic environment. Nonetheless, ongoing consolidation within the industry is a major influence on sales growth for each engineering service provider. According to the Automobilwoche industry magazine, the 25 highest-revenue engineering service providers reported sales revenues in 2018 of EUR 10.5 billion, or a good 10 percent more than in 2017. The reasons for this upturn are reported as lying with the trend topics of model diversity and digitalisation.

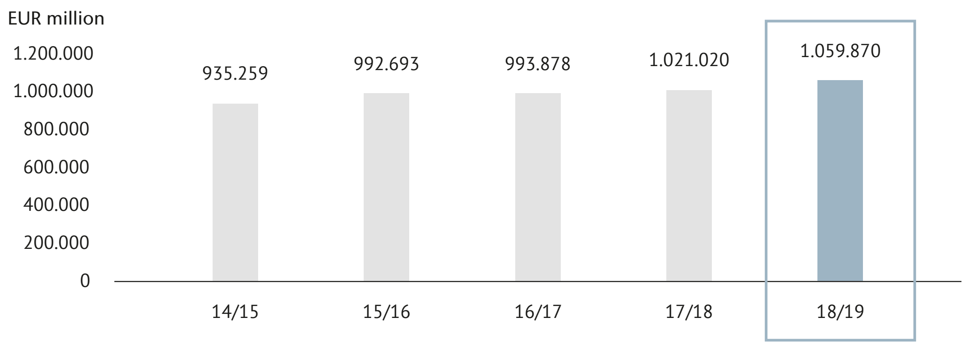
10.5

EUR million in total were the recorded revenues of the top 25 engineering providers with the car industry.

Business performance

TOTAL REVENUES

CHART 14



Bertrandt generated total revenues of EUR 1,059.870 million.

BUSINESS DEVELOPMENT IN FISCAL 2018/2019

Bertrandt AG's business performance in fiscal 2018/2019 reflects the prevailing heterogeneous industry and customer conditions. In this context, Bertrandt AG exploited the opportunities arising from the ongoing investments in research and development for new technologies, including in particular in the trend topics of electromobility, digitalisation and connectivity. At the same time, some of the risks outlined in last year's risk report occurred. Capacity was underutilised and the award of projects by some customers was temporarily delayed. Pressure on prices remained palpable. This had a significant impact on Bertrandt AG's total revenues and earnings in the period under review. Business performance was in line with expectations throughout the first three quarters of the year. However, with the outlook for the economy and the industry looking increasingly gloomy, and with a view to the fourth quarter, the Management Board of Bertrandt AG decided in August 2019 to modify its earnings expectations for the 2018/2019 year as a whole to reflect overall challenging conditions.

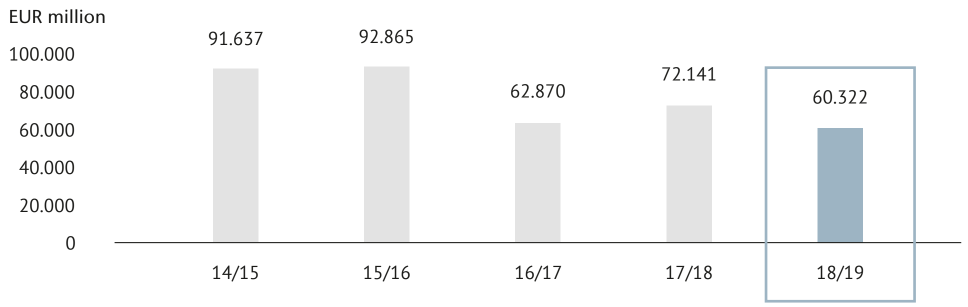
TOTAL REVENUES

Total revenues increased by EUR 38.850 million from EUR 1,021.020 million in the previous year to EUR 1,059.870 million. This corresponds to an increase of 3.8 percent and includes capitalised internally generated assets of EUR 1.758 million compared to EUR 1.106 million in the previous year. Bertrandt's foreign subsidiaries continued their overall good performance, generating revenues of EUR 181.391 million (previous year EUR 152.720 million), which is equivalent to an increase of 18.8 percent. This was mainly due to increasing customer demand in France.

The increase in total revenues in the year under review was thus as forecast in the preceding management report and within the range announced by Management from EUR 20 million to 50 million above the previous year's level.
→ CHART 14

EBIT

CHART 15



EBIT fell to EUR 60.322 million owing to delays in the awarding of contracts and the price pressure in the market.

KEY EXPENDITURE FIGURES

The key expenditure figures in the 2018/2019 fiscal year compared with the previous year as follows: Project-related cost of materials rose as a result of procurements from external service suppliers to EUR 108.755 million (previous year EUR 100.388 million). Personnel expenses increased, in line with the growing workforce and a general increase in wages, to EUR 765.386 million (previous year EUR 723.971 million). This corresponds to an increase of 5.7 percent. The staff cost ratio increased to 72.2 percent (previous year 70.9 percent). Depreciation/amortisation expenses remained almost unchanged at EUR 33.687 million (previous year EUR 33.022 million) despite ongoing expansion and additions of forward-looking infrastructure and technical equipment. The ratio of depreciation/amortization to total revenues was unchanged at 3.2 percent (previous year 3.2 percent). As a result of, among other things, higher costs of space, recruitment, and employee qualification, other operating expenses increased to EUR 109.126 million (previous year EUR 100.092 million). At 10.3 percent (previous year 9.8 percent), the cost ratio in relation to total revenues in the past fiscal year was higher than in 2017/2018.

60.322

million euros of operating profit were reported in fiscal 2018/2019.

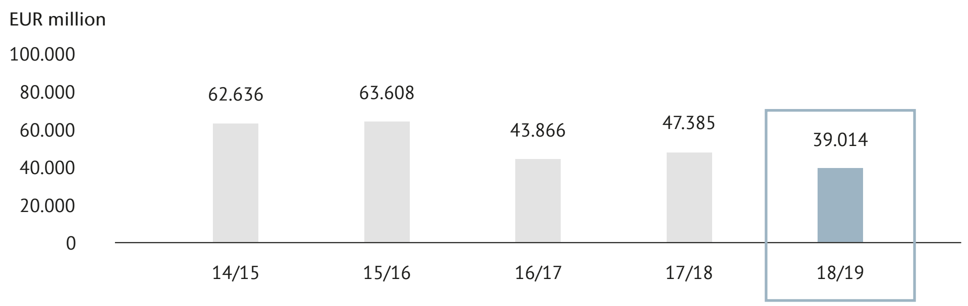
EBIT

The Bertrandt Group generated EBIT of EUR 60.322 million in fiscal 2018/2019 (previous year EUR 72.141 million) and a 5.7 percent EBIT margin (previous year 7.1 percent). This development is primarily influenced by short-term delays in the award of projects by some customers, the resulting delayed demand for capacity, substantial pressure on prices and start-up costs for new areas of business activity. Other operating income developed positively, rising from EUR 8.594 million to EUR 17.406 million, in particular thanks to income from the disposal of land. Bertrandt's foreign subsidiaries generated an EBIT of EUR 16.247 million (previous year EUR 14.681 million). The non-domestic entities' contribution to EBIT has thus developed positively, despite the ongoing start-up costs incurred for the expansion of the so-called best cost country locations.
→ CHART 15

The increase in EBIT from seven to nine percent of total revenues (i.e. from EUR 72.9 million to EUR 96.4 million) forecast in the last management report was not achieved in the fiscal year 2018/2019 owing to the factors described here. These developments were foreseeable and the Management Board consequently adjusted its expectations regarding EBIT on 21 August 2019 to the situation prevailing on the market at the time. The EBIT for the year as a whole was within the adjusted range of five to seven and a half percent of total revenues, specifically between EUR 52.1 million and EUR 80.3 million.

POST-TAX EARNINGS

CHART 16



Post-tax earnings came to EUR 39.014 million.

FINANCE INCOME

On balance, net finance income was EUR -2.845 million (previous year EUR -2.983 million). The finance costs were at previous year's level.

POST-TAX EARNINGS

Profit from ordinary activities in the period under review amounted to EUR 57.477 million (previous year EUR 69.158 million). With income tax expense amounting to EUR 15.206 million (previous year EUR 17.915 million), the tax rate for the period under review rose slightly to 28 percent (previous year 27.4 percent). Post-tax earnings were EUR 39.014 million (previous year EUR 47.385 million). This is equivalent to earnings per share of EUR 3.86 (previous year EUR 4.69).
→ CHART 16

PERFORMANCE BY SEGMENTS

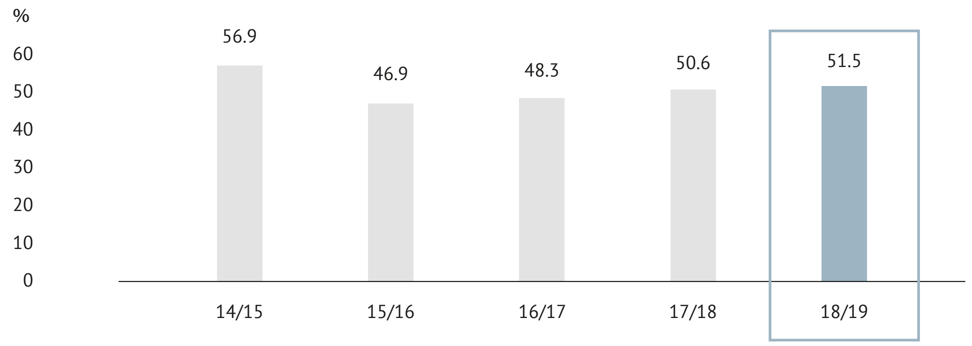
Bertrandt organises its business activities according to the Digital Engineering, Physical Engineering and Electrical Systems/Electronics segments. The segments recorded heterogeneous revenues and earnings in fiscal 2018/2019. In the Digital Engineering segment, which mainly covers the design of modules and components, total revenues increased to EUR 602.632 million (previous year EUR 595.568 million) as a result of the positive development abroad. With EBIT at EUR 23.995 million (previous year EUR 33.077 million), this segment contributed 39.8 percent of the Group's EBIT.

The design modelling, testing, vehicle construction and rapid prototyping activities are bundled in the Physical Engineering segment. Thanks to the investments made in the previous years, this segment's total revenues rose in the 2018/2019 fiscal year to EUR 223.199 million (previous year EUR 214.519 million). EBIT was broadly unchanged at EUR 18.411 million (previous year EUR 18.235 million) and at 8.2 percent this segment consequently reported the highest return.

The Electrical Systems/Electronics segment generated total revenues of EUR 234.039 million (previous year EUR 210.933 million) and, at 11 percent, reported the largest growth in total revenues as a result of high demand for engineering services in the field of electrical and electronic development, particularly for software development and its validation. The EBIT in this segment was EUR 17.916 million (previous year EUR 20.829 million).

EQUITY RATIO

CHART 17



The high equity ratio makes Bertrandt a financial stable company.

The development of the segments thus did not fully meet the expectations of the forecast in last year's management report. The reasons were the currently challenging environment and the fact that some of the risks that had been anticipated in the risk report materialised. The Digital Engineering segment in particular was noticeably affected by underutilisation of capacity and temporary delays in the awarding of projects by customers. Although the Physical Engineering segment reported the best improvement in earnings since the previous year, the biggest growth in total revenues was achieved by the Electrical Systems/Electronics segment.

NET ASSETS

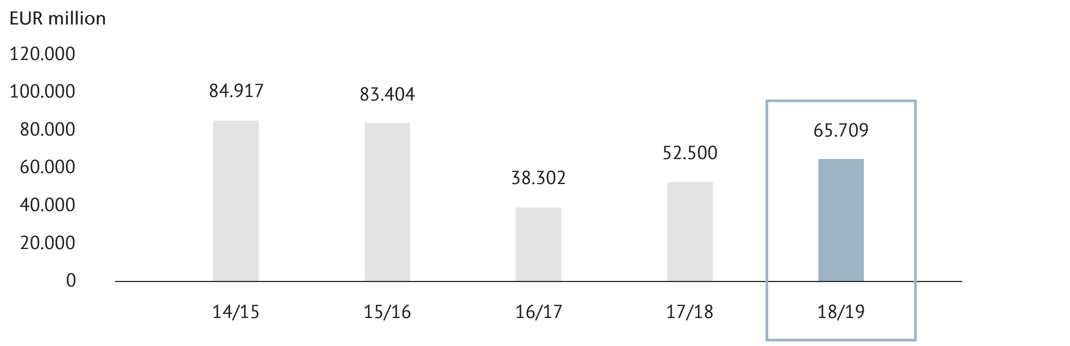
The Group's balance sheet structure is based on the principle of matching maturities. Total assets rose as a result of growth by 2.6 percent year on year to EUR 808.662 million (previous year EUR 788.395 million). Non-current assets increased by EUR 21.649 million to EUR 340.563 million, especially as a result of ongoing spending on property, plant and equipment. At EUR 468.099 million, current assets were roughly the same as in the previous year (EUR 469.481 million). This was largely due to a fall in trade receivables of EUR 10.199 million to EUR 226.007 million (previous year EUR 236.206 million) and a rise in contract assets of EUR 4.215 million to EUR 125.315 million (previous year EUR 121.100 million). Cash and cash equivalents on the balance sheet date were EUR 91.491 million and thus higher than in the previous year (EUR 88.405 million). The Company's equity grew to EUR 416.692 million (previous year: EUR 398.876 million). Non-current liabilities increased, in particular owing to rescheduling of a previously short-term loan and the resulting accounting change to EUR 239.245 million (EUR 222.608 million as at 30 September 2018).

SOLID EQUITY BASE

The earnings situation is reflected in higher equity of EUR 416.692 million (previous year EUR 398.876 million). This change is largely due to post-tax earnings of EUR 39.014 million (previous year EUR 47.385 million) less the paid out dividend of EUR 20.191 million adopted by the annual general meeting. With an equity ratio of year 51.5 percent, Bertrandt is well above the internal target rate of 45 percent and continues to be a financially strong company (previous year 50.6 percent).
→ CHART 17

CAPITAL EXPENDITURE

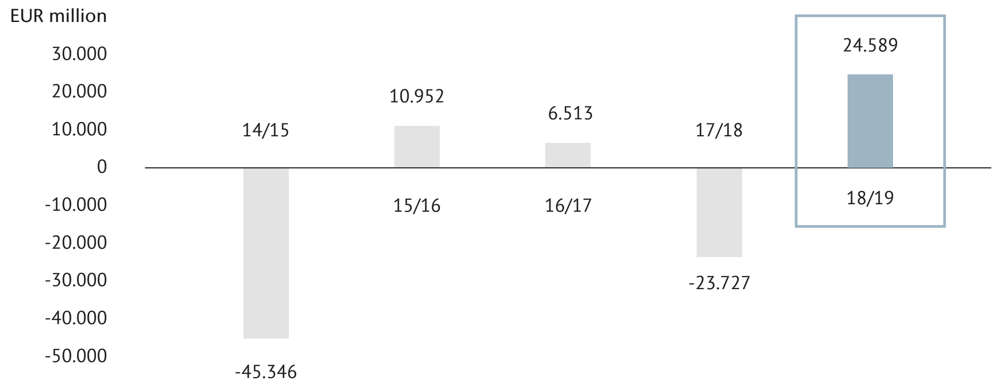
CHART 18



Capex was adjusted to business dynamics.

FREE CASHFLOW

CHART 19



Bertrandt's free cash flow was positive in the reporting period.

FINANCIAL POSITION

The fundamental objective of Bertrandt's financial management policy is to safeguard the Company's liquidity at all times. The financial management activities cover capital structure management as well as cash and liquidity management.

CASH FLOW FROM OPERATING ACTIVITIES

Despite the fall in post-tax earnings Bertrandt reported substantially higher cash flow from operating activities in the 2018/2019 fiscal year as the commitment of working capital in particular fell by a corresponding amount. In addition, income tax paid fell to EUR 17.564 million (previous year EUR 29.546 million). In the period under review cash flow from operating activities amounted to EUR 72.284 million (previous year EUR 27.208 million). This was therefore positive as had been expected and developed in parallel to business performance.

CAPITAL EXPENDITURE

Investments were made as planned in fiscal 2018/2019 and were within the anticipated range of EUR 60 million to EUR 80 million. Spending on property, plant and equipment was significantly increased compared with the previous year and the resulting cash outflow was EUR 62.324 million (previous year EUR 49.309 million). Total cash outflow due to capital expenditure was EUR 65.709 million in the period under review (previous year EUR 52.500 million) and was accompanied by an inflow from the disposal of fixed assets. Spending on intangible assets decreased by EUR 0.118 million to EUR 2.684 million. Investments in shares valued according to the equity method amounted to EUR 0.211 million (previous year EUR 0.389 million). Other financial obligations of EUR 46.371 million also exist for property, plant and equipment beyond the balance sheet date of 30 September 2019 (previous year EUR 36.650 million).

By investing in infrastructure and facilities, the Company seeks to complete its scope of products and services with a focus on its customers' needs. State-of-the-art technical equipment will enhance the range of competencies offered at Bertrandt's locations. Moreover, new capital expenditure is also intended to promote innovation. Investment is concentrated on the dominant technology trends in the industry, such as environmentally-friendly individual mobility and autonomous and connected driving. A high-voltage centre for battery tests in a climate chamber was built at the Company's headquarters Ehningen in fiscal 2018/2019. Two vehicle emissions test centres in northern (Tappenbeck) and southern Germany (Freising) are also being built and are scheduled to go into operation in 2020. A chassis dynamometer to determine the range and endurance of electric vehicles has gone into operation in southern Germany and a parking barrier test bench for electric vehicles in southern Germany. Bertrandt is also investing in its proprietary competence initiatives in the fields of electrified, connected and automated driving as well as in innovative solutions in data labeling. This growth, both in new and existing fields of competencies across the entire Bertrandt Group, enables us to penetrate additional areas of the automotive development process and further expand and secure our market position as a technology group.

→ CHART 18

FINANCING AND LIQUIDITY

The matters explained here resulted in positive free cash flow of EUR 24.589 million (previous year EUR 23.727 million of negative free cash flow) in fiscal 2018/2019. The negative cash flow from financing activities was mainly due to the payment of a dividend of EUR 20.191 million (previous year EUR 25.228 million). Cash and cash equivalents thus increased to EUR 91.491 million (previous EUR 88.405 million). With these financial resources, unused and committed medium-term credit lines and alternative financing instruments of around EUR 224 million as well as its good internal financing capacity, Bertrandt has sufficient financial leeway and corresponding financial flexibility to expand and develop its range of products and services even further.

→ CHART 19

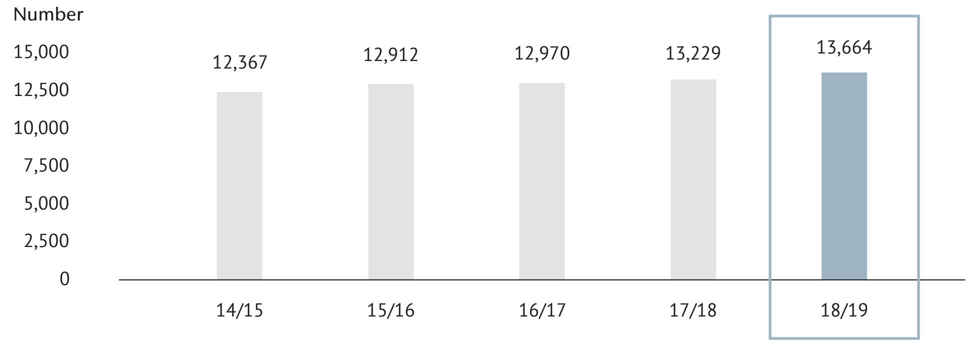
GENERAL STATEMENT ON BUSINESS PERFORMANCE

Despite a heterogeneous and challenging environment in fiscal 2018/2019, Bertrandt succeeded in using opportunities for growth to boost total revenues by 3.8 percent. At the same time, EBIT fell owing to short-term delays in the awards of projects by customers, the resulting delayed demand for capacity, substantial pressure on prices and start-up costs for new areas of business activity. Bertrandt AG responded with a wide-ranging earnings optimisation programme and a consistent focus on investments in future and trend topics.

The Management Board judges the Company's future prospects positively, despite the impact of challenging underlying conditions on the development of EBIT. Customers' R&D budgets in the industries which are relevant for Bertrandt are projected to remain at a consistently high level. The three major influencing factors, i.e. the increasing variety of models and variants, environmentally friendly individual mobility and connected and automated driving also remain intact in the long-term and continue to offer opportunities well into the future. With an equity ratio of more than fifty percent the Company stands on a sound financial footing. Its good capital base and its investment activities have paved the way for lasting success in the future.

DEVELOPMENT OF EMPLOYEES

CHART 20



Bertrandt kept on creating new jobs.

Can you imagine working on innovative engineering projects with us? Information about vacancies at Bertrandt is available here.

→ CAREER AT BERTRANDT

The detailed Bertrandt mission statement can be found here:

→ BERTRANDT MISSION STATEMENT

Human resources management

As at the balance sheet date, 13,664 employees (previous year 13,229) worked for Bertrandt worldwide. On 30 September 2019, the Company had 11,190 employees (previous year 11,143) in Germany and 2,474 employees (previous year 2,086) in other countries.
→ CHART 20

All these employees are devising top-level customised development solutions for customers in Germany and abroad and in this context sustainable and responsible corporate management plays a key role for Bertrandt. Our mission statement is the guide for our corporate strategy and for our daily conduct. To emphasise this, our guiding principles are printed on the employee badges worn by all staff members.

The mission statement serves as the foundation of the Group's competence model. When defining the requirement criteria for the roles and assessing current potentials based on up-to-date competences, we aimed at ensuring the greatest possible transparency. Almost all our personnel development schemes are therefore centred around the new competence model, which has been derived from the our mission statement's guiding principles. These principles are categorised into: customer, best performance, growth, values, team, free space, and respect. 28 competences are allocated to these seven categories. The competence model's modular scheme enables each function and position in the Company to be described using the requirement criteria (competences) – from the designer to the information system technician and across all hierarchy levels up to first management level.

Our group-wide "Workplace of the future" programme has proven its worth. Thanks to these programmes, topics such as mobile working, new room concepts, sabbaticals and part-time work for managers have become a reality and have demonstrably increased employee motivation.

Bertrandt's reputation as a competitive employer was confirmed once again in the period under review by an independent source: Bertrandt was again ranked among the 100 most attractive employers in Germany by Universum in 2018. In the "trendence Graduate Barometer 2018 – Engineering Edition" the Company was again among the 100 most popular employers in Germany, a ranking it has maintained since 2012. The Company also won awards in the Trendence Young Professionals rankings in 2019 in the category "engineering services" and for the first time in "machinery and plant engineering". According to Leading Employers, Bertrandt was also among the top 1% German employers in 2019. Moreover, in the Focus and Focus Money studies, the Group was ranked as a company offering "top career prospects", "top career prospects for IT specialists", "top career prospects for engineers" and "Germany's best jobs with a future".

RECRUITMENT

Recruiting and inspiring qualified employees to work for and stay with Bertrandt have both always played a key role in the Company. In addition to specialist know-how, social skills and personality have great importance. As a future-proof company, we updated the career section of our website in spring. It is one of the most important recruiting channels used by Bertrandt to address potential employees with a targeted employer branding campaign. The aim is not just to elicit passing interest but to make a lasting and convincing impression on potential employees. Bertrandt offers committed and qualified applicants a wide variety of entry options. The complex projects as well as the deep and broad spectrum of services create a multitude of interesting tasks in technological key industries, which are attractive to specialists, experienced professional engineers and university graduates alike.

FURTHER TRAINING

Numerous technological innovations and our customers' high quality expectations call for continuous further training of our employees. Bertrandt is aware of this challenge. To be able to meet these high demands in the best possible way, the Company develops the know-how of its staff on an ongoing basis and ensures individual support for each staff member. The further training schemes continuously carried out by the Company provide the basis for lifelong learning: a broad range of technical and methodological trainings, management programmes and specific project management courses are offered in the Bertrandt knowledge portal, the Company's own training programme. In total, Bertrandt spent EUR 10.6 million (previous year EUR 9.5 million) on further training for staff and managers in the year under review.

TRAINING

Training young talent has always been of key significance at Bertrandt. The Company develops its own pool of talent by running and applying numerous training programmes and methods as well by cooperating closely with universities. As at 30 September 2019, 271 Bertrandt Group employees were participating in a training or study programme in technical or commercial disciplines.

Group organisation and controlling

INTERNATIONAL GROUP STRUCTURE

Bertrandt AG is the parent company within the Bertrandt Group, which operates with domestic or foreign independent legal entities or permanent establishments in Germany, Austria, China, the Czech Republic, France, Italy, Romania, Spain, Turkey, the United Kingdom, and the United States of America. The Management Board of Bertrandt AG is responsible for managing the Company. The Supervisory Board appoints the members of the Management Board and supervises and advises them and, in particular, is consulted on decisions of fundamental importance for the Company. The subsidiaries of Bertrandt AG are run independently by their own management. The interests of the Group and of its subsidiaries are coordinated at regular management meetings between the Group Management Board and the management of the respective subsidiaries. Cyclical and sector-specific changes are constantly monitored and incorporated in the operative control of the business segments in a timely manner.

ENHANCING ENTERPRISE VALUE AS A PRIORITY

In all its actions, Bertrandt focuses on enhancing enterprise value in a sustainable way while considering economic, social and ecological factors. The Bertrandt Group has a controlling system geared to increasing the value of the entire Group. On this basis, targets are defined for the different segments and subsidiaries. Bertrandt is managed on a pyramidal basis from the Group, via the segments and subsidiaries down to individual profit centre levels. The periodic management is conducted in the light of the recognition and measurement policies defined by international accounting standards. Along with total revenues, Bertrandt uses EBIT and cash flow from operating activities as ratios for controlling purposes.

