bertrandt

Thinking ahead and making it new

Fiscal 2019/2020 Annual Report

Fiscal year 2019/2020

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

TABLE 01

IFRS	2019/2020	Changes in %	2018/2019	2017/2018	2016/2017	2015/2016
Income statement						
Total revenues (EUR million)	916.582	-13.5	1,059.870	1,021.020	993.878	992.693
EBIT (EUR million)	15.161	-74.9	60.322	72.141	62.870	92.865
Profit from ordinary activities (EUR million)	9.930	-82.7	57.477	69.158	60.689	91.487
Post-tax earnings (EUR million)	3.735	-90.4	39.014	47.385	43.866	63.608
Cash flow statement						
Cash flow from operating activities (EUR million)	123.521	70.9	72.284	27.208	42.182	90.631
Cash flow from investing activities (EUR million)	-51.341	-7.7	-47.695	-50.935	-35.669	-79.679
Free cash flow (EUR million)	72.180	193.6	24.589	-23.727	6.513	10.952
Capital spending (EUR million)	51.638	-20.8	65.219	52.500	38.302	83.404
Balance sheet						
Equity (EUR million)	403.431	-3.2	416.692	398.876	376.360	357.936
Equity ratio (%)	42.7	-17.1	51.5	50.6	48.3	46.9
Total assets (EUR million)	945.489	16.9	808.662	788.395	778.800	763.314
Share						
Earnings per share (EUR)	0.37	-90.4	3.86	4.69	4.35	6.30
Dividend per share (EUR)[1]	0.15	-90.6	1.60	2.00	2.50	2.50
Share price on 30 September (EUR)[2]	32.30	-21,9	41.35	79.55	85.18	97.01
Share price, high (EUR)[3]	57.10	-27.5	78.80	109.30	107.00	115.00
Share price, low (EUR)[3]	25.00	-38.7	40.80	76.40	67.28	82.80
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)	327.6	-21.9	419.4	806.9	864.0	984.0
Employees						
Number of employees at Bertrandt Group on 30 September	12,335	-9.7	13,664	13,229	12,970	12,912

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

A challenging FY 2019/2020

The coronavirus pandemic and its consequences continue to affect the lives of people and disrupt economies all around the world. The measures taken by governments since March 2020 to contain new infections have forced almost all industries to temporarily curtail or completely suspend production. These constraints present countries, industries and businesses with entirely new challenges. As some of our customers have also temporarily reduced or interrupted their business activity, Bertrandt has also been affected by project delays or postponements during the fiscal year. The Management Board of the Bertrandt Group set up a pandemic committee in early March 2020 and has produced a comprehensive plan to coordinate action and all its responses to the pandemic throughout the whole Group. The primary objective of all our measures is to protect employees while at the same time maintaining operations and safeguarding earnings and liquidity. The Company has managed to weather the pandemic thanks to its around 7,000 mobile employees, its certified high-performance IT infrastructure and earnings optimisation programme.

The economic effects of the virus as well as state-ordered restrictions have had a substantial impact on Bertrandt's general business performance in fiscal 2019/2020.

– Total revenues fell by EUR 143.288 million to EUR 916.582 million (previous year EUR 1,059.870 million).
– Earnings before interest and taxes (EBIT) fell to EUR 15.161 million (previous year EUR 60.322 million).
– Cash flow from operating activities in fiscal 2019/2020 amounted to EUR 123.521 million (previous year EUR 72.284 million).

With the spread of the coronavirus in Germany and other countries in which the Bertrandt Group operates, combined with the risks of state-ordered and/or customer-specific measures, the Management Board of Bertrandt AG decided on 20 March 2020 to withdraw its forecast for the fiscal year 2019/2020. As yet, it is not clear how the pandemic and the shutdown will affect the German and global economies in the medium and long run. It will probably take a few months before we can assess the impact of the crisis.

The sudden and severe dip in economic activity caused by the coronavirus is affecting the industries in which our customers operate as much as it is us. It has not been possible to engage in personal interactions with customers and partners in the usual form and we have consequently expanded our digital communications. We again began working in this way in the autumn of 2020 as the second wave again resulted in new restrictions and risks, particularly in certain European countries.

We continue to benefit from a solid capital structure and liquidity situation and are in a good position to emerge from the crisis stronger. Thanks to our committed employees we are continuing to develop innovative solutions for a successful future. As an expert organisation, we pride ourselves on our ability to supply all our customers with the services they need, even in very difficult circumstances.

From the contents

New challenges call for new solutions

MARKETS ARE CHANGING. WE ARE CHANGING.

Today’s markets are characterised by the key megatrends of digitalisation, autonomous driving, connectivity and electromobility. Our customers are actively driving these changes and new products and services are emerging in the process.

This also alters the demands being made of us. With this in mind, we are redesigning our organisational structure for the new fiscal year to strengthen our position as an engineering service provider that is firmly focused on markets and customers.

Our aim as an expert organisation is to make our wide range of services available to all our Group's customers. This calls for both a clear strategy and a new organisational structure which guarantee the closest proximity to customers while bringing about sustained improvements in efficiency. Read more about the new strategy and the new structure on the following pages.

Bertrandt's target sectors include heavy-duty commercial vehicles and aerospace, as well as the automobile industry.

Consistent further development in tune with customer needs.

SERVICES FROM A SINGLE SOURCE

We have set course for the future by aiming to provide all our "services from a single source". We will achieve this by making three fundamental changes. Firstly: We are pooling our technological competences in the automotive field in divisions with specialised units. Secondly: We are building on the multi-site and international deployment of specialist expertise. Thirdly: We have created a single point of contact for our customers by means of key account management, which allows customers to access our entire range of services easily and efficiently.

The automobile industry will continue to be an important target sector for Bertrandt in the future. Other important target sectors within the mobility industry include heavy-duty commercial vehicles, agricultural machinery and other off-road vehicles. Like our established customers and their business models, the aerospace market is also being shaped by myriad innovations. We are also offering this market our technological expertise in the fields of aerospace and defence. The core field of business in other industries includes machinery and plant engineering or medical technology. Bertrandt holds important certifications that enable it to provide medical technology services, for example.

New regulatory and legal changes in the medical technology sector call for significant adjustments. As a result, increasingly demanding levels of quality, safety and effectiveness are stepping up time and cost pressures. As a service provider for medical technology producers, Bertrandt has consequently expanded its resources and range of services once again. The new EU Medical Device Regulation (MDR) will place many more medical products in a higher risk class in the future, which requires changes to the conformity assessment procedure.

Business fields

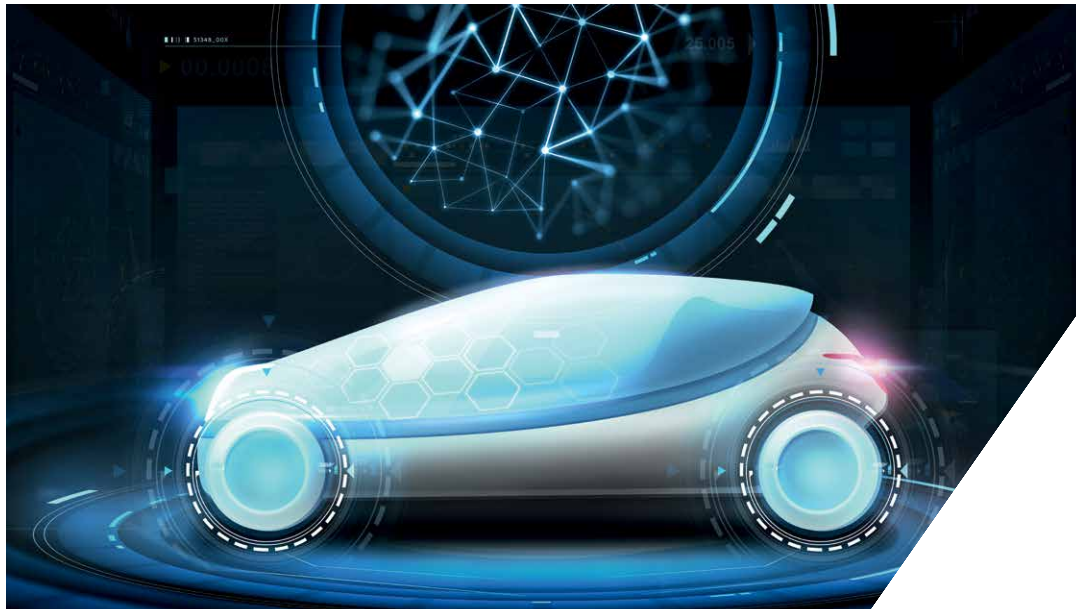
> AUTOMOBILE INDUSTRY
> ENHANCED MOBILITY
> OTHER INDUSTRIES

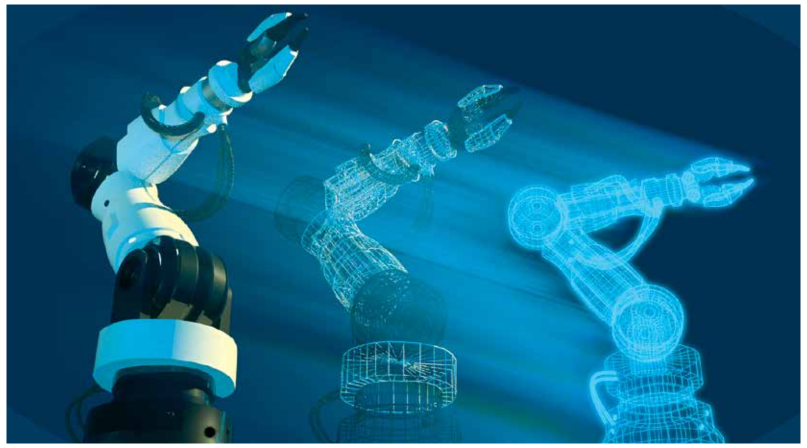
The regulation will also cover a wider range of products, including devices with no intended medical purposes, such as software applications. Medical devices which have already been approved must be re-certified under the MDR. Bertrandt combines its expertise in the automobile sector, such as software testing or validation, with many years of experience in medical technology. This means that we are also able to offer a comprehensive range of services certified to ISO 13485 in the medical sector.

The seamless integration of various single components is essential in order to ensure the smooth running of processes in mechanical and plant engineering in all areas of a factory, production and logistics. Growing volumes of data and heterogeneous interfaces to various systems are making it increasingly difficult to evaluate processes, most of which are performed manually. Our CLIFE digital twin solution optimises this process by aggregating all the data in a central system and visualising, storing and evaluating them for specific users and precise positions. At the core of CLIFE is an intuitively operable and interactive 3D view in the form of a digital twin, which can also visualise the precise position of robots or fleet movements.

Fields of action will arise directly from the clear and performant visualisation of data taken from various sources.

We are an engineering service provider which focuses on megatrends in the mobility and non-mobility sectors. Our work consistently focuses on our customers.



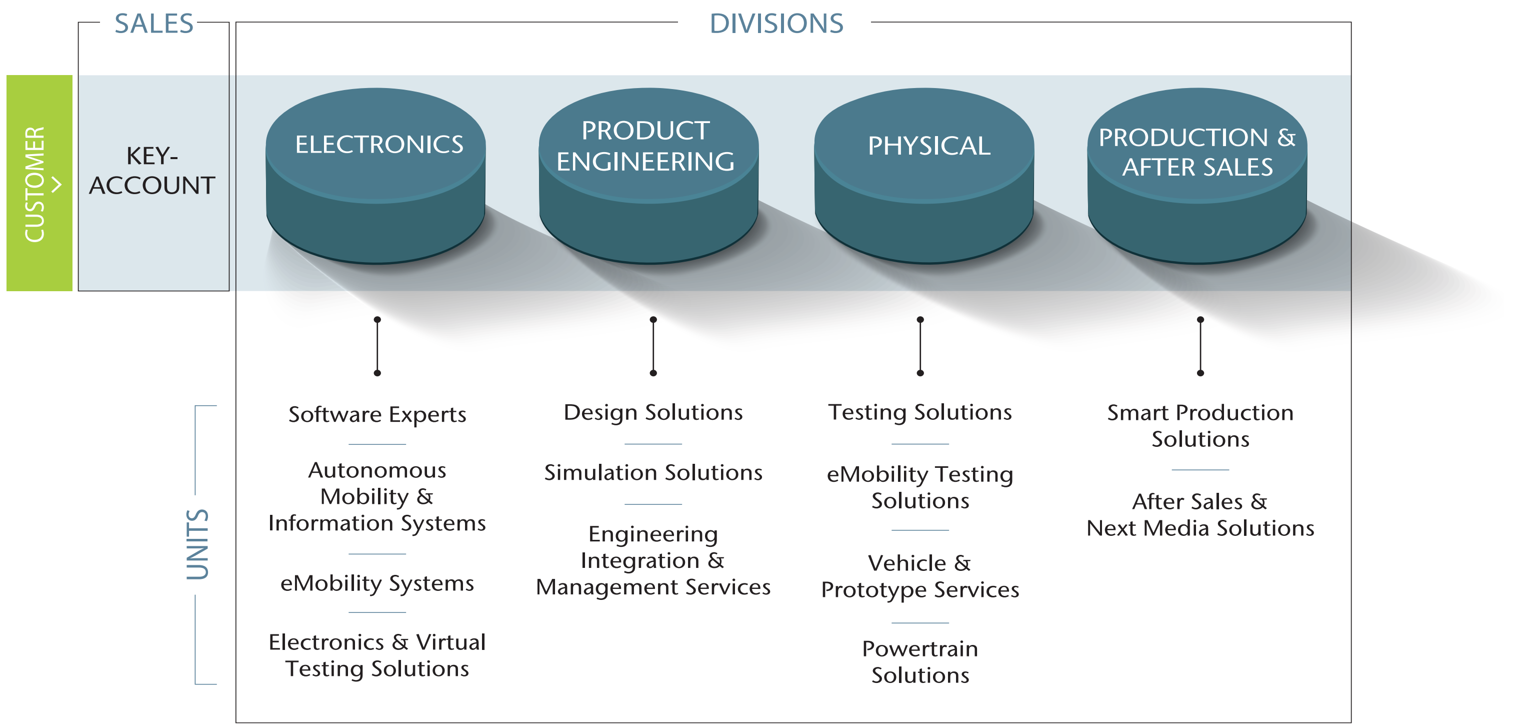


Machinery and plant engineering as well as medical technology are both important target sectors for the diversification of Bertrandt's customer structure.

With all these innovations, it is important to us to maintain our proven strengths. We stand for secure and high-quality work, based on certified process quality, data security and confidentiality, as well as for highly-professional and confidential handling of sensitive data. Quality, compliance with deadlines, reliable collaboration and proximity to our customers have the highest priority.

ORGANISATIONAL STRUCTURE OF AUTOMOTIVE UNITS IN GERMANY

CHART 02



Pooling of technological competences in divisions with specialised units.

Firm focus on the future.

SIMPLE AND EFFICIENT ACCESS TO THE ENTIRE RANGE OF SERVICES

We concentrate on services which are relevant today and will continue to be relevant tomorrow services for which there is soaring demand: Megatrends on the market, such as digitalisation, autonomous driving, electromobility and connectivity.

In the future, our service offer for automotive units in Germany will be organised in divisions and units. This will sharpen the technological profile and cooperation between the respective experts. We aim to use this strength to continue to improve our competitive position.

ELECTRONICS

From the idea to series production – the Division Electronics benefits from interdisciplinary domain know-how and many years of experience. Bertrandt offers a comprehensive range of services along the entire development process, from systems and components for autonomous mobility through to advanced information systems and intelligent e-drives. This division brings together future-proof and innovative digitalisation solutions.

Software Experts
We combine pronounced solution awareness with in-depth expert knowledge and high quality standards. This is equally true of our performance in the automotive field as in other sectors. The Software Experts Unit performs all the activities needed for software development, such as embedded software, application software, apps, web and IT solutions.

Autonomous Mobility & Information Systems
Thanks to our many years of experience and an interdisciplinary team, we are a development partner for all-round systems for autonomous mobility and advanced information systems. The Autonomous Mobility & Information Systems Unit brings together all services relating to the development and integration of vehicle-related and experiential functions as well as manual or semi-automated testing of components and systems in text boxes or the entire vehicle, such as AD/ ADAS, connected car, HMI, infotainment and connectivity and comfort.

eMobility Systems
Series produced e-drives – we provide the entire e-drive development from a single source. This means that we are a reliable partner for the successful implementation of projects. The eMobility Systems Unit supplies a comprehensive range of services for the development and integration of individual components as well as an understanding of the overall system, focusing in particular on storage systems, power electronics, e-machine and functional application, validation and commissioning.

Electronics & Virtual Testing Solutions
Bertrandt is a reliable partner for the functional testing of complex systems – scalable from complete virtualisation through to physical validation. The Electronics & Virtual Testing Solutions Unit is responsible for all issues in the realm of functional and automated validation of XiL test benches, virtual testing in the cloud, vehicle, sensor and environment simulations, security testing, connectivity and diagnosis testing.

PRODUCT ENGINEERING

The Division Product Engineering controls entire development projects of our customers' vehicles at Bertrandt. We also take on responsibility for design, simulation and all relevant cross-cutting topics.

Design Solutions
Our experts develop components, modules, complete vehicles such as derivatives focusing on geometric, mechanical and mechatronic functions for vehicle bodies/exteriors, interiors, electronics, drives, chassis and overall vehicle development.

Our customers benefit from an international competence network at over 50 locations.

MICHAEL LÜCKE
Member of the Management Board, Sales

Simulation Solutions
We are masters in all the simulation fields, such as stiffness/strength, fluid dynamics, durability, high-speed dynamics, crash and vehicle safety, robustness, multi-body systems and field simulation, which are required for complete vehicle development in the automobile industry and in product development in all other industries.

Engineering Integration & Management Services
The Engineering Integration & Management Services Unit is responsible for all cross-cutting functions, services and interface tasks in vehicle development. This includes product data management, quality management and weight management.

PHYSICAL

The Division Physical takes on all business activities that can be performed for testing and validating physical parts, components, systems and complete vehicles.

Advanced drive concepts are validated to requirements using state-of-the-art test benches. This Unit's range of services is rounded off with road tests as well as the assembly and modification of the entire vehicle, including the production of components.

Testing Solutions
We provide functional validation of physical components, systems and entire vehicles. Our range in this field encompasses stiffness, strength, durability and combined properties, such as seating comfort, overall vehicle acoustics and much more.

The Bertrandt high-voltage test centre can be used by all our customers.

eMobility Testing Solutions
We offer a variety of solutions designed to provide deep insights into the maturity level of the e-drivetrain at an early stage of the development process - always tailored to our customers' needs. The eMobility Testing Solutions Unit provides functional validation as well as pre- and post-processing in the field of electromobility, focusing on energy storage, power electronics and e-machine.

Vehicle & Prototype Services
The Vehicle & Prototype Services Unit covers vehicle assembly and modification as well as relevant associated work, such as pre- and post-processing, prototype parts production, parts disposal, vehicle recycling and complete vehicle test drives.

Powertrain Solutions
Bertrandt's Powertrain Solution Center develops, tests and validates conventional drives for various fuels as well as alternative drive concepts, hybrid, electric or hydrogen drives.

PRODUCTION & AFTER SALES

The Division Production & After Sales supports the digital transformation of processes in production and production planning. Our specialists advise and support our customers, from the concept through to the finished product. We offer our customers a full range of supporting services.

Smart Production Solutions
The Smart Production Solutions Unit provides production planning for manufacturing plants as well as their components, transport systems, tools, fixtures, machines and special machines, including the full range of digital services from the idea through to series production. Specifically, this entails planning, commissioning and support of series production.

After Sales & Next Media Solutions
The After Sales & Next Media Solutions Unit offers the full range of sales and after sales services to support our customers in the fields of marketing, competitor analyses, sales management, service and workshop support, warranties and goodwill, diagnosis application and corresponding training courses. We also offer our customers innovative solutions based on augmented, virtual and mixed reality technologies for a wide range of applications.

The Powertrain Solution Center at two locations is also geared towards meeting customer requirements.

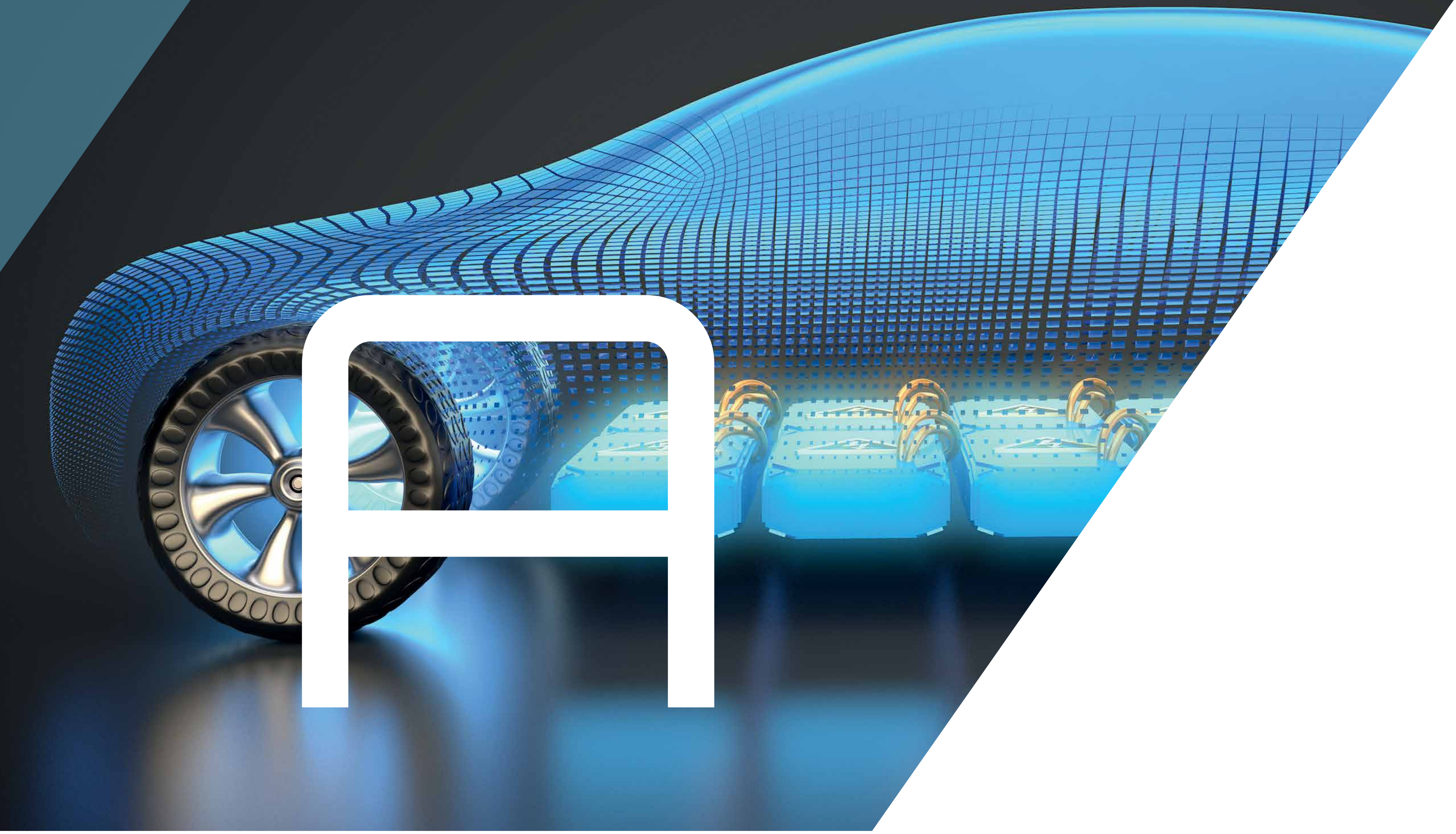
"This expert organisation of divisions and units reinforces the expansion of our technological competences."

HANS-GERD CLAUS
Member of the Management Board, Engineering

> In the past fiscal year we have faced some very specific challenges. Two factors played an especially critical role in the development of Bertrandt and the economy in general: the coronavirus pandemic and the transformation of the automobile industry.
>
> And because difficult situations in particular require a great deal of energy, good ideas and forward-looking strategies, we have restructured Bertrandt so that it is even better positioned in the future to meet market demands. Together with our committed employees, we will continue on this path of success.

HANS-GERD CLAUS, MICHAEL LÜCKE, MARKUS RUF

Members of the Management Board



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,

At the beginning of the fiscal year 2019/2020 no one could have imagined the unprecedented challenges the world would soon be facing from the coronavirus pandemic. The novel Covid-19 virus, which first emerged in China, has been spreading rapidly around the world since December 2019. Far-reaching government-mandated restrictions on social contacts, and in some cases partial curfews, have been imposed to curtail the increase in coronavirus cases. Almost all industries have been forced to temporarily reduce or completely suspend their business activities. The Management Board of the Bertrandt Group responded already in early March by setting up a pandemic committee. This team has since been coordinating all decisions relating to the pandemic throughout the entire Group. Our IT infrastructure has provided a strong and stable basis for extensive remote working. At times, over 7,000 colleagues in the Group were working away from the office. This enhanced the safety of our employees whilst enabling us to maintain our services for customers.

The pace of the transformation process in the automobile industry remains unbroken. A growing diversity of electric vehicle models and leaps in technology in the fields of new drive systems or connected and autonomous driving pose challenges for the industry. At the same time, the resulting breadth and depth of topics also offers sizeable potential for engineering service providers.

THE MARKET IN CHALLENGING TIMES

The tough challenges facing the market are also reflected in our Company's financial figures for fiscal 2019/2020. The Bertrandt Group reported total revenues of EUR 916.582 million and EBIT of EUR 15.161 million. We are not satisfied with these figures. Nonetheless, the solid capital structure and liquidity situation place the Company in a good position to emerge from the crisis stronger and to continue to be a reliable partner for its customers, employees and shareholders.

CONSISTENT FOCUS ON THE MARKET

Bertrandt offers comprehensive solutions in all the disciplines for which there is customer demand and supports customers with efficient interface management. In a dynamic and changing market environment served by established and new competitors and in which the needs of our customer industries are constantly evolving, we have to keep on optimising our profile. We are responding to today's mega trends digitalisation, autonomous driving, connectivity or electromobility as a solution-focused partner for engineering services. The most important aspect of our service orientation is summed up by the claim: All services for all customers. The emphasis thereby is always on focusing on and serving the entire market. In the future, Bertrandt will build up an even stronger expert organisation that integrates strategic partners and subcontractors to generate competitive advantages and best practices. In this context, we provide an important and valued link between the automobile and IT worlds.

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We have set course for the future.

We are an international development company with a clear service focus and offer our customers attractive project solutions. By opening up new markets and industries, we will expand our customer base while continuing to support our existing customers. Bertrandt also continuously invests in building up and expanding its infrastructure.