Corporate governance declaration pursuant to Sections 315d and 289f of the German Commercial Code (HGB)

PERTINENT CORPORATE GOVERNANCE PRACTICES

Bertrandt conducts its business in line with the legal systems of the Federal Republic of Germany and of those countries in which the Company operates.

COMPLIANCE

Long-term market success is only possible if a company is able to enduringly convince its customers by its innovation, quality, reliability and fairness. In our view, an essential aspect of this is to comply with statutory provisions as well as with the Company's own guidelines and ethical principles (compliance). Bertrandt's corporate culture is geared to these rules and policies. Moreover, we have always felt bound by principles going beyond legal provisions. Ethical principles and obligations entered into voluntarily are also integral parts of our corporate culture and simultaneously the guide on which our decisions are based. All this is founded on factors like, for example, the integrity of business dealings, protecting our leading-edge knowledge, adhering to antitrust law and all foreign trade related regulations, proper record keeping and financial communication as well as equal opportunities and the principle of sustainability. Bertrandt continuously requires staff and business partners to adhere to these principles and monitors compliance.

OUR VALUE SYSTEM: BERTRANDT'S MISSION STATEMENT

Bertrandt is a forward-looking company defined by a clear and unambiguous system of values. Its cornerstones are honesty, credibility, dependability, transparency and trust in people. Based on this value system, Bertrandt's mission statement was developed as early as 1996. This mission statement, which was last updated in 2019, is the guide for our corporate strategy, for our daily conduct and our social responsibility. The mission statement's aim is not only to govern teamwork within the Company, but also what we do for our customers and shareholders. Commitment and trust are values that Bertrandt emphasises afresh every day. Openness, trust and mutual appreciation are what characterises our day-to-day collaboration. Our mission statement illustrates to our shareholders, customers, employees and the general public what makes our business successful. Bertrandt is a long-standing, dependable partner to its customers, shareholders and employees. The Company's mission statement is available at "https://www.bertrandt.com/en/company/bertrandt-group/corporate-policy/".

RISK MANAGEMENT

Dealing carefully with potential risks to the Company is accorded high priority in our day-to-day work. We have set up a risk management system that helps us to detect risks and to optimise risk positions. This system is continuously adapted to changing circumstances. The Audit Committee set up by the Supervisory Board deals in particular with matters involving accounting, risk management, including the internal control system and compliance as well as the required independence and selection of the statutory auditor.

ACCOUNTING AND AUDIT OF THE FINANCIAL STATEMENTS

The financial statements of the Bertrandt Group are prepared in conformity with International Financial Reporting Standards (IFRS). The separate financial statements of Bertrandt AG are prepared according to the German Commercial Code (HGB). Pursuant to statutory provisions, the auditor is appointed by the annual general meeting. The Audit Committee prepares the Supervisory Board's proposal to the annual general meeting for the appointment of the auditor. The auditor is independent and audits both the Group's consolidated financial statements and the separate financial statements of Bertrandt AG. The Supervisory Board has appointed Udo Bäder as an independent Supervisory Board member with accounting and auditing expertise (so-called "financial expert") according to Section 100 (5) German Stock Corporation Act (AktG).

TRANSPARENCY

The Company's shareholders, all participants in the capital market, financial analysts, investors, shareholders' associations and the media are regularly informed and kept up to date on the Company's situation and material changes in its business. The principal communication channel for this is the internet. All persons who work for the Company and have access to insider information as specified by the regulations are advised of their obligations arising from insider trading law. The situation and results of Bertrandt AG are reported in interim reports (quarterly and half-year) and annual reports, annual financial results conferences and the annual general meeting as well as conference calls and events involving international financial analysts and investors both in and outside Germany.

The financial calendar with the dates of the regular financial reporting is available on Bertrandt's website at "https://www.bertrandt.com/en/events/". In addition to regular reporting, information that concerns Bertrandt AG and which might have a considerable impact on the price of Bertrandt's share, but is not publicly known, is disclosed by means of ad-hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG) and, from 3 July 2016 onwards, pursuant to Article 17 Market Abuse Regulation (Regulation (EU) No. 596/2014).

WORKING PROCEDURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board is responsible for managing the Company, acting in the interest of the latter and representing it in transactions with third parties. The Board's main tasks relate to Bertrandt's strategic direction and controlling the Company's activities; they also include maintaining and monitoring an effective risk management system. The Management Board consists of three members, without a single individual exercising a particular role as chairman or spokesman. Thus, the importance of overarching work for the development of the entire Group is also reflected in the forward-looking and networked leadership approach implemented at the Board level. Notwithstanding this overall responsibility, it is the duty of each Board member to independently manage the field of activity assigned to him. The Rules of Procedure set forth by the Supervisory Board govern the details of the Management Board's activities. The Management Board did not form any committees.

The members of the Management Board are obliged to immediately disclose to the Supervisory Board any conflicts of interest and also to notify the other Management Board members. No sideline activities, in particular as supervisory board members outside the Group, may be exercised by members of the Management Board unless they have been approved by the Supervisory Board.

The Management Board normally meets every two weeks and ad hoc if needed; the Supervisory Board usually meets four times a year and as required. The Management Board comprehensively informs the Supervisory Board in a timely manner and on a regular basis of all key matters concerning corporate strategy, planning, business performance, the financial position and earnings situation, the risk situation and risk management activities as well as compliance. It also presents to the Supervisory Board the Group's capital expenditure and financial planning as well as earnings projections for the upcoming fiscal year. The Management Board advises the Chairman of the Supervisory Board without delay of any key events that might be of material significance in judging the Company's situation and performance and for its management. Transactions and measures that require the Supervisory Board's approval are submitted to the Board in good time.

The Supervisory Board appoints the members of the Management Board and supervises them. It also advises the Management Board regarding its activities.

The size and composition of the Supervisory Board is as defined in Article 8 (1) of the Articles of Association. The Supervisory Board comprises four shareholder representatives and two representatives voted by Bertrandt employees. A list of all members of the Supervisory Board and their CVs are available at "https://www.bertrandt.com/en/company/bertrandt-group/supervisory-board/". Information on the professions of the Supervisory Board members and disclosures on other offices held in supervisory boards and other monitoring bodies are not only found in the CVs disclosed on the website but also in the 2018/2019 Annual Report (section "Consolidated Financial Statements/Notes") which is available at "https://www.bertrandt.com/en/company/investor-relations/financial-reports/" upon its publication on 12 December 2019.

The Supervisory Board assesses the efficiency of its actions on a regular basis by a self-evaluation.

COMPOSITION AND WORKING PROCEDURES OF THE SUPERVISORY BOARD COMMITTEES

To perform its duties the Supervisory Board has formed a Human Resources and an Audit Committee. To raise efficiency the Human Resources Committee also performs the duties of the Nomination Committee. These committees prepare specific subject areas for discussion and decision-making in plenary meetings. For certain subjects the decision-making powers have been delegated by the Supervisory Board to the committees that hold meetings as required.

The members of the Audit Committee are Udo Bäder, Dietmar Bichler and Horst Binnig. All Audit Committee members are familiar with the industry in which the Company operates. The Supervisory Board has appointed Udo Bäder as an independent Supervisory Board member with accounting and auditing expertise (so-called "financial expert") according to Section 100 (5) German Stock Corporation Act (AktG). Udo Bäder is also chairman of the Audit Committee.

The Human Resources Committee currently consists of Dietmar Bichler, Horst Binnig and Prof. Dr-Ing. Wilfried Sihn. Dietmar Bichler is chairman of the Human Resources Committee. The Human Resources Committee simultaneously assumes the role of the Nomination Committee.

STIPULATIONS PURSUANT TO SECTION 76 (4) AND SECTION 111 (5) AKTG

On 1 May 2015, the Act on the equal participation of women and men in leadership positions entered into force. According to said law, the supervisory board of a listed company or a company subject to codetermination must define a target for the proportion of women represented on supervisory and management boards. In addition, the management board of such company must define targets for female representation on the two management levels below the management board. Where the proportion of women is below 30 percent at the time when the supervisory and management boards stipulate the number of women to be appointed to the boards, the targets specified must not be set below the current proportion. At the same time, a deadline of no longer than five years must be specified for attaining the target number. The targets may be set with a deadline not exceeding 30 June 2022.

By a resolution adopted in May 2017, the Supervisory Board of the Company stipulated, in accordance with Section 111 (5) AktG, a target of 0 percent female representation on the Management Board to be attained by 30 September 2021. This corresponded to the actual proportion at the time of stipulating the target. In its meeting on 5 November 2018, the Supervisory Board followed a proposal by the Human Resources Committee and reviewed the stipulated target on the occasion of the reappointment of three members. No resolution for changing the target was adopted.

By a resolution adopted in May 2017 the Management Board of the Company stipulated, in accordance with Section 76 (4) AktG, a target of 0 percent for the proportion of women at the first management level below the Management Board and a target of 0 percent for the proportion of women at the second management level below the Management Board, both to be attained by 30 September 2021. Both management levels as referred to in Section 76 (4) AktG were defined based on the existing reporting lines in the Company below management board level.

By a resolution adopted in September 2017 the Supervisory Board of the Company stipulated, in accordance with Section 111 (5) AktG, a target of 0 percent female representation on the Supervisory Board to be attained by 30 September 2021.

The targets defined in May and September 2017 were attained at the level of the Management Board and the first management level during the period considered in this Declaration, but not at the second level below the Management Board and Supervisory Board. As the Company was pleased to see, female representation here was 43.8 percent; in the Supervisory Board, it was 16.67 percent. This is due to the election of female Supervisory Board members by the employees and the success in recruiting female executives for the Group and offering them development opportunities.

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) DATED 23 SEPTEMBER 2019

"Declaration of conformity to the German Corporate Governance Code pursuant to Section 161 AktG

The Management Board and Supervisory Board of Bertrandt AG declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that the recommendations of the Government Commission on the German Corporate Governance Code (GCGC), as amended on 7 February 2017 and published in the electronic Federal Gazette on 24 April 2017 and corrected on 19 May 2017, have been and are being complied with, with the following exceptions: Sections 3.8 (3), 4.1.3 sentence 2, 4.1.5, 4.2.3 (3), 4.2.5 (3) and (4), 5.4.1 (2) and (4), Section 5.4.1 (6), Section 5.4.2 sentence 1, 5.5.2, 5.5.3 sentence 1 and 7.1.2 sentence 3 of GCGC. Until 20 February 2019, the Company also deviated from Section 5.3.2 (3) sentence 3 GCGC. Since 20 February 2019, the Company has been deviating from Section 4.2.1 sentence 1, second alternative, GCGC.

These deviations from individual recommendations are based on the following considerations:

Section 3.8 (3) GCGC
Bertrandt AG has taken out a pecuniary damage liability insurance policy (a so-called directors and officers liability insurance). In deviation from Section 3.8 (3) GCGC the policy includes no deductible for Supervisory Board members. Bertrandt AG has taken out the policy to protect its interests in the hypothetical event of a claim for damages.

Section 4.1.3 (2) GCGC
Bertrandt AG's maintains a compliance management system which is aligned to the Company's risk situation. The Company reports on this system in accordance with the provisions of the Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports (CSR Directive Implementation Act). However, since the GCGC fails to define which are the requirements arising from Section 4.1.3 sentence 2 and, in particular, where reporting is required, the Company as a precautionary measure declares a deviation from Section 4.1.3 sentence 2 GCGC.

Section 4.2.1 sentence 1, second alternative
In Section 4.2.1 sentence 1, second alternative, the GCGC recommends the appointment of a chairperson or spokesperson for the Management Board. With Mr Bichler's departure from the Management Board as of the conclusion of the annual general meeting on 20 February 2019, this is no longer the case. Without a single individual exercising such a particular role, the allocation of responsibilities reflects the importance of overarching work and forward-looking networked leadership for the consistent development of the entire Group at the Board level. For the time after the annual general meeting on 20 February 2019, the Supervisory Board has also assigned those tasks of the Management Board for which the Chairman has been responsible to date to a member of the Management Board by making the appropriate provisions for the Management Board and the allocation of responsibilities in the Rules of Procedure.

Section 4.2.3 (3) GCGC
The Company continues to deviate from Section 4.2.3 (3) GCGC. It is not the Supervisory Board's intention to guarantee a specific pension level for retired members of the Management Board, but to ensure that active members of the Management Board are compensated in line with the market and the situation of the Company. Hence, no pension commitments have been made since 21 February 2019 to any member of the Management Board employed by the Company.

Section 4.2.5 (3) and (4) GCGC
The Company continues to deviate from the recommendations under Section 4.2.5 (3) and (4) GCGC because the Company believes that sufficient transparency will be ensured by the provisions governing the disclosure of Management Board remuneration which are applied in full.

Section 5.3.2 (3) sentence 3 GCGC
The Chairman of the Supervisory Board was for many years simultaneously the chairman of the Audit Committee. Since this had proven effective, the Company in the past deviated from the recommendation in Section 5.3.2 (3) sentence 3 GCGC. When the new shareholder representatives were elected at the annual general meeting on 20 February 2019, the Company seized this opportunity to ensure that from this date the Company would comply with Section 5.3.2 (3) sentence 3 GCGC, i.e. since the constituent meeting of the Supervisory Board following the annual general meeting, the Chairman of the Supervisory Board has no longer simultaneously been chairman of the Audit Committee.

Section 5.4.2 sentence 1, first clause and Section 5.4.1 (2) and (6) GCGC
The Company believes that its Supervisory Board has an appropriate number of independent members. However, since the term "independent members" has not been conclusively defined in Section 5.4.2 sentence 2 GCGC, the Company as a precautionary measure declares a deviation from Section 5.4.2 sentence 1, first clause and also from Section 5.4.1 (2) GCGC.

The same applies to the recommendation under Section 5.4.1 (6) GCGC, which is impaired by the fact that paragraph 7 fails to unequivocally substantiate its meaning. As a precautionary measure, the Company therefore also declares a deviation from this recommendation.

Section 5.4.2 sentence 1, second clause GCGC
The Company also continues to deviate from Section 5.4.2 sentence 1, second clause GCGC. Bertrandt AG's business model is founded, amongst other things, on reliable confidentiality regarding customers' development processes and innovation cycles, and on the reliable protection of their trade secrets. Our customers' trust in these corporate processes is enhanced by the fact that there are no representatives of shareholders on the Supervisory Board who are also customers of the Company.

Section 5.4.1 (2) and (4) and Section 4.1.5 GCGC
The Company continues to deviate from Section 5.4.1 (2) and (4) and Section 4.1.5 GCGC. It is in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Management Board and the Supervisory Board or appointing other executives. While the Company believes

that adequate members have been selected for the Supervisory Board also bearing in mind the aspects mentioned in Section 5.4.1 (2) GCGC the Supervisory Board has refrained from defining a rigid skill profile or laying down specific objectives so as to avoid any restrictions regarding the future candidate selection process. Taking this into account, the Company has also decided not to fix a maximum period of office in the Supervisory Board within the meaning of Section 5.4.1 (2) GCGC.

Since no specific objectives or specific skill profiles are defined for board members, the Company continues to deviate from Section 5.4.1 (4) GCGC.

Section 5.5.2 and Section 5.5.3 sentence 1 GCGC
In its Rules of Procedure, the Supervisory Board has provided for the handling of conflicts of interests independently and in deviation from the recommendations stipulated by Sections 5.5.2 and 5.5.3 sentence 1 GCGC. The Rules of Procedure require each Supervisory Board member to disclose any conflicts of interest to the Chairman of the Supervisory Board; it is mandatory for the Chairman of the Supervisory Board to disclose this information to his or her deputy. These provisions exceed the stipulations of Section 5.5.3 sentence 1 GCGC by applying to all conflicts of interest and not distinguishing between matters of material significance and temporary conflicts. The right to waive public disclosure of such information enables the members of the Supervisory Board to discuss in confidence with the Chairman also cases which merely appear to be conflicts of interests.

Section 7.1.2 sentence 3 GCGC
Bertrandt AG published its report on the first quarter of fiscal 2018/2019 on 18 February 2019, the report on the second quarter on 6 June 2019 and the report on the third quarter on 22 August 2019. In all of its reports, Bertrandt AG conforms to the strict quarterly reporting requirements in the Prime Standard of Frankfurt Stock Exchange. As long as the German Corporate Governance Code is not synchronised with the provisions of the Prime Standard, Bertrandt AG continues to reserve the right to deviate from Section 7.1.2 sentence 3 GCGC.

Ehningen, 23 September 2019

The Supervisory Board	*The Management Board*
Dietmar Bichler *Chairman* ***Horst Binnig*** *Deputy* *Chairman*	***Hans-Gerd Claus*** *Member of the Management Board* ***Michael Lücke*** *Member of the Management Board* ***Markus Ruf*** *Member of the Management Board"*

DIVERSITY POLICY

The Company does not pursue a diversity policy. As has been set out in the declaration of conformity of 23 September 2019 pursuant to Section 161 AktG, it is in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Management Board and the Supervisory Board or appointing other executives.

Ehningen, 9 December 2019

Supervisory Board	The Management Board
DIETMAR BICHLER Chairman **HORST BINNIG** Deputy Chairman	**HANS-GERD CLAUS** Member of the Management Board **MICHAEL LÜCKE** Member of the Management Board **MARKUS RUF** Member of the Management Board

Remuneration report

REMUNERATION STRUCTURE FOR THE MEMBERS OF THE MANAGEMENT BOARD

In the 2018/2019 fiscal year, Dietmar Bichler was an active member of the Management Board up to 20 February 2019. The remuneration information for Dietmar Bichler relates to this period of activity.

Remuneration of Management Board members comprises fixed/non-performance-related and variable components. The fixed/non-performance-related remuneration consists of a fixed remuneration, fringe benefits and benefits in kind. Each member of the Management Board is entitled to a fixed annual salary payable in twelve equal instalments at the end of each month. In the fiscal year 2018/2019, fixed/non-performance-related remuneration paid to the Management Board members was EUR 0.270 million (previous year EUR 0.669 million) for Dietmar Bichler; EUR 0.385 million (previous year EUR 0.330 million) for Hans-Gerd Claus; EUR 0.385 million (previous year EUR 0.330 million) for Michael Lücke and EUR 0.385 million (previous year EUR 0.330 million) for Markus Ruf.

The system for Management Board remuneration is oriented towards the sustainable growth of the

Company within the meaning of Section 87 (1) sentence 2 AktG. The variable component consists of a performance-related bonus paid to the members of the Management Board, which is linked to the Group's EBIT as determined in the financial statements in conformity with IFRS. The basis for the assessment of the bonus is the EBIT generated in two consecutive financial years. The smaller portion of the variable component is determined based on the financial year under review while the major share is determined at a later point in time depending on the performance of the business in the following fiscal year (bonus/malus system). The total bonus paid for one financial year is capped so that it can only be six times the fixed basic annual salary in the fiscal year concerned. Remuneration for Management Board members paid in one fiscal year is capped at an amount of eight times their fixed basic annual salary in the fiscal year concerned.

The variable component is adjusted to the Bertrandt Group's earnings situation. For the reporting period, the variable component paid was EUR 1.096 million (previous year EUR 1.676 million) in total for Dietmar Bichler, thereof EUR 0.830 million as long-term incentive component for 2017/2018 (previous year EUR 0.864 million); EUR 0.754 million (previous year EUR 0.838 million) in total for Hans-Gerd Claus, thereof EUR 0.415 million as long-term incentive component for 2017/2018 (previous year EUR 0.432 million); EUR 0.754 million (previous year EUR 0.838 million) in total for Michael Lücke, thereof EUR 0.415 million as long-term incentive component for 2017/2018 (previous year EUR 0.432 million); and EUR 0.754 million (previous year EUR 0.838 million) in total for Markus Ruf, thereof EUR 0.415 million as long-term incentive component for 2017/2018 (previous year EUR 0.432 million).

According to the bonus/malus system, long-term incentive components for fiscal 2018/2019 comprised a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.326 million (previous year EUR 0.992 million) for Dietmar Bichler; a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.415 million (previous year EUR 0.496 million) for Hans-Gerd Claus; a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.415 million (previous year EUR 0.496 million) for Michael Lücke, and a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.415 million (previous year EUR 0.496 million) for Markus Ruf.

Bertrandt provides company cars to all members of the Management Board for business and private use. Furthermore, all Management Board members are insured under a group accident insurance policy. In the year under review, taxable non-cash fringe benefits were EUR 0.002 million (previous year EUR 0.015 million) in total for Dietmar Bichler, EUR 0.017 million (previous year EUR 0.014 million) in total for Hans-Gerd Claus, EUR 0.022 million (previous year EUR 0.023 million) in total for Michael Lücke and EUR 0.015 million (previous year EUR 0.014 million) in total for Markus Ruf.

Remuneration paid to the active Management Board members in the year under review was EUR 1.368 million (previous year EUR 2.360 million) in total for Dietmar Bichler, EUR 1.156 million (previous year EUR 1.182 million) in total for Hans-Gerd Claus, EUR 1.161 million (previous year EUR 1.191 million) in total for Michael Lücke and EUR 1.154 million (previous year EUR 1.182 million) in total for Markus Ruf. An aggregate amount of EUR 4.840 million (previous year EUR 5.915 million) was paid in remuneration to all active Management Board members.

In addition to the fixed annual salaries paid on a monthly basis, variable components for several fiscal years in the aggregate amount of EUR 4.191 million (previous year EUR 3.929 million) were paid in fiscal 2018/2019. This aggregate amount is allocated as follows: EUR 1.676 million (previous year EUR 1.571 million) for Dietmar Bichler, thereof EUR 0.864 million as long-term incentive component for 2016/2017 (previous year EUR 0.864 million); EUR 0.838 million (previous year EUR 0.786 million) for Hans-Gerd Claus, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million); EUR 0.838 million (previous year EUR 0.786 million) for Michael Lücke, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million); and EUR 0.838 million (previous year EUR 0.786 million) for Markus Ruf, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million).

No share options have been granted to members of the Management Board, and there is currently no plan to do so.

The remuneration structure implemented by the Supervisory Board does not generally provide for pension commitments to members of the Management Board. Such commitments, which are based on commitments dating back to the time before the Company adopted the legal form of a stock corporation, therefore only exist for one former member of the Management Board and one member only active for a part of fiscal 2018/2019 (Dietmar Bichler). Dietmar Bichler is entitled to a benefit with a present value of EUR 4.575 million (previous year EUR 4.260 million). The Company has made a provision of EUR 0.350 million in the fiscal year to account for interest rate changes (previous year EUR 0.051 million).

REMUNERATION STRUCTURE FOR THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration structure for the members of the Supervisory Board was amended by shareholder resolution during the annual general meeting on 19 February 2014. Compensation of Supervisory Board members is defined in Article 12 of Bertrandt AG's Articles of Association whereby each member of the Supervisory Board is entitled to a fixed compensation of EUR 0.032 million paid after the end of the fiscal year in addition to the reimbursement of expenses. The Chairman of the Supervisory Board receives two and a half times the amount and his deputy one and a half times the amount. Supervisory Board members who are also members of a committee additionally receive an amount equal to 25 percent of their fixed remuneration while members acting as committee chairmen receive another 25 percent of their fixed remuneration. However, the maximum amount received by Supervisory Board members in total is four times the fixed remuneration. Payment is due after adoption by the annual general meeting of the resolution on the appropriation of profits. In total, remuneration of the Supervisory Board members amounted to EUR 0.321 million in fiscal 2018/2019 (previous year EUR 0.320 million). The Company has ceased to pay performance-based compensation to Supervisory Board members since the 2013/2014 fiscal year.

Share capital

DISCLOSURES ON SUBSCRIBED CAPITAL AND POSSIBLE TAKEOVER RESTRICTIONS (SECTION 315 (4) GERMAN COMMERCIAL CODE)

The share capital is EUR 10,143,240.00 and is divided into 10,143,240 bearer shares. Each share has one vote. The Management Board is not aware of any restrictions concerning voting rights or the transfer of shares apart from Bertrandt's treasury shares and the shares issued under the employee share scheme, which are subject to a contractually defined lock-up period.

The following shareholders hold more than ten percent of the voting rights:

– Dr. Ing. h. c. F. Porsche Aktiengesellschaft, Stuttgart, Germany: 28.97 percent of voting rights as last reported on 15 June 2016
– Friedrich Boysen Holding GmbH, Altensteig, Germany: 14.90 percent of voting rights as last reported on 21 February 2011

Refer to Note [45] in the Notes to the Consolidated Financial Statements for further disclosure. The owners of shares do not have any special rights establishing a power of control. The appointment and removal of members of the Management Board is governed by Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Article 6 of the Articles of Association. Pursuant to Section 179 AktG in conjunction with Article 18 (1) of the Articles of Association, any amendments to the Articles of Association require a resolution by the annual general meeting adopted by a simple majority.