12,335 COMPETENT EMPLOYEES

Especially at times as challenging as the present, Bertrandt needs committed and competent employees capable of advancing a wide range of topics in all their breadth and depth. As at the reporting date of 30 September 2020, Bertrandt employed 12,335 people worldwide. These experts are already concentrating on the future in the Division Electronics, which is focused on future-proof and innovative solutions in the field of digitalisation, and in the Division Physical, which is focused on validating and testing. Bertrandt is an international engineering services provider which brings people together every day: people who are from very different cultures and who contribute very different experiences. Our attractiveness as a conscientious employer is again positively reflected by the Company's nationwide rankings. Bertrandt was awarded the 2020 DEUTSCHLAND TEST “Highest Fairness at Work” prize. The Group also won the DEUTSCHLAND TEST “Top career opportunities for women” award.

Our primary competitive strength is the passionate commitment and extraordinary competence of our employees.

BERTRANDT SHARES

The impact of the coronavirus pandemic and the general shutdown have also affected the capital markets. Bertrandt shares started the reporting period at EUR 41.15. By 3 January 2020, the shares had climbed to EUR 57.10, the highest price for Bertrandt shares in the reporting period. Beginning in March 2020, the economy nosedived as a result of tough restrictions on face-to-face contacts and a temporary brake on economic activities. On 20 March 2020, the Management Board of Bertrandt AG responded to the spread of the coronavirus in Germany and other countries in which the Bertrandt Group is active, and to the resulting risks of government-mandated and/or customer-specific restrictions, by withdrawing its forecast for fiscal 2019/2020. At the peak of the pandemic, Bertrandt shares fell sharply to their year low of EUR 25.00 on 23 March. Share prices rose again somewhat as economic restrictions were lifted later in the year. Nonetheless, the impact of the coronavirus pandemic is still being felt at the end of the fiscal year. Bertrandt's shares closed at EUR 32.30 on 30 September 2020. The faltering performance of Bertrandt shares and of an array of stock market indices is also due to the renewed increase in new corona infections in some regions. Tighter rules were especially detrimental for the service sector.

We are not satisfied with the performance of our shares in the year under review. Nor, despite the countermeasures we introduced so promptly, are we happy about the noticeably negative impact of the coronavirus pandemic on our business performance. In this time of business uncertainty, in which it is so hard to plan for the future, protectively managing business, limiting risks and managing liquidity clearly take priority. Despite the very challenging circumstances, our solid balance sheet and moderately positive net result in fiscal 2019/2020 allow the Management Board and Supervisory Board to propose a dividend of EUR 0.15 per share to the annual general meeting. Even in these difficult times, our shareholders can confidently rely on a consistent dividend policy for a payout ratio of around 40%, should the annual general meeting approve the Company's proposal.

SUSTAINABLE CORPORATE MANAGEMENT

We attach overwhelming importance at Bertrandt to sustainable and responsible corporate management. Clear values, such as fostering commitment and building trust, are extremely important to us. Our day-to-day work, our social responsibility and entire corporate strategy are aligned with the values summarised in Bertrandt's mission statement. At the same time, we are scrupulous in critically evaluating and reviewing our values. This mission statement guides our interactions with each other within the Group as well as our relationships with our customers and shareholders. Our mission statement also encapsulates the essence of our business success: our ambition to be a long-standing, dependable partner for our customers, shareholders and employees and to honour 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. With this aim in mind, we not only managed the impact of the pandemic in fiscal 2019/2020, but also made important decisions setting the course for the future. We will continue to focus on securing and further expanding the market share we have achieved. We constantly endeavour to maintain an optimum balance between customer benefits and business efficiency. Additional information is available in our new 2019/2020 Sustainability Report.

THINKING AHEAD AND MAKING IT NEW

As well as facing an extremely challenging situation as a result of the coronavirus pandemic, we and the entire automobile industry are in the midst of a transformative move towards new drive systems and the digitalisation of passenger cars. At the same time, the mega trends in the automobile industry are also having an influence in other sectors. In this respect they offer new opportunities which we are grasping with further internationalisation and goal-oriented capital spending. We are thinking ahead with innovative development work. We are therefore confident that, with our strategy and core statement “All services for all customers”, we have found new solutions which will enable us to actively shape the future together.

We wish in particular to thank our employees for the huge commitment they have shown in these extraordinary times. We also thank our customers, business partners and shareholders for the confidence they have shown in us.

Yours sincerely,

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

Supervisory Board report

Members of the Management 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 2019/2020 fiscal year

The pandemic caused by the novel coronavirus led to unprecedented challenges for Bertrandt which also impacted the work of the Supervisory Board and its committees.

Bertrandt AG's Supervisory Board diligently performed its duties also in fiscal 2019/2020 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 Supervisory 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, thereby ensuring that they were up to date on all pertinent matters and enabling them 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. For this purpose, the Supervisory Board was given 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, their implementation in short and medium-term planning as well as risk management and the Company's financing strategy.

The Supervisory Board dedicated itself especially to the strategy and organisation development work undertaken by Bertrandt to set up a new group structure and lay the groundwork for Bertrandt's organisational and strategic repositioning.

The Supervisory Board examined the internal control system and compliance management and satisfied itself of their proper functioning. In addition, the members of the Supervisory Board were provided with detailed information on the Company's business and financial position, its market and competitive situation as well as the personnel situation.

In the fiscal year 2019/2020, the Supervisory Board convened for four scheduled and two extraordinary meetings. In addition, one written circular resolution was passed. The extraordinary meetings were held on 23 March 2020 and 22 April 2020. The scheduled meetings were held on 9 December 2019, 19 February 2020, 27 May 2020 and 21 September 2020.

The fiscal year's first scheduled meeting on 9 December 2019 was attended by all Supervisory Board and Management Board members in person.

The deliberations in the meeting particularly related to the financial statements of Bertrandt AG and the Group for fiscal 2018/2019 and to the Corporate Social Responsibility report (CSR report). The Supervisory Board also adopted the proposals for resolutions to be submitted to the ordinary annual general meeting in Sindelfingen on 19 February 2020. Upon the Audit Committee's proposal, the Board also deliberated the proposal for the appointment of the auditor for fiscal year 2019/2020. 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 pursuant to Section 3.10 German Corporate Governance Code and the corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code (HGB).

On 19 February 2020, the second scheduled Supervisory Board meeting was held and all members of the Supervisory Board and the Management Board were present. The meeting's topics included the implementation and first experience gained with the new statutory provisions applicable to related party transactions. On this occasion the Supervisory Board was also informed about current issues that had been discussed during the Audit Committee's conference call on 5 February 2020.

The first extraordinary meeting on 23 March 2020, which was held by video conference, was attended by all Supervisory Board and Management Board members. During the meeting, the risk assessment of the coronavirus pandemic impacts

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The right people in the right place this has always been one of our secrets to success. Thanks to this, we are also excellently positioned for the future.

was explained and the strategy and organisation development of the Bertrandt Group presented. In addition, the Supervisory Board deliberated the first offer by the Management Board members to forgo part of their remuneration for the period from April to June 2020. The offer was accepted with thanks in a resolution adopted by the Supervisory Board. In the course of the year, the Management Board members decided on a second voluntary waiver of part of their remuneration and a corresponding written circular resolution was passed.

The second extraordinary meeting was held by video conference soon after the first, on 22 April 2020, and was attended by all Supervisory Board and Management Board members. The topics included the current risk assessment of the coronavirus pandemic impacts and the adoption of a unanimous resolution for the implementation of the new strategy and organisation development. The new group organisation will consist of two dimensions. In the first dimension, Divisions & Units, Bertrandt's service offering is clustered into thematic areas. The second dimension is the Sales Organisation with its key account managers who are responsible for marketing the complete range of services to all customers.

The scheduled meeting on 27 May 2020 was also held by video conference. The meeting was attended by all Supervisory Board and Management Board members and dealt with the following special topics: update on the coronavirus pandemic, measures adopted and impacts on Bertrandt; update on the current status of the strategy and organisation development. The board members also analysed the business development of the Group and its risk management. Additional information was provided on the status of the tax audit. Moreover, the members of the Supervisory Board unanimously declared their intention to forgo part of their remuneration and the related process for fiscal 2019/2020 was initiated. The remuneration waiver was accepted with thanks by the Company.

The fiscal year's last scheduled meeting was on 21 September 2020. All Supervisory Board and Management Board members attended the meeting and two representatives of the auditor were also present for a part of the meeting. The Supervisory Board was updated on the impact of the coronavirus pandemic on Bertrandt and on the actions taken by the Company. The Board also discussed the Group's business prospects for fiscal 2020/2021 and adopted the Declaration of conformity to the German Corporate Governance Code pursuant to Section 161 AktG.
Further topics included the risk report as of 30 June 2020 and the sustainability report.

The Company supported the Supervisory Board members in the past fiscal year by providing training measures. During the last meeting, the auditor provided training on the "reporting duties of a listed company".

ORGANISATION AND BUSINESS OF THE COMMITTEES

To perform its duties the Supervisory Board has formed a Human Resources and an Audit Committee. Since 20 February 2019, the HR Committee has consisted of the members Dietmar Bichler (chairman), Horst Binnig and Prof. Wilfried Sihn. To raise efficiency, the Human Resources Committee also performs the duties of the Nomination 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. 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 seven meetings in the 2019/2020 fiscal year. The extraordinary meeting on 19 November 2019 was attended by the Audit Committee members and Management Board members Michael Lücke and Markus Ruf. They discussed the information obtained during the deliberations with the auditor and the changes resulting from the new statutory provisions for related party transactions.

In the meeting of 9 December 2019, the annual financial statements and consolidated financial statements for fiscal 2018/2019 were audited together with all Audit Committee members. This meeting was attended by Management Board members Michael Lücke and Markus Ruf and, for a part of the meeting, by the auditor's representatives. The members of the meeting also submitted a proposal for a resolution to the Supervisory Board which was adopted as the basis of the Supervisory Board's proposal for a resolution on the appointment of the auditor for fiscal 2019/2020, which will be presented to the annual general meeting on 19 February 2020.

In the conference call meetings on 5 February 2020, 12 May 2020 and 4 August 2020, in which all Audit Committee members and one Management Board member participated, the committee discussed the financial reports to be published soon after these dates with regard to revenues, earnings and cash flow development.

On 27 May 2020, a video conference was held with all Audit Committee members and the Management Board members Michael Lücke and Markus Ruf. The meeting dealt with the focal areas for the audit of the fiscal year 2019/2020.

At the committee's last meeting on 21 September 2020, which was attended by all committee members and by Management Board members Michael Lücke and Markus Ruf, as well as, for a part of the meeting, by the auditor's representatives, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft provided additional explanations on the focal areas previously determined by the Supervisory Board for the audit of fiscal 2019/2020. The new statutory provisions for related party transactions and the audit of the implemented system were also items on the agenda.

The Human Resources Committee met three times in the fiscal year 2019/2020. The scheduled meeting on 9 December 2019 was attended by all Human Resources Committee members and by Management Board member Michael Lücke. The meeting was convened to adopt the minutes of the previous year.

The extraordinary committee meetings were held as conference calls with all members on 22 March 2020 and 31 July 2020. The topics discussed at these extraordinary meetings were the Management Board's offer to temporarily forgo part of its remuneration so as to make a contribution to the multitude of cost optimisation measures during the coronavirus crisis.

AUDIT OF THE FINANCIAL STATEMENTS

On 19 February 2020, 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 2019/2020. 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 2019/2020 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 2019/2020, 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 7 December 2020. The external auditors entrusted with the audit of the annual financial statements and the consolidated financial statements also attended for a part of 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 rise to any objections, the Supervisory Board noted the annual financial statements prepared by the Management Board, the consolidated financial statements, the management reports of Bertrandt AG and the Group and the auditors' report with consent, and approved the annual financial statements, the consolidated financial statements and the CSR report. Thus, the annual financial statements were adopted and the consolidated financial statements approved at the same time. The Supervisory Board followed the Management Board's proposal for the use of Bertrandt AG's distributable profit for the fiscal year 2019/2020.

ACKNOWLEDGEMENT

The Supervisory Board sincerely 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.

Ehningen, 7 December 2020

DIETMAR BICHLER
Chairman of the Supervisory Board

2021

Looking to the future

January 2021
VIRTUAL DIALOGUE WITH INVESTORS

Traditionally, one of Europe's biggest investor conferences, the German Corporate Conference (GCC) in Frankfurt, is held at the beginning of every year. In January 2020, almost 600 institutional investors from all around the world met up to discuss current topics with over 170 listed companies. We traditionally engage in close dialogue with representatives of capital markets and investors and are delighted that the GCC will also be able to take place in January 2021. The virtual format should enhance the conference's reach even further.

March 2021
DIGITAL ANNUAL GENERAL MEETING

Shareholders, guests and members of the press will be able to inform themselves about the 2019/2020 fiscal year at Bertrandt's annual general meeting. Because of the coronavirus pandemic, the annual general meeting on 10 March 2021 will be held in digital form for the first time. With C-HV AG we have an experienced partner at our side, which will provide the transmission and support us in implementing all the legal requirements.

Based on the Company's established dividend policy and in view of its earnings development in fiscal 2019/20, the Management Board and Supervisory Board will propose a dividend of EUR 0.15 per share to the annual general meeting on 10 March 2021.

May 2021
CAPITAL MARKET DAY

Bertrandt traditionally uses the publication of its half-year report not only to inform analysts, financial and banking partners about its current financial figures, but also, at a Capital Market Day, to provide deeper insights into the Company. The Capital Market Day for fiscal 2019/2020 had to be cancelled because of the coronavirus pandemic and the related shutdown. However, the next Capital Market Day is already scheduled for 20 May 2021 in Tappenbeck.

September 2021
NEW IAA FORMAT

The concept for this year's IAA in Munich, which is organised by the VDA, has been completely revised for the first time. "The IAA 2021 is the gateway to the mobility of the future, commitment to constant change and a unifying platform for creation", according to the VDA. There will be a triad of venues: The Open Space at various inner-city sites in Munich, the Summit at Munich's trade show grounds, and the Blue Lane, a test track for sustainable technology connecting the Open Space and the Summit.

September 2021
DIGITALISATION OF THE ANNUAL REPORT

The abbreviation ESEF stands for European Single Electronic Format. This is the new electronic reporting format in which issuers on EU regulated markets must prepare their annual financial reports in the future. All annual reports must be presented in digital form, that is, in a single, machine-readable reporting format. This means that our annual report will be prepared and published at the end of the 2020/2021 fiscal year in a special XHTML (eXtensible HyperText Markup Language) format. All reports in this format can be opened with any standard web browser. The objective of the Directive is to facilitate accessibility, analysis and comparability of annual financial reports.

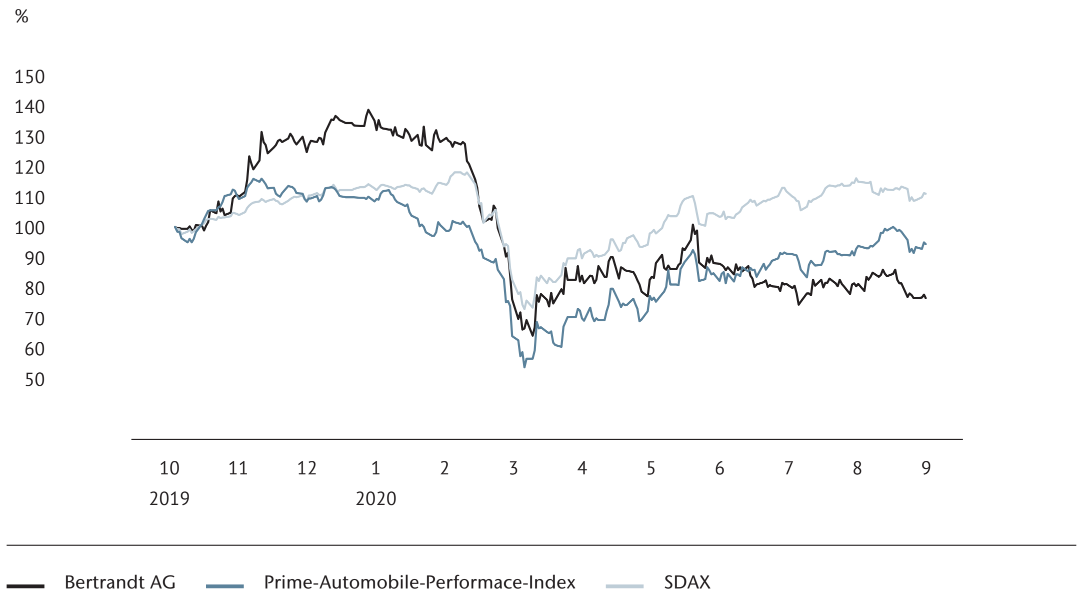
INFORMATION ON THE SHARE

TABLE 03

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, München
Index	SDAX

SHARE PERFORMANCE COMPARED TO BENCHMARK INDICES[1]

CHART 04



[1] For an optimal comparison of the different share price developments, the presentation is normalised to 100.

Bertrandt on the capital market

The coronavirus pandemic presents the global economy with entirely new challenges. In the wake of the spread of the virus and the state-ordered shutdown, global value creation contracted between April and June by more than 9% compared to the first quarter 2020, according to M.M.Warburg economists. A stronger slump was prevented by China, where the experts expect gross domestic product to grow by 1.4% in the full year 2020.

Many economists are currently expecting a V-shaped recovery, i.e. that the economy will bounce back immediately after the sharp contraction. Despite this, the Joint Economic Forecast for the autumn of 2020 is warning that the so-called second wave of Covid-19, which we have been experiencing since the autumn of 2020, will slow down the recovery. These overall heterogeneous forecasts are mainly due to coronavirus infection rates rising again since the beginning of the autumn, with unforeseeable economic consequences.

KEY FIGURES OF THE BERTRANDT SHARE

TABLE 05

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Earnings per share (EUR)	0.37	3.86	4.69	4.35	6.30
Dividend per share (EUR)	0.15[3]	1.60	2.00	2.50	2.50
Share price on30 September (EUR)[1]	32.30	41.35	79.55	85.18	97.01
Share price, high (EUR)[2]	57.10	80.65	109.30	107.00	115.00
Share price, low (EUR)[2]	25.00	40.80	76.40	67.28	82.80
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)	327.6	419.4	806.9	864.0	984.0
Book value per share on 30 September (EUR)	39.77	41.08	39.32	37.10	35.29
Cashflow from operating activities per share (EUR)	12.18	7.13	2.68	4.16	8.94
Average daily trading volume (number)	10,557	7,716	14,843	31,201	25,373
Total payout (EUR million)[3]	1.5	16.2	20.3	25.4	25.4
P/E ratio[4]	87.30	11.24	17.0	19.6	15.4

[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 Boards.
[4] On 30 September 2020.

The extremely unfavourable economic conditions affecting companies worldwide in fiscal 2019/2020 were also reflected in the share price developments in global stock market indices, although M.M.Warburg experts say that monetary policy has been more expansionary than ever. Central banks are likely to maintain their expansionary monetary policy stance with all the corresponding potential for share prices.

While German stock markets initially reacted extremely negatively to the spread of coronavirus across the globe, the pandemic hit different industry sectors and businesses in the indices to highly varying degrees. Some sectors even benefited from the pandemic. For others this external shock has had a lasting impact. The German blue-chip stock market index DAX started Bertrandt's 2019/2020 fiscal year at 12,469.67 points on 1 October 2019. By March 2020 the index had plummeted as a result of the coronavirus pandemic and the shutdown. On 16 March 2020, the DAX closed at its low of 8,255.65 points. Shortly before this, on 17 February 2020, the high for the period had been recorded at 13,795.24 points. From March 2020 onwards, the DAX began to recover and closed at the previous year's level of 12,760.73 points on 30 September 2020.

0.37

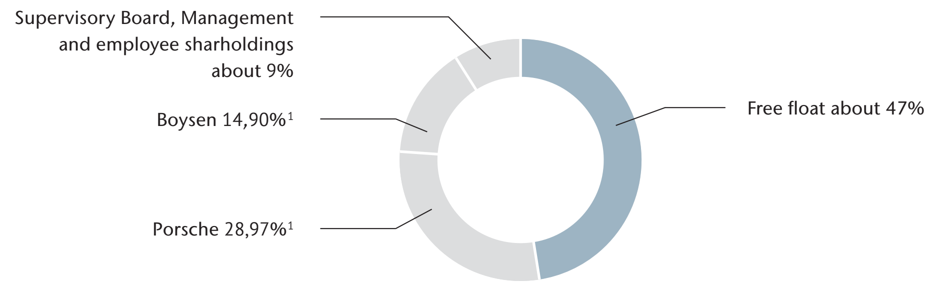
EUR of earnings per share were reported for fiscal year 2019/2020.

The SDAX started Bertrandt's reporting period at 11,049.84 points and climbed to its high for the fiscal year of 13,088.65 points on 17 February 2020. The index fell during the economic collapse caused by the pandemic and hit its low for the reporting period of 7,841.39 points on 19 March 2020. At the end of Bertrandt's fiscal year on 30 September 2020, the SDAX closed at 12,487.57 points. The Prime Automobile Performance Index opened the first trading day of the fiscal year 2019/2020 at 1,279 points. After hitting the high for the period of 1,513.97 points on 12 November 2019, it fell to its low of 660.3 points by 19 March 2020. At the end of Bertrandt's reporting period on 30 September 2020, the index closed at 1,238.41 points.

→ CHART 04

SHAREHOLDER STRUCTURE

CHART 06



[1] All data is based on disclosures made to the Company pursuant to Section 21 et. seq. WpHG. As of 21 February 2020.

ANALYST RECOMMENDATIONS*

TABLE 07

Bank	Target for the share in EUR	Recommendation
B. Metzler seel. Sohn & Co. KGaA	30€	Hold
Joh. Berenberg, Gossler & Co. KG	32.50€	Hold
Deutsche Bank AG	35€	Hold
DZ Bank AG	31€	Hold
Hauck & Aufhäuser Institutional Research AG	32€	Hold
Kepler Cheuvreux	27€	Reduce
M.M.Warburg & CO KGaA	41.50€	Buy

* As of 12 November 2020

BERTRANDT AG SHARE PERFORMANCE

While at the start of the reporting period our shares clearly performed better than the peer indices (see Chart 4), the global breakout of the coronavirus pandemic affected our share price in the same way as the broad market indices. After a recovery phase between late March and mid-May 2020, our shares failed to sustain the positive trend through to the end of fiscal 2019/2020 as the automobile industry in particular suffered from the difficult underlying economic conditions.

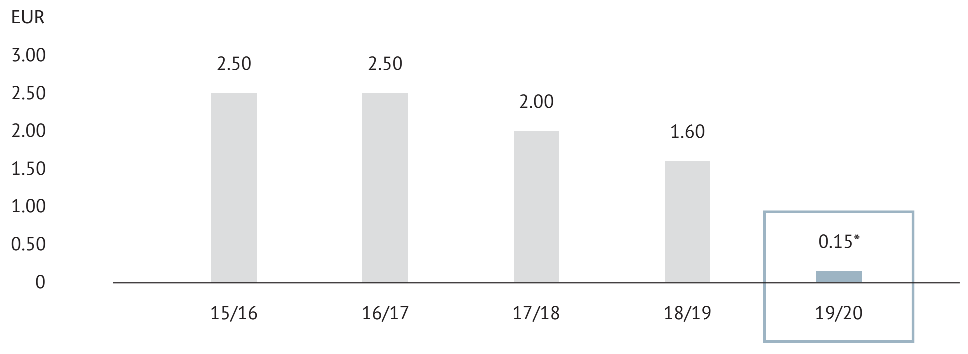
On 1 October 2020, our shares opened the fiscal year 2019/2020 at EUR 40.15. The highest share price in the reporting period was EUR 57.10 on 3 January 2020. As a result of the global Covid-19 pandemic and the shutdown, the shares lost value in the period leading up to 23 March 2020, when the share price hit its low for fiscal 2019/2020 of EUR 25.00. On 30 September 2020, the shares closed at EUR 32.30. The average daily trading volume increased year on year to 10,548 shares (previous year 7716 shares). After 11 years of listing on the SDAX, Bertrandt was excluded from the index by Deutsche Börse on 21 September 2020 due to insufficient market capitalisation and trading volume. Our shares also suffered from the fact that, as a specialised service provider, Bertrandt is closely affiliated to the automotive industry.
→ TABLE 05

47

% is the current free float.

DEVLOPMENT OF THE DIVIDEND

CHART 08



* Dividend proposed by the Management Board and Supervisory Board.

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% of the shares was held by Porsche AG, Stuttgart, Germany. Another 14.9% were held by Friedrich Boysen Holding GmbH, with registered offices in Altensteig, a subsidiary of Friedrich Boysen Unternehmensstiftung. The Supervisory Board, the management and the staff (staff share scheme) held around 9%, while free float amounted to around 47%. Notifications of voting rights pursuant to the German Securities Trading Act are published in the Investor Relations section of Bertrandt's website.
→ CHART 06

BROAD COVERAGE BY ANALYSTS

Bertrandt shares have been observed and evaluated by well-known banks and analysts for many years. Bertrandt's business performance is currently evaluated by seven analysts who issue recommendations and targets for our shares. Analysts' assessments are published in the Investor Relations section of Bertrandt's website.
→ TABLE 07

15. CAPITAL MARKET DAY CALLED OF BECAUSE OF CORONAVIRUS PANDEMIC

Every year Bertrandt invites representatives from banks, analysts and journalists to the Company's annual Capital Market Day on Bertrandt's premises. With general and contact restrictions imposed by the government, the Company's fifteenth Capital Market Day, which had been planned for 28 May 2020, was called off.

0.15

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

DIVIDEND PROPOSAL TO ANNUAL GENERAL MEETING

The Bertrandt Group's policy has always been to distribute a dividend equivalent to a payout ratio of around 40%. Even in the year 2020, when many companies cancelled their dividend payouts, Bertrandt Group shareholders benefited from a dividend of EUR 1.60 per share.

Detailed and up-to-date information on our shares is always available on our website.

→ INVESTOR RELATIONS

Based on the Company's dividend policy in the past and earnings development in fiscal 2019/2020, the Management Board and Supervisory Board will propose a dividend of EUR 0.15 per share to the annual general meeting on 10 March 2021.
→ CHART 08

INTENSE DIALOGUE WITH INVESTORS IN DIFFICULT TIMES

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 shares 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 2019/2020, Bertrandt kept institutional investors and analysts up to date at several conferences and road shows in major finance centres and informed them about the group's business performance. Bertrandt presented itself to potential and existing institutional and private investors at 14 roadshows and investor conferences in Germany, France, Switzerland, the UK and, for the first time, in the USA. Because of the coronavirus pandemic, investor dialogues were held by video conference for the first time this year. The Management Board was closely involved in the investor relations activities. Moreover, Bertrandt organised visits to the location in Ehningen. In addition, the annual press and analyst conference on 12 December 2019 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 shares, 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 21 September 2020 is available on the Company's website at https://www.bertrandt.com/unternehmen/investor-relations/corporate-governance in the Corporate Governance section under "Financial year 2019/2020" and has been published since the first release indicated.

Group management report

The Group – General information

BUSINESS MODEL AND STRATEGY

Operating at as many as 53 locations in Europe, Asia and the United States, Bertrandt has been devising specific and tailored solutions for its customers for over 45 years now. Our services for the automotive and aerospace industries, as well as for non-mobility sectors such as medical technology or other industries, include all process steps in the project phases 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. Our technology centres provide dedicated design studios, electronics labs as well as testing facilities. From the fiscal year 2020/2021 onwards, Bertrandt's portfolio of services for automotive customers will be organised along a structure of Divisions and Units, so that projects and services of any scope and size can be offered and developed jointly from within the Company. Our customer base comprises nearly all European manufacturers as well as a large number of system suppliers in the automotive and aerospace industries. 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.

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 2019/2020. 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 alternative powertrains, autonomous and connected driving, an increasing variety of models and variants of electric or hybrid 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 are supporting our claim to be counted among the leading European partners on the market for engineering services. In light of a 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.

An important driving force in promoting new powertrain technologies is legislation. According to the German Association of the Automotive Industry (VDA), the EU Commission intends to raise its target for a reduction in EU-wide CO_2 emissions by 2030 from the earlier target of 40% to 55%. Furthermore, the CO_2 fleet target for passenger cars to be met by 2030, which was only adopted two years ago, is planned to be tightened to -50% instead of the previous -37,5%. In order to accomplish this, the new cars fleet's average fuel consumption may not exceed the maximum of slightly more than two litres. This means that the proportion of electric vehicles must reach at least 60% in ten years from now. According to the VDA's president, the industry will need other options than just e-mobility in order to accomplish the goal of climate-neutral transport by 2050, such as e-fuels, synthetic fuels or hydrogen.

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. By the year 2024, the VDA expects investments of its member companies in the development of drive systems and digitisation of a total of EUR 75 billion. September 2020 saw a new record high in the e-passenger car market in Germany, says the VDA. According to the most recent data, 16% of all newly registered passenger cars possess some kind of electric drive. Economic stimulus packages can help to further this development as they provide incentives to customers. According to the VDA's expectations, the range of available models will more than double in the coming years from a present 70 to 150 models.

150

e-car models are supposed to be available on 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 a current CAM analysis, the number of connected car innovations (CCI) in 2019 in the fields of assistance and safety systems, operating and display concepts, as well as information and communication systems, involved 576 new concepts (2018: 648 new concepts) and thus has experienced a slight decline while continuing at a high level. CCI therefore accounted for more than 46% (previous year 53%) of all innovations by the 30 major OEMs 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. This level of automation is not yet ready for the market. Further progress in development on the part of OEMs and suppliers is necessary from our point of view. 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, OEMs and suppliers will make greater use of the development competence offered by technology partners such as Bertrandt.

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 2020, the VDA forecasts that the number of electric models marketed by German OEMs will more than double from a present 70 to 150 models in the year 2023. E-mobility is clearly the focus of attention at present. According to a survey conducted by Strategy& in March 2020, one in four companies forecast annual growth rates of newly registered e-vehicles of more than 20% between 2025 and 2030. Experts at the VDA say that other alternative drive systems such as e-fuels and hydrogen remain on the roadmap as they may help to reach the now stricter climate targets. The adaption of different drive variants offers business opportunities to engineering service providers in addition to vehicle development in its own right, according to 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.

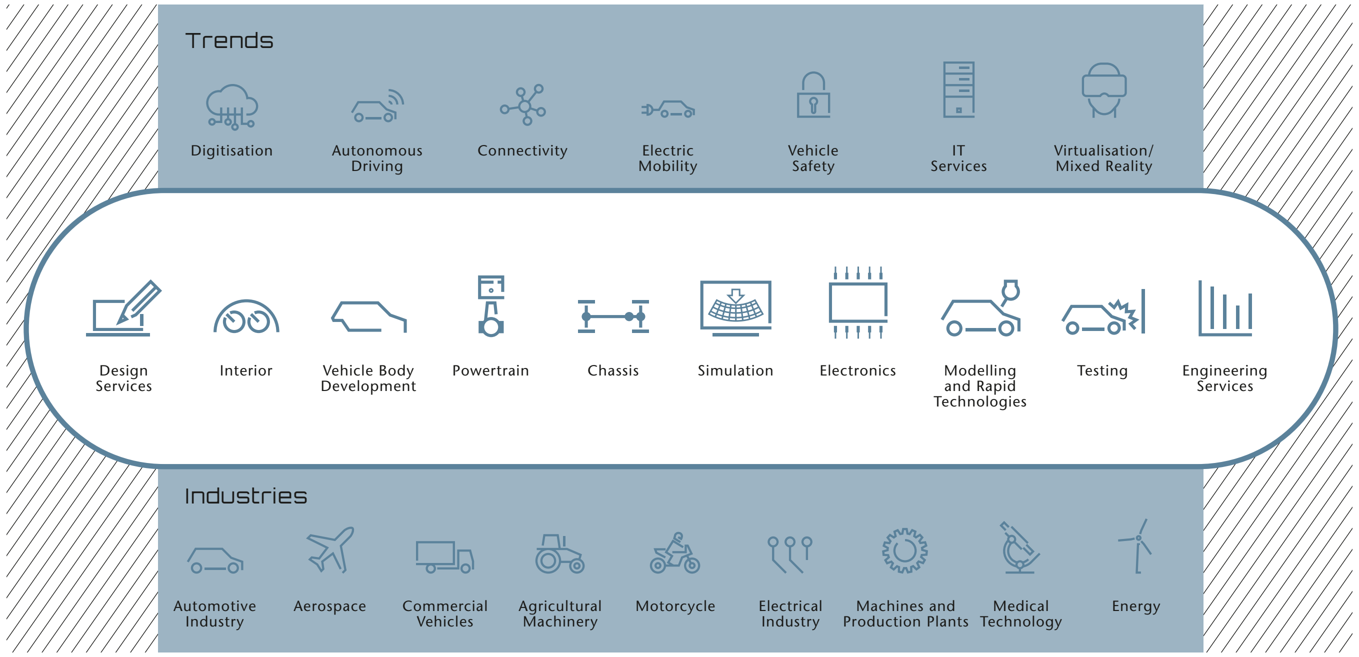
In 2018, consultants at Strategy& surveyed the potentials arising in the German economy from digitalisation. According to the study's findings, the surveyed German companies expected their sales revenues to increase by EUR 276 billion between now and the year 2023 based on investments in digital technologies. The managers surveyed believe that artificial intelligence has the greatest future potential because it will provide a better basis for making operational decisions.

Range of services

Bertrandt's comprehensive range of [products and] services provides each customer with customised and all-in solutions along the entire product engineering process. We regard ourselves as 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 09



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 expertise in the fields of virtual and augmented reality, cloud solutions, machine learning and big data.

GENERAL SERVICES

In parallel 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, 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.

Project responsibility in development tasks, for example, comprises the management of all the interfaces between the customer, the system suppliers and Bertrandt, and the control of quality, costs and deadlines (applicable up to the end of the fiscal year 2019/2020).

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 45 years of collective, group-wide expertise is available to customers locally. 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 a 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

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 plays a role throughout 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 enhancement 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. We offer individual and tailored solutions – focusing on engine applications, treatment of exhaust, emissions reduction, 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 also regards itself as 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 and thus the higher the potential for cost savings. 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.

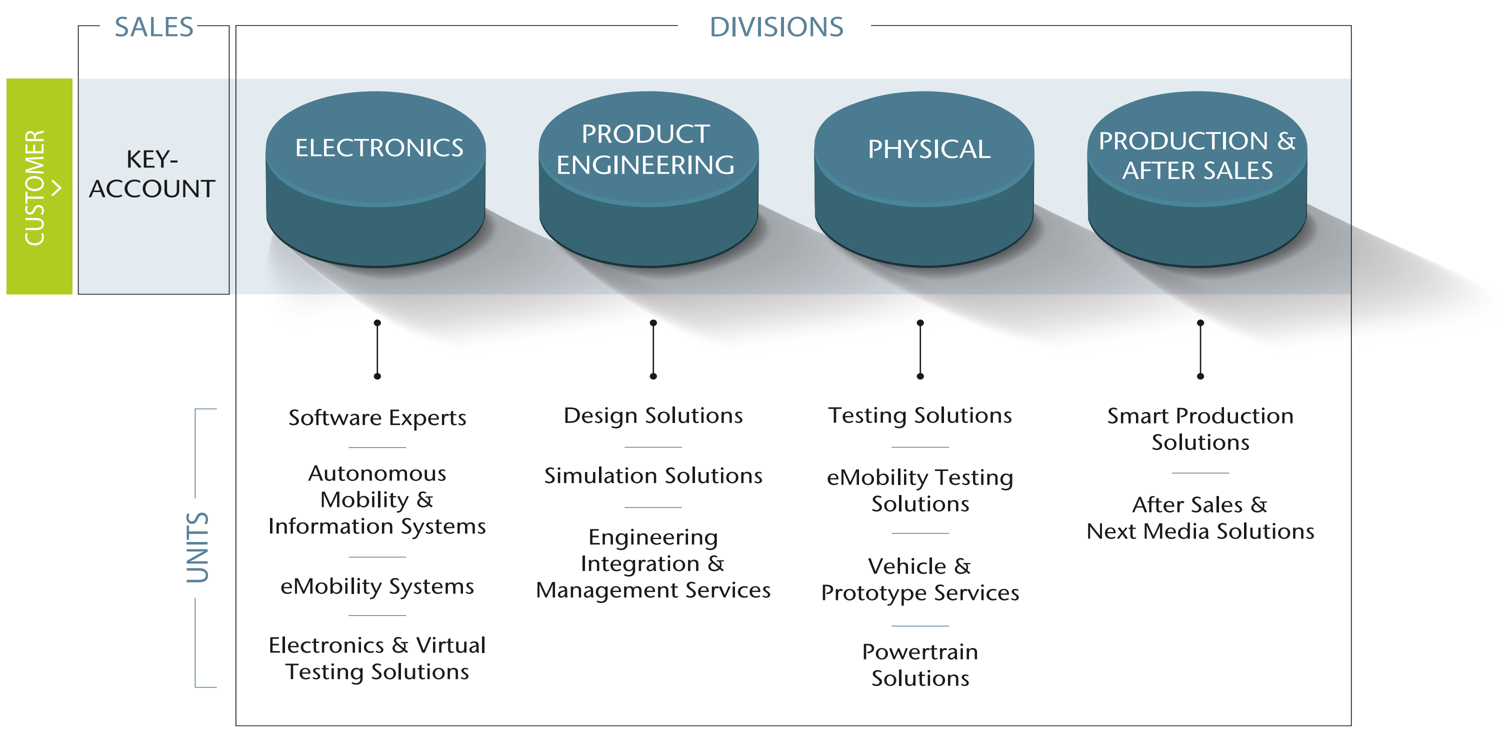
ENGINEERING SERVICES

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.

Bertrandt sets course for the future

The entire automotive industry is in the midst of the probably largest transformation in the history of individual mobility. Technology progress and increasing regulation geared at locally reducing passenger car emissions or avoiding them altogether are the driving forces behind this profound transformation. As an engineering partner, we always had to respond to the requirements of our customers. These requirements have constantly changed in recent years. We have realigned our organisational structure to ensure that we can continue to work optimally and most efficiently with our customers. The overarching strategy approach is to make all our services available to all customers. According to the new organisational structure, all our German-based units serving automotive customers will operate in two dimensions from fiscal year 2020/2021 onwards: Divisions & Units and Sales. Perfect dovetailing of the horizontal and vertical structures will increase the efficiency of our work and, on the other hand, provide added momentum to our sales organisation. Our four divisions are structured as follows:

ORGANISATIONAL STRUCTURE OF AUTOMOTIVE UNITS IN GERMANY CHART 10



ELECTRONICS

From the idea to series production – the Division Electronics benefits from interdisciplinary domain know-how and many years of experience. Bertrandt offers a comprehensive range of services along the entire development process of systems and components for autonomous mobility, advanced information systems and intelligent e-drives. This division brings together future-proof and innovative solutions in the field of digitalisation.

Software Experts
We combine pronounced solution awareness with in-depth expert knowledge and high quality standards. This is equally true of our performance in the automotive field as of our performance in other sectors. The Software Experts Unit performs all the activities needed for software development, such as embedded software, application software, apps, web and IT solutions.

Autonomous Mobility & Information Systems
Thanks to our many years of experience and an interdisciplinary team, we are a development partner for all-round systems for autonomous mobility and advanced information systems. The Autonomous Mobility & Information Systems Unit combines all services related to the development and integration of vehicle-supported and experiential functions as well as the manual and semi-automated testing of components and systems by means of test boxes or the complete vehicle, such as AD/ADAS, Connected Car, HMI, Infotainment and Connectivity and Comfort.

eMobility Systems
Series produced e-drives – we provide the entire e-drive development from a single source. This means that we are a reliable partner for the successful implementation of projects. The eMobility Systems Unit supplies a comprehensive range of services for the development and integration of individual components as well as an understanding of the overall system, focusing in particular on storage systems, power electronics, e-machine and functional application, validation and commissioning.

Electronics & Virtual Testing Solutions
Bertrandt is a reliable partner for the functional testing of complex systems – scalable from complete virtualisation through to physical validation. The Electronics & Virtual Testing Solutions Unit is responsible for all issues in the realm of functional and automated validation of XiL test benches, virtual testing in the cloud, vehicle, sensor and environment simulations, security testing, connectivity and diagnosis testing.

PRODUCT ENGINEERING

The Division Product Engineering controls the entire development of our customers' vehicles at Bertrandt. We also take on responsibility for design, simulation and all relevant cross-cutting topics.

Design Solutions
Our experts develop components, modules, derivatives and complete vehicles, focusing on geometric, mechanical and mechatronic functions for vehicle bodies/exteriors, interiors, electronics, drives, chassis and overall vehicle development.

Simulation Solutions
We are masters in all the simulation fields, such as stiffness/strength, fluid dynamics, durability, high-speed dynamics, crash and vehicle safety, robustness, multi-body systems and field simulation, which are required for complete vehicle development in the automobile industry and in product development in all other industries.

Engineering Integration & Management Services
The Engineering Integration & Management Services Unit is responsible for all cross-cutting functions, services and interface tasks in vehicle development. This includes product data management, quality management and weight management.

PHYSICAL

The Division Physical takes on all business activities that can be performed for the testing and validation of and with physical parts, components, systems and complete vehicles.

Advanced drive concepts are validated to requirements using state-of-the-art test benches. The range of services is rounded off with road tests as well as the assembly and modification of the entire vehicle, including the production of components.

Testing Solutions
We provide functional validation of physical components, systems and entire vehicles. Our range in this field encompasses stiffness, strength, durability and combined properties, such as seating comfort, overall vehicle acoustics and much more.

eMobility Testing Solutions
We offer a variety of solutions designed to provide deep insights into the maturity level of the e-drivetrain at an early stage of the development process – always tailored to our customers' needs. The eMobility Testing Solutions Unit provides functional validation as well as pre- and post-processing in the field of electromobility, focusing on energy storage, power electronics and e-machine.

Vehicle & Prototype Services
The Vehicle & Prototype Services Unit covers vehicle assembly and modification and relevant associated work, such as pre- and post-processing, prototype parts production, parts disposal, vehicle recycling and complete vehicle test drives.

Powertrain Solutions
Bertrandt's Powertrain Solution Center develops, tests and validates conventional drives for various fuels as well as alternative drive concepts, hybrid, electric or hydrogen drives.

PRODUCTION & AFTER SALES

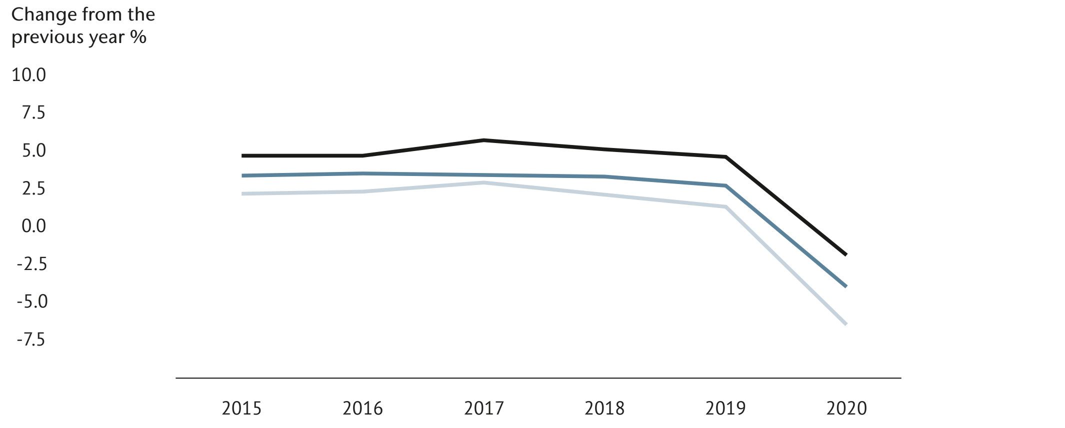
The Division Production & After Sales supports the digital transformation of processes in production and production planning. Our specialists advise and support our customers, from the concept through to the finished product. We offer our customers a full range of supporting services and are responsible for the related business development.

Smart Production Solutions
The Smart Production Solutions Unit provides production planning for manufacturing plants as well as their components, transport systems, tools, fixtures, machines and special machines, including the full range of digital services from the idea through to series production. This specifically includes planning, commissioning and support during series production.

After Sales & Next Media Solutions
The After Sales & Next Media Solutions Unit offers the full range of sales and after sales services to support our customers in the fields of marketing, competitor analyses, sales management, service and workshop support, warranties and goodwill, diagnosis application and corresponding training courses. In addition we offer innovative solutions to our customers based on augmented, virtual and mixed reality technologies for a broad range of applications.

REAL GROSS DOMESTIC PRODUCT

CHART 11



A challenging global economic environment.
Emerging Economies World Europe

Source: Joint economic forecast for autumn 2020 by the Joint Economic Forecast Project Group.

Report on the economic position

ECONOMIC DEVELOPMENT

Dark clouds were hanging over the economy from the very outset of Bertrandt's 2019/2020 fiscal year, in particular due to barriers to trade between the USA and China and the reality of the United Kingdom's final withdrawal from the EU. The coronavirus broke out in China at the end of December 2019 and began spreading all around the world in January 2020. Since March 2020, Europe and the USA have also imposed restrictions on face-to-face contacts and business restrictions in order to protect people from the coronavirus. Car sales were hit as showrooms were forced to close and production ground to a halt for weeks at a time or was reduced to a minimum.

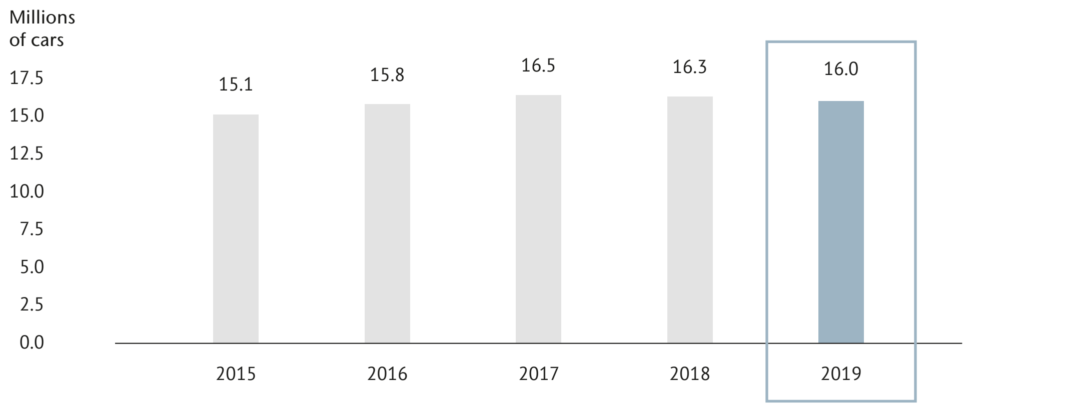
The experts in the Joint Economic Forecast Project Group found that the GDP of the USA had grown by 2.2% in the calendar year 2019. China's GDP grew by 6.1% in 2019 while GDP in the Member States of the European Union rose by 1.5%. Germany increased its economic output by 0.6% in 2019 compared to the previous year. The prospects for the economy in fiscal 2019/2020 looked increasingly precarious especially in the light of the coronavirus pandemic.

Unprecedented downward adjustments have been repeatedly made to macroeconomic forecasts since March 2020. With the end of the government-mandated shutdowns imposed during the so-called first wave in many countries, the economic situation began to look rosier once again in the summer of 2020. With an increase in new infections in the autumn of 2020, which was also classified as a second wave, government restrictions came back into force and economic research institutes drew attention to the huge uncertainties and risk factors attached to GDP forecasts.

In view of the extraordinary circumstances in 2020, experts in the Joint Economic Forecast Project Group writing the latest autumn report project a drop in economic output in the USA of 3.6% compared with the previous year. China is already well on the road to recovery from the coronavirus pandemic and consequently anticipates GDP growth of 1.4%, although this is noticeably lower than growth in recent years (previous year: 6.1%). In contrast, the European Union is forecast to suffer a 7.0% fall in GDP and Germany an estimated 5.4% decline.

GLOBAL CAR PRODUCTION OF GERMAN MANUFACTURERS

CHART 12



In 2019, German car production output totalled 16.0 million vehicles.

Source: Based on VDA figures.

As a result, the IMF expects global economic output to shrink by 5.1% in 2020. This would be the biggest contraction in economic activity for a very long time. The IMF predicts a global recovery in 2021 of 4.8% Nonetheless, the Fund stresses that there are great uncertainties attached to this projection. The Joint Economic Forecast also classes the further course of the coronavirus pandemic as the biggest forecasting risk. The German Council of Economic Experts emphasises that the future of the economy depends crucially on how the pandemic develops.

It is important to note that the most recent IMF forecast of 5.2% is already the second adjustment made in the course of the current year. In April, the IMF still anticipated growth of 5.7% and in June 5.4%. Substantial downward adjustments have been made e.g. for Germany, our home market. The IMF expects the German economy to grow by 5.6% in 2021.

DEVELOPMENT OF THE AUTOMOBILE INDUSTRY

According to VDA figures, 79.5 million passenger cars were newly registered worldwide in 2019, or 4.7% fewer than in the previous year. 24.2 million passenger cars were newly registered in the USA, down by around 2.4% on last year. New car registrations in China fell substantially by 9.4% to 21.1 million cars, robbing the country of its status as the biggest single market in the world. 15.3 million cars were newly registered in the European Union or a modest 1.2% more than in the previous year.

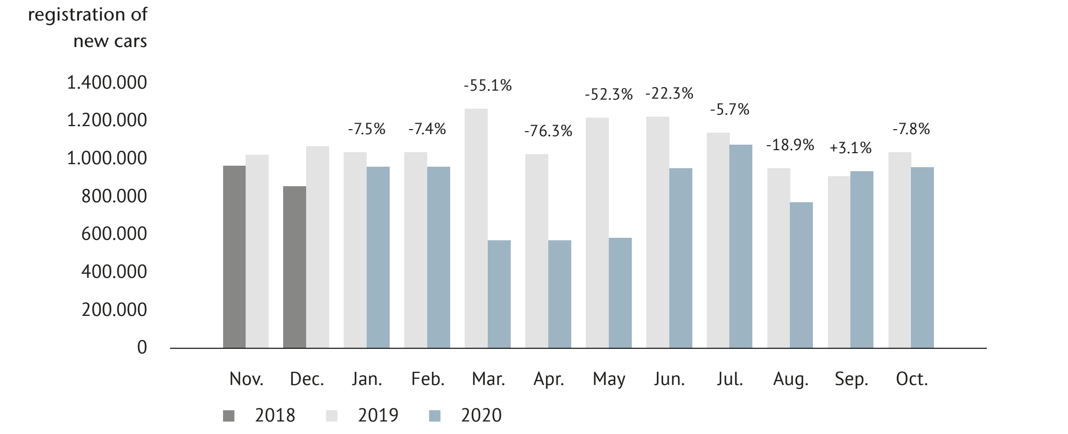
2.8

million newly registered passenger cars are expected by the VDA in Germany in 2020.

The first quarter of our 2019/2020 fiscal year got off to a mixed start with positive passenger car sales in some regions. More passenger cars were registered in Europe in October (+9%), November (+5%) and December 2019 (+22%) than in the previous year, in part in comparison to the weak previous year. Nonetheless, the transformation process in the automobile sector was a challenge as delays affected the award of development projects. Further into the fiscal year, the automobile industry was hit by the pandemic in particular, which compounded the challenges posed by the process of transformation.

NEWLY REGISTERED VECHICLES IN EUROPE

CHART 13



Economic environment remains volatile.

Source: Based on ACEA figures.

Cost optimisation and restructuring measures implemented in response by automobile manufacturers posed further challenges through to the end of our fiscal year on 30 September 2020. International automobile markets were also affected by the coronavirus pandemic.

In the first three quarters of the year 2020, sales of light vehicles in the USA dropped by 19% to some 10.3 million units. However, in September 2020 the light vehicle market in the US grew by 6% to 1.3 million newly licensed vehicles and exceeded the figures for the same month of the previous year for the first time since February 2020.

At a total of 13.1 million passenger cars in the first nine months of 2020, around 13% fewer vehicles were registered in China.

Compared to the previous year, the European market contracted by 29% in the first nine months of 2020 to 8.6 million new registrations.

The VDA anticipates around 66 million newly registered passenger cars worldwide in 2020 or 17% fewer than in the previous year.

The situation is just as difficult in Germany. The VDA expects the number of new vehicles registered in Germany to drop by 23% to just under 2.8 million (2019: 3.6 million) passenger cars in 2020. According to Germany's Federal Motor Vehicle Authority (Kraftfahrtbundesamt), sales of passenger cars in Germany fell between January and October 2020 by 23.4%.

Ernst & Young predict that renewed restrictions affecting public life will result in a further reduction in the number of newly licensed vehicles in November. Experts say that demand for vehicles in December is still mere guesswork.

DEVELOPMENT OF THE AEROSPACE INDUSTRY

According to the German Aerospace Industries Association (BDLI), the aerospace industry had a successful 2019 fiscal year before the dramatic collapse in civil aviation brought about by the coronavirus. This only helped us in the first quarter of our 2019/2020 fiscal year, however. The industry as a whole generated sales revenues of around EUR 41 billion (previous year EUR 40 billion). The number of employees in the industry went up again to a new historic high of 114,000 (previous year: 111,500). Spending on research and development of EUR 3.3 billion was slightly down on the previous year at 8% of industry sales revenues.

3.3

billion invested by the German aerospace industry in research and development in 2019.