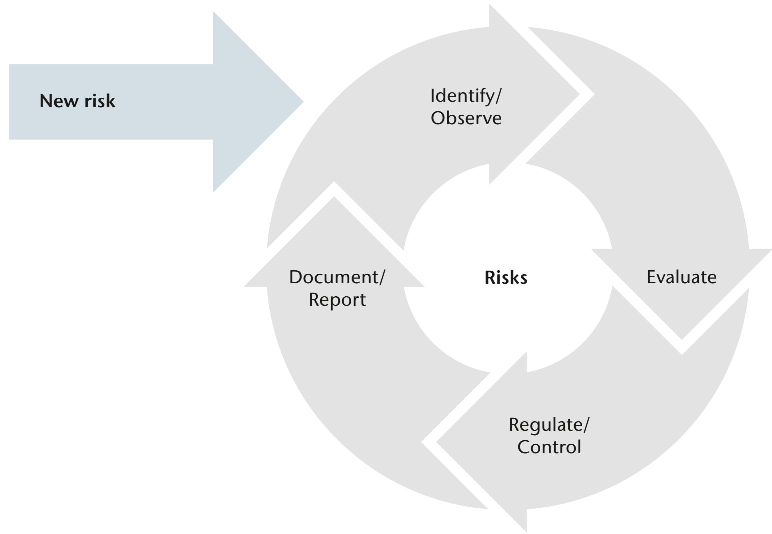
At the annual general meeting on 20 February 2019, the shareholders authorised the Management Board to buy back the Company's own shares up to a proportion of share capital equivalent to the amount of EUR 1,000,000.00 until 31 January 2024. At the annual general meeting of 23 February 2017, the shareholders had also authorised the Management Board to increase the share capital of Bertrandt AG pursuant to the Articles of Association with the approval of the Supervisory Board by issuing, in the period leading to 31 January 2022, new bearer shares on a cash or non-cash basis (including in the form of so-called mixed non-cash contributions), either once or several times, however by a maximum amount of EUR 4,000,000.00 (Authorised Capital 2017).

Bertrandt has entered into the following agreement of material significance which provides for the event of a change of control by the following provisions: Lending agreements provide for an extraordinary right of termination of the lender when credit facilities are not used. There are no agreements with either members of the Management Board or employees on compensation payments in the event of a change of control.

Opportunities and risks report

Bertrandt's accounting and controlling functions maintain an accounting-related internal control and risk management system that ensures complete, accurate and timely provision of information. This chapter first describes the accounting-related internal control system and the risk management system. Thereafter it sets out both the relevant risks and the opportunities that may influence Bertrandt's operating activities.

THE BERTRANDT RISK MANAGEMENT SYSTEM — CHART 21



Our risk management system seeks to identify risks as early as possible, as well as to minimise or completely avoid them.

DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM

The separate financial statements of Bertrandt AG and its subsidiaries are prepared according to the applicable law in the respective jurisdiction and are then reconciled to prepare the consolidated financial statements according to IFRS. The corporate policies contained in the accounting manual ensure consistent accounting and measurement. The separate financial statements of the subsidiaries are audited or subjected to an auditor's review. In addition, they are tested for plausibility based on the report submitted by the auditors. A clear delineation of areas of responsibility, the use of the four eyes principle, the use of numerous IT authorisation concepts, encrypted transmission of information and the performance of plausibility checks are also important control elements which are applied in the course of the preparation of the annual financial statements. Staff are continually advised and trained in all the relevant aspects and issues of accounting law.

DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE RISK MANAGEMENT SYSTEM

Our risk management system seeks to identify risks as early as possible, as well as to minimise or completely avoid them. This is aimed at averting possible harm to the Company and any potential threat to it as a going concern. Bertrandt Group's four-tier internal control and risk management system identifies and documents risks to the Company's financial performance and continuing existence.

It is applicable to all Bertrandt Group companies, both domestic and foreign. The Management Board, the Managing Directors of the respective subsidiary and corporate functions such as Group Controlling work closely together in identifying risks and devising corrective action plans. Both regular and ad-hoc risk reviews are carried out to assess all the identified risks that could affect our business performance with regard to amount of loss, probability of occurrence and importance. For this purpose, similar or identical risks affecting domestic and/or foreign Group companies are aggregated and their importance to the Group analysed at Group level. Depending on the results, appropriate corrective action plans are devised with top priority and compared with best practices, and the corresponding strategy is implemented without delay by the responsible Managing Directors in cooperation with supporting corporate functions.
→ CHART 21

The assessment and identification of risks for the subsidiaries are based on the maximum amount of loss and the probability of occurrence. The amount of loss describes the impact on the EBIT of the respective subsidiary.

Amount of loss is described by the following categories:

- Low is an amount of loss between EUR 0.050 and EUR 0.250 million
- Medium is an amount of loss between EUR 0.250 and EUR 0.500 million
- High is an amount of loss between EUR 0.500and EUR 1.500 million
- Very high is an amount of loss exceeding EUR 1.500 million

Probability of occurrence is expressed in the following categories:

- Low is a probability of between zero and 25 percent
- Medium is a probability of between 25 and 50 percent
- High is a probability of between 50 and 75 percent
- Very high is a probability of between 75 and 100 percent

Risks are assessed on this basis in gross and net terms. The gross assessment assesses the risk event without accounting for the effects of corrective action that may already have been taken. The net assessment accounts for corrective action already taken and thus enables an appraisal of its effectiveness. Amount of loss multiplied by the probability of occurrence equals risk magnitude. The risk magnitude is expressed in three categories A, B and C:

- A risk corresponds to a risk magnitude of ≧ 3.0 million
- B risk corresponds to a risk magnitude of ≧ EUR 1.5 million - EUR 3.0 million
- C risk corresponds to a risk magnitude of < EUR 1.5 million

The identified risks are updated several times a year and an aggregated risk report is prepared to provide the Management Board with an overview of the exposure of the Group. New risks arising between regular updates are described in ad-hoc risk reports and submitted to the Management Board as appropriate.

Bertrandt's risk profile is updated constantly and shows the following potential individual risks. Moreover, these identified risks are evaluated in order to determine whether they are substantial risks. Apart from this, risks of lesser importance were checked for plausibility, but are not separately stated here because of their low probability of occurrence, expected amount of loss and lack of materiality.

FINANCIAL RISKS

As a service provider operating on an international scale, the Bertrandt Group is exposed to a variety of financial risks: default risks on trade receivables, liquidity risks, product liability risks and risks of additional claims as well as interest rate and currency fluctuation risks. Financial risk management is carried out by the central Treasury department. A liquidity forecast covering a fixed period into the future, credit facilities available to the Bertrandt Group but not utilised, as well as alternative financial instruments guarantee liquidity at all times. The Company uses derivative financial instruments as appropriate for managing individual fixed-interest periods and currency segments. In view of the increasing risk of default, these financial risks are considered category A risks with a medium probability of occurrence. The risk of default is limited to the greatest possible extent by means of preventive credit rating checks. Individual risks are addressed by means of credit guarantee insurance cover as required in individual cases. Possible product liability risks are covered by corresponding insurance. Additional claims by customers are checked by stringent project management. This risk is classified as a B risk with a medium probability of occurrence.

CHANGE IN OEMS' EXTERNAL SOURCING STRATEGY AND SIZE OF PROJECTS SOURCED EXTERNALLY

In recent years, the automotive industry has intensified the external sourcing of engineering services in response to the rising number of different drive technologies, increasing diversity of models and ever shorter model lifecycles. However, it is conceivable that OEMs will insource engineering services again in some areas. This would result in a reduction of Bertrandt's current and future business volume, which may adversely affect the Company's revenue and earnings situation. The risk arising from a change in the external sourcing strategy of Bertrandt's customers must be considered a category A risk, in conjunction with a medium probability of occurrence. The discussion of the measurement of emission values in passenger cars, which has been ongoing in the public since September 2015, and the debate about the possible adjustment of the measurement methodology by legislators continue to be of concern for all companies involved in the automotive sector. As a consequence, many OEMs are focusing more on e-mobility in their technology development. The strategic change in the field of drive technologies is fully underway. Medium-term model roadmaps are now frequently reviewed for this aspect, the result of which could be a reduction in the variety of models. Therefore, the risk associated with the stop or postponement of projects is viewed by Bertrandt as a category A risk with a medium probability of occurrence.

PRICING

Our customers are constantly aware of their own efficiency so that the price of externally sourced engineering services is also in the focus of their attention. Moreover, changes in the law have made matters considerably more complex in the field of contracts for work. Furthermore our customers are intensifying their efforts to source some of their engineering services from countries with lower wage levels. Forecast adjustments and cost-saving programmes of some OEMs may lead to pressure on prices and more restrictive external sourcing behaviour. The Bertrandt Group is responding to these conditions by optimising its cost structure, working to high levels of quality and, depending on the project in question, diversifying its locations outside Germany. Price will therefore continue to be subject to competitive pressures. Bertrandt classifies this risk as an A risk in conjunction with a medium probability of occurrence.

IMPLEMENTATION OF NEW PROCESSES

The ongoing alignment with the technical demands of customers is an integral part of the business model of an engineering provider such as Bertrandt. This results in the continuous implementation of new processes, software tools and systems. Flawless introduction in each case is necessary in order to maintain the obligatory certifications. Flawed implementation of new processes may cause disorganisation in the utilisation of our resources. In order to address this risk, Bertrandt installed a comprehensive management system which is applicable throughout the Group which regularly measures and evaluates non-financial performance indicators. Its purpose is to ensure that customer requirements are satisfied and that internal processes are optimised and refined. The management system supports Bertrandt's employees' endeavours to work effectively and without making mistakes, and to identify potential for optimisation.

The management system is reviewed on an annual basis by an external accredited body. The review is based on the requirements of the following standards:

- DIN EN ISO 9001 Quality Management
- DIN EN ISO 14001 Environmental Management
- DIN ISO/IEC 27001 information security in conjunction with the TISAX industry standard / prototype protection as specified by the German Association of the Automotive Industry (VDA)
- DIN EN ISO 45001 occupational health and safety management in conjunction with the "AMS" safety and health system as specified by the administrative employers' liability insurance VBG
- DIN EN ISO/IEC 17025 for accredited test laboratories

The business processes of the subsidiaries are aggregated for purposes of the assessment within the internal management system of the Bertrandt Group. The aggregated assessment represents the status of the business processes in a total of five assessment areas which are derived from the high level structure of the new management system standards:

I.	**Performance of the management system** (for example: target process of the management system and its accomplishment, outcomes of external audits and reviews, controlling of resources)
II.	**Service delivery** (for example: feedback from customers, complaint management, supplier relationships, project management)
III.	**Continuous improvement** (for example: status of actions for sustainable correction of defects, for the prevention of potential future defects and for the response to predictable changes, for efficiency increase and innovation management)
IV.	**Risk management** (for example: status of and dealing with process, security and environmental risks, particularly their prevention and avoidance, corporate security as well as occupational health and safety)
V.	**Personnel and human resources** (for example: employee focus, fluctuation, occupational health management)

Business processes are assessed along a 100 point scale with the values associated with the following findings:

< 50	Deviations from the analysed target process were found. The cause for the deviation must be determined and sustainable corrective action must be initiated. Effectiveness must be ensured.
50–75	The analysed business process is stable and controlled. However, changes and potential deviations have to be expected. Preventive action must be initiated. Effectiveness must be ensured.
> 75	The analysed business process is stable and controlled, sustainability and effectiveness are ensured. Activities are focused on maintaining the process as is or on increasing efficiency and performance.

The assessment procedure was carried out for the Bertrandt Group's business processes and the outcome for the fiscal year 2018/2019 is as follows for non-financial performance indicators:

	Assessment areas	Points
I.	**Performance of the management system**	**86**
II.	**Service delivery**	**82**
III.	**Continuous improvement**	**80**
IV.	**Risk management**	**91**
V.	**Personnel and human resources**	**85**

The assessment results can be regarded as indicators of the stability and sustainability of the business processes covered by the integrated management system of Bertrandt. In the year under review, the management system was updated to conform to the revised DIN EN ISO 9001:2015 and DIN EN ISO 14001:2015. In addition, actions were initiated to seize opportunities for further optimisation and risk minimisation. All values of the identified performance indicators are above the intervention limit of 75 points. The activities in the financial year were mainly driven by structural and process changes in order to adapt the management system to changed customer demands, an increasingly complex market environment and the competition. Thus the performance of the management system and the stability of the processes were successfully kept almost at the high level of the previous year. The integrity of the management system is ensured. In the service delivery assessment area, the values decreased slightly, the level of customer satisfaction continues at a high level thanks to well-established quality assurance. Numerous projects in the context of the continuous improvement process were initiated and are currently in the course of being implemented. The effectiveness of these actions can, however, not be fully considered until the projects in the corresponding assessment area are completed. This results in an explainable decrease in the point values. In the risk management assessment area, values were similarly high as in the previous year. Despite an increasingly complex environment and the high level of dynamism in the automotive market, the processes for risk identification and reduction showed an above-average effectiveness and resilience. At the same time, the Bertrandt Group managed to keep the performance of the employees and human resources stable.

Therefore, Management's activities are dedicated to maintaining and optimising the performance to the benefit of our customers. Bertrandt considers the risk involved in the implementation of new processes a category B risk with a medium probability of occurrence.

IT SECURITY

As an engineering service provider, Bertrandt is highly reliant on well-functioning and secure data processing. We must be ready at all times to provide solutions quickly to constantly changing business processes and cost pressure. The challenge here is to optimise overall IT costs and, at the same time, enhance functionality and security. Since 2005, internal Security Circles have been established that define and monitor uniform security standards. Since 2006, several of our locations have been certified to ISO 27001 and have implemented internal IT security procedures according to uniform specifications that exceed the standard and that are coordinated continuously with our customers. Bertrandt is continuously applying several different solutions for identifying vulnerabilities, such as the latest firewalls, intrusion detection systems or so-called content scanners. In order to enhance security even more, additional actions have been taken, such as 2-factor authentication or strong cryptography for transmissions from and to customers. In addition, Bertrandt created the position of a Chief Information Security Officer (CISO) in the fiscal year 2015/2016. Aggregated for the entire Group, the IT security risk is considered a category A risk. In view of the comprehensive preventive action, the probability of occurrence is assessed as low.

HUMAN RESOURCES

Inadequate availability as well as fluctuation of qualified staff could have an inhibiting effect on the business performance. This category therefore includes the shortage of qualified personnel and the risk arising from this situation. Recruitment of qualified staff as well as ongoing further training for employees ensures that the Company has the necessary skills and is able to grow. Bertrandt consistently aims to offer its workforce attractive working conditions with interesting, varied and challenging activities. The fact that Bertrandt received several awards as top employer in the area of engineering once again in the financial year 2018/2019 demonstrates that effective measures are being taken in this field. Still, it can never be ruled out completely that our staff leave Bertrandt to join our customers, since they are able to offer attractive career prospects as well. From our point of view, this risk of fluctuation is to be considered a category B risk, in conjunction with a medium probability of occurrence. The risk of scarcity of qualified personnel is at present also considered a category B risk, also in conjunction with a medium probability of occurrence.

OVERALL RISK

The early warning system described enables Management to detect existing risks at an early stage and to initiate corrective action.

As every year, the system of early risk detection and monitoring was subjected to a compulsory review as part of the audit of this year's annual financial statements. The conclusion is that the risk analysis based on the information currently at hand produces a satisfactory result. While the maximum risk magnitude after corrective actions rose by 9.2 percent, there is, according to this, no evidence at the moment of any going-concern risks with a loss or hazard potential for the Company's operating results or financial position.

OPPORTUNITIES

Bertrandt is a technology company which provides skilled support as a partner to its customers. The Company's objective is to manage its business sustainably, to position itself successfully on the market and to further build a leading position with a broad and integrated range of services. The most important drivers of the Bertrandt business model are the following three trends: growing model diversity, technology progress and the external sourcing of engineering services. In the following we describe the possible development of these three influencing factors from the point of view of Bertrandt AG and the opportunities that they offer to the Group.

The "probability of occurrence" categories for these trends are as follows:

- Low is a probability of between zero and 25 percent
- Medium is a probability of between 25 and 50 percent
- High is a probability of between 50 and 75 percent.
- Very high is a probability of between 75 and 100 percent

With regard to the possible financial impacts of the opportunities, Bertrandt applies the following categories:

- Insignificant corresponds to a positive influence on total revenues of up to two percent
- Moderate corresponds to a positive influence on total revenues of two to five percent
- Significant corresponds to a positive influence on total revenues of more than five percent

MODEL VARIETY

The discussion of the measurement of emission values in passenger cars which has been ongoing in the public since September 2015 and the debate about the possible adjustment of the measurement methodology by legislators continue to be of concern for all companies involved in the automotive sector. As a consequence, many OEMs are focusing more on e-mobility in their technology development. A strategic change is becoming apparent in the field of drive technologies. Medium-term model roadmaps are now frequently reviewed for this aspect, the result of which could be an increase in alternative drives.

According to the VDA, the model range offered will increase fivefold to more than 150 electric models by 2023. The VDA forecasts that OEMs and suppliers will be investing around EUR 40 billion in the development of alternative drive technologies in the next three years. This will result in a compelling model initiative: The adaption of different drive and transmission variants offers business opportunities to engineering service providers in addition to vehicle development in its own right, according to a study conducted by experts at Berylls. Bertrandt assesses the probability of occurrence for this scenario to be high in conjunction with a significant influence on the total revenues. Our assessment of this has not changed compared to the previous year.

TECHNOLOGY PROGRESS

According to the president of the VDA, Bernhard Mattes, future growth in the automotive industry will be associated with fundamental structural change at the regional and economic level, and above all in the technological arena. The VDA president referred to connected and automated driving as an example of the innovative power of the industry. According to Mattes, in the next three to four years the German automotive industry will invest EUR 16 to 18 billion in a future which will make road traffic even more safe, efficient and comfortable. However, the biggest financial commitment by German OEMs is to develop low-emission drive technologies. In July 2019 the VDA president noted that OEMs and suppliers will be investing EUR 40 billion in the research and development of alternative drive technologies in the next three years.

In the field of aircraft construction for civil aviation, the forecasts of the two big aircraft manufacturers, Airbus and Boeing, anticipate stable growth up to 2038. As in previous years, this can be attributed to growing internationalisation and expanding tourism. The related technological development trends continue to be shaped by the demands of sustainability and comfort. Alternative materials and new engine technologies should help to reduce weight, and consequently fuel consumption. Modern cabins will make travel as comfortable as possible for passengers.

The four key industries in which Bertrandt operates apart from the automotive and aerospace sectors are substantially impacted by the digitalisation of processes. The establishment of intelligent, digitally networked systems is the basis for implementing more efficient value chains – from the idea for a product through to its development, production, use and maintenance and, finally, recycling. "Industry 4.0" offers huge opportunities for Germany as a leading international industry supplier. However, German companies' concern about the future economic development has grown considerably in the past financial year. This is also reflected in the sustained downward trend shown by the business climate index published by the ifo Institute (Leibniz Institute for Economic Research) at the University of Munich, which looks at the current economic situation and the expectations of businesses in the manufacturing sector for the coming months.

Based on our current state of knowledge the level of technology applied in the Bertrandt Group's target industries is likely to continue rising and this will have a significant influence on total revenues. This assessment has not changed since last year.

EXTERNAL SOURCING OF ENGINEERING SERVICES

Market research experts from Berylls expect the market for contracted out engineering services in the automotive industry to continue growing over the next few years. The experts believe that this will continue to be to the advantage of large, high-revenue companies. These companies have both the infrastructure and capacities to take on large projects and will benefit accordingly from the trend among corporate customers to award larger project packages. There is also a discernible shift in customer demand towards innovative solutions for electrical systems and electronics, particularly in the fields of digitalisation and automated driving. In conclusion, the study published in summer 2018 forecasts the global market to grow up to the year 2023 from EUR 11.1 billion in 2017 to EUR 18.3 billion in 2023. The German market in particular will grow in this period from EUR 4.1 billion to EUR 6.3 billion, which is equal to average annual growth of 7.3 percent.

Based on our current state of knowledge, we assess the probability of occurrence of a continued increase in the external sourcing of engineering services in core industries of the Bertrandt Group to be high in conjunction with a significant influence on total revenues. This assessment has not changed since the last fiscal year.

OVERALL OPPORTUNITIES

The three main factors influencing Bertrandt's business model remain intact from the point of view of the Company and continue to offer potentials for a successful business performance. External experts also deem it probable that there will be a further increase in model diversity, that technological progress will continue and that external sourcing of engineering services will remain stable. In conclusion, the analysis of opportunities based on the studies currently at hand and interviews that we conducted produces a positive result: There is no reason to expect a weakening of the three key factors influencing Bertrandt's business model.

CONCLUSION

The current outlook for the next fiscal year reflects developments in the sectors that are important for Bertrandt. Their ultimate outcomes cannot be wholly judged at the present juncture; depending on the turn the influencing factors described here take, they may result in opportunities or risks for the Group in the next fiscal year. As long as the described risks do not materialise and the opportunities are still intact, Bertrandt expects the Company to develop positively in the coming fiscal year.

Forecast

GENERAL CONDITIONS

In their autumn report, experts from leading German economic research institutes forecast subdued worldwide growth for 2020. The estimates produced by these experts project global GDP growth of 2.7 percent in 2019 and just 2.6 percent in 2020. The global GDP growth rate expected for 2021 is 2.7 percent. According to this current joint economic forecast, global trade is set to contract by an initial 0.8 percent in 2019 before growing again by 0.7 percent in 2020. According to these estimates, global trade is forecast to grow 2.4 percent in 2021.

GDP is projected to grow by 2.3 percent in the USA this year, by 1.7 percent next year and by 1.8 percent in 2021. The same institutions forecast that the pace at which the Chinese economy is expanding will continue to slow down with production growing this year by 6.2 percent, and by 5.9 and 5.8 percent in the years 2020 and 2021 respectively. Economic activity is also cooling off noticeably in the European Union. Year-on-year GDP growth in the EU is forecast at just 1.2 percent in 2019. In 2020 and 2021, European GDP is anticipated as growing by 1.2 percent and 1.4 percent respectively. Experts anticipate Germany's GDP to grow by 0.5 percent in 2019. Growth rates of 0.7 percent and 1.4 percent are projected for the years 2019 and 2020 respectively. Bertrandt does not expect Brexit and its attendant uncertainties to directly impact its operative business development.

INDUSTRY SITUATION

Customers' R&D budgets in the industries which are relevant for Bertrandt are projected to remain at a consistently high level. The VDA anticipates around 81 million newly registered passenger cars worldwide in 2019, or four percent fewer than in the previous year. Consulting firm Berylls assumes that the impetus from electric vehicles will boost worldwide production of vehicles by 2024 to 108.3 million units, equivalent to an average annual rate of growth of 1.9 percent.

The key market trends promoting Bertrandt's business success remain intact: environmentally--friendly individual mobility, connected and autonomous driving as well as a greater variety of models and variants. As reported by the VDA, the German automotive industry is, for example, pursuing a broad-based decarbonisation strategy for the development of environmentally friendly powertrains. This involves further optimisation of the combustion engine with alternative powertrains and fuels, such as hydrogen, natural gas and e-fuels through to wholly electrically-powered vehicles. EUR 40 billion of investment is expected in research and development for alternative drive technologies in the next three years. The range of electrically-powered passenger cars will consequently increase more than fivefold by 2023 to around 150 models.

The VDA notes that German manufacturers and suppliers also aim to make road traffic even safer, more efficient and comfortable. Industry players are approaching this by adding automated drive functions to existing driver assistance systems. The German automotive industry holds almost half of the world's patents for connected and autonomous driving. Germany supports the revision of the "General Safety Regulation" proposed by the European Commission. This will better protect vehicle occupants and other road users. According to VDA President Bernd Mattes, connectivity also boosts efficiency enormously. Modern network technologies could make it easier to find parking spaces, thereby cutting down on lost time and emissions. This would allow up to 50 tonnes of particulates and up to 1,000 tonnes of nitrogen oxide to be avoided in German towns and cities.

According to the German Aerospace Industries Association (BDLI), the aerospace industry has achieved dramatic reductions in aircraft emissions and noise pollution in recent years. However, the industry has set itself some ambitious long-term targets within the framework of the European "Flightpath 2050" agreements. Taking the year 2000 as the baseline, the goal is to reduce CO_2 emissions by 75 percent and nitrogen oxide by 90 percent per passenger kilometre by 2050. The target is also to reduce noise pollution by 65 percent by the same date. Alongside environmental objectives aircraft manufacturers and suppliers also aim to boost on-board comfort for passengers. Against this background there will be continuing demand for engineering in this market segment to adjust the existing model range in response to these requirements.

The production forecast made by the German Engineering Federation (VDMA) for the year 2019 is based on a reduction of 2 percent compared to the previous year. According to VDMA experts, the trade dispute between the USA and China, Brexit and structural change in important customer groups are not without consequences for the so-called world export champion in the mechanical engineering industry. As these same experts do not expect any enduring change for the better in the near future, they also anticipate a contraction in production in real terms for the year 2020 of 2 percent. However, the VDMA's chief economist estimates that digitalisation, new forms of mobility and CO_2-neutral production offer many opportunities also for this industry. Solar mechanical engineering firms in particular expect sales growth of 3 percent next year compared with the previous year.

The electrical and electronic industry is expected to grow by 3 percent worldwide in 2020, according to the experts at the German Electrical and Electronic Manufacturers Association (ZVEI). According to the ZVEI, the German market for electronic and electrical goods grew by 2 percent last year; for 2019 and 2020, a growth rate of 1 percent is anticipated. The figures provided by the ZVEI for the power engineering industry in particular refer only to the development of the global market. This is expected to grow again by 4 percent in the coming year.

The German Hightech Industry Association SPECTARIS expects the global market for medical technology to grow in value to around EUR 463 billion by 2022. This is equivalent to an annual rate of growth of 5.2 percent. The German medical technology industry, which is highly innovative, well-positioned and internationally competitive, can benefit from this development, according to the experts.