The coronavirus pandemic triggered the worst ever crisis in the civil aviation industry. Temporary travel warnings or bans led to a substantial fall in the number of flights worldwide. Airlines consequently produced lower demand for new aircraft and aircraft manufacturers throttled production in response. As a result of the collapse in global air traffic, this strategic industry had to be safeguarded and strengthened as a key industry. This state aid was made conditional on the development of alternative airplane propulsion systems. Major European manufacturers are therefore planning to develop hydrogen-powered aircraft in the next few years. Work continued on structural trends towards the development of small, but long-range aircraft for so-called point-to-point connections on routes across the Atlantic. Other fields of development include unmanned flight, cyber security, connectivity and digitalisation. At the present time, aircraft manufacturers expect a step-wise recovery of production figures after the coronavirus pandemic in 2021. They forecast a return to pre-crisis production levels for the year 2025 at the latest. The pandemic has had much less impact on non-civil aviation. Strategic medium-term defence programmes are going ahead on schedule.

DEVELOPMENTS IN OTHER SECTORS

According to the German Engineering Association (VDMA), the sales generated by the mechanical engineering industry in 2019 were down slightly compared to the previous year by 1.7% to around EUR 229 billion. However, the order situation in this industry has also deteriorated compared to the previous year – in part due to structural changes in the automobile industry. The number of orders on the books in the mechanical and plant engineering industry in the first nine months of 2020 declined by 15% and half of the member companies of the VDMA expect a 10-30% drop in sales for 2020 as a whole. The Association is more optimistic about the year 2021 and anticipates a nominal rise in sales revenues.

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), sales revenues in the electrical and electronics industry are also expected to fall as a result of the coronavirus pandemic and its overall global economic impact. From January to August 2020, aggregate industry sales stood at EUR 112.8 million, 9.7% lower than in the previous year. Price-adjusted production fell significantly between January and August 2020 by 10.2% compared to the same period last year. Experts at ZVEI expect production to expand modestly in the remaining part of 2020.

According to the German Industry Association for Optics, Photonics, Analytical and Medical Technology (SPECTARIS), Germany's 1,375 medical technology producers reported total sales revenues of EUR 33.4 billion in 2019, equal to an increase in sales revenues of 10.3% compared to the previous year. Foreign sales were particularly positive and were up by 10.9% to EUR 22.0 billion. The number of people employed in the industry grew by 3.9% to around 148,000. The share of research and development in the industry was around 9% of sales revenues. The coronavirus pandemic has also had a strong impact on the medical technology industry, according to BVMed, the German Medical Technology Association. With operations being postponed, fewer people going to see doctors and a drop in the number of prescriptions issued, sales are expected to decline by around 5% in 2020.

Business performance

BUSINESS DEVELOPMENT IN FISCAL 2019/2020

Bertrandt's performance in fiscal year 2019/2020 reflects the impacts and progression of challenging economic conditions caused by the coronavirus pandemic. As expected, Bertrandt's start into the period under review was influenced by a heterogeneous background. The continuing transformation process in the automobile industry influenced the external sourcing strategies of automotive manufacturers and some development contracts were awarded to engineering service providers with delays. The pressure on prices remained tangible in some disciplines. In the further course of the period under review, our business felt the impact of the global spread of the coronavirus and the corresponding countermeasures initiated by governments. Many industries and service providers were compelled to significantly reduce or even discontinue their economic activity to comply with governments' shutdown regulations. The unprecedented challenges posed by the coronavirus pandemic were also affecting our company in the period under review. Temporary delays and postponements in projects and development contracts have had a negative impact on the business of engineering service providers.

As a group, Bertrandt immediately responded to the changed economic environment and implemented countermeasures. A pandemic committee set up in early March has been coordinating all actions related to the pandemic for the entire Group. Since mid-March, all personal contacts have been reduced to a minimum while at the same time we continued to offer the use of mobile work for some 7.000 people. This has enabled the Group to maintain its operational capacity.

Apart from cutting back on our own external sourcing, all other expenditures were scrutinised for absolute necessity. In addition, all internal and state-supported options for reducing expenses were used: employees were encouraged to use up their paid holidays and balance out their flexitime accounts, and we used short-time working possibilities. All expenses and capital expenditure decisions were under scrutiny. This is to generate sustainable potential for optimisation and at the same time drive the Group's prospects in a targeted manner.

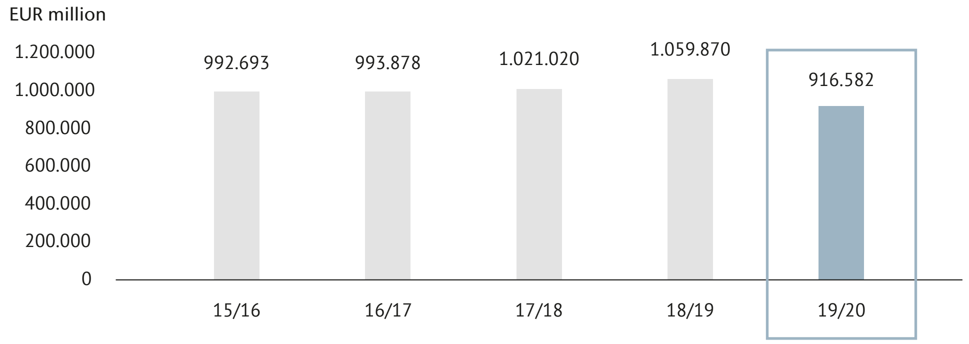
In the further course of the fiscal year, we were able to increase the physical presence of our employees step by step, observing strict distancing and hygiene rules. Some of the employees of our branches, departments or teams were able to return and up to 50% of the floorspace were occupied again. At the same time, we were still making considerable and successful use of remote working. This enabled us to provide our employees optimum protection. Based on our positive experience with the broad use of remote working, we are planning to integrate it as a core element of our work organisation. This will enable our Group to use available space and resources more efficiently in the future and also to optimise expenses for infrastructure and buildings.

In view of the uncertainties regarding the development and duration of the coronavirus pandemic and its actual repercussions for overall global economic development, the Management Board of Bertrandt AG withdrew its published forecast for fiscal 2019/2020 on 20 March 2020.

In fiscal 2019/2020, Bertrandt AG applied the new accounting standard IFRS 16 for its lease accounting for the first time. For leases with a term of more than twelve months, a right-of-use asset and a lease liability are recognised. This results in material changes in items in the income statement, balance sheet and cash flow statement. Explanations are given as appropriate, as well as in the Notes.

TOTAL REVENUES

CHART 14



Bertrandt generated total revenues of EUR 916.582 million.

TOTAL REVENUES

While total revenues developed according to plan in the first quarter and revenues were stable compared to the previous year, the economic collapse from the second quarter onwards had a negative effect also on Bertrandt's business performance. In the context of declining economic activity, total revenues fell from EUR 1,059.870 million in the previous year by EUR 143.288 million to EUR 916.582 million. This includes capitalised internally generated assets of EUR 1.391 million compared to EUR 1.758 million in the previous year. Bertrandt's foreign subsidiaries developed negatively, with total revenues declining to EUR 123.815 million (previous year EUR 181.391 million). This was not only the result of customer-specific restructuring projects and planned project ends, but also due to the severe impacts of the pandemic as, for example, in France.
→ CHART 14

KEY EXPENDITURE FIGURES

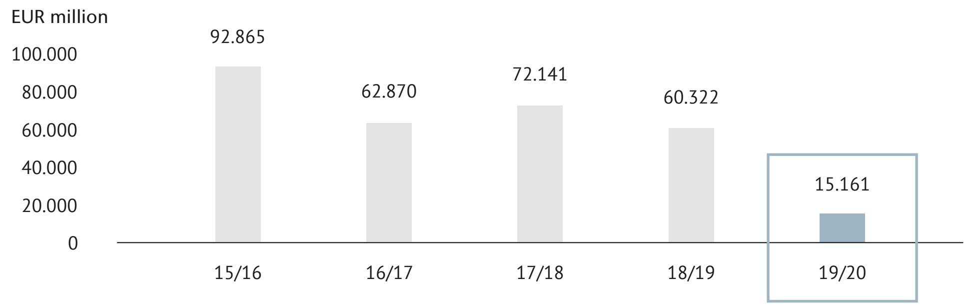
Against the background of the coronavirus pandemic and declining revenues, Bertrandt implemented a strict cost management scheme. The Company was also forced in fiscal 2019/2020 to make structural adjustments as a result of changing capacity demands of the market. This negatively affected personnel expenses with EUR 4.089 million and other operating expenses with EUR 6.852 million. The key expenditure figures in the 2019/2020 fiscal year compared with the previous year as follows: Project-related cost of materials went down to EUR 76.943 million (previous year EUR 108.755 million) as a result of reduced procurements from external service suppliers and decreased use of materials or supplies.

Personnel expenses were EUR 696.829 million (previous year EUR 765.386 million) and reflected various influencing factors. While personnel expenses increased due to the structural adjustments, this effect was compensated by normal fluctuation and several measures, i.e. employees using up their paid holidays and balancing out their flexitime accounts, and the use of state-supported programmes like short-time working. In connection with short-time working, personnel expenses also include government grants of EUR 3.994 million (previous year EUR 0 million) for social security contributions in Germany and of EUR 5.023 million (previous year EUR 0.420 million) for personnel expenses in other countries. On 30 September 2020, Bertrandt employed 12,335 people (previous year 13,664). The measures imposed by the authorities in January 2020 to curb the coronavirus pandemic, and the resulting temporary pausing or postponement of projects had a negative effect on capacity utilisation and revenue generation. This is reflected in a higher staff cost ratio of 76.0% (previous year 72.2%).

Depreciation/amortisation expense increased by EUR 20.669 million to EUR 54.356 million (previous year EUR 33.687 million) of which EUR 19.569 million is attributable to the adoption of IFRS 16. Thus, the ratio of depreciation/amortisation to total revenues was 5.9% (previous year 3.2%). Despite the expenses related to structural adjustments, other operating expenses decreased by EUR 27.062 million to EUR 82.064 million (previous year EUR 109.126 million). The main drivers were the effects from the initial application of IFRS 16 (EUR 20.658 million) and the successful implementation of our strict cost discipline. At 9.0% (previous year 10.3%), the cost ratio in relation to total revenues in the past fiscal year was lower than in 2018/2019.

EBIT

CHART 15



EBIT fell to EUR 15.161 million owing to delays in the awarding of contracts and the price pressure in the market.

15.161

EUR million EBIT were generated in fiscal year 2019/2020.

EBIT

The Bertrandt Group's EBIT in fiscal year 2019/2020 came to EUR 15.161 million (previous year EUR 60.322 million), which is equivalent to a margin of 1.7% (previous year 5.7%). Bertrandt's start into the period was as expected. Temporary delays in the award of projects by some customers, pressure on prices in some disciplines of our range of services and start-up costs materialised as anticipated. In the second, third and fourth quarters of the period under review, the Group's operating profit was affected by the global spread of the coronavirus, the restrictions imposed by governments requiring economic activity to be reduced or brought to a halt in many customer industries and restructuring measures. After non-recurring effects of EUR 9.165 million had been included in other operating income in the previous year, this item returned to normal, declining from EUR 17.406 million in the previous year to EUR 8.771 million. Bertrandt's foreign subsidiaries generated an EBIT of EUR 2.423 million (previous year EUR 16.247 million). Their operating results thus reflect the course of the pandemic in the countries in which Bertrandt is active.
→ CHART 15

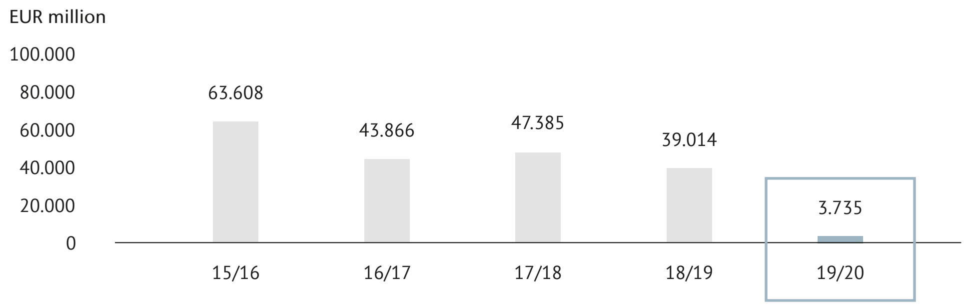
Due to the influencing factors described above, revenues and EBIT failed to achieve the targets for fiscal 2019/2020 forecast by Management in the 2018/19 Annual Report, i.e. an increase in total revenues by EUR 20 to 50 million and in EBIT margin of 5 to 7.5% of total revenues. Owing to the spread of the coronavirus in Germany and other countries in which the Bertrandt Group operates and the risks of government-mandated and/or customer-specific measures, the Management Board of Bertrandt AG decided on 20 March 2020 to withdraw its guidance for the fiscal year 2019/2020. Moreover, in the light of the dynamic situation at the time, the Management Board also refrained from providing a new guidance for the fiscal year 2019/2020 as it was impossible to give a meaningful assessment of the impacts of the pandemic, neither at that point in time nor for the period leading up to the end of the fiscal year.

NET FINANCE INCOME

Net finance income was EUR -5.231 million in the period under review (previous year EUR -2.845 million). This is essentially attributable to the recognition of EUR 2.158 million in interest expense on lease liabilities due to the adoption of accounting standard IFRS 16.

POST-TAX EARNINGS

CHART 16



Post-tax earnings came to EUR 3.735 million.

POST-TAX EARNINGS

Profit from ordinary activities in the period under review was EUR 9.930 million in total (previous year EUR 57.477 million). With income tax expense amounting to EUR 3.033 million (previous year EUR 15.206 million), the tax rate for the period under review rose slightly to 44.8% (previous year 28.0%). Tax expense mainly comprises the write-down of a carryforward of an unused tax loss in another country. Post-tax earnings came to EUR 3.735 million (previous year EUR 39.014 million). This is equivalent to earnings per share of EUR 0.37 (previous year EUR 3.86).
→ CHART 16

PERFORMANCE BY SEGMENTS

In fiscal year 2019/2020, 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 2019/2020. The impacts of the coronavirus pandemic are noticeable in all segments. In the Digital Engineering segment, which mainly covers the design of modules and components, total revenues were EUR 495.276 million (previous year EUR 602.632 million). EBIT in the period under review was EUR -8.687 million (previous year EUR 23.995 million), including expenses for structural adjustments.

The design modelling, testing, vehicle construction, rapid prototyping and testing activities are bundled in the Physical Engineering segment. In fiscal year 2019/2020, total revenues in this segment were EUR 186.319 million (previous year EUR 223.199 million). EBIT declined to EUR 8.277 million (previous year EUR 18.411 million) and, as a result, this segment reported a positive return of 4.4%.

The Electrical Systems/Electronics segment, which covers many mega trends, generated total revenues of EUR 234.987 million (previous year EUR 234.039 million) and reported a positive development with some growth as a result of high demand for engineering services in the field of electrical and electronic development, particularly for software development and validation. The segment's EBIT was EUR 15.571 million (previous year EUR 17.916 million).

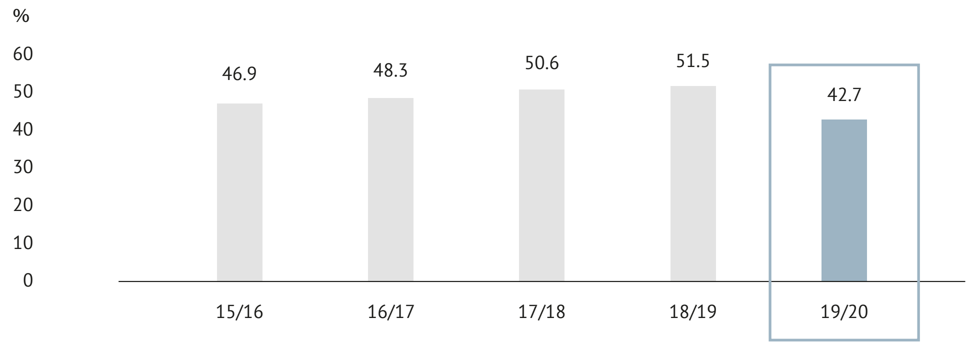
Overall, the development of the segments thus did not fully meet the expectations stated in the forecast section of last year's management report. This was due to the currently challenging environment: The Digital Engineering segment in particular was noticeably affected by underutilisation of capacity and temporary delays in the awarding of projects by customers. The Physical Engineering segment was impacted by the shutdown, travel warnings and travel bans, for example, as business activities like cross-border test drives were not permitted. In addition, expenses were incurred for the start of new test centres.

NET ASSETS

The Group's balance sheet structure is based on the principle of matching maturities. Total assets increased by EUR 136.797 million to EUR 945.459 million as at 30 September 2020 (previous year EUR 808.662 million), of which EUR 123.715 million is attributable to the adoption of IFRS 16.

EQUITY RATIO

CHART 17



With an equity ratio of 42,7%, Bertrandt is a financially strong company.

Non-current assets increased by EUR 124.234 million to EUR 464.797 million (previous year EUR 340.563 million). This results in the main from the first-time recognition of right-of-use assets from leases according to IFRS 16 at EUR 95.668 million and the deferred taxes of EUR 28.047 million before offsetting, caused by the adoption of IFRS 16. At EUR 480.662 million, current assets exceeded the previous year's level (EUR 468.099 million) by EUR 12.563 million. While contract assets declined by EUR 34.822 million to EUR 90.493 million (previous year EUR 125.315 million) and trade receivables decreased by EUR 50.536 million to EUR 175.471 million (previous year EUR 226.007 million), cash and cash equivalents increased by EUR 95.742 million to EUR 187.233 million (previous year EUR 91.491 million). Current liabilities were EUR 197.430 million (previous year EUR 152.725 million). The increase of EUR 44.705 million was essentially the result of the maturity-related reclassification of two tranches of the bonded loan which are due in November 2020 for the amount of EUR 30.000 million. The Company secured state aids in the amount of EUR 12 million for some of its foreign subsidiaries. This was a preventive measure and the funds will be used when necessary. In addition, current other financial liabilities grew by EUR 12.763 million to EUR 35.205 million (previous year EUR 22.442 million), of which EUR 20.131 million are attributable to IFRS 16 matters. The adoption of IFRS 16 requires that the non-current other financial liabilities of EUR 76.449 million be reported (previous year EUR 0 million). The increase in non-current liabilities by EUR 105.353 million to EUR 344.598 million (previous year EUR 239.245 million) results from the above fact and the disbursement of a long-term loan for an investment project.

SOLID EQUITY BASE

Equity decreased by EUR 13.261 million to EUR 403.431 million (previous year EUR 416.692 million). This change is largely due to post-tax earnings of EUR 3.735 million (previous year EUR 39.014 million) less the paid-out dividend of EUR 16.152 million adopted by the annual general meeting. The IFRS 16-related increase in total assets has had a negative impact on the equity ratio, causing it to fall by 8.9 percentage points to 42.7% (without IFRS 16: 48.2%; previous year 51.5%). We believe this is a solid financial foundation.
→ CHART 17

FINANCIAL POSITION

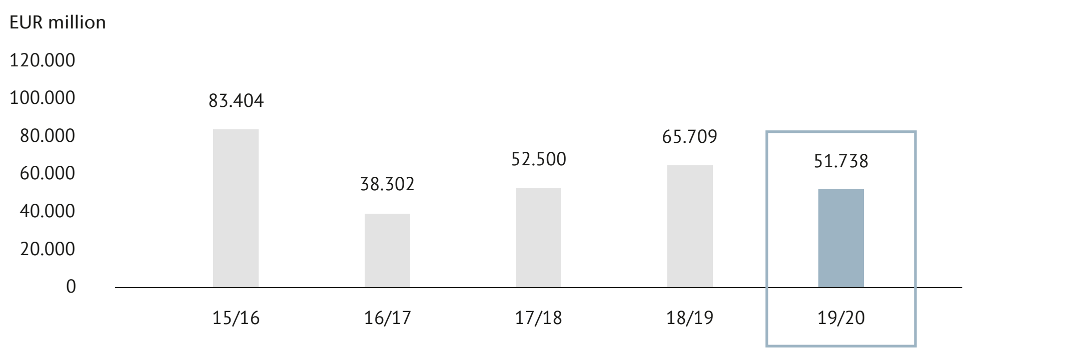
The fundamental objective of Bertrandt's financial management is to safeguard the Company's liquidity at all times. The financial management activities cover capital structure management as well as cash and liquidity management.

CASH FLOW FROM OPERATING ACTIVITIES

Despite the fall in post-tax earnings, Bertrandt reported substantially higher cash flow from operating activities in the 2019/2020 fiscal year. On the one hand, non-cash depreciation expense increased due to the effects of the adoption of IFRS 16 described above.

CAPITAL EXPENDITURE

CHART 18



Capital expenditure was adapted to the business dynamics.

On the other hand, it was possible to reduce tied-up funds in working capital significantly. In the period under review, cash flow from operating activities amounted to EUR 123.521 million (previous year EUR 72.284 million) and was thus positive as had been anticipated by Management in the 2018/19 annual report. Owing to the spread of the coronavirus (SARS-CoV-2) in Germany and other countries in which the Bertrandt Group operates and the risks of government-mandated and/or customer-specific measures, the Management Board of Bertrandt AG decided on 20 March 2020 to withdraw its forecast for the fiscal year 2019/2020. Moreover, in the light of the dynamic situation at the time, the Management Board also refrained from providing a new guidance for the fiscal year 2019/2020 as it was impossible to give a meaningful assessment of the impacts of the pandemic, neither at that point in time nor for the period leading up to the end of the fiscal year.

CAPITAL EXPENDITURE

Since the onset of the coronavirus pandemic, Bertrandt has pursued a very restrictive capital spending policy in fiscal 2019/2020. Thus, the Company reduced its spending on property, plant and equipment compared with the previous year and the resulting cash outflow was EUR 48.489 million (previous year EUR 62.324 million). A major share of this sum was used for projects under construction or at an advanced stage. Total cash outflow due to capital expenditure was EUR 51.738 million in the period under review (previous year EUR 65.709 million).

Spending on intangible assets rose to EUR 3.149 million (previous year EUR 2.684 million). Other financial obligations of EUR 19.206 million exist for property, plant and equipment beyond the balance sheet date of 30 September 2020 (previous year EUR 46.371 million).

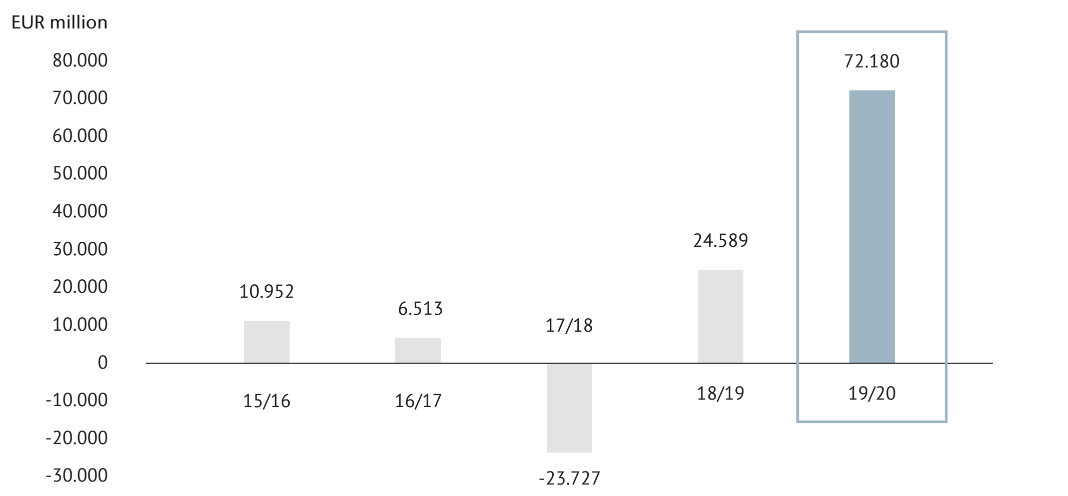
By investing in infrastructure and facilities, the Company seeks to complete its range of services with a focus on its customers' needs. State-of-the-art technical equipment will enhance the range of competences offered to our customers. Moreover, new capital expenditure is also intended to promote innovation. Investment is concentrated on the dominant technology trends in the industry, such as environmentally-friendly individual mobility and autonomous and connected driving. In fiscal 2019/2020, the Company focused its investment activity on the Powertrain Solution Center in Wolfsburg (Tappenbeck) and Munich (Freising). Due to the spread of the coronavirus in fiscal 2019/2020, all other investment projects were approached in a very restrictive manner as it is impossible at present to assess the overall situation and the impacts of the pandemic with certainty.
→ CHART 18

FINANCING AND LIQUIDITY

The matters explained here resulted in positive free cash flow of EUR 72.180 million (previous year EUR 24.589 million of positive free cash flow) in fiscal 2019/2020. The positive cash flow from financing activities was mainly due to balance of the dividend payment of EUR 16.152 million (previous year EUR 20.191 million), cash from the issuance of borrowings of EUR 65.568 million (previous year EUR 0 million) and the repayment of lease liabilities of EUR 18.618 million (previous year EUR 0 million).

FREE CASHFLOW

CHART 19



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

Cash and cash equivalents thus increased to EUR 187.233 million (previous EUR 91.491 million). With these financial resources, unused and committed credit lines and alternative financing instruments of EUR 232 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

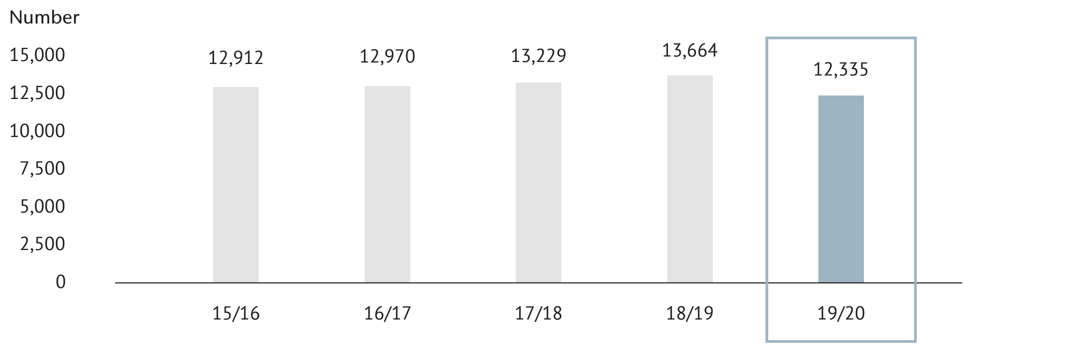
GENERAL STATEMENT ON BUSINESS PERFORMANCE

While Bertrandt's start into the fiscal year 2019/2020 was in line with expectations, the global spread of the coronavirus and the resulting government-mandated restrictions led to an extraordinary situation that shaped the further course of the fiscal year. This, in combination with the continuing transformation process in the automobile industry, presented considerable challenges to the Bertrandt Group, which are reflected in the Company's figures. The fast implementation of a group-wide pandemic plan as well as our high-performance IT infrastructure helped us protect our employees as best as possible while at the same time maintaining our operating capability to the benefit of our customers. We also implemented a wide-ranging earnings optimisation programme.