Market research experts from Berylls expect the growth in recent years in the market for contracted-out engineering services in the automotive industry to continue over the next few years. The experts believe that this will continue to be to the advantage of large, high-revenue companies. These companies have both the infrastructure and capacities to take on large projects and will benefit accordingly from the trend among corporate customers to award larger project packages. There is also a discernible shift in customer demand towards innovative solutions for electrical systems and electronics, particularly in the fields of digitalisation and automated driving. In conclusion, the study which appeared in the summer of 2018 forecasts global market growth to increase from EUR 11.1 billion in 2017 to EUR 18.3 billion in 2023. The German market in particular will expand in this period from EUR 4.1 billion to EUR 6.3 billion, which is equal to average annual growth of 7.3 percent.

POTENTIALS

The ongoing technology trends of autonomous driving, connectivity, e-mobility and the Internet of Things are bringing about a fundamental and radical transformation of the automotive industry. Mobility and the world of digital data are becoming increasingly intertwined and new business fields and market shares are emerging. The ever greater breadth and depth of topics poses a challenge for Bertrandt as both generalist and specialist. As a solutions-focused engineering business the Group is geared to market and customer requirements and consequently also invests in infrastructure and the competences of its employees. With all these developments, new topics, services and cooperative opportunities are also emerging alongside established fields of business which Bertrandt is increasingly exploiting to develop the best solutions for its customers. Bertrandt is a technology company which provides skilled support as a partner to its customers. The Company's objective is to manage its business sustainably, to position itself successfully on the market and to further build a leading position with a broad and integrated range of services. Bertrandt's range of services for the automotive industry covers the entire value chain of product engineering. The Company is positioned as an engineering service provider for complete vehicle development and regards itself as a driver of innovation in key disciplines such as electronics. Bertrandt consciously serves a rather diverse customer base. The Company assumes the role of an expert consultant to the automotive and aerospace industries while embracing the development of technological future trends with a can-do attitude. Bertrandt is confident that the increasingly demanding mobility needs of consumers, ever more stringent legislation and a growing diversity of variants and models will continue to offer potential for the Company to secure and enhance its market position as an engineering service provider and technology group also in the years to come. This is also reflected in actual and planned capital expenditure on infrastructure and technical equipment.

Moreover, there are promising opportunities for the Company to establish a market position and to bring its expertise to bear in sectors beyond the mobility industry, such as the energy and electrical engineering and medical technology industries as well as the electronics sector or machinery and plant engineering. Thanks to our decentralised structure, we are a trusted partner in the immediate vicinity of our customers. Thus, we can take on board their wishes immediately and implement them in projects worldwide. Bertrandt will also be using agile startup-type units and focusing on industries and customers in the fields of medical technology, virtual and augmented reality, cloud solutions, machine learning or big data.

Well-targeted capital expenditure enables Bertrandt to continually optimise its range of services. Based on solid business foundations this will permanently and sustainably enhance the Company's enterprise value. The key factors for success are: greatest possible customer focus, committed employees and efficient cost and capacity management.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT

The risks arising from general economic developments and developments affecting the automotive industry in particular are expected to be greater in fiscal 2019/2020. Depending on the turn the influencing factors described here take, they may result in opportunities or risks for the Bertrandt Group in the next fiscal year. Assuming that economic conditions do not deteriorate further, that OEMs make sustained investments in research and development for new technologies and models, engineering work continues to be contracted out and qualified human resources are available, Bertrandt expects the Company to develop positively in fiscal 2019/2020. The most important market trends supporting Bertrandt's business success are environmentally friendly individual mobility, connected and autonomous driving, and the increasing variety of models and variants. These trends remain intact and offer business opportunities for the future. In the light of this, the Management Board anticipates an increase in total revenues of between EUR 20 and 50 million for fiscal 2019/2020. EBIT in the period under review is targeted to range between five and seven and a half percent of total revenues, which translates into EBIT of between EUR 54.0 and 83.2 million.

The Management has grounds for optimism that in the segments Physical Engineering and Electrical Systems/Electronics total revenues and EBIT will increase more than proportionately in fiscal 2019/2020 according to and in line with the Group's forecast. With respect to non-financial performance indicators, it is our objective to maintain the high level also in fiscal 2019/2020.

The market continues to offer real business opportunities in 2020. As a result, Bertrandt will continue to focus its investment activities in building up and expanding its infrastructure with the aim of consistently optimising its range of services bearing in mind that the technological developments of tomorrow will require state-of-the-art technology. The Company anticipates a volume of capital spending in fiscal 2019/2020 of between EUR 60 and 80 million, which could be even higher if necessary. In line with the development of EBIT, Bertrandt anticipates a positive cash flow from operating activities for the year as a whole. The magnitude of the expansion will ultimately depend on the funds tied up in contract assets and receivables from contracts and services resulting from the development of total revenues.

Ehningen, 27 November 2019

The Management Board

HANS-GERD CLAUS
Member of the
Management Board
Engineering

MICHAEL LÜCKE
Member of the
Management Board
Sales

MARKUS RUF
Member of the
Management Board
Finance

Consolidated financial statements

Consolidated income statement and statement of comprehensive income

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

TABLE 22

EUR million			
01/10 until 30/09		2018/2019	2017/2018
	Notes		
I. Income statement			
Revenues	[6]	**1,058.112**	**1,019.914**
Other internally generated assets	[7]	1.758	1.106
Total revenues		**1,059.870**	**1,021.020**
Other operating income	[8]	17.406	8.594
Raw materials and consumables used	[9]	-108.755	-100.388
Personnel expenses	[10]	-765.386	-723.971
Depreciation	[11]	-33.687	-33.022
Other operating expenses	[12]	-109.126	-100.092
EBIT		**60.322**	**72.141**
Share of profit in associates		0.385	0.331
Interest income		0.427	0.362
Financial expenses		-3.683	-3.676
Other financial result		0.026	0
Net finance income	[13]	**-2.845**	**-2.983**
Profit from ordinary activities		**57.477**	**69.158**
Other taxes	[14]	-3.257	-3.858
Earnings before tax		**54.220**	**65.300**
Income taxes	[15]	-15.206	-17.915
Post-tax earnings		**39.014**	**47.385**
attributable to shareholders of Bertrandt AG		39.014	47.385
Number of shares (million) – diluted/basic, average weighting		10.095	10.095
Earnings per share (EUR) – diluted/basic	[16]	3.86	4.69
II. Statement of comprehensive income			
Post-tax earnings		**39.014**	**47.385**
Exchange rate differences[1]		0.603	-0.070
Revaluation of pension obligations		-2.383	0.128
Deferred tax on remeasurement of retirement benefit obligations		0.620	-0.038
Other comprehensive income after taxes		**-1.160**	**0.020**
Total comprehensive income		**37.854**	**47.405**
attributable to shareholders of Bertrandt AG		37.854	47.405

[1]Components of Other earnings after taxes which will be recycled in the Income statements of the future quarterly and annual reports.

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET

TABLE 23

EUR million			
		30/09/2019	30/09/2018
	Notes		
Assets			
Intangible assets	[18]	14.017	13.724
Property, plant and equipment	[19]	302.855	282.104
Investment properties	[20]	1.342	1.408
Investments accounted for using the equity method	[21]	6.453	5.874
Financial receivables	[22]	1.412	1.291
Other financial assets	[23]	2.581	2.294
Other assets	[24]	8.831	8.895
Deferred taxes	[25]	3.072	3.324
Non-current assets		**340.563**	**318.914**
Inventories	[26]	0.993	1.156
Contract assets	[27]	125.315	121.100
Trade receivables	[28]	226.007	236.206
Financial receivables	[22]	0.558	1.277
Other financial assets	[23]	2.873	2.901
Other assets	[24]	15.664	14.515
Income tax assets	[29]	5.198	3.921
Cash and cash equivalents	[30]	91.491	88.405
Current assets		**468.099**	**469.481**
Total assets		**808.662**	**788.395**
Equity and liabilities			
Issued capital	[31]	10.143	10.143
Capital reserves	[32]	29.714	29.713
Retained earnings	[33]	346.136	323.161
Other reserves	[33]	-5.065	-3.905
Consolidated distributable profit		35.764	39.764
Equity		**416.692**	**398.876**
Borrowings	[34]	212.419	199.810
Other liabilities	[35]	1.747	0.447
Provisions	[36] / [37]	12.445	9.740
Deferred taxes	[25]	12.634	12.611
Non-current liabilities		**239.245**	**222.608**
Borrowings	[34]	3.498	18.339
Contract liabilities	[38]	4.520	6.354
Trade payables	[39]	15.751	17.849
Other financial liabilities	[40]	22.442	22.517
Other liabilities	[35]	72.562	64.648
Other provisions	[37]	33.185	36.433
Tax provisions	[41]	0.767	0.771
Current liabilities		**152.725**	**166.911**
Total equity and liabilities		**808.662**	**788.395**

[1]Refer to Note [1], Presentation of financial statements for additional explanations on the new items of the balance sheet.

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TABLE 24

EUR million	Issued Capital	Capital reserves	Retained earnings	Other reserves			Consolidated distributable profit	Total
				Currency translation reserve	Revaluation of pension obligations	Total		
Value on 30/09/2018	**10.143**	**29.713**	**323.161**	**-1.893**	**-2.012**	**-3.905**	**39.764**	**398.876**
Value adjustment according to IFRS 9			0.152					**0.152**
Value on 01/10/2018	**10.143**	**29.713**	**323.313**	**-1.893**	**-2.012**	**-3.905**	**39.764**	**399.028**
Post-tax earnings							39.014	**39.014**
Other comprehensive income after taxes				0.603[1]	-1.763	**-1.160**		**-1.160**
Total comprehensive income				**0.603**	**-1.763**	**-1.160**	**39.014**	**37.854**
Dividend payment							-20.191	**-20.191**
Other non-operating changes			22.823				-22.823	**0**
Treasury share/additions		0.001						**0.001**
Value on 30/09/2019	**10.143**	**29.714**	**346.136**	**-1.290**	**-3.775**	**-5.065**	**35.764**	**416.692**
Previous year								
Value on 01/10/2017	**10.143**	**29.374**	**301.244**	**-1.823**	**-2.102**	**-3.925**	**39.524**	**376.360**
Post-tax earnings							47.385	**47.385**
Other comprehensive income after taxes				-0.070[1]	0.090	**0.020**		**0.020**
Total comprehensive income				**-0.070**	**0.090**	**0.020**	**47.385**	**47.405**
Dividend payment							-25.228	**-25.228**
Other non-operating changes			21.917				-21.917	**0**
Treasury share/additions		0.339						**0.339**
Value on 30/09/2018	**10.143**	**29.713**	**323.161**	**-1.893**	**-2.012**	**-3.905**	**39.764**	**398.876**

[1] Components of other comprehensive income which will be reclassified to the income statements of future periods.

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

TABLE 25

EUR million 01/10 until 30/09	2018/2019	2017/2018
1. Post-tax earnings	**39.014**	**47.385**
2. Income taxes	15.206	17.915
3. Share of profit in associates	-0.368	-0.331
4. Interest income	-0.427	-0.362
5. Financial expenses	3.683	3.676
6. Net other finance result	-0.026	0
7. Depreciation of non-current assets	33.687	33.022
8. Increase/decrease in provisions	-0.988	-2.392
9. Other non-cash income/expense	-2.953	0.370
10. Profit/loss from disposal of non-current assets	-9.215	-0.313
11. Increase/decrease in inventories, trade receivables as well as other assets not assigned to investing or financing activities	11.730	-42.540
12. Increase/decrease in contract assets	-4.213	-1.493
13. Increase/decrease in trade payables and other liabilities not assigned to investing or financing activities	5.132	5.584
14. Income tax paid	-17.564	-29.546
15. Income tax received	3.428	0.321
16. Interest paid	-4.071	-4.311
17. Interest received	0.229	0.223
18. Cash flows from operating activities (1.-17.)	**72.284**	**27.208**
19. Payments received from disposal of property, plant and equipment	18.014	0.775
20. Payments received from the disposal of financial assets	0	0.790
21. Payments made for investments in property, plant and equipment	-62.324	-49.309
22. Payments made for investments in intangible assets	-2.684	-2.802
23. Payments made for investments accounted for using the equity method (previous year including financial assets)[1]	-0.211	-0.389
24. Payments made to acquire consolidated and other businesses	-0.490	0
25. Cash flows from financing activities (19.-24.)	**-47.695**	**-50.935**
26. Equity contributions	0	0.339
27. Dividend payment	-20.191	-25.228
28. Financial receivables – payments received[1]	0.383	0
29. Financial receivables – payments made[1]	-0.338	0
30. Payments made for discharging debt instruments and repaying loans	-1.746	-1.936
31. Cash flows from financing activities (26.-30.)	**-21.892**	**-26.825**
32. Changes in cash and cash equivalents (18.+25.+31.)	2.697	-50.552
33. Effect of exchange rate changes on cash and cash equivalents	0.389	-0.309
34. Cash and cash equivalents at beginning of period	88.405	139.266
35. Cash and cash equivalents at end of period (32.-34.)	**91.491**	**88.405**

The consolidated cash flow statement is explained in the notes under [42].

[1] Refer to Note [1], Presentation of financial statements for additional explanations on the new items of the balance sheet.

Consolidated notes

[1] BASIS OF PREPARATION

Bertrandt AG is a listed joint stock company (Aktiengesellschaft) incorporated under the law of the Federal Republic of Germany with registered offices at Birkensee 1, 71139 Ehningen, Germany (commercial register number HRB 245259, local court of Stuttgart). The consolidated financial statements are published in the electronic Federal Gazette. The business purpose of Bertrandt AG and its subsidiaries is to provide engineering and related services including but not limited to designing, developing, engineering, producing and fabricating prototypes and parts of prototypes, testing, planning and project management as well as CAD activities of all kinds for industries like the automotive, aerospace, transportation, energy, mechanical and plant engineering, electrical and medical engineering sectors and electronics and software development.

As stipulated by EU Regulation (EC) No. 1606/2002, the consolidated financial statements of Bertrandt AG for the fiscal year from 1 October 2018 to 30 September 2019 have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) and IFRIC Interpretations, as adopted by the European Union. In addition, the requirements of Section 315e (1) of the German Commercial Code were observed. All standards effective in the 2018/2019 fiscal year were applied. The consolidated financial statements have been prepared on the basis of historical cost, with the exceptionof certain financial assets which are measured at fair value.

The consolidated financial statements were compiled in euros. Unless stated otherwise, all amounts are shown in millions of euros (EUR million). Rounding differences may occur in the presentation of percentages and figures.

The Management Board prepared the consolidated financial statements on 27 November 2019. This is the date on which the period for disclosure of adjusting events ends.

Presentation of financial statements
The income statement is prepared using the nature of expense method. Pursuant to International Accounting Standard (IAS) 1, current and non-current assets and liabilities are separately classified in the balance sheet. Assets and liabilities are considered to be current if the respective amount is expected to be recovered or settled no more than twelve months after the reporting period. Likewise, they are considered to be non-current if they are expected to remain in the Group's balance sheet for more than one year. Provisions for pensions are carried under non-current liabilities to reflect their long-term nature. Deferred income tax assets and liabilities are classified as non-current.

For a better understanding of the balance sheet the classification of items of assets and of liabilities has been changed as follows: "Financial receivables", "other financial assets", "trade receivables", as well as "other assets" and "other financial liabilities". Financial receivables, other financial assets, and other financial liabilities include receivables and other assets as well as other liabilities that are within the scope of IFRS 7. What used to be "financial assets" in the amount of EUR 1.221 million as at 30 September 2018, are now recognised in non-current financial receivables. The changes in presentation pursuant to IFRS 15, which has been applied for the first time for this fiscal year, are explained in the section "Effects of new accounting standards". Retained earnings and other reserves (OCI) are recognised separately in equity. The consolidated financial statements give a true and fair view of the net assets, financial position and earnings situation as well as the cash flows of the Group.

International Financial Reporting Standards and IFRIC Interpretations mandatorily effective from the fiscal year 2018/2019
The following table sets out the International Financial Reporting Standards and IFRIC Interpretations that are mandatorily effective from fiscal 2018/2019.

TABLE 26

Standard/ Interpretation		Mandatory application[1]	Expected effects
IFRS 2	Amendments to IFRS 2: Classification and measurement of share-based payment transactions	01/01/2018	None
IFRS 4	Amendments to IFRS 4: Insurance contracts – applying IFRS 9 financial instruments with IFRS 4 insurance contracts	01/01/2018	None
IFRS 9	Amendments to IFRS 9: Financial instruments	01/01/2018	More detailed disclosures in the Notes
IFRS 15	Revenue from contracts with customers Amendments to IFRS 15	01/01/2018	More detailed disclosures in the Notes
IAS 40	Amendments to IAS 40: Transfers of investment property	01/01/2018	None
IFRIC 22	Foreign currency transactions and advance considerations	01/01/2018	None
Improvements to IFRS	Adoption of annual improvements to IFRS cycle 2014-2016	01/01/2018	Single-case audit

[1]Fiscal years beginning on or after the specified date.

Effects of new accounting standards

IFRS 9 – Financial Instruments
IFRS 9 changes the accounting requirements for the classification and measurement of financial assets, impairment of financial assets and the accounting for hedging relationships.

Financial assets are classified and measured on the basis of an entity's business model and the cash flow characteristics. At initial recognition, a financial asset is classified as subsequently measured at "amortised cost", "fair value through other comprehensive income" or "fair value through profit or loss". The classification and measurement of financial liabilities under IFRS 9 is broadly the same as under the current accounting requirements according to IAS 39.

The existing incurred loss model for determining impairments and making credit risk provisions is replaced with an expected credit loss model where companies are required to provide for future expected losses. It is possible to apply a simplified approach for the impairment model. According to this approach, instead of assessing the changes in credit risk, Bertrandt has to record a risk provision in the amount of the lifetime expected credit loss upon initial recognition and at each subsequent reporting date.

Bertrandt essentially applies the simplified approach based on two different groups for the assessment of credit losses. On the basis of an internal default rate, risk provisions are made for individual unexpected credit losses for which no impairment provisions have been recognised.

As permitted by the transition provisions of IFRS 9, the Company has not restated comparatives. Hence, the adoption of the new standard has not had any effect on prior periods or earnings per share.

The effect on the Group's retained earnings was as follows:

EFFECTS ON RETAINED EARNINGS

TABLE 27

EUR million	
As per 30/09/2018 (prior to adoption of IFRS 9)	**323.161**
Change in provisions for impairment	0.221
Deferred taxes due to initial application effects	-0.069
As per 01/10/2018 (after adoption of IFRS 9)	**323.313**

The classification and measurement of financial liabilities did not change. The following table shows the reconciliation of the measurement categories and carrying amounts of financial assets from IAS 39 to IFRS 9:

RECONCILIATION FOR MEASUREMENT CATEGORIES UNDER IFRS 9

TABLE 28

EUR million	Measurement category IAS 39	Measurement IAS 39[1]	Business model IFRS 9	Measurement IFRS 9[1]	Carrying amount IAS 39 30/09/2018	Effect of IFRS 9	Carrying amount IFRS 9 01/10/2018
Non-current financial receivebles and other assets	Loans and receivables	aAC	Hold	aAC	3.585		3.585
Current financial receivables and other assets	Loans and receivables	aAC	Hold	aAC	240.384	-0.260	240.124
Contract assets	Loans and receivables	aAC	Hold	aAC	121.100		121.100
Cash and cash equivalents	Loans and receivables	aAC	Hold	aAC	88.405	0.039	88.444
Total					**453.474**	**-0.221**	**453.253**

[1] aAC: at Amortised Costs.

IFRS 15 – Revenue from Contracts with Customers
Replacing IAS 18, Revenue, and IAS 11, Construction contracts, the new standard, in contrast to the former provisions, provides for a single five-step model based on core principles, which is applicable to all contracts with customers. According to IFRS 15, entities have to recognise revenue when control of the good or service is transferred to the customer.

Steps 1 and 2 of the IFRS 15 model require entities to initially identify all performance obligations agreed in a contract and identify each distinct good or service. This includes all performance obligations, even if they are not explicitly referred to in the contract or a separate price has been agreed. According to IFRS 15, revenue is allocated to each component of the performance obligation when the promised service or good is completed or is deemed to be completed. The transaction price is generally determined (step 3) on the basis of the consideration in the contract. Where it is not possible to determine the exact amount of the consideration, the entity must estimate the amount as realistically as possible based on the expected value. After identification of the distinct components of the performance obligation and determination of the total consideration, the transaction price is allocated to these components (step 4).

The provisions for determining the timing of revenue recognition (step 5) are another major difference between the former and the new standard. Up until now, revenue arising from the sale of goods was recognised when an entity transferred the significant risks and rewards of ownership and/or, where IAS 11, Construction Contracts applied, according to the percentage of completion. Under IFRS 15, however, the transfer of control is decisive, including the determination whether the performance obligation is satisfied over time or at a point in time. Furthermore, the new standard provides for extensive disclosures in the Notes and significant estimates and judgments.

An analysis of the contracts with customers showed that the implementation of IFRS 15 has no material impact on the Group's consolidated financial statements, with the exception of the change in presentation of the following items in the balance sheet to reflect the terminology of IFRS 15: What used to be "future receivables from construction contracts" are now shown as "contract assets" and the former "other liabilities" are separately shown as "other liabilities" and "contract liabilities". Advance payments received, which were recognised in other liabilities in prior periods, are from now recognised in contract liabilities. Contract assets und contract liabilities are generally classified as current.

IFRS 15 is applied as of 1 October 2018, following the modified retrospective approach, i.e. prior periods are not restated.

International Financial Reporting Standards and Interpretations that have been issued but are not yet mandatorily effective
The following standards and interpretations have already been adopted by the IASB and to some degree endorsed by the European Union but were not yet effective in fiscal 2018/2019. Bertrandt will apply them for the accounting period for which they become effective.

TABLE 29

Standard/ Interpretation		Mandatory application[1]	Expected effects
IFRS 3[2]	Amendments to IFRS 3: Business combinations	01/01/2020	None
IFRS 7, IFRS 9 and IAS 39	Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform	01/01/2020	None
IFRS 9	Amendments to IFRS 9: Prepayment features with negative compensation	01/01/2019	None
IFRS 16	Leasing	01/01/2019	Currently under examination
IFRS 17[2]	Insurance contracts	01/01/2021	None
IAS 1 and IAS 8[2]	Amendments to IAS 1 and IAS 8: Definition of material	01/01/2020	Currently under examination
IAS 19	Amendments to IAS 19: Plan amendment, curtailment or settlement	01/01/2019	None
IAS 28	Amendments to IAS 28: Long-term interests in associates and joint ventures	01/01/2019	Currently under examination, more detailed disclosures in the Notes
IFRIC 23	Uncertainty over income tax treatments	01/01/2019	Currently under examination
Improvements to IFRS	Adoption of annual improvements to IFRS cycle 2015-2017 Changes on the coneptual framework of the IFRS regulations[2]	01/01/2019/ 01/01/2020	Single-case audit

[1] Fiscal years beginning on or after the specified date.
[2] Not yet endorsed by the EU.

IFRS 16 – Leases
IFRS 16 changes the financial reporting rules for leases, requiring all leases to be reported in the balance sheet. Lessees no longer make a distinction between finance leases and operating leases; instead, they will be required to recognise on the balance sheet right-of-use assets and a lease liability for all leases. The only optional exemptions are for certain short-term leases and leases of low-value assets. Bertrandt exercises these transitional reliefs and, as a result, such leases are not shown on the Group's balance sheet but are recognised as a profit or loss in the income statement.

The present value of the lease payments agreed in the lease is relevant for the initial measurement of the lease liability. The lease payments are discounted using the interest rate that the lessee charges to the lessor. If that rate cannot be readily determined, the incremental borrowing rate is used instead.

During the lease term, the lessee recognises systematic depreciation on the right-of-use asset, and the lease liability is recognised in subsequent periods using the effective interest method and taking account of the lease payments. The initial application of the standard will increase the Group's non-current assets, mainly resulting from building, fleet and IT equipment leases. The Company expects its total assets to increase by EUR 79.000 million to EUR 83.000 million as a result of the accounting adjustments.

The operating lease expenses, which were formerly recognised as part of EBIT, are divided into a depreciation of the right-of-use assets and finance costs; only the depreciation of the right-of-use assets is accounted for in EBIT. Interest expense resulting from the unwind of discount on the lease liabilities are included in net finance income. This results in different recognition in the items of the income statement, a positive effect on EBIT of between EUR 0.800 million and EUR 1.400 million being expected.

Cash flow from operating activities will improve as a result of the change in recognition of operating lease expenses with a corresponding decrease in cash flow from financing activities. The impact of the adjustment on cash flow from operating activities is expected to amount to between EUR 14.000 million and EUR 18.000 million.

Additional disclosures in the Notes are also required.

As of 1 October 2019, the date of initial application, Bertrandt uses the simplified retrospective method with restatement of the prior period.

[2] PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities over which Bertrandt AG has direct or indirect control pursuant to the criteria provided in IFRS 10. The subsidiaries are included in the financial statements by applying the principle of full consolidation. The financial statements of the fully consolidated companies are prepared pursuant to IFRS 10 using uniform accounting policies. Entities are consolidated for the first time on the date on which control is transferred to Bertrandt AG and deconsolidated when such control ceases. The balance sheet date of the separate financial statements of the consolidated group companies corresponds to the fiscal year of Bertrandt AG, with two exceptions: Bertrandt Engineering Shanghai Co., Ltd. whose fiscal year is the calendar year due to statutory requirements, and Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG.

The acquisition method is used for consolidation, i.e. acquisition costs are offset with the pro-rata share of the remeasured equity which is attributable to the parent company on the acquisition date. To the extent that the purchase price of the investment exceeds the fair value of the identifiable assets net of liabilities the resulting difference is classified as goodwill and recognised as an asset on initial consolidation.

Investments are consolidated using the equity method if the Company has significant influence (IAS 28) or if the investment is jointly controlled (IFRS 11 in conjunction with IAS 28). This is generally the case with a shareholding of between 20 and 50 percent of the voting rights. The carrying amounts of investments accounted for under the equity method are increased or reduced every year by the amount equivalent to the proportion of changes in equity of the associates or joint ventures attributable to the Bertrandt Group. The principles for full consolidation are also applied to the allocation and measurement of any difference between the acquisition costs of the investment and the Group's proportionate share in its equity identified when recognising the investment.

Receivables and liabilities as well as revenues, expenses and income arising from transactions between consolidated entities are offset and intercompany profits eliminated.

[3] GROUP OF CONSOLIDATED COMPANIES

The group of consolidated companies includes all operating subsidiaries under the legal and constructive control of Bertrandt AG.

Associates, i.e. entities which are not controlled by Bertrandt but over which the Company has significant influence, and joint ventures, i.e. entities of which Bertrandt has joint control, either directly or indirectly, are accounted for in the consolidated financial statements using the equity method.

The following table shows the entities of the Bertrandt Group:

GROUP OF CONSOLIDATED COMPANIES TABLE 30

	2018/2019
Bertrandt AG and consolidated subsidiaries	**52**
Germany	42
Abroad	10
Associates and joint ventures	**19**
Germany	19
Abroad	0
Total	**71**

The list of all shareholdings of Bertrandt AG is part of the Group's consolidated financial statements as of 30 September 2019, which are published in the electronic Federal Gazette.

The following newly incorporated and fully consolidated entities were included for the first time in the consolidated financial statements: Bertrandt Cognition GmbH and Bertrandt Development GmbH, both located in Ehningen; Bertrandt Innovation GmbH in Munich and Bertrandt Innovation GmbH in Tappenbeck; Bertrandt Medical GmbH (formerly Bertrandt Medizintechnik GmbH) and Bertrandt Mobility GmbH, both located in Ehningen; Bertrandt Neo GmbH in Tappenbeck, Bertrandt Technologie GmbH in Nuremberg and Bertrandt Technologie GmbH in Regensburg; and Bertrandt Česká Republika Engineering Technologies s.r.o. in Mlada Boleslav.

Bertrandt Beteiligungen GmbH acquired 100 percent of the shares in Jobfair GmbH with retroactive effect from 1 January 2019; the registration of the transaction was made on 7 May 2019. The acquisition of the company, which is a personnel service provider with a special focus on personnel leasing, enables the Bertrandt Group to enhance its range of services and strengthen its presence in the Rhine-Neckar region. The fair value of the purchase price consists of a basic purchase price in the amount of EUR 0.490 million and a contingent consideration of EUR 0.150 million. The acquiree's net assets were EUR 0.333 million. The resulting goodwill of EUR 0.306 million was fully allocated to the Digital Engineering segment. In the present consolidated financial statements, Jobfair GmbH accounts for revenues of EUR 0.719 million and post-tax earnings of EUR 0.004 million.

In addition, the associates SADONA tool GmbH and SIDENO tool GmbH, each located in Pullach i. Isartal, and the joint ventures newly incorporated in the fiscal year, Bertrandt Grundstücks GmbH & Co. KG, Bertrandt Liegenschaft Süd GmbH & Co. KG, Bertrandt Prüfzentrum GmbH & Co. KG and Bertrandt Prüfzentrum Süd GmbH & Co. KG, each located in Pullach i. Isartal, were included for the first time in the consolidated financial statements. According to existing contractual arrangements, the Company has no control of joint ventures in which Bertrandt's shareholdings exceed 50 percent and which are consolidated using the equity method.

The associates aucip. automotive cluster investment platform GmbH & Co. KG, aucip. automotive cluster investment platform Beteiligungs GmbH, aucip GmbH & Co. KG, aucip Verwaltung GmbH, Lasono tool GmbH, NAMENU tool GmbH, MCIP tool GmbH, MOLLIS automotive GmbH, die SADONA tool GmbH and SIDENO tool GmbH adopted the calendar year as their financial year. The other associates and joint ventures have the same balance sheet date as the Bertrandt Group.

The following entities with registered offices in Germany and the legal form of a corporation or partnership are fully consolidated and included in Bertrandt AG's financial statements and consequently meet the criteria set out in Section 264 (3) or in Section 264b of the German Commercial Code (HGB), exercising as far as possible the option not to publish annual financial statements:

Bertrandt Beteiligungen GmbH, Bertrandt Development GmbH, Bertrandt Digital GmbH, die Bertrandt Ehningen GmbH, each located in Ehningen; Bertrandt Fahrerprobung Süd GmbH in Nufringen; Bertrandt GmbH in Hamburg; Bertrandt Ingenieurbüro GmbHs in Gaimersheim, Ginsheim-Gustavsburg, Hamburg, Cologne, Munich, Neckarsulm, Tappenbeck; Bertrandt Medical GmbH (formerly Bertrandt Medizintechnik GmbH), Bertrandt Projektgesellschaft mbH, Bertrandt Services GmbH, Bertrandt Simulations GmbH, Bertrandt Solutions GmbH and Bertrandt Technikum GmbH, each located in Ehningen; Bertrandt Technologie GmbHs in Immendingen, Mönsheim, Nuremberg, Regensburg and Sassenburg; Bertrandt Verwaltungs GmbH in Mönsheim; die b.professional GmbH in Mannheim; Bertrandt Automotive GmbH & Co. KG, Bertrandt Grundbesitz GmbH & Co. KG, Bertrandt Immobilien GmbH & Co. KG, each located in Pullach i. Isartal; Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG in Mainz and Jobfair GmbH in Mannheim.

[4] FOREIGN CURRENCY TRANSLATION

The consolidated financial statements of subsidiaries using a functional currency other than the euro are translated according to IAS 21 based on the concept of a functional currency. The subsidiaries carry out their business independently for financial, commercial and organisational purposes. The functional currency is therefore identical to the currency of the country in which they are based.

These companies' assets and liabilities were translated at the mean closing rate as of the balance sheet date, and income and expenses were translated at the average exchange rate for the financial year. All resulting exchange differences including differences resulting from the translation of amounts brought forward from the previous year are recognised directly in equity.

Foreign currency transactions are recorded by translating the foreign currency amount into the functional currency amount at the exchange rate prevailing on the date of the transaction. Gains and losses arising from the settlement of such transactions as well as from the translation at the reporting date of monetary assets and liabilities held in foreign currencies are recognised in profit or loss.

The parities of the key currencies relative to one euro were as follows:

CURRENCY TRANSLATION

TABLE 31

Relative to one euro		Average rate on balance sheet date		Annual average rate	
		30/09/2019	30/09/2018	2018/2019	2017/2018
China	CNY	7.7248	7.9665	7.7447	7.7762
United Kingdom	GBP	0.8878	0.8879	0.8843	0.8848
Romania	RON	4.7500	4.6640	4.7187	4.6446
Turkey	TRY	6.1724	6.9601	6.3274	5.2189
Czech Republic	CZK	25.8180	25.6910	25.7388	25.5860
United States	USD	1.0922	1.1580	1.1283	1.1901

[5] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires to some degree the use of assumptions and estimates that affect the assets and liabilities recognised as well as the income, expenses and contingent liabilities reported. The assumptions and estimates primarily relate to an assessment as to whether assets and liabilities are impaired, the uniform group-wide definition of the useful lives of items of property, plant and equipment and investment properties, the recoverability of receivables, the recognition and measurement of provisions and parameters for calculating percentage of completion values and the resulting recognition of revenues. The assumptions and estimates have been selected in such a way as to provide a fair view of the Company's net assets, operating results and financial position. They are based on premises which in turn reflect the knowledge available at that point in time. In particular, estimates concerning the Company's expected future business performance are based on the circumstances known at the time when the consolidated financial statements were prepared and on expectations regarding the future economic environment which are assumed to be realistic. This applies, amongst other things, to the discount rates used.

The amounts actually arising may vary from the original estimates as a result of unforeseeable developments beyond management's influence. In this case, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities are restated.

Recognition of income and expenses

Revenues from contracts with customers and other operating income are recognised when the service has been performed and control of the good or service has been transferred to the customer. Control can either be transferred over time or at a point in time. In the case of service contracts, the performance obligation is satisfied and control is transferred both over time and at a point in time. Contracts for work are primarily customer-specific in nature. Control is transferred over time as the customer is continuously receiving the benefits provided by the performance, the customer controls the asset in question as it is created or enhanced, or the entity's performance creates an asset with no alternative use to the entity performing the service and the entity has an enforceable right to payment for performance completed to date.

Where a performance obligation is satisfied over time, the progress towards complete satisfaction of that performance obligation, and consequently revenue recognition, is measured using the percentage of completion method in combination with the cost-to-cost method. Revenues are recognised net of all deductions such as discounts and bonuses.

The transaction price for a contract with a customer is the amount of consideration to be paid for the service based on what has been agreed in the contract. Refer to the additional explanations given in the new applicable standard IFRS 15.

Operating expenses are charged to the income statement at the time when the service is rendered or at the time when the expense is caused. Provisions for contingent losses are made when the latter become known. Government grants are recognised only where it is reasonably certain that the applicable conditions have been met and the grants will be disbursed. They are charged to the periods in which the expenses that the grants are to cover are incurred. Interest income and expense and all other income and expenses are recognised in the period in which they arise.

Intangible Assets

Acquired or internally generated intangible assets are recognised as assets according to IAS 38 if a future economic benefit can be expected from using the asset and it is possible to measure the cost of the asset reliably.

Intangible assets are recognised at historical cost and amortised on a straight-line basis over their useful lives. Intangible assets, with the exception of goodwill, are amortised over a useful life of three to ten years, starting with the commencement of the asset's commercial use.

Goodwill is tested for impairment annually in accordance with IAS 36 and IFRS 3. The assessment is carried out at least once a year; however, it is always carried out whenever an impairment indicator arises. To test goodwill for impairment, the higher of the value in use and fair value, less costs of disposal of the respective classes of cash-generating units is used. At Bertrandt, these are the segments Digital Engineering, Physical Engineering and Electrical Systems/Electronics pursuant to the definition in IFRS 8. The impairment tests are based on the corporate forecast for a three-year period, which is considered sufficient to test goodwill for impairment. To determine the values in use, a WACC before tax of 8.9 percent (previous year 7.2 percent) and for the terminal growth rate of 7.9 percent (previous year 6.2 percent) are applied in the Digital Engineering segment. In the Physical Engineering segment, the WACC before tax is 8.6 percent (previous year 6.9 percent) and for the terminal growth rate it is 7.6 percent (previous year 5.9 percent). The terminal growth rate is based on a growth factor of one percent (previous year also one percent). Adjusting the WACC by +/- five percentage points has no influence on the results of the impairment tests for goodwill.

Corporate forecasts take account of current knowledge as well as historical performance. On this basis forecasts are made regarding future developments of revenues and earnings. Adjusting the figures for revenues and the figures for earnings by +/- five percent respectively has no influence on the results of the impairment tests for goodwill. On the basis of the underlying assumptions, future cash flows are determined. The discounted cash flow method is used to calculate the value in use from these derived future cash flows of the cash generating units. Where the carrying amount exceeds the recoverable amount, a corresponding impairment loss is recognised.

The main assumptions for the forecasts relating to the Digital Engineering, Physical Engineering and Electrical Systems/Electronics segments are based on sector forecasts concerning global research and engineering requirements underlying the Company's marketing and capacity planning as well as specific customer commitments regarding individual projects and specific internal adjustments, which also take projected cost adjustments into account.

Property, plant and equipment

Property, plant and equipment used in business operations for more than one year are recorded at historical cost less accumulated depreciation. Historical cost includes all the costs attributable to the production process as well as an appropriate proportion of production-related overheads. Depreciation is based on useful lives which are standardised within the Group.

The useful lives are assumed to be between 17 and 40 years for buildings, ten years for outdoor installations and between three and 20 years for technical equipment and machinery. Assuming normal use, furniture, fixtures and equipment are written off over a period of three to 19 years. The useful lives of property, plant and equipment are reviewed as at each balance sheet date and adjusted if necessary. Additions are written down pro rata temporis using the straight-line method.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. At Bertrandt this is relevant for property, plant and equipment. The capitalisation rate is 1.4 percent (previous year 1.4 percent).

Investment properties

Investment properties comprise property which Bertrandt does not use for business or administration purposes. They are recorded at historical cost less accumulated straight-line depreciation. Buildings are assumed to have useful lives of 40 years.

Impairment losses

Impairment losses (write-downs) in respect of intangible assets, property, plant and equipment and investment property are calculated in accordance with IAS 36 if the value in use or the net realisable value of the respective asset has fallen below its carrying amount. If the reasons for the impairment loss recognised in previous periods no longer apply, such loss is reversed with the exception of goodwill.

Financial Instruments

Financial instruments comprise both primary financial instruments (e.g. trade receivables and trade payables) and derivative financial instruments (e.g. interest rate hedges).

Pursuant to IFRS 9, Bertrandt classifies its financial instruments into the following categories:

– Financial assets and financial liabilities at fair value through profit or loss
– Financial assets and financial liabilities measured at amortised cost

Financial assets are classified and measured on the basis of an entity's business model and the cash flow characteristics. The classification of financial liabilities depends on their specific purpose.

The assignment of the classes into which financial instruments are grouped to these categories is shown in the reconciliation statement in Note [47].

Financial instruments are recorded for the first time upon settlement and measured at their fair value including transaction costs, if any. They are then subsequently measured at amortised cost or at their fair value. Financial instruments are derecognised when the rights to payments from the investment have extinguished or have been transferred and the Group has transferred materially all of the risks and rewards of ownership.

Investments accounted for using the equity method
Investments in associates which are not controlled by Bertrandt but over which the Company has significant influence, and joint ventures of which Bertrandt has joint control are accounted for using the equity method.

Trade Receivables and other assets
Trade receivables and other assets are measured at amortised cost using the effective interest method. Appropriate provisions for impairment are made to allow for discernible individual risks and general credit risks such as insolvency and uncollectability.

Financial receivables and other financial assets
Depending on their classification, financial receivables and other financial assets (with the exception of derivatives) are recognised either at amortised cost on the basis of the effective interest method or at their fair value. Appropriate provisions for impairment are made to allow for discernible individual risks and general credit risks such as insolvency and uncollectability.

Contract assets
Contract assets include performance obligations satisfied over time which are recognised according to the progress measured on the basis of the PoC method. The progress towards complete satisfaction of a performance obligation is measured on the basis of the relation of cost incurred and total cost (cost-to-cost method) and multiplied by the agreed transaction price. Finished performance obligations which have not yet been accepted are measured at their contract value.

Advance payments received for contract assets are netted against the contract assets. Advance payments received which cannot be offset are recognised as contract liabilities.

Cash and Cash Equivalents
Bank balances, cheques received but not yet credited, and cash in hand are measured at amortised cost. Appropriate provisions for impairment are made to allow for general credit risks.

Financial and non-financial liabilities
Liabilities are measured either at amortised cost using the effective interest method or a their fair values.

Derivative financial instruments
As an engineering service provider operating on an international scale, the Bertrandt Group is mainly exposed to interest rate and currency risks. The Company uses derivative financial instruments as appropriate for managing these risks. Interest derivatives are used to control and optimise the financial results for current floating-rate debt of the Group and are classified as financial instruments held for trading pursuant to IFRS 9. Any changes in fair value are recognised in profit or loss. Their subsequent measurement is based on fair value.

Foreign-currency forwards used to hedge future foreign-currency cash flows as well as other derivatives are measured at their fair value, with any changes recorded in profit or loss.

The fair values are determined with generally accepted methods of financial mathematics, using mid-market pricing. All derivatives with a positive fair value are disclosed as derivative assets, while all derivatives with a negative fair value are disclosed as derivative liabilities.

Inventories

Inventories are assets in the form of materials or supplies. If required, they are recognised at cost or their net realisable value, whichever is lower.

Current and deferred income tax

Tax expense for the period under review comprises current income tax and deferred tax.

Current income tax expense is calculated according to national tax laws effective at the reporting date. Deferred tax assets and liabilities are recognised in accordance with IAS 12 for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts pursuant to IFRS as well as for consolidation measures taken to the income statement. Deferred tax assets also include future tax reduction claims resulting from the expected use of loss carry-forwards in future periods provided that their recovery is reasonably probable. For the calculation of deferred taxes the tax rates are used which applicable or expected in the individual countries in accordance with prevailing law on the date of recognition. Deferred tax assets and liabilities are not discounted.

Provisions

Provisions for pensions
Provisions for post-retirement benefits are set aside for obligations arising from pension plans or statutory provisions. The Group operates both defined contribution plans and defined benefit plans.

Provisions for defined benefit pension plans are calculated using the projected unit credit method as defined in IAS 19. Actuarial gains and losses are recognised in other comprehensive income. The defined benefit plan is calculated on the basis of final salaries; the defined contribution obligations apply towards government or private pension funds in accordance with contractual or statutory provisions. The Company has no further obligations once the contributions have been paid.

Tax provisions
Tax provisions are set aside for current income tax obligations which are calculated according to applicable national tax laws.

Other provisions
Other provisions are recognised if there is any legal or constructive present obligation towards a third party as a result of a past event, an outflow of resources to settle the obligation is probable and a reliable estimate of the amount of the obligation can be made.

Other provisions which do not result in an outflow of resources in the following period are recognised at the present value of the settlement amount as of the balance sheet date using market interest rates for discounting.

Government grants

Government grants for investments are recorded under other liabilities and are released to the income statement on a straight-line basis over the expected useful life of the assets concerned.

Government subsidies for innovative projects or other grants related to income are either presented as other operating income or deducted in reporting the related expense, provided that the grant is received in the same accounting year (net basis).

Leases

Under IAS 17, leases are to be classified according to the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The Bertrandt Group leases certain items of property, plant and equipment. Under these leases, the risks and rewards incidental to ownership remain, to a large extent, exclusively with the lessor (operating lease). The lease and/or rental payments are expensed as incurred.

Notes on items of the income statement

[6] REVENUES

Revenues from contracts with customers are recognised when the performance obligation is satisfied and control of the good or service is transferred to the customer. This can be either over time or at a point in time. Revenues from contracts with customers are recognised net of value added tax and all discounts and bonuses claimed.

Of the consolidated revenues of EUR 1,058.112 million (previous year EUR 1,019.914 million), EUR 876.721 million (previous year EUR 867.194 million) were contributed by the domestic entities and EUR 181.391 million (previous year EUR 152.720 million) by the foreign companies. This breakdown reflects the regional segmentation of Bertrandt's operations.

The share of revenues recognised based on the PoC method is EUR 793.539 million (previous year EUR 730.548 million).

There are two customers with whom Bertrandt generated more than 10 percent of its total revenues respectively, in both cases across all segments. Total revenues generated by these two customers amounted to EUR 338.210 million (previous year EUR 341.563 million) and EUR 227.417 million (previous year EUR 232.938 million) respectively.

As of the balance sheet day, revenues expected from performance obligations not yet satisfied amounted to EUR 1,075.697 million. Of this total, EUR 930.692 million were accounted for by performance obligations satisfied over time, of which obligations of EUR 302.579 million are expected to be satisfied in the course of the Company's next fiscal year. Of the performance obligations satisfied at a point in time, the amount expected for the next fiscal year is EUR 89.916 million. These performance obligations do not include framework contracts.

As in the previous year, there were no significant revenues in the year under review which resulted from performance obligations satisfied in prior years.

[7] OTHER OWN WORK CAPITALISED

This item comprises internally generated tangible and intangible assets which are capitalised pursuant to IAS 16 and 38 and written down over their expected useful lives on a straight-line basis.

[8] OTHER OPERATING INCOME

Other operating income for fiscal 2018/2019 is comprised of the following:

OTHER OPERATING INCOME — TABLE 32

EUR million	2018/2019	2017/2018
Work-related income	**5.460**	**5.375**
of which non-cash benefits to employees	4.469	4.297
of which rental income	0.991	1.078
Non-work-related income	**10.142**	**1.572**
of which income from disposal of assets	9.714	0.408
of which income from reversal of provisions	0.073	0.753
of which income from reversal of impairment losses	0.355	0.411
Miscellaneous other operating income	**1.804**	**1.647**
of which payments for damages received	0.242	0.131
of which income from exchange-rate differences	0.551	0.481
of which miscellaneous	1.011	1.035
Total	**17.406**	**8.594**

Rental income comprises rental income from investment property in the amount of EUR 0.233 million (previous year EUR 0.233 million). For the coming fiscal years, other rental income of EUR 1.369 million (previous year EUR 1.035 million)[1] is expected. Of this, rental income of EUR 0.634 million (previous year EUR 0.624 million)[1] arises from leases with a term of up to one year and EUR 0.734 million (previous year EUR 0.411 million)[1] from leases with a term of more than one year. Gains on asset disposal include a gain on the sale of land for EUR 9.165 million (previous year EUR 0 million). In the period under review, miscellaneous other operating income includes government grants for innovative projects of EUR 0.053 million (previous year EUR 0.318 million).

[1] Prior-year figures adjusted.

[9] COST OF MATERIALS

The cost of materials breaks down as follows:

AW MATERIALS AND CONSUMABLES USED — TABLE 33

EUR million	2018/2019	2017/2018
Expenditure on raw materials and consumables used	**25.398**	**21.981**
Expenditure on work purchased	**83.357**	**78.407**
of which CAD costs	21.027	18.163
of which external work	62.032	59.928
of which incoming freight	0.298	0.316
Total	**108.755**	**100.388**

[10] PERSONNEL EXPENSES

Overall, the Bertrandt Group employed an average of 13,133 people in the fiscal year (previous year 12,850).

EMPLOYEES IN AVERAGE — TABLE 34

Number	2018/2019	2017/2018
Technical employees	923	977
Office employees	11,340	10,969
Trainees/undergraduates	326	356
Interns/post-graduates	202	192
Temporary staff	342	356
Total	**13,133**	**12,850**

Personnel expenses include expenditure on wages and salaries in the amount of EUR 632.243 million (previous year EUR 599.416 million) as well as expenditure on social security of EUR 133.143 million (previous year EUR 124.555 million) including the employer contribution to the statutory pension system presented under expenses for post-employment benefits and further defined contribution expense of EUR 60.803 million (previous year EUR 57.499 million).

PERSONNEL EXPENSES

TABLE 35

EUR million	2018/2019	2017/2018
Wages and salaries	**632.243**	**599.416**
Expenditure on social security	**133.143**	**124.555**
of which employer contribution to social security	72.151	66.939
of which expenditure on post-employment benefits	60.992	57.616
Total	**765.386**	**723.971**

Personnel expenses also include government grants of EUR 0.420 million (previous year EUR 1.643 million) as well as subsidies for innovative projects of EUR 1.364 million (previous year EUR 1.190 million) received under government economic stimulus packages.

Under an employee share scheme, Bertrandt AG provided a grant for the purchase of Bertrandt shares by staff (Notes [30] and [31]) in the previous year. A lock-up period of a total of two years applies to the sale of these shares. As a result, personnel expenses amounted to EUR 0.113 million in the past financial year. In addition, expenses were incurred in relation to a management share scheme amounting to EUR 0.056 million (previous year EUR 0.076 million).

[11] DEPRECIATION/AMORTISATION

Depreciation/amortisation expense is comprised of the following:

DEPRECIATION/AMORTISATION

TABLE 36

EUR million	2018/2019	2017/2018
Depreciation/amortisation on		
intangible assets	2.684	4.371
property, plant and equipment	30.937	28.585
investment properties	0.066	0.066
Total	**33.687**	**33.022**

Refer to Notes [18] - [20] for a detailed breakdown of depreciation/amortisation expense for individual items.

[12] OTHER OPERATING EXPENSES

Other operating expenses are comprised of the following:

OTHER OPERATING EXPENSES

TABLE 37

EUR million	2018/2019	2017/2018
Miscellaneous manufacturing expenses	5.552	5.620
Office premises, furnishings and fittings	45.420	42.835
Miscellaneous personnel expenses	21.481	17.587
General administrative expenses	3.324	2.767
Distribution expenses	15.746	16.559
Expenditure on exchange-rate differences	0.165	0.607
Non-work-related expenses	4.541	2.901
Fleet expenses	7.249	6.474
Other expenses	5.648	4.742
Total	**109.126**	**100.092**

Expenditure on premises and inventory includes rental expenses of EUR 22.590 million (previous year EUR 21.805 million). Expenses for changes in personnel structure in fiscal 2018/2019 were EUR 2.284 million (previous year EUR 1.900 million). Miscellaneous other operating items primarily comprise legal and consulting fees, as well as other fees. In the fiscal year under review, government subsidies for innovative projects in the amount of EUR 0.682 million (previous year EUR 0.863 million) are included in miscellaneous other operating expense.

[13] NET FINANCE INCOME

Net finance income breaks down as follows:

NET FINANCE INCOME

TABLE 38

EUR million	2018/2019	2017/2018
Share of profits in associates	0.385	0.331
Interest income	0.427	0.362
Financial expenses	-3.683	-3.676
Other financial result	0.026	0
Net finance income	**-2.845**	**-2.983**

The finance costs of EUR 3.683 million (previous year EUR 3.676 million) primarily comprise interest expense resulting from short- and long-term loans and the long-term commitment of credit facilities of EUR 3.360 million (previous year EUR 3.290 million). Net finance income also comprises interest on tax payments in the amount of EUR 0.009 million (previous year EUR 0.078 million) and other interest of EUR 0.164 million (previous year EUR 0.132 million).

Interest income primarily results from bank deposits, other interest income of EUR 0.409 million (previous year EUR 0.226 million) and interest from tax refunds of EUR 0.018 million (previous year EUR 0.136 million).