The Management Board generally judges the Company's future prospects positively, despite the challenging underlying conditions and the great uncertainties and risks continuing through to the end of the fiscal year. Some of the research and development programmes in industries which are important for Bertrandt have been curtailed by temporary budget restrictions during the pandemic. Overall, however, customers and industries are all responding to the crisis in very different ways. Strategic development work continues to be performed on mega trends in the automotive, aerospace and medical sectors and projects for which production is scheduled for the near future are still going ahead. At the same time, the mega trends in the automobile industry – digitalisation, autonomous driving, connectivity or electromobility – continue to offer opportunities well into the future. With an equity ratio of more than 40%, a liquidity of EUR 187.233 million, a long-term maturity profile of borrowings, as well as unused credit lines, the Company stands on a sound financial footing. We believe that our good capital base and our investment activities have paved the way for success in the future.

DEVELOPMENT OF EMPLOYEES

CHART 20



As at the balance sheet date, 12,335 employees worked for Bertrandt worldwide.

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

→ CAREERS AT BERTRANDT

Here you will find the Bertrandt Group's mission statement:

→ BERTRANDT'S MISSION STATEMENT

Human resources management

As at the balance sheet date, 12,335 employees (previous year 13,664) worked for Bertrandt worldwide. Certain locations in Germany and abroad reported an increasingly challenging environment due to the spread of the virus, and deteriorating prospects for certain business activities as a result. Therefore, in addition to regular attrition, structural adjustments became necessary to adapt to the needs of the market. Furthermore, we always tried to fill vacancies with existing resources. On 30 September 2020, the Company had 10,183 employees (previous year 11,190) in Germany and 2,152 (previous year 2,474) employees 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 emphasize this, our guiding principles are printed on our employee identity cards.

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 aim at ensuring the greatest possible transparency.

Almost all our personnel development schemes are therefore centered 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. Twenty-eight competences are allocated to these seven categories. The modular scheme on which the competence model is based 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 this programme, topics such as remote 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 received two quality seals under the "Deutschland-test-Siegel" programme. One of them rewarded "Highest fairness at work", the other one "Top career opportunities for women". Furthermore, the independent consulting and market research company Trendence ranked Bertrandt in the category "Students/Graduates" as one of the Top 100 employers in the field of engineering.

RECRUITMENT

Staff recruitment has always played a key role at Bertrandt. It is the Company's aim to recruit and inspire qualified employees to work for and stay with Bertrandt. In addition to specialist know-how, social skills and personality have great importance. As a future-proof company, we launched an updated career section on our website in the spring of 2019. 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. We are aware of this challenge. To be able to meet these high demands in the best possible way, the Bertrandt 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, our own training programme. Bertrandt spent EUR 6.2 million (previous year EUR 10.6 million) in total on further training for staff and managers in the year under review. In the past fiscal year, training content was provided - to the greatest extent possible - by means of e-learning modules, in order to minimise personal contact.

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 2020, 251 Bertrandt Group employees were participating in a training or study programme in technical or commercial disciplines.

Group organisation and controlling

INTERNATIONAL GROUP ORGANISATION

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, 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. New market and customer requirements call for new approaches. By pooling different competences, we are striving to meet the demand for greater depth of responsibility and know-how in the fields of digitalisation, electromobility and large-scale projects. Bertrandt's new controlling system is also 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. In addition to the statutory provisions, the corporate governance practices described below are also adopted by the Group.

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/fileadmin/files/files/00_Unternehmen/00_Konzern/00_Unternehmenspolitik/2019-05_Unternehmenspolitik_Leitbild_DE_Bertrandt.pdf ".

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/unternehmen/investor-relations/events/#filter++dc1162.art-cat-7". In addition to regular reporting, information that concerns Bertrandt AG and which might have a considerable impact on the price of Bertrandt's shares, but is not publicly known, is disclosed by means of ad-hoc announcements 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 consistently 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 acts without any specific 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/unternehmen/konzern/aufsichtsrat". 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 2019/2020 Annual Report (section "Consolidated Financial Statements/Notes") which is available at "https://www.bertrandt.com/unternehmen/investor-relations/finanzberichte" upon its publication on 10 December 2020.

The Rules of Procedure set forth by the Supervisory Board govern the details of the activities of the Supervisory Board and its committees.

The Supervisory Board assesses the effectiveness of its own actions and the committees' actions on a regular basis. In fiscal 2019/2020, the Supervisory Board conducted a self-evaluation. A questionnaire provided to the Board members on 28 November 2019 enabled them to prepare themselves individually for the subsequent debate. Thirty-five different areas were assessed in the questionnaire. The topics included the conducting of Supervisory Board meetings, actions of the Chairman of the Supervisory Board, the work performed by Board members and committees and their activities. The evaluation also covered topics related to strategy, personnel, monitoring and external reporting. In addition, the Chairman of the Supervisory Board commissioned a third party bound by professional secrecy. Board members may approach this third party with suggestions for improving the Board's work. The third party will report back to the Supervisory Board without mentioning the respective Board member's name, so that the Chairman can then introduce any suggestions made anonymously to the debate on the Supervisory Board's work. The debate on the self-evaluation was held on 9 December 2019. No details of the Board's deliberations will be disclosed as it is in the Company's interest to ensure the greatest possible openness in the Board's internal discussions.

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 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 chairs 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% 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% 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% for the proportion of women at the first management level below the Management Board and a target of 0% 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% 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. Female representation at the second level below the Management Board was 22.2%; in the Supervisory Board, it was 16.67%. 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 providing them development opportunities.

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) DATED 21 SEPTEMBER 2020

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

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, were complied with, until it was replaced with the version of 16 December 2019 effective from 20 March 2020, with the following exceptions: Sections 3.8 (3), 4.1.3 sentence 2, 4.1.5, 4.2.1 sentence 1, second alternative, 4.2.3 (3), 4.2.5 (3) and 4, 5.4.1 (2) and (4), 5.4.1 (6), 5.4.2 sentence 1, 5.5.2, 5.5.3 sentence 1 and 7.1.2 sentence 3 GCGC.

The recommendations of the Government Commission on the German Corporate Governance Code (GCGC) as amended on 16 December 2019 and published in the electronic Federal Gazette on 20 March 2020 (hereinafter referred to as "GCGC as amended") have been and are being complied with, with the exception of the recommendations in A.1, A.2 sentence 1 last clause, B.2 last clause, B.3, C.1 as well as C.4 to C.13, D.1, D.7, D.10, E.1 and E.2, F.2 as well as G.1-G.16 GCGC.

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

I. Deviations from recommendations of the Government Commission on the German Corporate Governance Code (GCGC), as amended on 7 February 2017

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) sentence 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 GCGC
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 deviated 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 to any members of the Management Board employed by the Company.

Section 4.2.5 (3) and (4) GCGC
The Company deviated 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 5.4.2 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 deviated 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) DCGK and Section 4.1.5 GCGC
The Company deviated from Section 5.4.1 (2) and (4) GCGC 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 filling other executive positions. 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 deviated 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 recommendations of the 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 2019/2020 on 17 February 2020. 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.

II. Deviations from recommendations of the Government Commission on the German Corporate Governance Code (GCGC), as amended on 16 December 2019 (GCGC as amended)

A.1 GCGC as amended
The Company continues to deviate from the recommendations under A.1. It has always been in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual persons when appointing executives. The Company strives to ensure that its appointment process is free from discrimination and barriers in all countries so as to leverage the potential offered by applicants and candidates for the Group's interest. The Supervisory Board's Rules of Procedure even explicitly require the Board's Human Resources Committee to take diversity in the composition of the Management Board into account when a proposal for an appointment is made to the Supervisory Board.

A.2 sentence 1 last clause GCGC as amended
Bertrandt AG 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 individual requirements arising from A.2 sentence 1 last clause GCGC as amended, the Company as a precautionary measure declares a deviation from A.2 sentence 1 last clause GCGC as amended.

B.2 last clause GCGC as amended
Together with the Management Board, the Supervisory Board ensures long-term succession planning. To safeguard effectiveness and ensure the confidentiality required in the Company's interest, no details are disclosed in this respect.

B.3 GCGC as amended
There are currently no vacancies on the Management Board. Notwithstanding this, the Company as a precautionary measure declares a deviation from this recommendation. In case new appointments need to be made, high-calibre candidates in particular may demand employment contracts for the full statutory term. It is in Bertrandt's interest not to exclude these candidates per se.

C.1 and C.4 to C.13 GCGC as amended
C.1 and C.4 to C.13 GCGC as amended contain various recommendations for the composition of the Supervisory Board and the election of Supervisory Board members, for example regarding their independence.

In 2019 (i.e. before the new version of the GCGC), the members of the Supervisory Board were re-elected for a term lasting until the end of the annual general meeting voting on the discharge of the Supervisory Board from their responsibilities for the fourth fiscal year after the beginning of the term. The fiscal year in which the term began is not included.

The recommendations of the German Corporate Governance Code pertaining to the new election or by-election of a Supervisory Board member by the annual general meeting should be evaluated and deliberated in good time before the election. In order not to anticipate these deliberations the Company as a precautionary measure declares a large deviation from the recommendations under C.1 and C.4 to C.13 GCGC as amended.

To date, the Company has given priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Supervisory Board or filling other executive positions. Furthermore, 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.

D.1 last clause GCGC as amended
The information provided in the Corporate Governance section of the Company's website has so far only consisted of the declaration of conformity and the Articles of Association. The Company will continue this proven practice.

D.7 GCGC as amended
The Supervisory Board holds meetings without Management Board members as required, but not regularly.

D.10 GCGC as amended
According to statutory provisions, the auditor only verifies whether a declaration pursuant to Section 161 AktG has been submitted without, however, auditing its content. In view of the cost of enlarging the audit scope, the Company declares a deviation from recommendation D.10. This is also to ensure that the audit of the financial statements will not be negatively affected by any vague wordings in individual recommendations by the Government Commission, which had been of concern to courts and the literature in the past.

E.1 and E.2 GCGC as amended
In its Rules of Procedure the Supervisory Board has provided for the handling of conflicts of interests independently and in deviation from the recommendations in E.1 and E.2 GCGC as amended. 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 recommendations of the 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.

F.2 GCGC as amended
Bertrandt AG published its report on the second quarter on 28 May 2020 and the report on the third quarter on 10 August 2020. 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 F.2 GCGC as amended.

G.1 to G.16 GCGC as amended
G.1 to G.16 GCGC as amended contain several recommendations for the remuneration paid to the Management Board.

The recommendations are complemented by the new provisions of the law for the implementation of the second Shareholder Rights Directive (ARUG II) of 12 December 2019 which was promulgated in the Federal Law Gazette I, pages 2637 et seq. on 19 December 2019. The Company will gradually implement transition rules over the next few years to ensure full application of the law.

The employment agreements with Bertrandt's Management Board members were entered into before the new versions of the German Stock Corporation Act and Corporate Governance Code came into force and they remain unaffected as a result.

The new recommendations for the remuneration system will be deliberated when the first proposal for a resolution to the annual general meeting 2021 according to the new regulations is prepared. This also applies to the subsequent recommendations for calculating individual remuneration. It may be the case that these recommendations can only be implemented in connection with new appointments or amendments to existing agreements, e.g. as a result of negotiations on contract renewals. In order not to anticipate these deliberations, the Company as a precautionary measure declares a large deviation from the recommendations in G. 1 to G.16 GCGC as amended.

The Company continues to report on the existing remuneration system for Management Board members in its annual reports and its financial statements and consolidated financial statements according to the relevant statutory provisions.

Ehningen, 21 September 2020

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 regarding the composition of the Supervisory Board and the body legally representing the Company. As has been set out in the declaration of conformity of 21 September 2020 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 candidates when filling positions.

While the Supervisory Board's Rules of Procedure explicitly require the Board's Human Resources Committee to take diversity in the composition of the Management Board into account when a proposal for an appointment is made to the Supervisory Board, there is no comprehensive diversity concept according to Section 289f (2) no. 6 HGB, which would lay down details, such as age, gender, educational or professional background and related targets. The reason for this is that it is in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual candidates when filling positions. As has been set out in the explanations given in the declaration of conformity of 21 September 2020 pursuant to Section 161 AktG for the deviation from A.1 of the German Corporate Governance Code, the Company strives to ensure that its appointment process is free from discrimination and barriers in all countries so as to leverage the potential offered by applicants and candidates for the Group's interest.

Also with respect to the composition of the Supervisory Board, no comprehensive diversity concept according to Section 289f (2) no. 6 HGB was developed in fiscal 2019/20 to lay down details, such as age, gender, educational or professional background and related targets. There were no vacancies on the Supervisory Board up for election in this period. However, in its explanation for the Company's deviation from recommendation C.1 sentence 2 GCGC provided in the declaration of conformity of 21 September 2020, the Supervisory Board announced that it will evaluate and deliberate the topic of diversity in good time before the new election or by-election of a Supervisory Board member by the annual general meeting. These deliberations might eventually result in the adoption of a diversity concept according it to Section 289f (2) no. 6 HGB.

To date, the Company has always given priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Supervisory Board or filling other executive positions. Furthermore, 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.

Other disclosures resulting from the recommendations of the German Corporate Governance Code:

An upper age limit has been set for members of the Management Board. The Human Resources Committee should not nominate any candidates for appointment to the Management Board who have reached the age of 64 when the nomination is made.

There is also an age limit for Supervisory Board members. Section 8 (1) of the Articles of Association stipulates: "The Supervisory Board comprises six members. Four of these are elected by the shareholders and must not have reached the age of 75 at the time of the election." Two members are elected based on the agreement pursuant to Section 22 of the German Act on Codetermination of Employees in Cross-Border Mergers (MgVG) of 9 May 2008 on employees' representation on the Supervisory Board of Bertrandt Aktiengesellschaft."

Ehningen, 7 December 2020

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

Remuneration report

Given the economic repercussions of Covid-19 and their impact on the Company, the Management Board offered and will offer a waiver of part of its fixed and variable remuneration components for fiscal 2019/2020. This one-off remuneration waiver amounted to EUR 0.267 million in total. The waiver of the fixed remuneration components was accepted by the Supervisory Board in its meetings on 23 March 2020 and 21 September 2020. The Management Board has also offered to waive 50% of its variable remuneration components for fiscal 2019/2020 due on 23 December 2020. It is expected that the Supervisory Board will accept the waiver of the variable components in its meeting on 7 December 2020.

The Supervisory Board also decided to forgo part of its remuneration for fiscal 2019/2020 and notified the Management Board on 27 May 2020 of this decision. The Management Board on behalf of the Company accepted the waiver of remuneration on 7 September 2020.

REMUNERATION STRUCTURE FOR THE MEMBERS OF THE MANAGEMENT BOARD

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 2019/2020, fixed/non-performance-related remuneration without fringe benefits paid to the Management Board members was EUR 0.374 million (previous year EUR 0.385 million) for Hans-Gerd Claus; EUR 0.374 million (previous year EUR 0.385 million) for Michael Lücke and EUR 0.374 million (previous year EUR 0.385 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 (bonus/malus system) in the following fiscal year. The total bonus paid for one fiscal year is capped so that it can only be six times the fixed basic annual salary in the financial 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 0.147 million (previous year EUR 0.754 million) in total for Hans-Gerd Claus, thereof EUR 0.104 million as long-term incentive component for 2018/2019 (previous year EUR 0.415 million) and EUR 0.043 million as long-term incentive component for 2019/2020 (previous year EUR 0.339 million); EUR 0.147 million (previous year EUR 0.754 million) in total for Michael Lücke, thereof EUR 0.104 million as long-term incentive component for 2018/2019 (previous year EUR 0.415 million) and EUR 0.043 million as long-term incentive component for 2019/2020 (previous year EUR 0.339 million); and EUR 0.147 million (previous year EUR 0.754 million) in total for Markus Ruf, thereof EUR 0.104 million as long-term incentive component for 2018/2019 (previous year EUR 0.415 million) and EUR 0.043 million as long-term incentive component for 2019/2020 (previous year EUR 0.339 million). The long-term component for fiscal 2018/2019 was reduced by 74.9% or EUR 0.931 million for the Management Board as a whole.

At the meeting on 7 December 2020, the Supervisory Board will decide whether to accept the one-off waiver of 50% of the variable remuneration components for fiscal 2019/2020 due on 23 December 2020.

According to the bonus/malus system, long-term incentive components for fiscal 2019/2020 comprised a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.104 million (previous year EUR 0.415 million) for Hans-Gerd Claus; a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.104 million (previous year EUR 0.415 million) for Michael Lücke and a minimum of EUR 0 million (previous year EUR 0 million) and a maximum of EUR 0.104 million (previous year EUR 0.415 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 fiscal year 2019/2020, taxable non-cash fringe benefits were EUR 0.017 million (previous year EUR 0.017 million) in total for Hans-Gerd Claus, EUR 0.022 million (previous year EUR 0.022 million) in total for Michael Lücke and EUR 0.015 million (previous year EUR 0.015 million) in total for Markus Ruf. Individual remuneration paid to the active Management Board members in fiscal 2019/2020 was EUR 0.538 million (previous year EUR 1.156 million) in total for Hans-Gerd Claus, EUR 0.543 million (previous year EUR 1.161 million) in total for Michael Lücke and EUR 0.536 million (previous year EUR 1.154 million) in total for Markus Ruf. In total, EUR 1.617 million (previous year EUR 3.471 million) was paid to the Management Board as a whole.

In addition to the fixed annual salaries paid on a monthly basis, variable components for several fiscal years in the aggregate amount of EUR 2.262 million (previous year EUR 2.514 million) were paid in fiscal 2019/2020. This aggregate amount is allocated as follows: EUR 0.754 million (previous year EUR 0.838 million) 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) 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) for Markus Ruf, thereof EUR 0.415 million as long-term incentive component for 2017/2018 (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.

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 the Articles of Association of Bertrandt AG 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% of their fixed remuneration; members acting as committee chairmen receive another 25% 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.

The Supervisory Board decided on a one-off waiver of part of its remuneration for fiscal 2019/2020 and notified the Management Board on 27 May 2020 of this decision. The Management Board on behalf of the Company accepted the waiver of remuneration on 7 September 2020. In total, remuneration of the Supervisory Board members amounted to EUR 0.269 million in fiscal 2019/2020 (previous year EUR 0.321 million), thereof EUR 0.064 million (previous year EUR 0.064 million) for work on committees. 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 (A) 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 10% of the voting rights:

- Dr. Ing. h. c. F. Porsche Aktiengesellschaft, Stuttgart, Germany: 28.97% of voting rights as last reported on 15 June 2016
- Friedrich Boysen Holding GmbH, Altensteig, Germany: 14.90% 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 on 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, internal audit 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.

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.

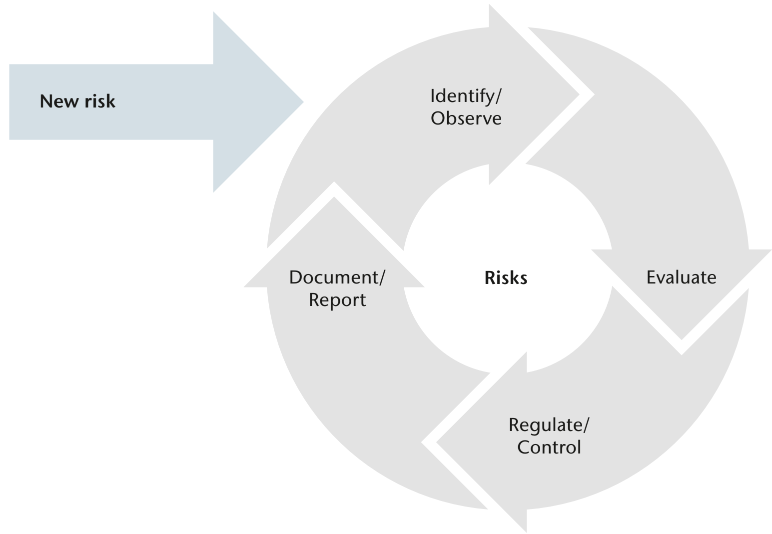
DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE RISK MANAGEMENT SYSTEM

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. 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.

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.

Amount of loss is described by the following categories:

- Low is an amount of loss between EUR 0.050 and 0.250 million
- Medium is an amount of loss between EUR 0.250 and 0.500 million
- High is an amount of loss between EUR 0.500 and 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%
- Medium is a probability of between 25 and 50%
- High is a probability of between 50 and 75%
- Very high is a probability of between 75 and 100%

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 ≥ EUR 3.0 million
- B risk corresponds to a risk magnitude of ≥ EUR 1.5 to 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.

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 an engineering 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. Based on a liquidity forecast covering a fixed period into the future and considering credit facilities available to the Bertrandt Group but not utilised and alternative financial instruments, we regard supply of liquidity as secured at all times. We use derivative financial instruments as appropriate for managing individual fixed-interest periods and currency segments. In view of the additional risk of default due to the coronavirus pandemic, 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. Since the impacts of the global coronavirus pandemic cannot be assessed conclusively, we have resolved a comprehensive package of corrective actions. The package comprises, among others, a short-time working scheme and the review and taking out of suitable low-interest loans provided by local coronavirus state aid programmes in other countries.

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 PROJECT DELAYS OR CANCELLATIONS

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. Cost saving efforts on the part of OEMs due to the coronavirus pandemic may also contribute to this trend. This would result in a reduction of Bertrandt's current and future business volume, which may adversely affect our revenue and earnings situation.

The risk arising from a change in our customers' external sourcing strategy 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 continues to be of concern for all companies involved in the automotive sector. As a consequence, e-mobility is becoming a stronger focus of the OEMs' technology development. The strategic change in the field of drive technologies is fully underway. Medium-term model roadmaps may now frequently be reviewed for this aspect and possibly adapted, the result of which could be a reduction in the variety of models. Furthermore, the coronavirus pandemic has become a major burden for businesses and the entire economy, thus increasing the risk of stops or postponements of projects. Correspondingly, this risk is considered a category A risk with a high probability of occurrence.

PRICING

Traditionally, the automotive industry is characterised by high price sensitivity while efficient process structures are taken for granted. Moreover, changes in the law have made matters considerably more complex in the field of contracts for work. Customers are requiring increasing scopes of engineering services to be sourced in low-wage countries. Forecast adjustments and cost-saving programmes of some OEMs may lead to pressure on prices and more restrictive external sourcing behaviour. We are responding to these challenges by optimising our cost structure, working to high levels of quality and, depending on the project in question, diversifying our 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. Moreover, flawed implementation of new processes may result in effectiveness and efficiency losses. In order to address this risk, Bertrandt installed a comprehensive management system which is applicable throughout the Group and which regularly measures and evaluates non-financial performance indicators. With this management system, we meet the requirements of customers, partners, authorities and the legislator as well as other stakeholders. The management system supports our employees' endeavours to work effectively and without making mistakes, to identify potential for optimisation and to actively contribute to the continued development of processes.

The management system is reviewed on an annual basis by external accredited bodies. Reviews are 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 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
- EN 9100 Quality management requirements relating to design, development and software development services for the aviation industry
- DIN EN ISO 13485 Quality management requirements relating to design and verification services for the manufacture of medical devices and the development of medical device software
- Energy audit pursuant to the German law on energy services and energy efficiency measures (EDL-G)

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 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 2019/2020 is as follows for our non-financial performance indicators:

	Assessment areas	Points
I.	Performance of the management system	86 (previous year 86)
II.	Service delivery	82 (previous year 82)
III.	Continuous improvement	79 (previous year 80)
IV.	Risk management	93 (previous year 91)
V.	Personnel and human resources	81 (previous year 85)

The results can be regarded as indicators of the stability and sustainability of the business processes covered by our integrated management system. Like in the previous year, the results for all assessment areas clearly exceed 75 points, the threshold which characterises the business processes as stable and controlled.

Group-wide changes became necessary in addition to the package of corrective actions already initiated in the last fiscal year. These actions were brought underway through the organisation project "Strategy, People, Success". The project responds to the current market trends of digitalisation and electromobility and the changed customer and market environment. Thus, the performance of the management system and the stability of the processes were successfully kept at the previous year's high level. The integrity of the management system is ensured. Despite a multitude of challenges, the value was also maintained in the service delivery assessment area. The level of customer satisfaction continues to be similarly positive. The set of tools for action management newly devised in the last fiscal year has been introduced. Numerous actions for improvement and optimisation have been initiated and recorded in the system. The resulting changes are, however, still underway and will only show their effect with a certain delay. Therefore, the value for continuous improvement has decreased slightly. As result of adaptations in the areas of IT security and Corporate Security as well as the implementation of the VDA's TISAX Information Security Standard, the value in the risk management assessment area has been improved over the previous year. The established management system proves to be very reliable and robust in dealing with the coronavirus pandemic. Despite reliable pandemic management, the impacts of the SARS-CoV-2 pandemic are noticeable: Numerous tried and tested measures established in the Group for occupational health management had to be cut back for reasons of infection protection. Short-time working and the economic situation in the automotive industry have also adversely affected the personnel and human resources assessment area. This explains the slight decline. It is not least the now widespread and robust use of mobile working that proves the fact that our "Workplace of the future" package of actions was the right step to take.

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 also 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, this 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 also 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. Still, it can never be ruled out completely that our staff leave Bertrandt, for example 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 C risk, in conjunction with a medium probability of occurrence. The risk of scarcity of qualified personnel is at present considered a category B risk, also in conjunction with a medium probability of occurrence.

CORPORATE SECURITY

In fiscal year 2019/2020, corporate security was included in category B for the first time, with a medium probability of occurrence. In order to meet future corporate requirements, the security risk management was restructured (taking into account ISO 31000). Guided by past experience, the present state but also future trends, previous risks were re-categorised, new areas of crime were added and combined to build a single score which can now be calculated using a more robust methodology. The score is an aggregated number which expresses the average risk of security incidents attributable to defined areas of crime in the corporate security risk category. Overall, corporate security means taking strategic and operational precautions and measures to protect the Company's assets which are required to secure its continuing existence. Incidents in the context of corporate security could adversely affect Bertrandt's operating activities. This category therefore covers crimes/incidents from the area of violent crime, non-violent and organised crime, industrial and economic espionage, sabotage, extremism, and threats originating from our own organisation. The aim of risk management in this area is to protect our employees and assets, but also the protection of the Company's own information and reputation and the safeguarding of its capabilities and processes.