Net other finance income comprises an amount of EUR 0.026 million due to valuation issues (previous year EUR 0 million).

[14] OTHER TAXES

Foreign tax expenditure primarily involves the subsidiaries in France.

OTHER TAXES TABLE 39

EUR million	2018/2019	2017/2018
Domestic tax expense	0.611	1.085
Foreign tax expense	2.646	2.773
Other taxes	**3.257**	**3.858**

[15] INCOME TAXES

As in the previous year, income taxes comprise corporate income tax of 15 percent plus the solidarity surcharge of 5.5 percent as well as trade tax of approximately 14 percent and comparable income taxes in other countries. In addition, this item includes deferred income tax on the temporary differences between the carrying amounts recognised pursuant to IFRS and corresponding tax bases as well as consolidation measures and loss carry-forwards which are expected to be usable in accordance with IAS 12.

Income taxes thus break down as follows:

INCOME TAXES TABLE 40

EUR million	2018/2019	2017/2018
Actual domestic tax expense	12.242	22.953
Actual foreign tax expense	2.085	1.507
Actual tax expense	**14.327**	**24.460**
Deferred tax income	0.879	-6.545
Income taxes	**15.206**	**17.915**

The income tax expense in the amount of EUR 15.206 million calculated for fiscal 2018/2019 was EUR 1.060 million less than the expected income tax expense of EUR 16.266 million that would have arisen had a tax rate of 30 percent (previous year 30 percent) been applied to consolidated pre-tax earnings.

Reconciliation of expected and actual income tax expense is as follows:

RECONCILIATION OF INCOME TAX TABLE 41

EUR million	2018/2019	2017/2018
Earnings before income tax	54.220	65.300
Expected tax rate	30.0 %	30.0 %
Expected income tax expense	**16.266**	**19.590**
Taxation differences affecting foreign subsidiaries	-0.540	-0.571
Tax effecs of payouts and pre-year tax assessments	0.104	0.228
Tax effect of non-deductible operating expenses and other tax modifications	-0.622	-0.940
Changes in tax rate	0	-0.410
Consolidation effects	-0.009	0.024
Other effects	0.007	-0.006
Actual income tax expense	**15.206**	**17.915**
Effective tax rate	28.0 %	27.4 %

The item "taxation differences affecting foreign subsidiaries" includes, among other things, impairment of deferred tax assets from loss carry-forwards of EUR 0.291 million (previous year EUR 0.140 million). The item "tax effects of non-deductible operating expenses and other tax modifications" includes tax effects resulting from a tax-free grant of EUR 0.630 million (previous year EUR 0.740 million). The deferred tax assets from loss carry-forwards utilised amounted to EUR 0.407 million (previous year EUR 0.011 million).

In the period under review, tax effects of EUR 0.620 million (previous year EUR -0.038 million) resulted from the remeasurement of the retirement benefit obligations. These tax effects are recognised in other reserves (OCI); their cumulated amount is EUR 1.409 million (previous year EUR 0.789 million).

[16] EARNINGS PER SHARE

Earnings per share as defined in IAS 33 are as follows:

CALCULATION EARNINGS PER SHARE TABLE 42

According to IAS 33	2018/2019	2017/2018
Post-tax earnings (EUR million)	39.014	47.385
attributable to shareholders of Bertrandt AG (EUR million)	**39.014**	**47.385**
Number of shares (million)	10.143	10.143
Number of treasury shares (million)	-0.048	-0.048
Number of shares which are entitled to dividend (million) – diluted / basic, average weighting	**10.095**	**10.095**
Earnings per share (EUR) – diluted / basic	**3.86**	**4.69**

[17] FURTHER NOTES ON THE EFFECTS OF FINANCIAL INSTRUMENTS ON THE INCOME STATEMENT

Net gains or net losses on financial instruments comprise interest, the results of foreign currency translation as well as adjustments and any changes resulting from their subsequent measurement.

NET GAINS OR NET LOSSES ON FINANCIAL INSTRUMENT BY CATEGORY AS DEFINED IN IAS 39

TABLE 43

EUR million	2018/2019	2017/2018
Loans and receivables	-0.724	0.047
Financial liabilities measured at amortised cost	-3.345	-3.391
Financial assets and liabilities measured at fair value through profit and loss	-0.150	-0.175
Total	**-4.219**	**-3.519**

The “loans and receivables” category comprises all financial receivables, trade receivables, other financial assets and cash and cash equivalents. Financial liabilities measured at amortised cost include liabilities to banks, trade payables and other financial liabilities. Financial assets and financial liabilities measured at their fair value comprise financial receivables and other financial liabilities.

In the period under review no foreign-currency forwards or interest rate hedges were used by the Company.

TOTAL INTEREST INCOME AND EXPENSE FOR FINANCIAL ASSETS OR LIABILITIES THAT ARE NOT AT FAIR VALUE THROUGH PROFIT AND LOSS

TABLE 44

EUR million	2018/2019	2017/2018
Interest income	0.408	0.226
Interest expenses	-3.524	-3.423
Total	**-3.116**	**-3.197**

Due to the short maturities, the application of the effective interest method to trade receivables did not result in any interest expense or income in fiscal 2018/2019 as was also the case in the previous year.

Impairment losses on loans and receivables came to EUR 1.652 million in the period under review (previous year EUR 0.811 million).

Notes on items of the balance sheet

Assets

NON-CURRENT ASSETS

[18] INTANGIBLE ASSETS

Additions to intangible assets primarily comprised CAD software licenses and other technical software licenses.

Goodwill is subjected to regular impairment testing in accordance with IAS 36. In fiscal 2018/2019, as in the previous year, this did not result in any impairment losses.

Goodwill breaks down by segment as follows: Digital Engineering accounts for EUR 6.399 million (previous year EUR 6.093 million) and Physical Engineering accounts for EUR 2.909 million (previous year EUR 2.909 million). Other intangible assets primarily comprise internally developed software in progress including advance payments of EUR 0.723 million (previous year EUR 0.309 million). Addition of goodwill of EUR 0.306 million was due to the acquisition of Jobfair GmbH in the fiscal year.

INTANGIBLE ASSETS

TABLE 45

EUR million	Concessions and licences	Internally generated software	Goodwill	Other	Total intangible assets
Historical costs					
Value on 01/10/2018	51.186	0.702	9.002	0.469	61.359
Currency differences	0.021	0	0	0.005	0.026
Addition upon initial consolidation	0.003	0	0	0	0.003
Additions	1.974	0.080	0.306	0.630	2.990
Disposals	0.183	0	0	0	0.183
Reclassifications	0.005	0.212	0	-0.217	0
Value on 30/09/2019	53.006	0.994	9.308	0.887	64.195
Amortisation					
Value on 01/10/2018	46.921	0.702	0	0.012	47.635
Currency differences	0.018	0	0	0	0.018
Addition upon initial consolidation	0.002	0	0	0	0.002
Additions	2.666	0.002	0	0.016	2.684
Disposals	0.161	0	0	0	0.161
Reclassifications	0	0	0	0	0
Value on 30/09/2019	49.446	0.704	0	0.028	50.178
Residual carring amount 30/09/2019	**3.560**	**0.290**	**9.308**	**0.859**	**14.017**
Residual carring amount 30/09/2018	**4.265**	**0**	**9.002**	**0.457**	**13.724**
Previous year					
Historical costs					
Value on 01/10/2017	49.180	0.789	9.002	0.595	59.566
Currency differences	-0.054	0	0	0	-0.054
Additions	2.553	0	0	0.249	2.802
Disposals	0.493	0.087	0	0.375	0.955
Reclassifications	0	0	0	0	0
Value on 30/09/2018	51.186	0.702	9.002	0.469	61.359
Amortisation					
Value on 01/10/2017	43.037	0.789	0	0	43.826
Currency differences	-0.031	0	0	0	-0.031
Additions	4.359	0	0	0.012	4.371
Disposals	0.444	0.087	0	0	0.531
Reclassifications	0	0	0	0	0
Value on 30/09/2018	46.921	0.702	0	0.012	47.635
Residual carring amount 30/09/2018	**4.265**	**0**	**9.002**	**0.457**	**13.724**
Residual carring amount 30/09/2017	**6.143**	**0**	**9.002**	**0.595**	**15.740**

[19] PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognised at cost less depreciation in accordance with their respective useful lives. As in the previous year, no impairment of goodwill was assessed in impairment tests in accordance with IAS 36.

Technical equipment and machinery as well as other furniture, fixtures and equipment primarily consist of CAD machines, machinery and equipment for prototype construction as well as testing facilities. Borrowing costs to be capitalised as part of the cost of qualifying assets amounted to EUR 0.093 million (previous year EUR 0.110 million).

PROPERTY, PLANT AND EQUIPMENT

TABLE 46

EUR million	Property and plant	Technical equipment and machinery	Other facilities, factory and office equipment	Advance payments and work in progress	Total PPE
Historical costs					
Value on 01/10/2018	184.131	118.384	119.660	40.436	462.611
Currency differences	0	0	0.034	0	0.034
Addition upon initial consolidation	0	0	0.132	0	0.132
Additions	0.835	10.998	12.807	37.914	62.554
Disposals	7.033	1.624	4.007	2.374	15.038
Reclassifications	8.639	16.126	1.494	-26.259	0
Value on 30/09/2019	186.572	143.884	130.120	49.717	510.293
Depreciation					
Value on 01/10/2018	24.501	69.557	86.381	0.068	180.507
Currency differences	0	0	0.025	0	0.025
Addition upon initial consolidation	0	0	0.090	0	0.090
Additions	5.513	12.173	13.251	0	30.937
Disposals	0.022	0.993	3.038	0.068	4.121
Reclassifications	0	0	0	0	0
Value on 30/09/2019	29.992	80.737	96.709	0	207.438
Residual carring amount 30/09/2019	**156.580**	**63.147**	**33.411**	**49.717**	**302.855**
Residual carring amount 30/09/2018	**159.630**	**48.827**	**33.279**	**40.368**	**282.104**
Previous year					
Historical costs					
Value on 01/10/2017	179.672	113.831	112.571	17.366	423.440
Currency differences	0	0	-0.139	0	-0.139
Additions	0.948	4.397	12.563	29.388	47.296
Disposals	0.339	1.899	5.741	0.007	7.986
Reclassifications	3.850	2.055	0.406	-6.311	0
Value on 30/09/2018	184.131	118.384	119.660	40.436	462.611
Depreciation					
Value on 01/10/2017	19.321	61.001	78.827	0.007	159.156
Currency differences	0	0	-0.034	0	-0.034
Additions	5.250	10.316	13.019	0	28.585
Disposals	0.002	1.758	5.433	0.007	7.200
Reclassifications	-0.068	-0.002	0.002	0.068	0
Value on 30/09/2018	24.501	69.557	86.381	0.068	180.507
Residual carring amount 30/09/2018	**159.630**	**48.827**	**33.279**	**40.368**	**282.104**
Residual carring amount 30/09/2017	**160.351**	**52.830**	**33.744**	**17.359**	**264.284**

[20] INVESTMENT PROPERTIES

As at 30 September 2019, the fair values of the investment properties approximated their carrying amounts. Fair value is measured using the same method as that applied to goodwill (Note [5]) subject to a WACC of 8.6 percent (previous year 6.9 percent) and a terminal growth rate of 7.6 percent (previous year 5.9 percent). The terminal growth rate is based on a growth factor of one percent (previous year also one percent). No external independent expert’s valuation was used for this purpose. In the period under review rental income of EUR 0.233 million (previous year EUR 0.233 million) was recorded. Maintenance expense came to EUR 0.001 million (previous year EUR 0.007 million).

INVESTMENT PROPERTIES

TABLE 47

EUR million	Investment properties
Historical costs	
Value on 01/10/2018	4.626
Additions	0
Disposals	0
Reclassifications	0
Value on 30/09/2019	4.626
Depreciation	
Value on 01/10/2018	3.218
Additions	0.066
Disposals	0
Reclassifications	0
Value on 30/09/2019	3.284
Residual carring amount 30/09/2019	**1.342**
Residual carring amount 30/09/2018	**1.408**
Previous year	
Historical costs	
Value on 01/10/2017	4.626
Additions	0
Disposals	0
Reclassifications	0
Value on 30/09/2018	4.626
Depreciation	
Value on 01/10/2017	3.152
Additions	0.066
Disposals	0
Reclassifications	0
Value on 30/09/2018	3.218
Residual carring amount 30/09/2018	**1.408**
Residual carring amount 30/09/2017	**1.474**

[21] INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The equity method is used for all investments in associates and joint ventures. Their development was as follows:

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD TABLE 48

EUR million	Associates	Joint ventures	Total
Historical costs			
Value on 01/10/2018	0.115	5.759	5.874
Additions	0	0.211	0.211
Share of profit/loss	0.023	0.362	0.385
Dividends	0.017	0	0.017
Value on 30/09/2019	0.121	6.332	6.453
Depreciation			
Value on 01/10/2018	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30/09/2019	0	0	0
Residual carring amount 30/09/2019	**0.121**	**6.332**	**6.453**
Residual carring amount 30/09/2018	**0.115**	**5.759**	**5.874**
Previous year			
Historical costs			
Value on 01/10/2017	0.121	5.367	5.488
Additions	0.048	0.007	0.055
Share of profit/loss	-0.054	0.385	0.331
Dividends	0	0	0
Value on 30/09/2018	0.115	5.759	5.874
Depreciation			
Value on 01/10/2017	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30/09/2018	0	0	0
Residual carring amount 30/09/2018	**0.115**	**5.759**	**5.874**
Residual carring amount 30/09/2017	**0.121**	**5.367**	**5.488**

The addition to joint ventures refers to the investments made in the joint ventures newly incorporated in the fiscal year. Of the joint ventures' share of profit/loss, EUR 0.418 million (previous year EUR 0.392 million) were attributable to Bertrandt Campus GmbH.

The operating results and net assets of associates are as follows:

NET ASSETS AND OPERATING RESULTS OF ASSOCIATED COMPANIES TABLE 49

EUR million	30/09/2019	30/09/2018
Assets	0.536	39.037
Liabilities	0.042	39.115
Revenues	68.386	12.934
Post-tax earnings/Total comprehensive income	0.348	-0.250

The carrying amount of the investments in associates is EUR 0.121 million (previous year EUR 0.115 million).

The operating results and financial positions of the joint ventures are as follows:

NET ASSETS AND OPERATING RESULTS OF JOINT VENTURES TABLE 50

EUR million	Bertrandt Campus GmbH	Bertrandt Liegen-schaft GmbH & Co. KG	Bertrandt Liegen-schaft Süd GmbH & Co. KG	Bertrandt Grund-stücks GmbH & Co. KG	Other	**30/09/2019**
Assets	**39.340**	**7.292**	**8.599**	**10.162**	**10.420**	**75.813**
– of which non-current	37.548	7.272	8.485	8.841	9.473	71.619
– of which current	1.792	0.020	0.114	1.321	0.947	4.194
Liabilities	**26.983**	**7.342**	**8.623**	**10.034**	**10.410**	**63.392**
– of which non-current	24.612	6.775	0	8.629	1.550	41.566
– of which current	2.371	0.567	8.623	1.405	8.860	21.826
Revenues	2.517	0.334	0	0	0.041	2.892
Income taxes	0.157	0	0	0	0.003	0.160
Post-tax earnings	0.837	-0.030	-0.034	-0.062	-0.047	0.664
Prevoius year	Bertrandt Campus GmbH	Bertrandt Liegen-schaft GmbH & Co. KG	Bertrandt Liegen-schaft Süd GmbH & Co. KG	Bertrandt Grund-stücks GmbH & Co. KG	Other	**30/09/2018**
Assets	**38.946**	**7.301**	**0**	**0**	**2.992**	**49.239**
– of which non-current	38.597	7.120	0	0	2.733	48.450
– of which current	0.349	0.181	0	0	0.259	0.789
Liabilities	**27.426**	**7.321**	**0**	**0**	**2.955**	**37.702**
– of which non-current	26.980	7.054	0	0	2.950	36.984
– of which current	0.446	0.267	0	0	0.005	0.718
Revenues	2.472	0.136	0	0	0	2.608
Income taxes	0.149	0	0	0	0	0.149
Post-tax earnings	0.784	-0.030	0	0	-0.012	0.742

The carrying amount of the investments in joint ventures is EUR 6.332 million (previous year EUR 5.759 million), of which EUR 6.178 million are attributable to Bertrandt Campus GmbH (previous year EUR 5.759 million). The business purpose of the joint ventures is the management of real estate. The Group has the following direct and indirect ownership interests: 50 percent in Bertrandt Campus GmbH, 70 percent in Bertrandt Liegenschaft GmbH & Co.KG and Bertrandt Liegenschaft Süd GmbH & Co.KG respectively and 100 percent in Bertrandt Grundstücks GmbH & Co.KG. According to existing contractual arrangements, the Group has no control of these joint ventures. Business operations of the joint ventures newly incorporated in the fiscal year will commence in the coming year.

The supplier relationships between Bertrandt AG and its associates and joint ventures were based on arm's length prices. As of the balance sheet date, receivables from associates and joint ventures amounted to EUR 1.074 million (previous year EUR 0.082 million) and payables were at EUR 0.012 million (previous year EUR 0.012 million). In the fiscal year under review, revenues were EUR 0.198 million (previous year EUR 0.312 million), other operating income was EUR 0.146 million (previous year EUR 0 million) and other operating expenses came to EUR 0.335 million (previous year EUR 0.122 million).

[22] CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

Financial receivables are broken down as follows according to their maturities:

FINANCIAL RECEIVABLES TABLE 51

EUR million	Current	Non-current	30/09/2019
Financial receivables	0.558	1.412	**1.970**
Previous year			
	Current	Non-current	**30/09/2018**
Financial receivables	1.277	1.291	**2.568**

Other current and non-current financial receivables are mainly employer loans which bear interest of three to five percent. The long-term loans are due for settlement in two to five years. Their carrying amounts approximate their fair values.

[23] CURRENT AND NON-CURRENT OTHER FINANCIAL ASSETS

Of the total of EUR 5.454 million in other financial assets (previous year EUR 5.195 million), EUR 2.581 million are non-current assets (previous year EUR 2.294 million), mainly comprising reinsurance. Provisions for impairment amounted to EUR 0.152 million (previous year EUR 0.152 million).

[24] CURRENT AND NON-CURRENT OTHER ASSETS

Other assets amounted to EUR 24.495 million (previous year EUR 23.410 million), including prepaid expenses and receivables from public institutions, of which EUR 8.831 million (previous year EUR 8.895 million) have a residual maturity of more than one year.

[25] DEFERRED TAX ASSETS AND TAX LIABILITIES

Deferred tax assets and liabilities comprised the following items:

DEFERRED TAX ASSETS AND LIABILITIES TABLE 52

EUR million	30/09/2019		30/09/2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	1.306	3.322	1.365	2.894
Inventories	0	10.081	0	10.432
Post-retirements benefit provisions	1.792	0	0.954	0
Other provisions	0.760	0.007	0.784	0.006
Unused tax losses	0.610	0	1.315	0
Other items	0.145	0.765	0.330	0.703
Total before offsetting	**4.613**	**14.175**	**4.748**	**14.035**
Offsetting	-1.541	-1.541	-1.424	-1.424
Deferred tax assets and liabilities	**3.072**	**12.634**	**3.324**	**12.611**

Of the deferred tax assets before offsetting, EUR 4.024 million (previous year EUR 4.307 million) have a residual maturity of more than one year. Of the deferred tax liabilities before offsetting, EUR 10.814 million (previous year EUR 11.058 million) are current and EUR 3.361 million (previous year EUR 2.977 million) are non-current liabilities.

A deferred tax asset was capitalised in the amount of EUR 0.151 million (previous year EUR 0.042 million) for companies that in the previous year or the current fiscal year generated a negative taxable income since the realisation of the related tax benefit is probable based on projected future taxable profit/loss.

In addition to the deferred tax assets arising from tax losses carried forward, there are unused tax losses in the amount of EUR 1.310 million (previous year EUR 2.897 million), which as a rule will be available for an unlimited time period. In individual countries, utilisation is restricted to five years.

No deferred tax liabilities have been recognised on the temporary differences in the carrying amounts of investments which amounted to EUR 46.087 million (previous year EUR 39.889 million) because Bertrandt AG is able to control the timing of the reversal of the temporary differences and these will not reverse in the foreseeable future.

CURRENT ASSETS

[26] INVENTORIES

On the balance sheet date the inventories of the Bertrandt Group were as follows:

INVENTORIES TABLE 53

EUR million	30/09/2019	30/09/2018
Raw materials and consumables used	**0.993**	**1.156**

As in the previous year, no impairments were made in the period under review.

[27] CONTRACT ASSETS

Contract assets developed as follows:

CONTRACT ASSETS TABLE 54

EUR million	01/10/2018	Increase	Decrease	30/09/2019
Contract assets	222.506	177.404	-89.649	310.261
Less contract liabilities	-101.406			-184.946
Total	**121.100**			**125.315**

Contract assets exclusively comprise performance obligations satisfied over time. The increase of EUR 4.215 million is due to the increase in performance obligations related to work in progress and finished work.

As at the end of the fiscal year, there are no provisions for onerous contracts with customers.

For most contracts for work, payment schedules have been specified. Rework is performed without delay; consequently, there are no obligations to accept returns or give refunds, and no warranties exceeding the statutory period of 24 months.

[28] TRADE RECEIVABLES

Trade receivables are EUR 226.007 million (previous year EUR 236.206 million) and are due for settlement in less than one year. Payment terms for customers are between zero and 90 days on average (previous year zero to 90 days). The Group has entered into a factoring agreement with a bank and sold some of its trade receivables to the bank. The agreement is a non-recourse factoring agreement and consequently no risk of default remains with the Group. The Group sold trade receivables in the amount of EUR 28.408 million (previous year EUR 19.649 million), which were fully derecognised.

Provisions for impairment amounted to EUR 4.896 million (previous year EUR 3.816 million).

[29] INCOME TAX ASSETS

Income tax assets of EUR 5.198 million (previous year EUR 3.921 million) included tax credits for the current fiscal year and from prior years.

[30] CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and cheques. They amounted to EUR 0.032 million (previous year EUR 0 million) including a general impairment provision. Foreign currency balances were translated into the Group currency at the mean closing rate prevailing on the balance sheet date, 30 September 2019. The changes of cash and cash equivalents are stated in the cash flow statement. Note [42] provides additional explanations on the cash flow statement.

Equity and liabilities

EQUITY

[31] ISSUED SHARE CAPITAL

On 30 September 2019, the share capital of Bertrandt AG was EUR 10,143,240.00 as in the previous year and was paid in full. It is thus divided into 10,143,240.00 no-par-value shares with an arithmetic par value of EUR 1.00.

Authorised capital
At the annual general meeting on 20 February 2019, the shareholders authorised the Management Board to buy back the Company's own shares up to a proportion of share capital equivalent to the amount of EUR 1,000,000.00 until 31 January 2024.

At the annual general meeting on 23 February 2017, the shareholders had authorised the Management Board to increase the share capital of Bertrandt AG with the consent of the Supervisory Board by issuing, in the period leading to 31 January 2022, new bearer shares on a cash or non-cash basis (including in the form of so-called mixed non-cash contributions), either once or several times, however by a maximum amount of EUR 4,000,000.00 (Authorised Capital 2017). The Management Board was also authorised to exclude subscription rights for shareholders under certain conditions and within defined limits with the consent of the Supervisory Board. No use has been made of the authorised capital to date.

[32] CAPITAL RESERVES

The capital reserves contain the premium on the issue of new shares as well as the proceeds from the sale of treasury shares that exceed the original cost (Note [33]).

As at the balance sheet date, treasury stock comprised 48,027 shares (previous year 48,036 shares), equivalent to 0.5 percent (previous year 0.5 percent) of the Company's share capital. In the previous year, a grant for 3,915 shares had been provided under the staff share scheme, the weighted average fair value of the shares being EUR 86.65. As a result of subsequent responses, an additional disposal of nine shares was recognised.

[33] RETAINED EARNINGS AND OTHER RESERVES (OCI)

Exchange differences of EUR 0.603 million (previous year EUR -0.070 million) resulting from the consolidation of the subsidiaries' equity were offset with other reserves (OCI).

The change in provisions for pensions of EUR -2.383 million (previous year EUR 0.128 million) due to actuarial gains/losses in the fiscal year was offset with the tax effects allocable thereto according to IAS 19 and recognised under other reserves (OCI) in the amount of EUR 0.620 million (previous year EUR -0.038 million).

The non-recurring effect from initial application of the new impairment model according to IFRS 9 amounted to EUR 0.221 million; this was offset with the tax effects allocable thereto and recognised in equity under retained earnings in the amount of EUR -0.069 million.

Treasury stock is measured at cost as of the date of purchase and offset with retained earnings. Offsetting will be applied in the event of a disposal to the extent that the proceeds are equivalent to the cost. Any excess amount is recognised in capital reserves.

NON-CURRENT LIABILITIES

[34] CURRENT AND NON-CURRENT BORROWINGS

Bertrandt AG's non-current borrowings primarily consist of a bonded loan of EUR 200.000 million. The original maturities of the tranches were five, seven and ten years. When payment is due, 100 percent of the loan amount must be paid. Special redemption rights apply to the floating-rate tranches. Non-current borrowings increased, especially due to the new maturity of a previously short-term loan and the resulting accounting change.

The current borrowings of EUR 3.498 million (previous year EUR 18.339 million) primarily resulted from accrued unpaid interest, repayments due and issued cheques that have not yet been presented for payment.

As at 30 September 2019, the domestic and non-domestic interest rates on current and non-current financial borrowings were in the range between 0.6 percent and 6.3 percent (previous year 0.4 and 6.3 percent).

The carrying amounts reported for current and the floating-rate non-current financial liabilities equal their fair values:

CURRENT AND NON-CURRENT BORROWINGS TABLE 55

EUR million			
	Current	Non-current	**30/09/2019**
Borrowings	3.498	212.419	**215.917**
Previous year			
	Current	Non-current	**30/09/2018**
Borrowings	18.339	199.810	**218.149**

[35] CURRENT AND NON-CURRENT OTHER LIABILITIES

The carrying amounts of other liabilities approximate their fair values and were comprised of the following:

CURRENT AND NON-CURRENT OTHER LIABILITIES TABLE 56

EUR million			
	Current	Non-current	**30/09/2019**
Taxes	22.365	0	22.365
Payroll and church tax	8.691	0	8.691
Social security	3.967	0	3.967
Personnel obligations	36.745	0	36.745
Miscellaneous other	0.794	1.747	2.541
Other liabilities	**72.562**	**1.747**	**74.309**
Previous year			
	Current	Non-current	**30/09/2018**
Taxes	17.987	0	17.987
Payroll and church tax	8.661	0	8.661
Social security	3.307	0	3.307
Personnel obligations	34.544	0	34.544
Miscellaneous other	0.149	0.447	0.596
Other liabilities	**64.648**	**0.447**	**65.095**

Personnel obligations mainly include obligations regarding employee time and leave accounts. Miscellaneous other liabilities include an investment grant of EUR 0.447 million (previous year EUR 0.500 million) which was received as a government grant for a realised investment. In accordance with IAS 20, an amount of EUR 0.042 million (previous year EUR 0.042 million) was released to the income statement in the period under review based on the useful lives of the assets concerned.

[36] PROVISIONS FOR PENSIONS

Provisions for post-employment benefits are calculated using the internationally established projected unit credit method according to IAS 19 and in light of foreseeable future trends on the basis of the following assumptions:

ASSUMPTIONS FOR DETERMINING PENSION OBLIGATIONS TABLE 57

Diverse information		
	30/09/2019	30/09/2018
Interest rate	0.30 %	1.30 %
Assumed rate of salary increase	0 % / 2 % / 2.50 %	0 % / 2.50 %
Assumed rate of pension increase	0 % / 1.50 % / 2.50 %	1.50 % / 2.50 %
Probability of mortality and invalidity according to Heubeck	Heubeck 2018 G / Insee 2017	Heubeck 2005 G
Valuation of widow (pension) entitlement	Collective	Collective
Retirement age	65 years	65 years
Average remaining life expectancy of persons with active entitlement	29 years	4 years

As of 30 September 2019, the provisions for pensions changed by EUR 2.874 million (previous year EUR -0.011 million) and are now EUR 8.919 million (previous year EUR 6.045 million). Of this change in pension provisions, EUR 0.188 million are recognised as an increase in personnel expenses (previous year EUR 0.117 million increase) and EUR 2.383 million are recognised in other comprehensive income as a reduction in equity (previous year EUR 0.128 million increase in equity). Moreover, due to a reclassification abroad, obligations of EUR 0.303 million were reclassified from other non-current provisions to provisions for pensions. As at the balance sheet date, the weighted average duration of the retirement benefit obligations in Germany was 18.4 years (previous year 18.7 years) and average duration abroad was 29 years (previous year 0 years).

The actuarial present value of the retirement benefit obligations changed as follows:

ACTUARIAL PRESENT VALUE OF PENSION OBLIGATIONS

TABLE 58

EUR million	2018/2019	2017/2018
Present value on 01/10	**6.045**	**6.056**
Service cost	0.303	0
Past service cost	0.211	0.103
Interest expense	0.103	0.072
Paid retirement benefits	-0.126	-0.058
Actuarial gains (-)/losses (+) from changes in financial assumptions	1.932	-0.115
Actuarial gains (-)/losses (+) from historical adjustments	0.451	-0.013
Present value on 30/09	**8.919**	**6.045**

From the point of view of the Bertrandt Group there are no material risks arising from the retirement benefit obligations. The expected addition to the anticipated value of the benefit obligation is EUR 0.216 million.

The effects that changes of actuarial parameters may have on the present value of the retirement benefit obligations are determined with sensitivity analyses. If interest rates had been 25 basis points higher (lower), the present value of the retirement benefit obligations would have decreased by EUR 0.339 million (previous year EUR 0.274 million) or increased by EUR 0.357 million (previous year EUR 0.292 million) If life expectancy was increased by one year, the present value would be higher by EUR 0.352 million (previous year higher by EUR 0.269 million). If it was decreased by one year, it would be lower by EUR 0.345 million (previous year lower by EUR 0.268 million). If salary growth rates had been 25 basis points higher (lower), the present value would have increased by EUR 0.196 million (previous year EUR 0 million) or decreased by EUR 0.179 million (previous year EUR 0 million). If pension growth rates had been 25 basis points higher (lower), the present value would have increased by EUR 0.260 million (previous year EUR 0.059 million) or decreased by EUR 0.247 million (previous year EUR 0.056 million).

[37] OTHER PROVISIONS

Other provisions are comprised of the following:

CURRENT AND NON-CURRENT OTHER PROVISIONS

TABLE 59

EUR million	Personnel provisions	Provisions for ongoing business operations	Provisions for buildings	Other provisions	Total of other provisions
Value on 01/10/2018	**24.797**	**0.125**	**2.784**	**12.422**	**40.128**
of which current	23.325	0.125	1.060	11.923	36.433
of which non-current	1.472	0	1.724	0.499	3.695
Reclassification from other provisions to provisions for pensions	-0.303	0	0	0	-0.303
Currency difference	0.032	0	0	0.007	0.039
Utilisation	22.875	0	0.961	7.267	31.103
Reversal	0.239	0	0.094	0.385	0.718
Addition	21.076	0	0.612	6.980	28.668
Value on 30/09/2019	**22.488**	**0.125**	**2.341**	**11.757**	**36.711**
of which current	21.276	0.125	0.692	11.092	33.185
of which non-current	1.212	0	1.649	0.665	3.526

Personnel provisions primarily comprise amounts for profit sharing arrangements and bonuses as well as levies for failure to meet the required quota of severely handicapped employees (Schwerbehinderten-Abgaben) and contributions for employer liability insurance associations. Provisions for obligations related to ongoing business operations essentially comprise provisions for guarantee obligations. As at the end of the financial year, there are no provisions for construction contracts where the losses to be expected exceed the costs incurred. Provisions for buildings comprise, amongst other items, rent, energy costs and other incidental costs. Other provisions have been set aside for numerous discernible individual risks.

Of the reversals, an amount of EUR 0.180 million (previous year EUR 0.887 million) is offset against personnel expenses of EUR 0.317 million (previous year EUR 0.229 million), against other expenses and an amount of EUR 0.148 million (previous year EUR 0 million) is offset against cost of materials. Non-current provisions comprise interest expense totalling EUR 0.018 million (previous year EUR 0.020 million), which is not reported within net finance income (previous year EUR 0.002 million). Moreover, the provisions for personnel expenses include provisions for obligations arising from a management retention scheme in the amount of EUR 0.107 million (previous year EUR 0.871 million). The outflow of resources associated with non-current provisions depends on the individual case.

CURRENT LIABILITIES

[38] CONTRACT LIABILITIES

Contract liabilities developed as follows:

CONTRACT LIABILITIES TABLE 60

EUR million				
	01/10/2018	Increase	Decrease	30/09/2019
Contract liabilities	107.760	116.137	-34.431	189.466
Saldierung mit Vertragsvermögenswerten	-101.406			-184.946
Vertragsverbindlichkeiten nach Saldierung	**6.354**			**4.520**

The contract liabilities are fully recognised in revenues.

[39] TRADE PAYABLES

The carrying amounts largely approximate their fair values and are due for settlement in less than one year.

TRADE PAYABLES TABLE 61

EUR million		
	30/09/2019	30/09/2018
Trade payables	**15.751**	**17.849**

[40] OTHER FINANCIAL LIABILITIES

Other financial liabilities of EUR 22.442 million (previous year EUR 22.517 million) include, amongst other items, incoming payments of EUR 6.924 million for assigned receivables (previous year EUR 5.789 million) and wages and salaries of EUR 0.949 million (previous year EUR 0.923 million). In addition, they include a number of individual payment obligations.

The carrying amounts of the current other financial liabilities correspond to their fair values.

[41] INCOME TAX PROVISIONS

Income tax provisions relate to income taxes calculated for the current and the previous fiscal years.

[42] NOTES ON THE CASH FLOW STATEMENT

The cash flow statement shows how the Bertrandt Group's liquidity position has changed in the course of the year under review as a result of cash inflows and outflows regardless of the structure of the balance sheet. In accordance with IAS 7, cash flows are distinguished according to operating, investing and financing activities. The item cash and cash equivalents comprises solely the cash and cash equivalents recognised in the balance sheet.

The changes in the individual items are derived from the consolidated balance sheet and the consolidated income statement, accounting for the initial consolidation of Jobfair GmbH.

Using post-tax earnings as a basis, the cash flow statement was prepared using the indirect method whereby profit or loss is adjusted for the effects of transactions of a non-cash nature. Allowing for changes in working capital, cash flow from operating activities is EUR 72.284 million (previous year EUR 27.208 million). The changes in working capital are primarily due to cash transactions affecting the following balance sheet items: Contract assets: EUR 4.213 million (previous year EUR 1.493 million); trade receivables: EUR -10.430 million (previous year EUR 43.182 million); contract liabilities EUR -1.834 million (previous year EUR -3.389 million); trade payables: EUR -2.111 million (previous year EUR -0.408 million).

There was a net cash outflow from investing activities of EUR -47.695 million (previous year EUR -50.935 million), which primarily comprised cash outflows for additions to assets, cash receipts from disposals of property, plant and equipment and the cash payments for the acquisition of Jobfair GmbH. At EUR 24.589 million, free cash flow has significantly improved compared to the previous year (EUR 23.727 million), despite the higher level of capital spending. This is mainly due to the reversal of the increase in funds tied up in trade receivables as at 30 September 2018. Cash used in financing activities amounted to EUR -21.892 million (previous year EUR -26.825 million) and mainly comprises the cash outflows for dividend payments and repayment of loans.

The financial liabilities arising from financing activities were as follows:

FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES TABLE 62

EUR million	Financial liabilities	
	30/09/2019	30/09/2018
Value on 01/10	**218.150**	**220.939**
Changes in cash	-1.749	-2.088
Non-cash changes	-0.484	-0.701
Value on 30/09	**215.917**	**218.150**

The non-cash change is mainly a result of the measurement of the loan of Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, which upon initial consolidation was recognised and afterwards carried at fair value.

Cash and cash equivalents were at EUR 91.491 million (previous year EUR 88.405 million).

[43] NOTES ON SEGMENT REPORTING

The Group uses the operating segments Digital Engineering, Physical Engineering and Electrical Systems/Electronics as a basis for controlling the Group's activities. Non-current assets within the meaning of IFRS 8 were measured at EUR 318.214 million (previous year EUR 297.088 million). Of this total, domestic non-current assets account for EUR 309.855 million (previous year EUR 289.712 million), while foreign non-current assets account for EUR 8.359 million (previous year EUR 7.376 million).

The Digital Engineering segment comprises the design of vehicle components such as powertrains, chassis or body as well as the development of complete vehicles including simulation and design engineering with CAD. This segment also includes the Company's aerospace business and Bertrandt Services GmbH.

The Physical Engineering segment covers activities related to design modelling, testing, vehicle construction, rapid prototyping and rapid tooling. It also comprises the construction of sheet metal prototypes and plastics engineering.

Activities related to conventional automotive electrical systems together with modern automotive electronics are bundled in the Electrical Systems/Electronics segment, including the development of electronic modules such as onboard networks, software development and simulated deployment.

Segment information is based on the same recognition and measurement principles as the consolidated financial statements. Internal revenues are invoiced at normal market prices in compliance with the arm's length principle. Income and expenses as well as inter-segment results have been eliminated.

SEGMENTS

TABLE 63

EUR million	Digital Engineering		Physical Engineering		Elektrical Systems/ Electronics		Total for all divisions	
01/10 until 30/09	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
Revenues	629.709	620.418	235.822	227.133	244.657	223.198	1,110.188	1,070.749
Transfer between segments	27.487	25.496	13.112	12.761	11.477	12.578	52.076	50.835
Consolidated revenues	**602.222**	**594.922**	**222.710**	**214.372**	**233.180**	**210.620**	**1,058.112**	**1,019.914**
Other internally generated assets	0.410	0.646	0.489	0.147	0.859	0.313	1.758	1.106
Consolidated total revenues	**602.632**	**595.568**	**223.199**	**214.519**	**234.039**	**210.933**	**1,059.870**	**1,021.020**
EBIT	**23.995**	**33.077**	**18.411**	**18.235**	**17.916**	**20.829**	**60.322**	**72.141**
Scheduled depreciation	9.085	9.678	19.393	19.229	5.209	4.115	33.687	33.022

Revenues related to performance obligations satisfied over time were EUR 793.539 million. The segments' contributions were as follows: Digital Engineering EUR 411.740 million, Physical Engineering EUR 200.926 million and Electrical Systems/Electronics EUR 180.873 million.

Revenues with customers accounting for more than ten percent of total revenues break down by segment as follows: Digital Engineering EUR 163.396 million (previous year EUR 176.781 million) and EUR 114.374 million (previous year EUR 131.808 million) respectively; Physical Engineering EUR 94.307 million (previous year EUR 86.200 million) and EUR 53.505 million (previous year EUR 47.115 million) respectively; and Electrical Systems/Electronics EUR 80.507 million (previous year EUR 78.582 million) and EUR 59.538 million (previous year EUR 54.015 million) respectively. There are no control relationships.

Segment reporting is not required for assets and liabilities since they are not included in internal reporting at segment level. The EBIT generated by the segments corresponds to the Group's EBIT; for reconciliation of EBIT with earnings before tax, please refer to the consolidated income statement and statement of comprehensive income.

OTHER DISCLOSURES

[44] COLLATERAL PROVIDED

As at the balance sheet date, liabilities secured by mortgages were EUR 13.736 million (previous year EUR 15.179 million).

[45] CONTINGENT LIABILITIES

As of the balance sheet date, the Company recorded contingent liabilities of EUR 0.716 million (previous year EUR 0.716 million) resulting from a pending administrative appeal brought against a non-domestic tax authority.

[46] OTHER FINANCIAL OBLIGATIONS

Future financial obligations resulting from rental, maintenance and leasing contracts, which are carried at their nominal values, fall due as follows:

OTHER FINANCIAL OBLIGATIONS

TABLE 64

EUR million	30/09/2019	30/09/2018
Current	103.783	91.901
Non-current	87.367	55.488
Total	**191.150**	**147.389**

The Bertrandt Group leases certain items of property, plant and equipment. Under these leases, the risks and rewards incidental to ownership remain, to a large extent, exclusively with the lessor (operating lease). Of the other financial obligations, EUR 98.030 million (previous year EUR 72.010 million) arise from real estate rental contracts. EUR 7.756 million (previous year EUR 0.010 million) are accounted for by related parties. In addition, current financial obligations from leases for other items of property, plant and equipment arise in the amount of EUR 4.070 million (previous year EUR 2.392 million) of which EUR 1.445 million (previous year EUR 1.084 million) are accounted for by related parties. Non-current financial obligations arise in the amount of EUR 3.992 million (previous year EUR 1.901 million), thereof EUR 1.505 million (previous year EUR 0.908 million) are accounted for by related parties. Furthermore, there are other financial obligations under supplier contracts for intangible assets of EUR 0.391 million (previous year EUR 1.242 million) and items of property, plant and equipment in the amount of EUR 46.371 million (previous year EUR 36.650 million).

[47] FURTHER NOTES ON THE EFFECTS OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

The following table reconciles the line items of the balance sheet with the categories of financial instruments broken down by the carrying amounts and fair values of the financial instruments.

RECONCILIATION OF THE LINE ITEMS OF THE BALANCE SHEET WITH THE CATEGORIES OF FINANCIAL INSTRUMENTS

TABLE 65

EUR million	Measured at fair value through profit and loss	Loans and receivables / Measured at amortised cost		Outside the scope of IFRS 7 / No measurement category under IAS 39	**Balance sheet item 30/09/2019**
	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets					
Investments accounted for using the equity method				6.453	**6.453**
Financial receivables	0.236	1.176			**1.412**
Other financial assets		2.581	2.581		**2.581**
Other assets				8.831	**8.831**
Current assets					
Contract assets		125.315	125.315		**125.315**
Trade receivables		226.007	226.007		**226.007**
Financial receivables		0.558	0.558		**0.558**
Other financial assets		2.873	2.873		**2.873**
Other assets				15.664	**15.664**
Cash and cash equivalents		91.491	91.491		**91.491**
Non-current liabilities					
Borrowings		212.419	224.678		**212.419**
Other liabilities				1.747	**1.747**
Current liabilities					
Borrowings		3.498	3.618		**3.498**
Contract liabilities		4.520	4.520		**4.520**
Trade payables		15.751	15.751		**15.751**
Other financial liabilities	1.098	21.344	21.344		**22.442**
Other liabilities				72.562	**72.562**

Previous year	Measured at fair value through profit and loss	Loans and receivables / Measured at amortised cost		Outside the scope of IFRS 7 / No measurement category under IAS 39	**Balance sheet item 30/09/2018**
	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets					
Investments accounted for using the equity method				5.874	**5.874**
Financial receivables	0.070	1.221	1.221		**1.291**
Other financial assets		2.294	2.294		**2.294**
Other assets				8.895	**8.895**
Current assets					
Contract assets		121.100	121.100		**121.100**
Trade receivables		236.206	236.206		**236.206**
Financial receivables		1.277	1.277		**1.277**
Other financial assets		2.901	2.901		**2.901**
Other assets				14.515	**14.515**
Cash and cash equivalents		88.405	88.405		**88.405**
Non-current liabilities					
Borrowings		199.810	207.749		**199.810**
Other liabilities				0.447	**0.447**
Current liabilities					
Borrowings		18.339	18.451		**18.339**
Contract liabilities		6.354	6.354		**6.354**
Trade payables		17.849	17.849		**17.849**
Other financial liabilities	1.008	21.509	21.509		**22.517**
Other liabilities				64.648	**64.648**

Pursuant to IFRS 13, financial instruments must be assigned to the three levels of the fair value hierarchy. The assignment to a particular level depends on the availability of observable market prices in an active market. Level one input is input available for financial instruments that are measured at quoted prices in active markets for identical assets or liabilities. Financial instruments that are measured using Level two inputs are measured on the basis of inputs other than quoted prices included within Level one, which are observable either directly or indirectly. Level three input refers to market data for the measurement of financial instruments that are unobservable. Interest rate derivatives and foreign exchange forward contracts are categorised as Level two, other derivatives as Level three. The fair values of the non-current financial liabilities, which are recorded at amortised cost, are determined based on the market interest curve using the zero-coupon method taking credit spreads into account (Level two). The values include interest accrued as of the reporting.

The fair values of the derivatives are determined applying methods normally used in the market. Because of short maturities of the current financial instruments, it is assumed that the fair values obtained by measuring them at amortised cost are almost equal to their carrying amounts. As in the previous year, there were no transfers between the three levels of the fair value hierarchy. A sensitivity analysis is performed every year, analysing and evaluating internal and external information and conditions for their probability of occurrence and the resulting financial burdens. As in the previous year, the sensitivity analysis did not lead to any change in the carrying amount.

[48] MANAGEMENT OF FINANCIAL RISKS

Hedging policies and principles of financial risk management
As an engineering service provider operating on an international scale, the Bertrandt Group is exposed to a variety of financial risks: Bertrandt primarily distinguishes the following types of risks:

- Liquidity Risk
- Default and credit risk
- Market price risk

The controlling, monitoring and management of financial risks is carried out by the Group's central Treasury department under policies approved by the Management Board. The aim is to recognise risks in good time and take suitable countermeasures to minimise potential adverse effects. Currently there is no concentration of financial risks.

Liquidity risks can arise from deterioration in operating business or as a result of credit and market price risks. The Bertrandt Group manages liquidity risks by means of short- and long-term liquidity planning in the light of existing credit facilities. These plans are monitored and updated on an ongoing basis. To safeguard the Company's liquidity in the long term and finance its long-term investments, Bertrandt AG issued a bonded loan of EUR 200.000 million in the fiscal year 2015/2016. As a matter of principle, Bertrandt AG maintains cash pooling arrangements with most of its German subsidiaries via banks. The foreign subsidiaries are provided with funds by means of loans from banks or Group entities. Moreover, the Bertrandt Group has sufficient unused credit facilities and also has access to alternative financing instruments. A material part of the facilities agreements is secured on a long-term basis. Under the terms of an option agreement, the Group may face a maximum theoretical liquidity and credit risk involving a gross liability of EUR 2.500 million (previous year EUR 2.500 million) in the event of immediate exercise of the option. We do not expect the option to be exercised; moreover, collateral is available for immediate liquidation, hence a net liability of close to EUR 0 is recorded, as in the previous year.

The following table sets out the agreed (undiscounted) capital payments on the original financial liabilities:

ORIGINATED FINANCIAL LIABILITIES
TABLE 66

EUR million	Carrying amount	Payment obligations		
	30/09/2019	2019/2020	2020/2021 until 2023/2024	2024/2025 ff.
Borrowings	215.917	4.100	154.223	67.991
Trade payables	15.751	15.751	0	0
Contract liabilities	4.520	4.520	0	0
Other financial liabilities	22.442	22.442	0	0
Previous year	30/09/2018	2018/2019	2019/2020 until 2022/2023	2023/2024 ff.
Borrowings	218.149	18.854	143.067	69.260
Trade payables	17.849	17.849	0	0
Contract liabilities	6.354	6.354	0	0
Other financial liabilities	22.517	22.517	0	0

Financial instruments for which payments have already been agreed as of the balance sheet date are included in the portfolio. Payment obligations und floating-rate and fixed-rate financial instruments were calculated using the interest rates last determined prior to the balance sheet date. These calculations do not include budgeted figures for future liabilities. Foreign-currency items were translated using the spot exchange rate prevailing on the balance sheet date. Financial liabilities repayable on demand were assigned to the earliest maturity band.

The Group has policies in place to ensure that its contractual parties fulfil certain creditworthiness criteria prior to the conclusion of a contract and during its term. The risk of default is limited to the greatest possible extent by means of preventive credit rating checks and ongoing monitoring of accounts receivable. There were no material payment defaults during the 2018/2019 financial year. The risk of default in the future is also rated as minor thanks to the mainly good creditworthiness of our customers and our proactive receivables management. Individual risks are addressed by means of credit guarantee insurance cover as required in individual cases. The default risk of trade receivables reported as of the balance sheet date is covered by the provisions for impairment. The carrying amounts of the contract assets, trade receivables, financial receivables, other financial assets and other assets recorded in the balance sheet in the amount of EUR 383.241 million (previous year EUR 388.479 million) represent the maximum default risk.

Cash and cash equivalents are placed in short-term investments free of any risk exposure.

The following table shows the credit and default risks applicable to financial assets according to their gross carrying amounts:

CREDIT AND DEFAULT RISK OF FINANCIAL ASSETS
TABLE 67

EUR million	Neither overdue nor impaired	Overdue but not impaired	Impaired	**30/09/2019**
Contract assets	125.315	0	0	125.315
Trade receivables	169.306	56.033	5.564	230.903
Financial receivables and other financial assets	7.424	0	0.152	7.576
	302.045	**56.033**	**5.716**	**363.794**
Previous year	Neither overdue nor impaired	Overdue but not impaired	Impaired	**30/09/2018**
Contract assets	121.100	0	0	121.100
Trade receivables	178.993	56.681	4.349	240.023
Financial receivables and other financial assets	7.762	0	0.152	7.914
	307.855	**56.681**	**4.501**	**369.037**

The following table breaks down the age of financial assets past due which were not impaired as at the balance sheet date:

AGE OF FINANCIAL ASSETS PAST DUE AS THE REPORTING DATE BUT NOT IMPAIRED
TABLE 68

EUR million	until 30 days	31 to 90 day	more than 90 days	**30/09/2019**
Trade receivables	15.676	24.016	16.341	**56.033**
Previous year	until 30 days	31 to 90 day	more than 90 days	**30/09/2018**
Trade receivables	18.744	27.615	10.322	**56.681**

There was no evidence of any impairment in the value of the financial assets which were due and overdue as at the balance sheet date but for which no impairment provisions have been made.

The provisions for impairment of financial receivables and other assets are as follows:

ADJUSTMENTS MADE TO FINANCIAL ASSETS
TABLE 69

EUR million	2018/2019	2017/2018
Value on 30/09/2019	**3.968**	**3.611**
Value adjustment acc. to IFRS 9	-0.221	0
Value on 01/10	**3.747**	**3.611**
Addition	1.652	0.811
Utilisation	0.047	0.043
Reversal	0.272	0.411
Value on 30/09	**5.080**	**3.968**

In the year under review, the Company recorded derecognised receivables of EUR 0.047 million (previous year EUR 0.043 million) and income from derecognised receivables was EUR 0.037 million (previous year EUR 0.027 million).

The Group is exposed to market price risks, i.e. primarily risks arising from changes in interest and exchange rates. The Group pursues a strategy of hedging such risks adequately. Group Treasury utilises suitable medium-term interest derivatives to hedge interest risk. Foreign currency risks are generally addressed by ensuring that transactions are mainly invoiced in the applicable functional currency (natural hedges). Failing this, foreign exchange forwards are used, as a rule, to hedge the risk. Such hedges are transacted centrally via Group Treasury. As of the balance sheet date no hedges were outstanding.