OVERALL RISK

The early warning system described enables the 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. The maximum risk magnitude after corrective actions rose due to the Covid-19 pandemic. However, there continues to be no evidence 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%
– Medium is a probability of between 25 and 50%
– High is a probability of between 50 and 75%
– Very high is a probability of between 75 and 100%

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 continues 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 and revised for this aspect, the result of which could be an increase in alternative drives. According to the expectations of the VDA, the range of available e-passenger car models will grow in the coming years from a present 70 to 150 models in 2023. The VDA's forecast predicts that by 2024, companies will have invested EUR 50 billion in the development of new drive systems. 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 VDA, 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 industry receives additional momentum from trends such as digitalisation, connectivity and autonomous driving. The VDA predicts that investments amounting to EUR 25 billion until 2024 will, among other things, target further progress in digitalisation, in particular with a view to ensuring safe, efficient and comfortable road traffic. However, the biggest financial commitment by German OEMs will be geared at accomplishing the goal of climate-neutral mobility by the year 2050 at the latest. The VDA's president, Hildegard Müller, said in October 2020 that member companies would spend more than EUR 50 billion in the coming years on furthering electromobility.

In the aerospace sector, the coronavirus pandemic caused the worst crisis the industry ever experienced. At this juncture, aircraft manufacturers expect a step-wise recovery of production figures once the pandemic is over. They forecast a return to pre-crisis production levels for the year 2025 at the latest. Especially the aim of enabling climate-neutral flying by the year 2050 requires investment in research and development, but also additional projects, such as hydrogen-powered aircraft, unmanned flying as well as connectivity and digitalisation, are main areas of development in aerospace.

Increasing digitalisation of processes figures among the major influences also in the other key industries in which Bertrandt operates apart from the automotive and aerospace sectors. Establishing 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, 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 due to the coronavirus pandemic. This is also reflected in the business climate index published by the ifo Institute (Leibniz Institute for Economic Research) at the University of Munich. After a slight increase in the last few months, business sentiment began to deteriorate again due to increasing infection rates. Especially in the services sector the business climate worsened as concerns increased again in the German economy in October 2020.

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

According to a study of the German Association of the Automotive Industry (VDA), an upward-pointing trend in the external sourcing of engineering services can be discerned for the long-term. Business opportunities for engineering service providers seem to emerge especially in vehicle series development and in the context of developing new technologies such as autonomous driving and software for use in vehicles. It will be necessary for engineering service providers to envisage new forms of cooperation and to upgrade their capabilities in order to meet increasing requirements of customers. Thus, the VDA forecasts growth of 40% in the overall market by 2030 compared to pre-crisis levels of 2019. This would translate into an order volume for engineering providers for vehicles and vehicle technologies of EUR 29 billion.

Whether this expectation materialises will decisively depend on the further course of the coronavirus pandemic. Based on our current state of knowledge, we assess the probability of occurrence of a basically upward trend in the external sourcing of engineering services in the core industry 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

Apart from the further course of the coronavirus pandemic, the 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. According to forecasts by economic research institutes, the outlook for the general economic environment for 2021 and beyond is clearly positive – always subject to the risks entailed in the further course of the pandemic. External experts also deem it probable that there will be a further increase in model diversity of electrified vehicles, that technological progress will continue and that external sourcing of engineering services will remain stable. In the light of the current overall situation resulting from the coronavirus and its impact on the economy and specific industries, it is therefore not possible to arrive at reliable and realistic assessments on which to base forecasts for fiscal year 2020/2021. In conclusion, our analysis of opportunities based on the studies currently at hand and interviews that we conducted produces a picture that is basically intact. The extent to which the development of the COVID-19 pandemic will impact Bertrandt's opportunities overall cannot be conclusively predicted at this juncture.

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 how the pandemic develops, opportunities or risks may arise for the Bertrandt Group in the next fiscal year.

Forecast

ECONOMIC ENVIRONMENT

In their autumn report for 2020, experts from leading German economic research institutes predict a generally slower economic recovery for the remaining forecast period. The experts anticipate global gross domestic product (GDP) in 2020 falling by 5.1% and growing again in 2021 by 4.8%. In 2022, global GDP is expected to increase by 3.1%. The latest Joint Economic Forecast projects rapidly expanding world trade, which may be expected to sustain the ongoing recovery from the Covid-19 pandemic. Nonetheless, global trade will initially contract by 6.6% in the course of 2020 before expanding again by 5.9% in 2021. The forecasts suggest that further growth in global trade of 3.3% can be expected in the following year 2022.

For the USA, the 2020 autumn report projects a fall in GDP of 3.6% in the current year, followed by growth of 4.2% in 2021 and 3.4% in 2022. As China bounces back from the impact of the Covid-19 pandemic, research institutes predict GDP growth there of 1.4% this year. The economy is expected to grow by 9.0% in 2021 and 5.5% in 2022.

Economic activity also cooled off significantly in the European Union, also due to the impact of the Covid-19 pandemic. GDP growth in the EU in 2020 is forecast to fall by 7.4% compared to the previous year. European GDP is then expected to grow by 4.7% in 2020 and 2.7% in 2021.

All the projections of future economic development produced by the research institutions are subject to the qualifications of large predictive uncertainties and risks. Depending on further developments, the coronavirus pandemic may still have a substantially greater impact on GDP than current estimates suggest. It is impossible to say at the present time whether and to what extent the push for a Covid-19 vaccine will have a positive impact on overall economic, industry or business-specific developments.
Non-pandemic-related risks still exist. First and foremost, a no-deal scenario following the United Kingdom's departure from the European Union would have a substantial impact on global supply chains.

SITUATION IN THE INDUSTRY

Some of the research and development programmes in industries which are important for Bertrandt have been curtailed by temporary budget restrictions during the pandemic. Overall, however, customers and industries are all responding to the crisis in very different ways. Strategic development work continues to be performed on megatrends in the automotive, aerospace and medical sectors and projects for which production is scheduled for the near future are still going ahead. The VDA anticipates around 66 million newly registered passenger cars worldwide in 2020. This would be a significant drop of 17% on 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%.

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 electric and hybrid vehicle models and variants. The VDA reports a new peak in the electric car market in September 2020, with new registrations rising by 174% so far this year. According to the VDA, the focus is clearly shifting towards electromobility, in particular in the light of tougher EU climate targets which are designed to make Europe the first climate-neutral continent by 2050. Advantage will have to be taken of all the available options in order to master this challenge. This includes, for example, using other alternative forms of propulsion such as e-fuels, hydrogen and regenerative fuels. The VDA anticipates investments of up to EUR 50 billion in the development of various drive technologies between now and 2024. The range of electrically-powered passenger cars will increase from the current 70 models to more than 150 by 2023.

The VDA notes that German manufacturers and suppliers also aim to make travelling by road even safer and more comfortable in the future. Industry players are approaching this by adding automated drive functions to existing driver assistance systems. Lane holding assistants warn drivers and keep meandering vehicles in lane. These and other measures will protect vehicle occupants and other road users more effectively.

According to the German Association of the Automotive Industry (VDA), information and communication systems in vehicles and connectivity between transport modes and road traffic as well as infrastructure are key issues for the automobile industry. The Association expects IT to be the essential feature and basis of future vehicle generations. Vehicle manufacturers and vehicles are destined to become service providers for connected mobility. The new mobility will not only assist drivers' needs, but will also recognise their needs.

According to the German Aerospace Industries Association (BDLI), the aerospace industry faces unprecedented challenges. The industry stands on the threshold of climate neutral flying and has set itself some very ambitious goals. According to the BDLI, aircraft emissions and noise pollution have been reduced by 80% per passenger kilometre in recent years. Nonetheless, climate neutral flight will only be possible in 2050 if the current growth in international air transport is climate neutral now. Work on achieving this target is precisely the reason why 90% of research and development spending has for some time now been invested in reducing emissions. In addition to climate issues, it is the coronavirus pandemic which has triggered the worst crisis in the industry. The collapse of global air travel has also impacted suppliers right across Germany. The support of all stakeholders, suppliers, airlines, policy makers, public authorities and researchers is needed to manage the transformation of the aviation system and to save this strategic industry. Nonetheless, work continues throughout the crisis on strategic innovations in the civil and non-civil aviation sectors, including on drone projects and air defence programmes.

The basic scenario forecast by the VDMA and Oxford Economics is of a global contraction of 7% in the mechanical engineering industry in the current year 2020 compared to the previous year. According to VDMA experts, nervous investors, political turmoil and structural change in the automobile industry, which is the most important customer sector, are having a negative impact on the key industry which is the biggest employment provider in Germany. Experts predict that production will expand by 6% in 2021 when the economy recovers from the Covid-19 pandemic. The VDMA's chief economist also believes that new technologies in industrial production, such as artificial intelligence (AI) and machine learning offer many opportunities for the industry.

Experts expect the electrical and electronic industry to grow by 6% worldwide in 2021. According to the German Electrical and Electronic Manufacturers Association (ZVEI), the German market for electronic and electrical goods grew by 2% in the last pre-corona year. The same experts anticipate the coronavirus pandemic to impact the industry by a negative 9% in 2020. However, they also forecast 5% growth in 2021.

The projections of the German industry association SPECTARIS for the next few years are largely positive, even if a slowdown in growth cannot be ruled out due to economic developments and the impact of the coronavirus pandemic. These experts project annual growth in the global market for medical technologies of around 5.6%. This would create market volume worth around 595 billion US dollars by the year 2024. German medical technology is highly innovative, well positioned and internationally competitive, say the experts, and is set to benefit from these developments.

According to Bloomberg the market research company Techna-vio expects the growth in recent years in the market for contracted-out engineering services in the automobile industry to continue over the next few years. Bearing in mind the impact of the coronavirus pandemic, experts project market growth of over 6% in the years 2020-2024 as a result of increasing vehicle digitalisation and electrification. Potential for growth in the market for engineering services also arises from the ongoing development of autonomous vehicles. The market research company Research and Markets forecasts market volume for engineering services in the year 2027 of 18.6 billion US dollars, equal to growth of 6-7%. Current trends in the automobile industry are driving growth fastest in the field of technical services, where software is expected to generate increasing efficiency. Growing demands for environmentally-friendly vehicles is also expected to stimulate further growth in design services.

POTENTIALS

The automobile industry is still in the midst of a fundamental transformation process arising from ongoing technology trends in autonomous driving, connectivity, e-mobility and the Internet of Things. 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 in its role as specialist. As a solutions-focused engineering partner, the Group is geared to market and customer requirements and consequently also invests in infrastructure and the competences of its employees. The simultaneity of these developments is throwing up new topics, services and cooperative opportunities 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 build on its new and sustainable corporate structure 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 automobile industry covers the entire value chain of product engineering. With its new corporate structure, the Company is positioned as an engineering partner 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 expert consultant to the automotive and aerospace industries while embracing the development of technological future trends with a can-do attitude. The challenges which Bertrandt must meet have also changed as a result of the increasingly demanding mobility needs of consumers, ever more stringent legislation and a growing diversity of variants and models.

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 industries.

The new organisational structure enables the Group to offer all its services to all customers and to underline our claim to be an international technology company with a clear focus on specific services. Like in the past, Bertrandt continues to be committed to agile startup-type units and is focusing on industries and customers in the fields of medical technology, virtual and augmented reality, cloud solutions, machine learning or big data. The new structure will also enable us to achieve maximum customer penetration and Bertrandt has identified the potential for continuing to secure and enhance its market position as an engineering service provider and technology group in the years to come.

Well-targeted capital expenditure enables Bertrandt to optimise its range of services on an ongoing basis. The key factors for success are: maximum possible customer focus, committed employees and efficient cost and capacity management.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT

As discussed throughout this management report, the prospects for the fiscal year 2020/21 are marked by extreme uncertainty as regards overall economic development. Many reputable economic research institutes have underlined the risks inherent in their GDP projections. The intensification of the coronavirus pandemic and the second shutdown in many countries in autumn 2020, i.e. in the middle of the first quarter in our new fiscal year 2020/2021, represents an additional element of uncertainty. The resulting impacts are unpredictable.

Uncertainty concerning the future of the economy as well as the duration and specific effects of the second shutdown and the inability to know what impact it will have on Bertrandt's important customer industries result in considerable uncertainties and make it extremely difficult to produce accurate projections regarding future business performance. The transformation process in the automobile industry is an additional factor on top of the current special situation. This means that the current position is much the same as it was in March 2020, when the Management Board withdrew its forecast for the fiscal year 2019/2020 in response to the spread of the coronavirus.

In the light of the current overall situation resulting from the coronavirus and its impact on the economy and specific industries, it is therefore not possible to arrive at reliable and realistic assessments on which to base forecasts for fiscal year 2020/21.

Depending on the future behaviour of the virus and the government-mandated restrictions or easing off of restrictions which may result, Bertrandt has identified two potential basic scenarios for its business performance in the fiscal year 2020/2021.

The expected development of the financial and non-financial performance indicators used for internal management purposes for the Group are discussed in the following in the context of two possible basic scenarios. It is not possible to weight these scenarios or to make any other statements regarding their probability.

Scenario 1: The pandemic dies down and the overall situation normalises
In this scenario, the Management Board expects the Group's and segments' total revenues to improve and EBIT to increase in fiscal 2020/2021. At the same time, the Management Board anticipates a drop in cash flow from operating activities as a result of working capital effects. Capital expenditure is expected to be lower than in fiscal 2019/2020. We plan to maintain the high level of non-financial performance indicators in fiscal 2020/2021.

Scenario 2: The pandemic persists or even intensifies and is accompanied by ongoing state-ordered restrictions
In this scenario, the Management Board expects the Group's and segments' total revenues, EBIT and cash flow from operating activities to fall in fiscal 2020/2021. Capital expenditure is also expected to be lower than in fiscal 2019/2020. We plan to maintain the high level of non-financial performance indicators in fiscal 2020/2021.

Ehningen 25 November 2020

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		2019/2020	2018/2019
	Notes		
I. Income statement			
Revenues	[6]	**915.191**	**1,058.112**
Other internally generated assets	[7]	1.391	1.758
Total revenues		**916.582**	**1,059.870**
Other operating income	[8]	8.771	17.406
Raw materials and consumables used	[9]	-76.943	-108.755
Personnel expenses	[10]	-696.829	-765.386
Depreciation	[11]	-54.356	-33.687
Other operating expenses	[12]	-82.064	-109.126
EBIT		**15.161**	**60.322**
Share of profit in associates		0.596	0.385
Interest income		0.110	0.427
Financial expenses		-5.825	-3.683
Other financial result		-0.112	0.026
Net finance income	[13]	**-5.231**	**-2.845**
Profit from ordinary activities		**9.930**	**57.477**
Other taxes	[14]	-3.162	-3.257
Earnings before tax		**6.768**	**54.220**
Income taxes	[15]	-3.033	-15.206
Post-tax earnings		**3.735**	**39.014**
attributable to shareholders of Bertrandt AG		3.735	39.014
Number of shares (million) – diluted/basic, average weighting		10.095	10.095
Earnings per share (EUR) – diluted/basic	[16]	0.37	3.86
II. Statement of comprehensive income			
Post-tax earnings		**3.735**	**39.014**
Exchange rate differences[1]		-0.809	0.603
Revaluation of pension obligations		-0.047	-2.383
Deferred tax on remeasurement of retirement benefit obligations		0.012	0.620
Other comprehensive income after taxes		**-0.844**	**-1.160**
Total comprehensive income		**2.891**	**37.854**
– attributable to shareholders of Bertrandt AG		2.891	37.854

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

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET

TABLE 23

EUR million			
		30/09/2020	30/09/2019
	Notes		
Assets			
Intangible assets	[18]	14.566	14.017
Property, plant and equipment	[19]	413.056	302.855
Investment properties	[20]	1.277	1.342
Investments accounted for using the equity method	[21]	7.048	6.453
Financial receivables	[22]	1.428	1.412
Other financial assets	[23]	2.832	2.581
Other assets	[24]	8.724	8.831
Deferred taxes	[25]	15.866	3.072
Non-current assets		**464.797**	**340.563**
Inventories	[26]	0.860	0.993
Contract assets	[27]	90.493	125.315
Trade receivables	[28]	175.471	226.007
Financial receivables	[22]	0.413	0.558
Other financial assets	[23]	3.156	2.873
Other assets	[24]	19.671	15.664
Income tax assets	[29]	3.365	5.198
Cash and cash equivalents	[30]	187.233	91.491
Current assets		**480.662**	**468.099**
Total assets		**945.459**	**808.662**
Equity and liabilities			
Issued capital	[31]	10.143	10.143
Capital reserves	[32]	29.714	29.714
Retained earnings	[33]	346.136	346.136
Other reserves	[33]	-5.909	-5.065
Consolidated distributable profit		23.347	35.764
Equity		**403.431**	**416.692**
Borrowings	[34]	234.913	212.419
Other financial liabilities	[35]	76.449	0
Other liabilities	[36]	1.648	1.747
Provisions	[37] / [38]	13.002	12.445
Deferred taxes	[25]	18.586	12.634
Non-current liabilities		**344.598**	**239.245**
Borrowings	[34]	45.412	3.498
Contract liabilities	[39]	2.137	4.520
Trade payables	[40]	12.852	15.751
Other financial liabilities	[35]	35.205	22.442
Other liabilities	[36]	67.046	72.562
Other provisionsn	[38]	26.546	33.185
Tax provisions	[41]	8.232	0.767
Current liabilities		**197.430**	**152.725**
Total equity and liabilities		**945.459**	**808.662**

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 01/10/2019	**10.143**	**29.714**	**346.136**	**-1.290**	**-3.775**	**-5.065**	**35.764**	**416.692**
Post-tax earnings							3.735	**3.735**
Other comprehensive income after taxes				-0.809[1]	-0.035	**-0.844**		**-0.844**
Total comprehensive income				**-0.809**	**-0.035**	**-0.844**	**3.735**	**2.891**
Dividend payment							-16.152	**-16.152**
Other non-operating changes								**0**
Treasury share/additions								**0**
Value on 30/09/2020	**10.143**	**29.714**	**346.136**	**-2.099**	**-3.810**	**-5.909**	**23.347**	**403.431**
Previous year								
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**

[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	2019/2020	2018/2019
1. Post-tax earnings	**3.735**	**39.014**
2. Income taxes	3.033	15.206
3. Result from investments accounted for using the equity method	-0.596	-0.368
4. Interest income	-0.110	-0.427
5. Finance Costs	5.825	3.683
6. Net finance income	0.112	-0.026
7. Depreciation of non-current assets	54.356	33.687
8. Increase/decrease in provisions	-6.272	-0.988
9. Other non-cash income/expense	0.246	-2.953
10. Gains/losses from disposal of non-current assets	1.021	-9.215
11. Increase/decrease in inventories, trade receivables and other assets no assigned to investing or financing acitivities	46.194	11.730
12. Increase/decrease in contract assets	34.822	-4.213
13. Increase/decrease in trade payables and other liabilities no assigned to investing or financing acitivities	-18.979	5.132
14. Income tax paid	-1.795	-17.564
15. Income tax received	2.259	3.428
16. Interest paid[1]	-0.623	-4.071
17. Interest received[1]	0.293	0.229
18. Cash flows from operating activities (1.-17.)	**123.521**	**72.284**
19. Payments received from disposal of property, plant and equipment	0.397	18.014
20. Payments made for investments in property, plant and equipment	-48.489	-62.324
21. Payments made for investments in intangible assets	-3.149	-2.684
22. Payments made for investments accounted for using the equity method	0	-0.211
23. Payments made to acquire consolidated entities and other businesses	-0.100	-0.490
24. Cash flows from investing activities (19.-23.)	**-51.341**	**-47.695**
25. Dividend payment	-16.152	-20.191
26. Financial receivables - payments received	0.235	0.383
27. Financial receivables - payments made	-0.305	-0.338
28. Payments received from borrowings issued	65.568	0
29. Payments made for the repayment of borrowings	-1.279	-1.746
30. Payments made for the repayment of other financial liabilities[2]	-18.618	0
31. Interest paid on borrowings and other financial liabilities[1+2]	-5.360	0
32. Cash flows from financing activities (25.-31.)	**24.089**	**-21.892**
33. Changes in cash and cash equivalents (18.+24.+32.)	96.269	2.697
34. Effect of exchange rate changes on cash and cash equivalents	-0.527	0.389
35. Cash and cash equivalents at beginning of period	91.491	88.405
36. Cash and cash equivalents at end of period (33.-35.)	**187.233**	**91.491**

The consolidated cash flow statement is explained in the notes under [42].
[1] Refer to Presentation of financial statements in the notes for explanations on the recognition of interest paid.
[2] Refer to the explanations on IFRS 16 in the management report and the notes.

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. The Articles of Association are accessible at "https://www.bertrandt.com/fileadmin/files/files/00_Unternehmen/01_Investor_Relations/06_Hauptversammlung/HV_18-19/2020_09_10_Aktuelle_Satzung_19-02-2020_Bertrandt_AG.pdf".

As stipulated by EU Regulation (EC) No. 1606/2002, the consolidated financial statements of Bertrandt AG for the fiscal year from 1 October 2019 to 30 September 2020 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 (HGB) (taking into consideration Article 83 (1) sentence 2 of the Introductory Law to the German Commercial Code (EGHGB)) were observed.

All standards effective in the 2019/2020 fiscal year were applied. The consolidated financial statements have been prepared on the basis of historical cost, with the exception of 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 25 November 2020. 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.

As a result of the adoption of IFRS 16, which has been applied for the first time for this fiscal year, and additional loans needed for investments, the interest paid is reported within cash flow from financing activities. For purposes of improving the presentation of interest paid until now, the interest paid on borrowings and other financial liabilities is also shown in cash used in financing activities. In the previous year, the change in presentation would have resulted in a cash flow from operating activities of EUR 75.684 million and cash flow from financing activities of EUR -25.292 million.

The consolidated financial statements give a true and fair view of the net assets, results of operations and financial position as well as the cash flows of the Group, also taking the coronavirus pandemic into account. The impact of the pandemic and the government-mandated restrictions significantly affected Bertrandt's business performance in fiscal year 2019/2020.

– Total revenues fell by EUR 143.288 million to EUR 916.582 million (previous year EUR 1,059.870 million).
– Operating profit (EBIT) in this segment was EUR 15.161 million (previous year EUR 60.322 million).
– Cash flow from operating activities in fiscal year 2019/2020 amounted to EUR 123.521 million (previous year EUR 72.284 million).

With the spread of the coronavirus in Germany and other countries in which the Bertrandt Group operates, combined with the risks of government-mandated and/or customer-specific measures, the Management Board of Bertrandt AG decided on 20 March 2020 to withdraw its guidance for the fiscal year 2019/2020. As yet, it is not clear how the coronavirus pandemic and the shutdown will affect the German and global economies in the medium and long run. It will probably take a few months before we can assess the impact of the crisis. Additional explanations are provided in the management report.

International Financial Reporting Standards and IFRIC Interpretations mandatorily effective from the fiscal year 2019/2020
The following table sets out the International Financial Reporting Standards and IFRIC Interpretations that are mandatorily effective from fiscal 2019/2020.

TABLE 26

Standard/ Interpretation		Mandatory application[1]	effect
IFRS 9	Amendments to IFRS 9: Prepayment features with negative compensation	01/01/2019	none
IFRS 16	Leases	01/01/2019	Accounting
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	none
IFRIC 23	Uncertainty over income tax treatments	01/01/2019	none
Verbesserung der IFRS	Adoption of annual improvements to IFRS cycle 2015-2017	01/01/2019	Single-case-audit

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

Effects of new accounting standards

IFRS 16 – Leases
IFRS 16 changes the financial reporting rules for leases, requiring all leases to be reported in the balance sheet. Until 30 September 2019, leases had been reported according to IAS 17. From 1 October 2019 onwards, lessees no longer make a distinction between finance leases and operating leases. Instead, they will be required to recognise on the balance sheet a right-of-use asset and a lease liability for all leases, provided that these are no short-term leases or leases of low-value assets. Refer to the explanations regarding the transition reliefs applied by Bertrandt.

– 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 lessor charges the lessee. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used instead. The weighted average incremental borrowing rate used for the measurement of the right-of-use assets and lease liabilities as at 1 October 2019 was 2.4%.

The Company adopted IFRS 16 using the simplified retrospective method, which does not require restatement of prior-year figures.

The Bertrandt Group uses the following transition options and practical expedients:
– The capitalised right-of-use assets are allocated to those items in the balance sheet under which the underlying assets of the lease would be reported if they were owned by the Bertrandt Group. The right-of-use assets are recognised as non-current assets in property, plant and equipment.
– The lease liabilities are shown in current and non-current other financial liabilities respectively, depending on their maturities.
– The initial direct costs are not taken into account in the measurement of the right-of-use assets. The lease liabilities and right-of-use assets were initially stated at the same amount.
– IFRS 16 is not applied to intangible assets.
– Individual leases ending in fiscal year 2019/2020 are treated as short-term leases according to the practical expedients.
– For leases with a lease term of 12 months or less (short-term leases) and leases of low-value assets (guiding value of EUR 5,000), no right-of-use assets and lease liabilities are recorded.

The first recognition of the right-of-use assets and lease liabilities in the balance sheet had the following effects as at 1 October 2019:
– Recognition of right-of-use assets and lease liabilities of EUR 81.267 million in the balance sheet, of which EUR 64.840 million are long-term lease liabilities, and EUR 16.427 million, short-term lease liabilities.
– There were no effects on equity.

In the period under review, the adoption of IFRS 16 had the following effects on the consolidated income statement and the consolidated balance sheet as at 30 September 2020:

EFFECTS OF IFRS 16 ON THE CONSOLIDATED INCOME STATEMENT

TABLE 27

EUR million	
01/10 to 30/09	2019/2020
Raw materials and consumables used	0.118
Depreciation	-19.569
Other operating expenses (Operating lease expenses)	20.658
EBIT	**1.207**
Interest expense from lease liabilities	-2.158
Net finance income	**-2.158**
Profit from ordinary activities / Earnings before tax	**-0.951**
Income taxes	0.269
Post-tax earnings	**-0.682**

EFFECTS OF IFRS 16 ON THE CONSOLIDATED BALANCE SHEET STATEMENT

TABLE 28

EUR million	30/09/2020 (incl. IFRS 16)	Impact of IFRS 16	Offsetting	30/09/2020 (excl. IFRS 16)
Assets				
Non-current assets	**464.797**	**-123.715**	**15.908**	**356.990**
of which right-of-use assets	413.056	-95.668		317.388
of which deferred taxes	15.866	-28.047	15.908	3.727
Current assets	**480.662**	**0**		**480.662**
Total assets	**945.459**	**-123.715**	**15.908**	**837.652**
Equity and liabilities				
Equity	**403.431**	**0.624**		**404.055**
of which other reserves	-5.909	-0.058		-5.967
of which consolidated distributable profit	23.347	0.682		24.029
Equity ratio	42.7%			48.2%
Non-current liabilities	**344.598**	**-104.208**	**15.908**	**256.298**
of which other financial liabilities	76.449	-76.432		0.017
of which deferred taxes	18.586	-27.776	15.908	6.718
Current liabilities	**197.430**	**-20.131**		**177.299**
of which other financial liabilities	35.205	-20.131		15.074
Total equity and liabilities	**945.459**	**-123.715**	**15.908**	**837.652**

Cash flow from operating activities improved by EUR 20.776 million as a result of the change in recognition of operating lease expenses with a corresponding decrease in cash flow from financing activities.