In accordance with IFRS 7, sensitivity analyses are performed to present the interest risks to which the Company is exposed. These analyses show the effects of changes in market interest rates, interest payments as well as interest income and expense. If interest rates in the market had been 100 basis points higher, earnings would have been higher by EUR 0.822 million (in the previous year EUR 0.774 million higher). If interest rates in the market had been 100 basis points lower, earnings would have been lower by EUR 0.117 million (in the previous year EUR 0.140 million lower). Financial instruments measured at amortised cost and subject to a fixed rate of interest are not exposed to any interest risks as defined in IFRS 7.

The Bertrandt Group is exposed to a rather insignificant currency translation risk as all business is invoiced in the local functional currency. A change in the value of the euro against the foreign currency in question would, therefore, only have a minor influence on profit or loss. Underlying transactions not denominated in the functional currency (contract assets) are generally hedged by means of foreign exchange forwards. As in the previous year, there were no foreign exchange forwards as of the balance sheet date.

[49] DISCLOSURES ON CAPITAL MANAGEMENT

The Group is committed to a strategy of steady and enduring growth in its enterprise value.

The Bertrandt Group pursues the goal of safeguarding its going concern status on a long-term basis and protecting the interests of its shareholders, employees and all other users of this annual report.

The capital structure is managed in the light of any changes in general economic conditions and risks arising from underlying assets.

Its equity corresponds to the equity shown on the balance sheet. As of 30 September 2019, the ratio of equity to total assets (equity ratio) was 51.5 percent (previous year 50.6 percent).

For more detailed explanations see the management report and the statement of changes in equity.

[50] DISCLOSURES PURSUANT TO THE GERMAN SECURITIES TRADING ACT (WPHG)

The notifications of voting rights are included in the annual financial statements for the 2018/2019 financial year of Bertrandt AG, which are published in the electronic Federal Gazette.

[51] DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act has been submitted by the Management Board and the Supervisory Board. It is available on the Bertrandt website at "https://www.bertrandt.com/en/company/investor-relations/corporate-governance/".

[52] REPORT ON SUBSEQUENT EVENTS

No material events have occurred after the end of the fiscal year, which would have any significant impact on the net assets, results of operations and financial position of Bertrandt AG.

[53] DISCLOSURE ON THE COMPANY'S CORPORATE GOVERNANCE BODIES

The Company's corporate governance bodies are related parties pursuant to IAS 24.

Management Board

Dietmar Bichler
Chairman of the Management Board (until 20 February 2019)
Chairman of the Supervisory Board (since 20 February 2019)
– President of the Board of Directors Bertrandt France S.A., Vélizy-Villacoublay (until 29 March 2019)
– Member of the Board of Directors of b.invest AG, Ehningen
– Member of the Supervisory Board of MAHLE GmbH, Stuttgart
– Chairman of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (since 27 May 2019)
– Member of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (until 26 May 2019)

Hans-Gerd Claus
Member of the Management Board
Engineering

Michael Lücke
Member of the Management Board
Sales
– Member of the Board of Directors Bertrandt France S.A., Vélizy-Villacoublay (until 29 March 2019)
– Member of the Board of Directors of Bertrandt UK Limited, Dunton
– Member of the Board of Directors of Bertrandt US Inc., Detroit

Markus Ruf
Member of the Management Board
Finance
– Representing Bertrandt AG as "Président" of Bertrandt France S.A.S., Vélizy-Villacoublay (since 29 March 2019)
– Member of the Board of Directors Bertrandt France S.A., Vélizy-Villacoublay (until 29 March 2019)

The total remuneration for members of the Management Board active in fiscal 2016/2017 is EUR 4.840 million (previous year EUR 5.915 million) and includes a fixed amount and a performance-related component. The compensation paid to the members of the Management Board is disclosed for the individual members in the remuneration report section in the management report. The additions to provisions for pensions for Management Board members include service cost of EUR 0.041 million for the current fiscal year (previous year EUR 0.103 million). Furthermore, provisions of EUR 6.034 million (previous year EUR 1.296 million) have been set aside to cover post-retirement benefits payable to former members of the Management Board and pensions in the amount of EUR 0.059 million (previous year EUR 0.058 million) were paid.

Active members of the Supervisory Board

Dietmar Bichler
Chairman of the Supervisory Board (since 20 February 2019)
Chairman of the Management Board (until 20 February 2019)
- President of the Board of Directors of Bertrandt France S.A., Vélizy-Villacoublay (until 29 March 2019)
- Member of the Board of Directors of b.invest AG, Ehningen
- Member of the Supervisory Board of MAHLE GmbH, Stuttgart
- Chairman of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (since 27 May 2019)
- Member of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (until 27 May 2019)

Horst Binnig
Deputy Chairman of the Supervisory Board (since 20 February 2019)
Active members of the Supervisory Board (until 20 February 2019)
- Chairman of the Executive Board of Rheinmetall Automotive AG, Neckarsulm
- Member of the Executive Board of Rheinmetall AG, Düsseldorf
- Chairman of the Board of Directors of HASCO KSPG Nonferrous Components (Shanghai) Co., Ltd., Shanghai
- Vice Chairman of the Board of Directors of Kolbenschmidt HUAYU Piston Co., Ltd., Shanghai
- Deputy Chairman of the Supervisory Board of KS HUAYU AluTech GmbH, Neckarsulm
- Chairman of the Supervisory Board of KS Kolbenschmidt GmbH, Neckarsulm
- Chairman of the Supervisory Board of KS Gleitlager GmbH, St.-Leon-Rot
- Chairman of the Supervisory Board of Pierburg GmbH, Neuss
- Vice Chairman of the Board of Directors of Pierburg HUAYU Pump Technology Co. Ltd., Shanghai
- Director of KSPG Holding USA, Inc., Marinette
- Chairman of the Supervisory Board of Pierburg Pump Technology GmbH, Neuss
- Chairman of the Board of Directors of KSPG (China) Investment Co., Ltd., Shanghai

Udo Bäder
Member of the Supervisory Board (since 20 February 2019)
- Accountant (Selbständiger Wirtschaftsprüfer) and tax advisor

Prof. Dr.-Ing. Wilfried Sihn
Member of the Supervisory Board
- Professor of Operating Engineering and System Planning at the Institute of Management Science of the Technical University of Vienna, Vienna
- Managing Director of Fraunhofer Austria Research GmbH, Vienna
- Member of the Board of Directors of Glutz AG, Soloturn
- Member of the Advisory Board of Herrmann Ultraschall GmbH & Co. KG, Karlsbad Ittersbach
- Member of the Advisory Board of Wittenstein AG, Harthausen
- Member of the Advisory Board of EVN AG, Maria Enzersdorf
- Member of the Supervisory Board of Würth-Hochenburger GmbH, Innsbruck (since 1 June 2019)

Michael Schmidt
Employee representative (since 20 February 2019)
- Team leader

Marianne Weiß
Employee representative (since 20 February 2019)
- Commercial clerk

Members resigning from the Supervisory Board in the fiscal year

Dr. Klaus Bleyer
Chairman of the Supervisory Board (until 20 February 2019)
- Member of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (since 27 May 2019)
- Chairman of the Supervisory Board of Lindauer DORNIER GmbH, Lindau (until 27 May 2019)

Maximilian Wölfle
Deputy Chairman of the Supervisory Board (until 20 February 2019)
- Chairman of the Advisory Board of J. WIZEMANN GmbH & Co. KG, Stuttgart
- Chairman of the Advisory Board of Heinrich von Wirth GmbH & Co. KG, Stuttgart
- Deputy Chairman of the Advisory Board of SÜDWESTBANK AG, Stuttgart (until 11 April 2019)
- Member of the Advisory Board of PAUL LANGE & Co. OHG, Stuttgart
- Member of the Supervisory Board of Schwabenverlag AG, Ostfildern

Stefanie Blumenauer
Employee representative (until 20 February 2019)
- Commercial clerk

Astrid Fleischer
Employee representative (until 20 February 2019)
- Technical draughtswoman

Fixed compensation of the Supervisory Board members for their activity amounted to EUR 0.321 million in total in fiscal 2018/2019 (previous year EUR 0.320 million).

The amounts paid to the individual members of the Supervisory Board were as follows:

SUPERVISORY BOARD COMPENSATION TABLE 70

EUR	Fixes
	2018/2019
Active members of the Supervisory Board	
Dietmar Bichler	63,540
Horst Binnig	54,663
Udo Bäder	29,326
Prof. Dr.-Ing. Wilfried Sihn	40,000
Michael Schmidt	19,551
Marianne Weiß	19,551
Members resigned from the Supervisory Board in the fiscal year	
Dr. Klaus Bleyer	43,879
Maximilian Wölfle	25,074
Stefanie Blumenauer	12,537
Astrid Fleischer	12,537
Total	**320,658**

The employee representatives on the Supervisory Board received usual salaries as provided for in their employment contracts, including statutory social security contributions. Other than this, the members of the Supervisory Board did not receive any compensation or benefits in the 2018/2019 fiscal year for services provided in a personal capacity, in particular those involving consulting and brokerage services.

The Bertrandt shares held by members of the Management and Supervisory Boards are broken down as follows:

SHARES OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

TABLE 71

Number	Shares	Shares
	Balance at 30/09/2019	Balance at 30/09/2018
Dietmar Bichler	400,000	400,000
Astrid Fleischer	101	101
Total	**400,101**	**400,101**

Options are not disclosed here as there is currently no option programme.

Other related parties
On 2 July 2014, Dr. Ing. h.c. F. Porsche AG, Stuttgart, increased its shareholding in Bertrandt AG by nearly four percentage points. After the share purchase, the Volkswagen group now indirectly holds around 29 percent of voting shares in Bertrandt. As in the past it is not the intention of Volkswagen to exercise influence on the Supervisory Board or the Management Board. From the date of the purchase of the shares, Bertrandt AG will be accounted for as an associate in the consolidated financial statements of the Volkswagen group under the equity method. Accordingly, the Volkswagen group has to be classified as a related party pursuant to IAS 24. All supplier relationships between Bertrandt AG and the Volkswagen group were based on arm's length prices. The revenues arising from transactions with all Volkswagen group companies amounted to EUR 338.210 million in the period under review (previous year EUR 341.563 million). In addition, other operating income of EUR 0.132 million (previous year EUR 0.071 million) and expenses of EUR 4.221 million (previous year EUR 1.327 million) have been recognised. As of the balance sheet date, trade receivables amounted to EUR 78.958 million (previous year EUR 92.978 million) contract assets were EUR 30.287 million, contract liabilities were EUR 17.415 million, and payables amounted to EUR 0.619 million (previous year EUR 0.047 million). No provisions for impairment of trade receivables were made in the 2018/2019 financial year (previous year EUR 0 million).

[54] AUDITOR FEES

The auditor's fees which are expensed in accordance with Section 319 (1) of the German Commercial Code were comprised of the following:

AUDITOR'S FEE

TABLE 72

EUR million	2018/2019	2017/2018
Audit of financial statements	0.318	0.297
Other audit services	0.036	0
Tax consulting services	0.040	0.073
Other services	0.024	0.013
Total	**0.418**	**0.383**

The auditor fees contain the fees for the audit of the consolidated financial statements as well as for the statutory audits of Bertrandt AG and the subsidiaries included in the consolidated financial statements. The fees for other audit services relate to the audit of the separate non-financial statements pursuant to Section 289b (3) and Section 315d HGB. Fees paid for tax consultancy services are mainly related to enquiries regarding international employee assignments and legislative changes. Non-audit services primarily include enquiries regarding changes in accounting standards under the German Commercial Code (HGB) or IFRS, and consolidation matters.

[55] PROFIT ALLOCATION PROPOSAL

In accordance with Section 58 (2) of the German Stock Corporation Act, the dividend distributed by Bertrandt Aktiengesellschaft is based on the distributable profit as shown in the financial statements prepared according to German commercial law for the year ending 30 September 2019.

The Management Board proposes using Bertrandt AG's distributable profit of EUR 35,764,553.63 for fiscal 2018/2019 to pay a dividend of EUR 1.60 per qualified share, and carry forward the remaining amount of EUR 19,535,369.63 to the next financial year. In accordance with Section 58 (4) sentence 2 of the German Stock Corporation Act (AktG), the entitlement to a dividend becomes due on the third business day after adoption of the dividend proposal by the annual general meeting, which will be on 24 February 2020. Any treasury shares held by Bertrandt AG at the time the proposal is adopted by the annual general meeting are not entitled to a dividend. The amount applicable to such shares is also carried forward.

[56] DIVIDEND FOR THE FISCAL YEAR 2017/2018

The Management Board's dividend proposal for the previous year of EUR 2.00 was adopted by the annual general meeting.

[57] DAY OF RELEASE FOR PUBLICATION

The Management Board of Bertrandt AG has submitted the consolidated financial statements to the Supervisory Board which will make a decision concerning these on 9 December 2019.

Ehningen, 27 November 2019

The Management Board

HANS-GERD CLAUS
Member of the
Management Board
Engineering

MICHAEL LÜCKE
Member of the
Management Board
Sales

MARKUS RUF
Member of the
Management Board
Finance

„INDEPENDENT AUDITOR'S REPORT

To Bertrandt Aktiengesellschaft, Ehningen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Bertrandt Aktiengesellschaft, Ehningen, and its subsidiaries (the Group) – comprising the consolidated balance sheet as at 30 September 2019, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2018 to 30 September 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bertrandt Aktiengesellschaft for the financial year from 1 October 2018 to 30 September 2019. In accordance with German legal requirements, we have not audited the content of the elements of the group management report referred to in the section "Other information" of our auditor's report.

In our opinion, based on the findings of our audit,

- the accompanying consolidated financial statements comply, in all material respects, with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and give a true and fair view of the net assets and financial position of the Group as at 30 September 2019, as well as of the earnings situation for the financial year from 1 October 2018 to 30 September 2019, in accordance with these requirements, and
- the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with the German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the elements of the group management report referred to in the section "Other information".

According to Section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and EU Audit Regulation (No. 537/2014) under consideration of the German generally accepted standard for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group entities in accordance with the provisions under EU laws as well as German commercial law and the laws that govern our profession, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 (2) lit. f) of the EU Audit Regulation that we have not provided any prohibited non-audit services referred to in Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2018 to 30 September 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Measurement of contract assets

Our presentation of this key audit matter has been structured as follows:
1. Matter and issue
2. Audit approach and findings
3. Reference to further information

We present the key audit matter in the following section:

Measurement of contract assets

1. Contracts assets amounting to EUR 125.3 million are reported in the consolidated financial statements of Bertrandt Aktiengesellschaft, Ehningen as at 30 September 2019. This is equivalent to approximately 15.5% of total assets. The item includes contract assets resulting from performance obligations satisfied over time, which are recognised according to the progress measured on the basis of the PoC method. The progress towards complete satisfaction of a performance obligation is measured on the basis of the relation of cost incurred and total cost (cost-to-cost method) and multiplied by the agreed transaction price. Finished performance obligations which have not yet been accepted are measured at their contract value. Advance payments received for contract assets are netted against the contract assets, provided that offsetting is possible. Given the uncertainty inherent in estimates and the significance of the item for the consolidated financial statements, this item was of particular importance for our audit.

2. As part of our audit, we evaluated the methodology employed, the internal processes and controls used to determine the total costs and expected income, among other things. Furthermore, we evaluated the processes and technical systems used to record actual costs incurred, examined the manual controls and those controls implemented in the system for the respective contracts, and evaluated the audit steps and controls established for the purpose of testing for any impairment.

   Taking into consideration the information available, we believe that the systems, procedures and controls established by the management are appropriate overall for properly and consistently measuring contract assets. Based on our audit procedures, we verified that the estimates made by management and any events and measures potentially resulting in changes to assumptions were sufficiently documented.

3. The company's disclosures pertaining to contract assets are contained in Notes 5 and 27 to the consolidated financial statements.

Other information

The management is responsible for the other information. The other information comprises the following elements of the group management report which have not been audited by us with regard to their content:

– the corporate governance statement contained in the section "Corporate governance declaration pursuant to Sections 289b (3) and 315b (3) of the German Commercial Code (HGB)" in the group management report in accordance with Section 289f HGB and Section 315d HGB
– the separate non-financial report in accordance with Section 289b (3) HGB and Section 315b (3) HGB

The other information also comprises the other parts of the annual report – excluding cross-references to external information –, with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information. Accordingly, we do not provide a separate audit opinion or express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information
– is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of the management and the Supervisory Board for the consolidated financial statements and the group management report

Management is responsible for the preparation of the consolidated financial statements, which comply, in all material respects, with IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and ensuring that they give a true and fair view of the net assets, financial position and the earnings situation of the Group in accordance with these requirements. Furthermore, the management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Moreover, management is also responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. The management is also responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of the group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and is in all material respects consistent with the consolidated financial statements and the findings of audit, and whether it complies with German legal requirements and suitably presents the opportunities and risks of future development. Based on this, we issue an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and based on the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) will always detect material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

Throughout the audit we exercise professional judgement and maintain professional scepticism. We also:

– identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the policies and procedures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those systems.
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
– conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures. We also evaluate whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation of the net assets, financial position and the earnings situation of the Group and comply with IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

– evaluate whether the group management report is consistent with the consolidated financial statements, its compliance with the German legal requirements and the view it provides of the Group's position.
– perform audit procedures on the prospective information presented by management in the group management report. Based on sufficient and appropriate audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information of the underlying assumptions. There is a significant, unavoidable risk that future events deviate significantly from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with the statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters discussed with those charged with governance, we choose those matters that were of most significance in the audit of the consolidated financial statements of the current period under review and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure of the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as group auditor by the Annual General Meeting on 20 February 2019. The Supervisory Board engaged us on 6 August 2019. We have acted uninterruptedly as the group auditor of Bertrandt Aktiengesellschaft, Ehningen since financial year 1996.

We confirm that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee as referred to in Article 11 of the EU Audit Regulation (German long-form report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Jürgen Berghaus."

Stuttgart, 27 November 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

JÜRGEN BERGHAUS
German Public Auditor

DENIS ETZEL
German Public Auditor

Responsibility statement (affidavit)

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Ehningen, 29 November 2018

Bertrandt AG

The Management Board

HANS-GERD CLAUS
Member of the
Management Board
Engineering

MICHAEL LÜCKE
Member of the
Management Board
Sales

MARKUS RUF
Member of the
Management Board
Finance

Further information

→

Glossary

A

Ad hoc bulletins: It is only if listed companies notify all market participants rapidly and comprehensively of any inside information that investors can make well-founded decisions and are not put at a disadvantage to insiders. For this reason, domestic issuers have a legal obligation to disclose to the public immediately – i.e. ad hoc – any facts about their company that have the potential to influence the price of the financial instrument and directly concern the issuer (Article 17(1) of the MAR).

AktG: German Stock CorporationAct

Arm's-Length-Prinzip: Internal sales are invoiced at normal market prices and as matter of principle are thus in line with sales to third parties.

Authorised capital: Contingent resolution passed by the shareholders authorising the management board of a public company to increase the capital up to a certain amount and within a certain time-frame.

B

BilMoG: Act of the modernisation of accounting law.

Borrowings: Capital raised externally by taking on loans.

C

Capital and reserves: Funds made available to a company by its legal owners. Equals the company's assets net of all liabilities, provisions and deferred items.

Capital gains tax: Tax on investment income.

Capital increase: Issue of new shares on a cash or non-cash basis or by using the company's own funds.

Cash and cash equivalents: Cash in hand plus bank balances and cheques.

Cash flow: Cash flow represents the funds generated from own operating activity and shows the ability of a company to fund itself (net profit plus depreciation and transfer to longterm provisions).

Cash flow from operating activities: EPost-tax earnings adjusted for non-cash items, plus depreciation/amortisation, additions to provisions and changes in working capital.

Cash-generating units: The smallest identifiable group of assets that generates cash inflows and that are largely independent of the cash inflows from other assets.

Corporate compliance: This refers to a company's efforts to comply with statutes, guidelines and voluntary codes and entails, for example, the entrenchment of applicable laws in the company's corporate culture and day-to-day business practice.

Corporate Governance: Corporate Governance summarizes the legal and factual framework of governance and monitoring a company.

D

DAX: The DAX (German share index) encompasses Germany's 30 largest public companies that are stock-market listed.

DCGK: The Deutscher Corporate Governance Kodex (German Corporate Governance Code) presents essential statutory regulations for the management and supervision of German listed companies and contains, in the form of recommendations and suggestions, internationally and nationally acknowledged standards for good and responsible corporate governance. Besides giving recommendations and suggestions that reflect the best practice of corporate governance, the Code aims at enhancing the German corporate governance system's transparency and comprehensibility, in order to strengthen the confidence of international and national investors, clients, employees and the general public in the management and supervision of German listed companies.

Deferred taxes: Income tax arising in future periods as a result of temporary differences between the IFRS carrying values and the tax base.

Derivatives: Products that are derived from a base asset and whose price depends to a large extent on the price of the underlying financial instrument. They make it possible to control market price risks. Derivatives include the following types of product: forex forward transactions, swaps, options and option-like instruments (caps, floors etc.).

Discounted cash flow method: A method of valuing a business based on capitalising future financial surpluses.

Distributable profit: The surplus of net profit or net loss plus profit or loss carry-forwards, less retained profit and minority interests.

Dividend: A distribution of a portion of a company's earnings to its shareholders.

E

Earnings per share: Derived by dividing the earnings for a period that are due to the shareholders by the average number of share outstanding during the period.

EBIT: Earnings before interest and taxes.

Equity method: Method of accounting for investments in associates in single and consolidated financial statements.

Equity ratio: Ratio of shareholders' equity to total capital.

F

Fair Value: In accordance with IFRS.

Free cash flow: Cash flow from operating activities and cash flow from investing activities.

Free float: Shares in a public company not held by major investors.

G

Goodwill: Intangible asset. Corresponds to the future economic benefit of assets that cannot be individually identified or separately carried.

H

HGB: German appreviation for the Commercial Code.

I

IAS: The IAS (International Accounting Standards) are intended to ensure that accounting and reporting is comparable on an international level.

IFRS: IFRS (International Financial Reporting Standards) refer to the internationally accepted accounting standards since 2002. They therefore also comprise the applicable International Accounting Standards.

Impairment test: A method of testing the value of assets.

Institutional investor: Institutional investors may be insurance companies, pension funds, capital investment companies or also banks that regularly have investment requirement. Other investor groups comprise professional traders and private investors.

Issued capital: The ISIN (International Security Identification Number) is a tendigit number prefixed with a country code (DE = Germany, CH = Switzerland) and serves to make securities internationally identifiable.

ISIN: The share capital in a public company or company with limited liability that is to be recorded in the balance sheet.

M

MAR: Since 3 July 2016, Regulation (EU) No 596/2014 (Market Abuse Regulation) has been directly applicable in the member states of the European Union. Its objective is to create a consistent set of rules applicable throughout the EU for the protection of market integrity.

Market capitalisation: effects the current stock-market value of the company. Derived by multiplying the number listed shares by the closing-day share price.

Material expenses: Sum of all the expenses incurred in the purchase of raw materials and supplies needed for the company's own processing, plus acquired services.

P

Payout: Dividends, bonuses, bonus shares as well as liquidation proceeds that are paid out to shareholders.

Percentage-of-completion method: Degree of completion, used to value unfinished work.

Price-earnings ratio: Ratio of the current share price to earnings per share.

S

SDAX: Defined index in the Prime Standard for smaller companies (small caps) of the traditional industries below the MDAX companies.

T

Tax rate: Ratio of actual income taxes to earnings before income taxes.

Total assets/total equity and liabilities: The sum of all assets or the sum of shareholders' equity and liabilities.

V

VorstOG: German abbreviation for Act on the Appropriateness of Management Board Compensation.

W

WACC: (weighted average cost of capital) is the rate that a company is expected to pay on average to all its security holders to finance its assets.

WKN: German abbreviation for Security Code Number.

Working Capital: Current assets (trade receivables, future receivables from construction contracts, inventories and other current assets) less current liabilities (trade payables and other current liabilities not attributable to financing activity).

WpHG: German Securities Trading Act.

Locations

CUSTOMER ORIENTATION MEANS FOR US TO WORK CLOSELY WITH OUR CUSTOMERS

CHART 73

Further information see:

→ LOCATIONS

Locations

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Financial calendar

Annual report 2018/2019
Annual press and analysts' conference
12 December 2019
Stuttgart/Frankfurt

Report on the 1st quarter 2019/2020
17 February 2020

Annual General Meeting
19 February 2020
10:30
City Hall Sindelfingen

Report on the 2nd quarter 2019/2020
28 May 2020

15th Capital Market Day
28 May 2020

Report on the 2nd quarter 2019/2020
10 August 2020

Annual report 2019/2020
Annual press and analysts' conference
10 December 2020

Annual General Meeting
17 February 2021
10:30
City Hall Sindelfingen

Corporate responsibility report

How does the implementation of sustainability and the non-financial reporting work at Bertrandt? In our separate digital corporate responsibility report we inform you about the economic, ecological and social impact of our business in the fiscal year 2018/2019. The combined sustainabilityand CSR report is exclusively available as a navigable PDF file and contains information about the responsible topic areas- corporate governance, employees, environment, business partners, society and non-financial performance indicators at Bertrandt.

→ CORPORATE RESPONSIBILITY REPORT

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Male pronouns are used in this text for the sake of simplicity and legibility. They are intended to refer to people of all genders.

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