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 2019/2020. Bertrandt will apply them for the accounting period for which they become effective.

TABLE 29

Standard/ Interpretation		Mandatory application[1]	Expecetd effect
IFRS 3[2]	Amendment to IFRS 3: Business combinations	01/01/2020	none
IFRS 3, IAS 16 and IAS 37[2]	Amendment to IFRS 3, IAS 16 and IAS 37: Annual improvements	01/01/2022	Single-case audit
IFRS 4[2]	Amendment to IFRS 4: Insurance contracts – deferral of IFRS 9	01/01/2021	none
IFRS 7, IFRS 9 and IAS 39	Amendment to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform	01/01/2020	none
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39[2]	Amendment to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest Rate Benchmark Reform – Phase 2	01/01/2021	none
IFRS 16[2]	Amendment to IFRS 16: Leases Covid 19-related rent concessions	01/06/2020	Single-case audit
IFRS 17[2]	Insurance Contracts; including Amendments to IFRS 17	01/01/2023	none
IAS 1 and IAS 8[2]	Amendment to IAS 1 and IAS 8: Definition of material	01/01/2020	Currently under examination
IAS 1[2]	Amendment to IAS 1: Classification of liabilities as current or non-current	01/01/2023	Currently under examination
Improvements to IFRS	Changes on the conceptual Framework der IFRS-regulations[2]	01/01/2020	Single-case audit

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

[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% 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

	30/09/2020
Bertrandt AG and consolidated subsidiaries	**52**
Germany	42
Abroad	10
Associates and joint ventures	**17**
Germany	17
Abroad	0
Total	69

Refer to Note [54] for more disclosures on the shareholdings of Bertrandt AG.

The joint venture Bertrandt Campus Beteiligungen GmbH, Ehning, which was newly incorporated in the fiscal year, was included for the first time in the consolidated financial statements. The following associates in which Bertrandt indirectly held shares are no longer included in the group of consolidated companies of Bertrandt AG because they were sold: MCIP tool GmbH, Mollis automotive GmbH and NAMENU tool GmbH, each with registered offices in Pullach i. Isartal. Their initial and final consolidation is immaterial to Bertrandt Group's net assets, results of operations and financial position. According to existing contractual arrangements, the Company has no control of joint ventures in which Bertrandt's shareholdings exceed 50% 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, 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.

[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	
		30/09/2020	30/09/2019	2019/2020	2018/2019
China	CNY	7.9749	7.7248	7.8386	7.7447
United Kingdom	GBP	0.9128	0.8878	0.8782	0.8843
Romania	RON	4.8719	4.7500	4.8116	4.7187
Turkey	TRY	9.0996	6.1724	7.2876	6.3274
Czech Republic	CZK	27.2140	25.8180	26.1792	25.7388
United States	USD	1.1711	1.0922	1.1197	1.1283

[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, results of operations 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 term of a lease according to IFRS 16 is estimated on the basis of the non-cancellable period of the lease and on the assessment of whether it is reasonably certain that an option to extend the lease or to terminate the lease will be exercised. The lease term determined and the discount rates used affect the amounts recognised for the right-of-use assets and lease liabilities.

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. In the year under review, impairment testing for assets, especially goodwill and intangible assets, was influenced by the coronavirus pandemic. Bertrandt currently considers that the pandemic is a temporary crisis, which will not have a lasting negative effect on the Group's long-term business performance.

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.

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. Taking into account the Covid-19 pandemic as a temporary crisis, last year's planning of the impairment test for the fiscal years 2019/2020 to 2021/2022 was adjusted to current expectations about overall market developments and the resulting impacts on Bertrandt for the next three subsequent reporting periods, including the changes resulting from the adoption of IFRS 16. Refer to the management report for detailed information on the expected developments. To determine cost of capital (WACC), peer group information is used for the debt-to-equity ratio and the beta factors. As a result of the adoption of IFRS 16, the debt-to-equity ratio was adjusted. To determine the values in use, a WACC before tax of 12.8% (previous year 8.9%) and for the terminal growth rate of 11.8% (previous year 7.9%) are applied in the Digital Engineering segment. In the Physical Engineering segment, the WACC before tax is 12.3% (previous year 8.6%) and for the terminal growth rate it is 11.3% (previous year 7.6%). The terminal growth rate is based on a growth factor of 1% (previous year 1%). A change in WACC by +/- 0.5 percent points has no influence on the results of the impairment tests for goodwill.

With a variation of revenues of +/-5% or earnings of +/-3%, the resulting impacts do not require goodwill impairment. 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 resulting scenarios – taking into account the effects of the pandemic – 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 20 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 underlying cost of debt is 1.2% and 1.4% (previous year 1.4%).

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 (including right-of-use assets according to IFRS 16) 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 in 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 uncollectibility.

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 uncollectibility.

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. 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. Deferred income tax assets and liabilities are offset where permitted.

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 – lessees

A right-of-use asset and a lease liability are recorded for all leases where Bertrandt acts as a lessee. To the extent that options to extend or terminate the lease have been agreed in the lease, the exercise of these options is examined and evaluated by accounting for all relevant facts and circumstances before the lease's recognition on the balance sheet, provided that the exercise or non-exercise is deemed reasonably certain.

The Company applies the recognition exemption according to which no recognition of a right-of-use asset and lease liability is required for leases with a lease term of 12 months or less (short-term leases) and leases of low-value assets (guiding value of EUR 5,000). The lease payments under these leases are recognised as other operating expenses over the lease term.

Right-of-use assets
The right-of-use asset is initially measured at the amount of the lease liability plus direct costs. Subsequently, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are recognised in property, plant and equipment; the provisions of IAS 36 are complied with.

Lease liability
The lease liability is measured at the present value of the lease payments not yet made and which are due during the lease term. The interest rate used by the Bertrandt Group is an incremental borrowing rate. The lease liability is subsequently measured using the effective interest method; the lease payment is split into interest and capital.

The incremental borrowing rate is determined based on benchmark interest rates with equivalent maturities of ten years or less, based on the yields of German corporate bonds.

Leases – lessor

Each of the leases is classified as either a finance lease or an operating lease according to the extent to which risks and rewards lie with the lessor or the lessee. To the extent that the ownership of the underlying asset continues to lie with Bertrandt, the underlying asset continues to be recognised in the balance sheet and rental income is recognised in the income statement. If all risks and rewards lie with the lessee, the underlying asset is removed from property, plant and equipment and a receivable in the amount of the net investment value is recognised.

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 915.191 million (previous year EUR 1,058.112 million), EUR 791.376 million (previous year EUR 876.721 million) were contributed by the domestic entities, and EUR 123.815 million (previous year EUR 181.391 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 684.542 million (previous year EUR 793.539 million).

There are two customers with whom Bertrandt generated more than 10% of its total revenues respectively, in both cases across all segments. Total revenues generated by these two customers amounted to EUR 353.773 million (previous year EUR 338.210 million) and EUR 197.608 million (previous year EUR 227.417 million) respectively.

As of the balance sheet date, revenues expected from performance obligations not yet satisfied amounted to EUR 1,016.112 million (previous year EUR 1,075.697 million). Of this total, EUR 906.386 million (previous year EUR 930.692 million) were accounted for by performance obligations satisfied over time, of which obligations of EUR 347.445 million (previous year 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 74.717 million (previous year 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 depreciated/amortised over their expected useful lives on a straight-line basis.

[8] OTHER OPERATING INCOME

Other operating income for fiscal 2019/2020 is comprised of the following:

OTHER OPERATING INCOME

TABLE 32

EUR million	2019/2020	2018/2019
Work-related income	**5.550**	**5.460**
of which non-cash benefits to employees	4.588	4.469
of which rental income	0.962	0.991
Non-work-related income	**1.156**	**10.142**
of which income from disposal of assets	0.258	9.714
of which income from reversal of provisions	0.161	0.73
of which income from reversal of impairment losses	0.737	0.355
Miscellaneous other operating income	**2.065**	**1.804**
of which payments for damages received	0.288	0.242
of which income from exchange-rate differences	0.229	0.551
of which miscellaneous	1.548	1.011
Total	**8.771**	**17.406**

Rental income comprises rental income from investment property in the amount of EUR 0.232 million (previous year EUR 0.233 million). For the coming fiscal years other rental income of EUR 1.620 million (previous year EUR 1.369 million) is expected. Of this, rental income of EUR 0.765 million (previous year EUR 0.634 million) arises from leases with a term of up to one year and EUR 0.855 million (previous year EUR 0.734 million) from leases with a term of more than one year. In the previous year, gains on asset disposal include a gain on the sale of land for EUR 9.165 million. In the fiscal year under review, government subsidies of EUR 0.477 million for innovative projects (previous year EUR 0.053 million) are included in miscellaneous other operating expense.

[9] COST OF MATERIALS

The cost of materials breaks down as follows:

AW MATERIALS AND CONSUMABLES USED

TABLE 33

EUR million	2019/2020	2018/2019
Expenditure on raw materials and consumables used	**10.667**	**25.398**
Expenditure on work purchased	**66.276**	**83.357**
of which CAX costs	22.300	21.027
of which external work	43.747	62.032
of which incoming freight	0.229	0.298
Total	**76.943**	**108.755**

[10] PERSONNEL EXPENSES

Overall, the Bertrandt Group employed an average of 12,624 people in the fiscal year (previous year 13,133).

EMPLOYEES IN AVERAGE

TABLE 34

Number	2019/2020	2018/2019
Technical employees	847	923
Office employees	11,106	11,340
Trainees/undergraduates	280	326
Interns/post-graduates	123	202
Temporary staff	268	342
Total	**12,624**	**13,133**

Personnel expenses include expenditure on wages and salaries in the amount of EUR 572.340 million (previous year EUR 632.243 million) as well as expenditure on social security of EUR 124.489 million (previous year EUR 133.143 million) including the employer contribution to the statutory pension system presented under expenses for post-employment benefits and further defined contribution expense of EUR 57.112 million (previous year EUR 60.803 million).

PERSONNEL EXPENSES

TABLE 35

EUR million	2019/2020	2018/2019
Wages and salaries	**572.340**	**632.243**
Expenditure on social security	**124.489**	**133.143**
of which employer contribution to social security	67.086	72.151
of which expenditure on post-employment benefits	57.403	60.992
Total	**696.829**	**765.386**

The reduction is mainly due to short-time working and similar measures in Germany and abroad, as well as to a structural adjustment of the headcount. Personnel expenses also include government grants of EUR 3.994 million in Germany (previous year EUR 0 million) and of EUR 5.023 million (previous year EUR 0.420 million) in other countries. Subsidies for innovative projects received under government economic stimulus packages accounted for a EUR 1.082 million (previous year EUR 1.364 million) reduction in expenses.

In the previous year, expenses of EUR 0.056 million had been incurred for a management programme.

[11] DEPRECIATION/AMORTISATION EXPENSE

Depreciation/amortisation expense is comprised of the following:

DEPRECIATION/AMORTISATION

TABLE 36

EUR million	2019/2020	2018/2019
Depreciation/amortisation on		
intangible assets	2.578	2.684
property, plant and equipment	51.713	30.937
investment properties	0.065	0.066
Total	**54.356**	**33.687**

Depreciation of right-of-use assets of EUR 19.569 million (previous year EUR 0 million) was included for the first time in property, plant and equipment according to IFRS 16. 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	2019/2020	2018/2019
Miscellaneous manufacturing expenses	5.443	5.552
Office premises, furnishings and fittings	26.483	45.420
Miscellaneous personnel expenses	16.149	21.481
General administrative expenses	2.636	3.324
Distribution expenses	9.162	15.746
Expenditure on exchange-rate differences	0.668	0.165
Non-work-related expenses	8.835	4.541
Fleet expenses	5.060	7.249
Other expenses	7.628	5.648
Total	**82.064**	**109.126**

Expenditure on premises and inventory includes rental expenses of EUR 5.987 million (previous year EUR 22.590 million).

Expenses for changes in personnel structure in fiscal 2019/2020 were EUR 6.852 million (previous year EUR 2.284 million), of which EUR 2.023 million (previous year EUR 0 million) is accounted for by restructuring expenses which are included in non-operating expenses. EUR 1.308 million (previous year EUR 0 million) of the increase in other expenses resulted from ongoing court proceedings. In addition, the amounts recognised include primarily 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 0.541 million (previous year EUR 0.682 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	2019/2020	2018/2019
Share of profits in associates	0.596	0.385
Interest income	0.110	0.427
Financial expenses	-5.825	-3.683
Other financial result	-0.112	0.026
Net finance income	**-5.231**	**-2.845**

The finance costs of EUR 5.825 million (previous year EUR 3.683 million) comprise interest expense resulting from short- and long-term loans, interest expense for the long-term commitment of credit facilities of EUR 3.363 million (previous year EUR 3.360 million) and interest expense of EUR 2.158 million included for the first time in lease payments according to IFRS 16. [Anm. d. Übers.: erstmalig enthalten bezieht sich nur auf Leasing? im Dt. Uneindeutig. Net finance income also comprises interest on tax payments in the amount of EUR 0.016 million (previous year EUR 0.009 million) and other interest of EUR 0.173 million (previous year EUR 0.164 million).

Interest income primarily results from bank deposits, other interest income of a total of EUR 0.101 million (previous year EUR 0.409 million) and interest from tax refunds of EUR 0.009 million (previous year EUR 0.018 million).

Net other finance income comprises an amount of EUR 0.112 million due to valuation issues (previous year EUR 0.026 million).

[14] OTHER TAXES

Foreign tax expenditure primarily involves the subsidiaries in France.

OTHER TAXES

TABLE 39

EUR million	2019/2020	2018/2019
Domestic tax expense	0.605	0.611
Foreign tax expense	2.557	2.646
Other taxes	**3.162**	**3.257**

[15] INCOME TAXES

As in the previous year, income taxes comprise corporate income tax of 15% plus the solidarity surcharge of 5.5% as well as trade tax of approximately 14% 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	2019/2020	2018/2019
Actual domestic tax expense	8.837	12.242
Actual foreign tax expense	1.025	2.085
Actual tax expense	**9.862**	**14.327**
Deferred tax income	-6.829	0.879
Income taxes	**3.033**	**15.206**

Lower contract receivables had an effect of EUR 4.412 million (previous year EUR 0.351 million) on deferred tax income. The income tax expense of EUR 3.033 million calculated for fiscal 2019/2020 is EUR 1.003 million higher than the expected income tax expense of EUR 2.030 million that would have arisen had a tax rate of 30% (previous year 30%) been applied to the consolidated pre-tax earnings.

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

RECONCILIATION OF INCOME TAX

TABLE 41

EUR million	2019/2020	2018/2019
Earnings before income tax	6.768	54.220
Expected tax rate	30.0%	30.0%
Expected income tax expense	**2.030**	**16.266**
Taxation differences affecting foreign subsidiaries	1.006	-0.540
Tax effects of payouts and pre-year tax assessments	-0.210	0.104
Tax effect of non-deductible operating expenses and other tax modifications	0.208	-0.622
Consolidation effects	0.008	-0.009
Other effects	-0.009	0.007
Actual income tax expense	**3.033**	**15.206**
Effective tax rate	44.8%	28.0%

The item “Taxation differences affecting foreign subsidiaries” includes, among other things, impairment of deferred tax assets from loss carry-forwards of EUR 1.099 million (previous year EUR 0.291 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 0.027 million (previous year EUR 0.630 million). No deferred tax assets from loss carry-forwards were utilised in fiscal year 2019/20 (previous year EUR 0.407 million).

In the period under review, tax effects of EUR 0.012 million (previous year EUR 0.620 million) resulted from the remeasurement of the retirement benefit obligations. These tax effects are recognised in other reserves (OCI); their cumulated amount is EUR 1.421 million (previous year EUR 1.409 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	2019/2020	2018/2019
Post-tax earnings (EUR million)	3.735	39.014
attributable to shareholders of Bertrandt AG (EUR million)	**3.735**	**39.014**
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	**0.37**	**3.86**

[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 impairment and subsequent measurement.

NET GAINS OR NET LOSSES ON FINANCIAL INSTRUMENT BY CATEGORY AS DEFINED IN IFRS 7

TABLE 43

EUR million	2019/2020	2018/2019
Loans and receivables	-0.019	-0.724
Financial liabilities measured at amortised cost	-3.605	-3.345
Financial assets and liabilities measured at fair value through profit and loss	-0.114	-0.150
Total	**-3.738**	**-4.219**

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	2019/2020	2018/2019
Interest income	0.096	0.408
Interest expenses	-3.700	-3.524
Total	**-3.604**	**-3.116**

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 2019/2020, as was also the case in the previous year.

Impairment losses on loans and receivables came to EUR 0.344 million in the period under review (previous year EUR 1.652 million).

Notes on items of the balance sheet

Assets

NON-CURRENT ASSETS

[18] INTANGIBLE ASSETS

Additions to intangible assets primarily comprised technical software licenses.

Goodwill is subjected to regular impairment testing in accordance with IAS 36. In fiscal 2019/2020, 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 6.399 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 0.745 million (previous year EUR 0.723 million).

INTANGIBLE ASSETS

TABLE 45

EUR million	Concessions and licences	Internally generated software	Goodwill	Other	Total intangible assets
Historical costs					
Value on 01/10/2019	53.006	0.994	9.308	0.887	64.195
Currency differences	-0.013	0	0	0	-0.013
Additions	2.661	0.096	0	0.392	3.149
Disposals	0.351	0.359	0	0	0.710
Reclassifications	0.052	0.326	0	-0.326	0.052
Value on 30/09/2020	55.355	1.057	9.308	0.953	66.673
Amortisation					
Value on 01/10/2019	49.446	0.704	0	0.028	50.178
Currency differences	0.009	0	0	0	0.009
Additions	2.429	0.133	0	0.016	2.578
Disposals	0.299	0.359	0	0	0.658
Reclassifications	0	0	0	0	0
Value on 30/09/2020	51.585	0.478	0	0.044	52.107
Residual carring amount 30/09/2020	**3.770**	**0.579**	**9.308**	**0.909**	**14.566**
Residual carring amount 30/09/2019	**3.560**	**0.290**	**9.308**	**0.859**	**14.017**
Previous year					
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**

[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 0.350 million (previous year EUR 0.093 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 01/10/2019[1]	263.344	145.021	133.478	49.717	591.560
Currency differences	-0.131	-0.009	-0.101	-0.003	-0.244
Additions	35.488	7.890	10.262	30.370	84.010
Disposals	2.277	2.550	10.799	0	15.626
Reclassifications	5.706	15.979	1.995	-23.732	-0.052
Value on 30/09/2020	302.130	166.331	134.835	56.352	659.648
Depreciation					
Value on 01/10/2019	29.992	80.737	96.709	0	207.438
Currency differences	0	0	-0.038	0	-0.038
Additions	22.899	13.998	14.816	0	51.713
Disposals	0.009	1.898	10.614	0	12.521
Reclassifications	0	0	0	0	0
Value on 30/09/2020	52.882	92.837	100.873	0	246.592
Residual carring amount 30/09/2020	**249.248**	**73.494**	**33.962**	**56.352**	**413.056**
Residual carring amount 30/09/2019	**156.580**	**63.147**	**33.411**	**49.717**	**302.855**
Previous year					
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**

[1] Opening values include right-of-use assets according to IFRS 16.

From this fiscal year onwards, the balance sheet item Property, plant and equipment includes right-of-use assets under leases. Their carrying amounts are determined as follows:

IFRS 16 RIGHT-OF-USE ASSETS

TABLE 47

EUR million	property and plant	Technical equipment and machinery	other facilities, factory and office equipment	Advanced payments and work in progress	Total right-of-use-assets
Right-of-use-assets					
Value on 01/10/2019[1]	76.772	1.137	3.358	0	81.267
Currency differences	-0.131	0	0	0	-0.131
Additions	33.949	0	2.468	0	36.417
Disposals	2.148	0.168	0	0	2.316
Value on 30/09/2020	108.442	0.969	5.826	0	115.237
Depreciation					
Value on 01/10/2019	0	0	0	0	0
Currency differences	0	0	0	0	0
Additions	17.167	0.263	2.139	0	19.569
Disposals	0	0	0	0	0
Value on 30/09/2020	17.167	0.263	2.139	0	19.569
Residual carring amount 30/09/2020	**91.275**	**0.706**	**3.687**	**0**	**95.668**

[1] Opening values.

Expenses for short-term leases were EUR 3.247 million in fiscal 2019/2020 and are included in other operating expenses. Expenses of EUR 0.566 million were incurred for leases of low-value assets, with cost of materials accounting for EUR 0.410 million, and other operating expenses for EUR 0.155 million.

[20] INVESTMENT PROPERTIES

As at 30 September 2020, 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 12.3% (previous year 8.6%) and a terminal growth rate of 11.3% (previous year 7.6%). The terminal growth rate is based on a growth factor of 1% (previous year 1%). No external independent expert's valuation was used for this purpose. In the period under review rental income of EUR 0.232 million (previous year EUR 0.233 million) was recorded. No maintenance expense was incurred in fiscal 2019/2020 (previous year EUR 0.001 million).

INVESTMENT PROPERTIES TABLE 48

EUR million	Investment properties
Historical costs	
Value on 01/10/2019	4.626
Additions	0
Disposals	0
Reclassifications	0
Value on 30/09/2020	4.626
Depreciation	
Value on 01/10/2019	3.284
Additions	0.065
Disposals	0
Reclassifications	0
Value on 30/09/2020	3.349
Residual carring amount 30/09/2020	**1.277**
Residual carring amount 30/09/2019	**1.342**
previous year	
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**

[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 49

EUR million	Associates	Joint ventures	Total
Historical costs			
Value on 01/10/2019	0.121	6.332	6.453
Additions	0	0	0
Disposals	0.008	0	0.008
Share of profit/loss	0.007	0.597	0.604
Dividends	0.001	0	0.001
Value on 30/09/2020	0.119	6.929	7.048
Depreciation			
Value on 01/10/2019	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30/09/2020	0	0	0
Residual carring amount 30/09/2020	**0.119**	**6.929**	**7.048**
Residual carring amount 30/09/2019	**0.121**	**6.332**	**6.453**
Previous year			
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**

The addition to joint ventures refers to the investment made in the joint venture newly incorporated in fiscal year 2019/2020. Of the joint ventures' share of profit/loss, EUR 0.448 million (previous year EUR 0.418 million) were attributable to Bertrandt Campus GmbH. The disposal of associates of EUR 0.008 million is the result of the sale of indirect investments; the proceeds from the sale were EUR 0 million.

[22] CURRENT AND NON-CURRENT FINANCIAL RECEIVABLES

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

FINANCIAL RECEIVABLES

TABLE 50

EUR million	Current	Non-current	30/09/2020
Financial receivables	0.413	1.428	**1.841**
Previous year			
	Current	Non-current	**30/09/2019**
Financial receivables	0.558	1.412	**1.970**

Current and non-current financial receivables are mainly employer loans which bear interest of 3-5%. 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 5.988 million in other financial assets (previous year EUR 5.454 million), EUR 2.832 million are non-current assets (previous year EUR 2.581 million), mainly comprising reinsurance. Provisions for impairment in the previous year amounted to EUR 0.152 million.

[24] CURRENT AND NON-CURRENT OTHER ASSETS

Other assets amounted to EUR 28.395 million (previous year EUR 24.495 million) and include prepaid expenses and receivables from public institutions, of which EUR 8.724 million (previous year EUR 8.831 million) have a residual maturity of more than one year.

[25] DEFERRED TAX ASSETS AND TAX LIABILITIES

Deferred tax assets and liabilities comprise the following items:

DEFERRED TAX ASSETS AND LIABILITIES

TABLE 51

EUR million	30/09/2020		30/09/2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	1.591	31.138	1.306	3.322
Future receivables from construction contracts	0	5.669	0	10.081
Post-retirements benefit provisions	1.836	0	1.792	0
Other provisions	1.881	0.015	0.760	0.007
Unused tax losses	0.801	0	0.610	0
Other financial liabilities	28.047	0	0	0
Other items	0.122	0.176	0.145	0.765
Total before offsetting	**34.278**	**36.998**	**4.613**	**14.175**
Offsetting	-18.412	-18.412	-1.541	-1.541
Deferred tax assets and liabilities	**15.866**	**18.586**	**3.072**	**12.634**

Of the deferred tax assets before offsetting, EUR 32.519 million (previous year EUR 4.024 million) have a residual maturity of more than one year. Of the deferred tax liabilities before offsetting, EUR 6.295 million (previous year EUR 10.814 million) are short-term and EUR 30.703 million (previous year EUR 3.361 million) are long-term liabilities. The increase in deferred tax assets and liabilities is essentially caused by the adoption of IFRS 16 and the resulting effect on deferred taxes.

A deferred tax asset was capitalised in the amount of EUR 0.801 million (previous year EUR 0.151 million) for entities 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 6.300 million (previous year EUR 1.310 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 45.129 million (previous year EUR 46.087 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 52

EUR million	30/09/2020	30/09/2019
Raw materials and consumables used	**0.860**	**0.993**

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 53

EUR million	01/10/2019	Increase	Decrease	30/09/2020
Contract assets	310.261	101.415	-207.148	204.528
Less contract liabilities	-184.946			-114.035
Total	**125.315**			**90.493**

Contract assets exclusively comprise performance obligations satisfied over time. They decreased to EUR 34.822 million due to completion and invoicing, as well as to declining operating activities.

As at the end of the fiscal year, the Company recognised provisions of EUR 0.664 million (previous year EUR 0 million) 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 175.471 million (previous year EUR 226.007 million) and are due for settlement in less than one year. Payment terms for customers are between 0 and 90 days on average (previous year 0 to 90 days). The Group has entered into a factoring agreement with a bank and sold 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 17.675 million (previous year EUR 28.408 million) which were fully derecognised.

Provisions for impairment amounted to EUR 4.615 million (previous year EUR 4.896 million).

[29] INCOME TAX ASSETS

Income tax assets of EUR 3.365 million (previous year EUR 5.198 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 0.068 million (previous year EUR 0.032 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 2020. 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] SHARE CAPITAL

On 30 September 2020, 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 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 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 amounted to EUR 48.027 million (previous year 48,027 shares), equivalent to 0.5% (previous year 0.5%) of the Company's share capital.

[33] RETAINED EARNINGS AND OTHER RESERVES (OCI)

Exchange differences of EUR -0.809 million (previous year EUR 0.603 million) resulting from the consolidation of the subsidiaries' equity were offset with other reserves (OCI).

The change in provisions for pensions of EUR -0.047 million (previous year EUR -2.383 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 0.012 million (previous year EUR 0.620 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

Borrowings were EUR 280.325 million as at 30 September 2020 (previous year EUR 215.917 million).

Bertrandt AG's non-current borrowings primarily consist of the long-term tranches of the bonded loan of EUR 170.000 million. The original maturities of the tranches were five, seven and ten years. When payment is due, 100% of the loan amount must be repaid. Special redemption rights apply to the floating-rate tranches. In addition, financing from the KfW's programme 'Energy Efficiency Programme – Waste Heat' was included for the first time in non-current borrowings.

The increase in current borrowings by EUR 3.498 million to EUR 45.412 million as at 30 September 2020 is partially the result of two bond tranches of EUR 30.000 which still had a long-term maturity in the previous year and fell due in November 2020. In addition, EUR 11.793 million was granted under governments' short-term corona aid packages in specific countries. Current borrowings also include accrued unpaid interest, additional repayments due in the future and issued cheques that have not yet been presented for payment.

As at 30 September 2020, the domestic and non-domestic interest rates on current and non-current financial borrowings were in the range between 0.5 and 6.3% (previous year 0.6 and 6.3%).

The maturities are as follows:

CURRENT AND NON-CURRENT BORROWINGS
TABLE 54

EUR million			
	Current	Non-current	**30/09/2020**
Borrowings	45.412	234.913	**280.325**
Previous year			
	Current	Non-current	**30/09/2019**
Borrowings	3.498	212.419	**215.917**

[35] CURRENT AND NON-CURRENT OTHER FINANCIAL LIABILITIES

CURRENT AND NON-CURRENT OTHER FINANCIAL LIABILITIES
TABLE 55

EUR million			
	Current	Non-current	30/09/2020
Lease liabilities	20.131	76.432	96.563
Wages and salaries	0.830	0	0.830
Other	14.244	0.017	14.261
Other financial liabilities	**35.205**	**76.449**	**111.654**
Previous year			
	Current	Non-current	30/09/2019
Lease liabilities	0	0	0
Wages and salaries	0.949	0	0.949
Other	21.493	0	21.493
Other financial liabilities	**22.442**	**0**	**22.442**

Current other financial liabilities of EUR 14.244 million (previous year EUR 21.493 million) include, amongst other items, incoming payments of EUR 7.585 million (previous year EUR 6.924 million) for assigned receivables, which are not yet paid. In addition, they include a number of individual payment obligations. The carrying amounts of the current other financial liabilities correspond to their fair values.

The increase is essentially due to lease liabilities, which are recognised as other financial liabilities pursuant to IFRS 16 for the first time. For the adjustment of lease liabilities as at 1 October 2019 see the explanations about IFRS 16 (Note [1]).

[36] 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	30/09/2020
Taxes	18.219	0	18.219
Payroll and church tax	7.006	0	7.006
Social security	5.711	0	5.711
Personnel obligations	33.448	0	33.448
Miscellaneous other	2.662	1.648	4.310
Other liabilities	**67.046**	**1.648**	**68.694**
Previous year			
	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**

Personnel obligations mainly include obligations regarding employee time and leave accounts. Miscellaneous other liabilities include an investment grant of EUR 0.394 million (previous year EUR 0.447 million) which was received as a government grant for a realised investment. In accordance with IAS 20, an amount of EUR 0.053 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.

[37] 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.The pension obligations are determined on the basis of the following assumptions:

ASSUMPTIONS FOR DETERMINING PENSION OBLIGATIONS
TABLE 57

Diverse information		
	30/09/2020	30/09/2019
Interest rate	0.30%	0.30%
Assumed rate of salary increase	0% / 2% / 2.50%	0% / 2% / 2.50%
Assumed rate of pension increase	0% / 1.50% / 2.50%	0% / 1.50% / 2.50%
Probability of mortality and invalidity according to Heubeck	Heubeck 2018 G / Insee 2017	Heubeck 2018 G / Insee 2017
Valuation of surviving dependants' entitlement to benefits	Collective	Collective
Retirement age	65 years	65 years
Average remaining life expectancy of persons with active entitlement	28 years	29 years

As at 30 September 2020, the provisions for pensions had changed by EUR 0.337 million (previous year EUR 2.874 million) and are now EUR 9.256 million (previous year EUR 8.919 million). Of this change in pension provisions, EUR 0.290 million are recognised as an increase in personnel expenses (previous year EUR 0.188 million increase) and EUR 0.047 million are recognised in other comprehensive income as a reduction in equity (previous year EUR 2.383 million reduction in equity). In the previous year, 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 18.4 years) and average duration abroad was 28 years (previous year 29 years).

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

ACTUARIAL PRESENT VALUE OF PENSION OBLIGATIONS

TABLE 58

EUR million	2019/2020	2018/2019
Present value on 01/10	**8.919**	**6.045**
Service cost	0	0.303
Past service cost	0.324	0.211
Interest expense	0.027	0.103
Paid retirement benefits	-0.061	-0.126
Actuarial gains (-)/losses (+) from changes in financial assumptions	0	1.932
Actuarial gains (-)/losses (+) from historical adjustments	0.047	0.451
Present value on 30/09	**9.256**	**8.919**

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 0.291 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 0.330 million (previous year EUR 0.339 million) or increased by EUR 0.346 million (previous year EUR 0.357 million). If life expectancy was increased by one year, the present value would be higher by EUR 0.350 million (previous year higher by EUR 0.352 million). If it was decreased by one year, it would be lower by EUR 0.343 million (previous year lower by EUR 0.345 million). If salary growth rates had been 25 basis points higher (lower), the present value would have increased by EUR 0.230 million (previous year EUR 0.196 million) or decreased by EUR 0.209 million (previous year EUR 0.179 million). If pension growth rates had been 25 basis points higher (lower), the present value would have increased by EUR 0.068 million (previous year EUR 0.260 million) or decreased by EUR 0.065 million (previous year EUR 0.247 million).

[38] 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 01/10/2019	**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
Reclassification from other provisions to provisions for pensions	-0.048	0	-0.004	-0.015	-0.067
Currency difference	20.611	0	0.709	6.126	27.446
Reversal	0.159	0.125	0.114	0.590	0.988
Addition	14.526	0.664	0.599	6.293	22.082
Value on 30/09/2020	**16.196**	**0.664**	**2.113**	**11.319**	**30.292**
of which current	14.905	0.664	0.354	10.623	26.546
of which non-current	1.291	0	1.759	0.696	3.746

Personnel provisions comprise amounts for profit sharing arrangements and bonuses, changes in personnel structures, 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 comprised provisions for guarantee obligations in the previous year. Provisions for construction contracts where the losses to be expected exceed the costs incurred were EUR 0.664 million (previous year EUR 0 million). Provisions for buildings comprise, amongst other items, maintenance costs, energy costs and other incidental costs. Other provisions have been set aside for numerous discernible individual risks.

Of the reversals, an amount of EUR 0.275 million (previous year EUR 0.180 million) is offset against personnel expenses of EUR 0.413 million (previous year EUR 0.317 million), against other expenses and an amount of EUR 0.034 million (previous year EUR 0.148 million) is offset against cost of materials. Provisions of EUR 0.105 million (previous year EUR 0 million) were reversed; property, plant and equipment were disposed of as a result. Non-current provisions comprise interest expense totalling EUR 0.029 million (previous year EUR 0.018 million), which is not reported within net finance income (previous year EUR 0.002 million). The provisions for personnel expenses include provisions for restructuring of EUR 3.369 million (previous year EUR 0 million) and provisions for obligations arising from a management retention scheme in the amount of EUR 0.107 million. The outflow of resources associated with non-current provisions depends on the individual case.

CURRENT LIABILITIES

[39] CONTRACT LIABILITIES

Contract liabilities developed as follows:

CONTRACT LIABILITIES TABLE 60

EUR million	01/10/2019	Increase	Decrease	30/09/2020
Contract liabilities	189.466	71.209	-144.503	116.172
Offsetting with contract assets	-184.946			-114.035
Contract liabilities after offsetting	**4.520**			**2.137**

The contract liabilities are fully recognised in revenues.

[40] TRADE PAYBLES

The carrying amounts largely approximate their fair values and are due for settlement in twelve months.

TRADE PAYABLES TABLE 61

EUR million	30/09/2020	30/09/2019
Trade payables	**12.852**	**15.751**

[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.

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 123.521 million (previous year EUR 72.284 million). Tied-up funds in working capital significantly decreased, which had a positive effect on cash flow from operating activities. The changes are due to cash transactions affecting the following balance sheet items: Contract assets EUR -34.822 million (previous year EUR 4.213 million); trade receivables EUR -50.536 million (previous year EUR -10.430 million); contract liabilities EUR -2.383 million (previous year EUR -1.834 million); trade payables EUR -2.899 million (previous year EUR -2.111 million).

Bertrandt pursued a restrictive approach to investment in the fiscal year under review as a result of the coronavirus pandemic and the overall economic environment. Major cash outflows resulted from investment decisions made in prior years and led to cash flow from investing activities of EUR -51.341 million, which exceeds the previous year's figure (previous year EUR -47.695 million). The cash flow from investing activities was mainly comprised of cash outflows for additions to property, plant and equipment and to intangible assets. As a result of increased cash flow from operating activities, free cash flow significantly improved compared to the previous year and attained EUR 72.180 million (EUR 24.589 million), despite the higher level of capital spending.

Cash flow from financing activities amounted to EUR 24.089 million (previous year EUR -21.892 million). It comprises the cash outflows for dividend payments; interest and repayments of loans; and, for the first time, interest and repayment of lease liabilities due to their recognition in the balance sheet pursuant to IFRS 16. Paid interest on borrowings and other financial liabilities includes interest from lease liabilities of EUR 2.158 million. In addition to short-term government support loans in other countries, two loans needed for investments were paid out.

The financial liabilities arising from financing activities were as follows:

FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES TABLE 62

EUR million	Financial liabilities	
	30/09/2020	30/09/2019
Value on 01/10	**215.917**	**218.150**
Changes in cash	64.289	-1.749
Non-cash changes	0.119	-0.484
Value on 30/09	**280.325**	**215.917**

The non-cash changes are due to valuation issues.

Total cash outflows for leases, including short-term leases and leases of low-value assets, were EUR 41.081 million, of which EUR 3.247 million are attributable to short-term leases and EUR 0.566 million to leases of low-value assets. These are included in cash flow from operating activities.

[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 428.899 million (previous year EUR 318.214 million). Of this total, domestic non-current assets account for EUR 409.050 million (previous year EUR 309.855 million), while foreign non-current assets account for EUR 19.849 million (previous year EUR 8.359 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.

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	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Revenues	521.900	629.709	203.923	235.822	244.188	244.657	970.011	1,110.188
Transfer between segments	26.938	27.487	18.106	13.112	9.776	11.477	54.820	52.076
Consolidated revenues	**494.962**	**602.222**	**185.817**	**222.710**	**234.412**	**233.180**	**915.191**	**1,058.112**
Other internally generated assets	0.314	0.410	0.502	0.489	0.575	0.859	1.391	1.758
Consolidated total revenues	**495.276**	**602.632**	**186.319**	**223.199**	**234.987**	**234.039**	**916.582**	**1,059.870**
EBIT	**-8.687**	**23.995**	**8.277**	**18.411**	**15.571**	**17.916**	**15.161**	**60.322**
Scheduled depreciation	16.935	9.085	27.948	19.393	9.473	5.209	54.356	33.687

Revenues related to performance obligations satisfied over time were EUR 684.542 million (previous year EUR 793.539 million). The segments' contributions were as follows: Digital Engineering EUR 331.888 million (previous year EUR 411.740 million), Physical Engineering EUR 159.413 million (previous year EUR 200.926 million) and Electrical Systems/Electronics EUR 193.242 million (previous year EUR 180.873 million).

Revenues with customers accounting for more than 10% of total revenues break down by segment as follows: Digital Engineering EUR 164.672 million (previous year EUR 163.396 million) and EUR 92.436 million (previous year EUR 114.374 million) respectively; Physical Engineering EUR 90.360 million (previous year EUR 94.307 million) and EUR 39.347 million (previous year Eur 53.505 million) respectively; and Electrical Systems/Electronics EUR 98.741 million (previous year EUR 80.507 million) and EUR 65.825 million (previous year EUR 59.538 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. Since the start of the new fiscal year, the new organisation of the Company's portfolio of services for the market, which is organised along a structure of Divisions, has been in place.

OTHER DISCLOSURES

[44] COLLATERAL PROVIDED

As at the balance sheet date, liabilities secured by mortgages were EUR 16.428 million (previous year EUR 13.736 million) and liabilities secured by transfer of security were EUR 49.893 million (previous year EUR 0 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, provided that no recognition of a right-of-use asset and a lease liability is required according to IFRS 16:

OTHER FINANCIAL OBLIGATIONS

TABLE 64

EUR million	30/09/2020	30/09/2019
Current	45.386	103.783
Non-current	8.006	87.367
Total	**53.392**	**191.150**

The current other financial obligations not requiring recognition comprise EUR 1.397 million (previous year EUR 98.030 million) for short-term real estate rental contracts, of which EUR 0.392 million (previous year EUR 7.756 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 2.180 million (previous year EUR 4.070 million) of which EUR 0.052 million (previous year EUR 1.445 million) are accounted for by related parties. Non-current financial obligations arise in the amount of EUR 3.889 million (previous year EUR 3.992 million), of which EUR 0.073 million (previous year EUR 1.505 million) are accounted for by related parties. Furthermore, there are other financial obligations under supplier contracts for intangible assets of EUR 0.742 million (previous year EUR 0.391 million) and items of property, plant and equipment in the amount of EUR 19.206 million (previous year EUR 46.371 million). The prior-year data include recognised right-of-use assets and lease liabilities.

Future cash outflows required by IFRS 16
The following table provides an overview of future cash outflows under the existing leases:

FUTURE CASH OUTFLOWS REQUIRED BY IFRS 16

TABLE 65

EUR million	30/09/2020
Short-term	22.068
Long-term	82.330
Total	**104.398**

The difference between other financial obligations from rental and leasing contracts as at 30 September 2019 and the opening balance sheet value of the lease liabilities according to IFRS 16 as at 1 October 2019 is EUR 24.825 million. This difference is not only due to the effect of discounting the lease liabilities but also to the adjustments required because of different assessments of options to extend or to terminate the lease; the reassessment of service contracts; leases for which an agreement has already been concluded but which have not yet begun; and the redefinition of leases. The measurement of the lease liabilities does not include possible future cash outflows of EUR 26.658 million as a result of options to extend a lease being exercised or of EUR 3.568 million arising from leases not yet begun.

[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 66

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 30/09/2020
	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets					
Investments accounted for using the equity method				7.048	**7.048**
Financial receivables	0.344	1.084			**1.428**
Other financial assets		2.832	2.832		**2.832**
Other assets				8.724	**8.724**
Current assets					
Contract assets		90.493	90.493		**90.493**
Trade receivables		175.471	175.471		**175.471**
Financial receivables		0.413	0.413		**0.413**
Other financial assets		3.156	3.156		**3.156**
Other assets				19.671	**19.671**
Cash and cash equivalents		187.233	187.233		**187.233**
Non-current liabilities					
Borrowings		234.913	242.544		**234.913**
Other financial liabilities		0.017		76.432	**76.449**
Other liabilities				1.648	**1.648**
Current liabilities					
Borrowings		45.412	46.423		**45.412**
Contract liabilities		2.137	2.137		**2.137**
Trade payables		12.852	12.852		**12.852**
Other financial liabilities	1.151	34.054	34.054		**35.205**
Other liabilities				67.046	**67.046**

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 30/09/2019
	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**

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 input 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 value of the non-current financial liabilities, which are recognised 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 date.

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 based on various scenarios in the light of existing credit facilities. These data 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 of EUR 232 million. 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 carrying amounts and the agreed payment obligations arising from the originated financial liabilities:

ORIGINATED FINANCIAL LIABILITIES

TABLE 67

EUR million	Carrying amount	Payment obligations		
	30/09/2020	2020/2021	2021/2022 until 2024/2025	2025/2026 ff.
Borrowings	280.325	45.847	153.202	92.310
Trade payables	12.852	12.852	0	0
Contract liabilities	2.137	2.137	0	0
Other financial liabilities	111.654	37.082	61.261	21.086
Previous year	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

Financial instruments for which payments were already agreed as at the balance sheet date are included in the portfolio. Payment obligations arising from 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 2019/2020 fiscal 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 at 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 recognised in the balance sheet in the amount of EUR 302.188 million (previous year EUR 383.241 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 68

EUR million	Neither overdue nor impaired	Overdue but not impaired	Impaired	30/09/2020
Contract assets	90.493	0	0	**90.493**
Trade receivables	133.324	41.569	5.193	**180.086**
Financial receivables and other financial assets	7.829	0	0	**7.829**
	231.646	**41.569**	**5.193**	**278.408**
Previous year	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	152	**7.576**
	302.045	**56.033**	**5.716**	**363.794**

The following table breaks down the age of financial assets past due for which no impairment provision was made:

AGE OF FINANCIAL ASSETS PAST DUE AS AT THE REPORTING DATE AND FOR WHICH NO IMPAIRMENT PROVISION WAS MADE

TABLE 69

EUR million	until 30 days	31 until 90 days	more than 90 days	30/09/2020
Trade receivables	9.923	24.028	7.618	**41.569**
Previous year	until 30 days	31 until 90 days	more than 90 days	30/09/2019
Trade receivables	15.676	24.016	16.341	**56.033**

There was no evidence of an impairment provision being required for the financial assets which were due and overdue as at the balance sheet date and for which no impairment provision was made.

Provisions for impairment for financial receivables, other financial assets and cash and cash equivalents developed as follows:

ADJUSTMENTS MADE TO FINANCIAL ASSETS

TABLE 70

EUR million	2019/2020	2018/2019
Vaolue on 30/09	**5.080**	**3.968**
Value adjustment acc. to IFRS 9	0	-0.221
Value on 01/10	**5.080**	**3.747**
Addition	0.344	1.652
Utilisation	0.340	0.047
Reversal	0.397	0.272
Exchange difference	-0.004	0
Value on 30/09	**4.683**	**5.080**

In the fiscal year under review, the Company recorded derecognised receivables of EUR 0.340 million (previous year EUR 0.047 million) and income from derecognised receivables was EUR 0.004 million (previous year EUR 0.037 million). The coronavirus pandemic did not lead to a material impairment of Bertrandt's financial assets.

The Group is exposed to market price risks, i.e. primarily risks arising from changes in interest and exchange rates. Bertrandt 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 at 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 1.794 million (in the previous year EUR 0.822 million higher). If interest rates in the market had been 100 basis points lower, earnings would have been lower by EUR 0.027 million (in the previous year EUR 0.117 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 Bertrandt Group is committed to a strategy of steady and enduring growth in its enterprise value.

The 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.

The Group's equity corresponds to the equity shown on the balance sheet. As at 30 September 2020, the ratio of equity to total assets (equity ratio) was 42.7%; it was 48.2% excluding effects from the adoption of IFRS 16 (previous year 51.5%).

There are partly external minimum capital requirements applying to the credit facilities which were complied with in the current fiscal year and also in prior fiscal years.

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 2019/2020 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/unternehmen/investor-relations/corporate-governance".

[52] REPORT ON SUBSEQUENT EVENTS

The prospects for the fiscal year 2020/2021 are marked by extreme uncertainty as regards overall economic development. It is not foreseeable how the intensification of the coronavirus pandemic and the second shutdown in many countries in autumn 2020 will affect Bertrandt's key customer industries. These factors represent an additional element of uncertainty regarding the Group's net assets, results of operations and financial position.

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

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

Management Board

Hans-Gerd Claus
Member of the Management Board
Engineering

Michael Lücke
Member of the Management Board
Sales
- Member of the Board of Directors of Bertrandt UK Limited, Dunton
- Chairman of the Board of Directors (since 1 January 2020, before: member) of Bertrandt US Inc., Rochester Hill

Markus Ruf
Member of the Management Board
Finance
- Representing Bertrandt AG as "Président" of Bertrandt France S.A.S., Vélizy-Villacoublay

The total remuneration for members of the Management Board active in fiscal 2019/2020 is EUR 1.617 million (previous year EUR 3.471 million) and includes a fixed amount, fringe benefits 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. In the previous year, the additions to provisions for pensions for Management Board members resulted from service cost of EUR 0.041 million. Furthermore, variable remuneration components of EUR 1.096 million (previous year EUR 0 million) were paid to former members of the Management Board; provisions of EUR 6.002 million (previous year EUR 6.034 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 0.059 million) were paid.

Active members of the Supervisory Board

Dietmar Bichler
Chairman of the Supervisory Board
- Member of the Board of Directors of b.invest AG i. L., Ehningen
- Member of the Supervisory Board of MAHLE GmbH, Stuttgart
- Chairman of the Supervisory Board of Lindauer DORNIER GmbH, Lindau

Horst Binnig
Deputy Chairman of the Supervisory Board
- Chairman of the Executive Board of Rheinmetall Automotive AG, Neckarsulm (until 31 December 2019)
- Member of the Executive Board of Rheinmetall AG, Düsseldorf (until 31 December 2019)
- Chairman of the Board of Directors of HASCO KSPG Nonferrous Components (Shanghai) Co., Ltd., Shanghai (until 12 November 2019)
- Vice Chairman of the Board of Directors of Kolbenschmidt HUAYU Piston Co., Ltd., Shanghai (until 11 November 2019)
- Deputy Chairman of the Supervisory Board of KS HUAYU AluTech GmbH, Neckarsulm (until 31 October 2019)
- Chairman of the Supervisory Board of KS Kolbenschmidt GmbH, Neckarsulm (until 31 October 2019)
- Chairman of the Supervisory Board of KS Gleitlager GmbH, St.-Leon-Rot (until 31 October 2019)
- Chairman of the Supervisory Board of Pierburg GmbH, Neuss (until 31 October 2019)
- Vice Chairman of the Board of Directors of Pierburg HUAYU Pump Technology Co. Ltd., Shanghai (until 11 November 2019)
- Director of KSPG Holding USA, Inc., Marinette (until 31 December 2019)
- Chairman of the Supervisory Board of Pierburg Pump Technology GmbH, Neuss (until 31 October 2019)
- Chairman of the Board of Directors of KSPG (China) Investment Co., Ltd., Shanghai (until 1 January 2020)
- Member of the Advisory Board of HELLA GmbH & Co. KGaA, Lippstadt

Udo Bäder
Member of the Supervisory Board
- 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 (until 31 July 2020)
- 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 (until 31 October 2019)

Michael Schmidt
Employee representative
- Team leader, Bertrandt Ingenieurbüro GmbH, Munich

Marianne Weiß
Employee representative
- Commercial clerk, Bertrandt Ingenieurbüro GmbH, Gaimersheim

Fixed compensation of the Supervisory Board members for their activity amounted to EUR 0.269 million in total in fiscal 2019/2020 (previous year EUR 0.321 million).

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

SUPERVISORY BOARD COMPENSATION — TABLE 71

EUR	Fixes
	2019/2020
Dietmar Bichler	88.000
Udo Bäder	41.600
Horst Binnig	54.400
Prof. Dr.-Ing. Wilfried Sihn	33.600
Michael Schmidt	25.600
Marianne Weiß	25.600
Total	**268.800**

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 2019/2020 fiscal year for services provided in a personal capacity, in particular those involving consulting and brokerage services.

Bertrandt shares held by members of the Supervisory Board are broken down as follows:

SHARES OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS — TABLE 72

Number	Shares	Shares
	Balance at 30/09/2020	Balance at 30/09/2019
Members of the Management and Supervisory Boards owning shares		
Dietmar Bichler (Member of the Supervisory Board)	400.000	400.000
Total	**400.000**	**400.000**

No share options are disclosed as no share option programme is currently proposed by the Company.

[54] SHAREHOLDINGS

SHAREHOLDINGS OF BERTRANDT AG

TABLE 73

In %	Share of equity
Germany	
Bertrandt Beteiligungen GmbH, Ehningen[1]	100.0
Bertrandt Cognition GmbH, Ehningen	100.0
Bertrandt Development GmbH, Ehningen[1]	100.0
Bertrandt Digital GmbH, Ehningen[1]	100.0
Bertrandt Ehningen GmbH, Ehningen[1]	100.0
Bertrandt Energie GmbH, Mönsheim	100.0
Bertrandt Fahrerprobung Süd GmbH, Nufringen[1]	100.0
Bertrandt GmbH, Hamburg[1]	100.0
Bertrandt Grundstücks GmbH, Nufringen	100.0
Bertrandt Ingenieurbüro GmbH, Gaimersheim[1]	100.0
Bertrandt Ingenieurbüro GmbH, Ginsheim-Gustavsburg[1]	100.0
Bertrandt Ingenieurbüro GmbH, Hamburg[1]	100.0
Bertrandt Ingenieurbüro GmbH, Cologne[1]	100.0
Bertrandt Ingenieurbüro GmbH, Munich[1]	100.0
Bertrandt Ingenieurbüro GmbH, Neckarsulm[1]	100.0
Bertrandt Ingenieurbüro GmbH, Tappenbeck[1]	100.0
Bertrandt Innovation GmbH, Tappenbeck	100.0
Bertrandt Medical GmbH, Ehningen[1]	100.0
Bertrandt Mobility GmbH, Ehningen	100.0
Bertrandt Munich GmbH, Munich	100.0
Bertrandt Neo GmbH, Tappenbeck	100.0
Bertrandt Powertrain Validation GmbH (formerly: Bertrandt Innovation GmbH, Munich)[1]	100.0
Bertrandt Projektgesellschaft mbH, Ehningen[1]	100.0
Bertrandt Services GmbH, Ehningen[1]	100.0
Bertrandt Simulations GmbH, Ehningen[1]	100.0
Bertrandt Solutions GmbH, Ehningen[1]	100.0
Bertrandt Tappenbeck GmbH, Tappenbeck	100.0
Bertrandt Technikum GmbH, Ehningen[1]	100.0
Bertrandt Technologie GmbH, Immendingen[1]	100.0
Bertrandt Technologie GmbH, Mönsheim[1]	100.0
Bertrandt Technologie GmbH, München (formerly: Bertrandt Innovation GmbH, Ehningen)[1]	100.0
Bertrandt Technologie GmbH, Nürnberg[1]	100.0
Bertrandt Technologie GmbH, Regensburg[1]	100.0
Bertrandt Technologie GmbH, Sassenburg[1]	100.0
Bertrandt Verwaltungs GmbH, Mönsheim[1]	100.0
b.professional GmbH, Mannheim[1]	100.0
Jobfair GmbH, Mannheim[1]	100.0

In %	Share of equity
Germany	
Bertrandt Automotive GmbH & Co. KG, Pullach i. Isartal[1]	94.9
Bertrandt Grundbesitz GmbH & Co. KG, Pullach i. Isartal[1]	94.9
Bertrandt Immobilien GmbH & Co. KG, Pullach i. Isartal[1]	94.9
Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz[1]	94.8
Bertrandt Grundstücks GmbH & Co. KG, Pullach i.Isartal	100.0
Bertrandt Liegenschaft GmbH & Co. KG, Pullach i. Isartal	70.0
Bertrandt Liegenschaft Süd GmbH & Co. KG, Pullach i. Isartal	70.0
Bertrandt Prüfzentrum GmbH & Co. KG, Pullach i. Isartal	70.0
Bertrandt Prüfzentrum Süd GmbH & Co. KG, Pullach i. Isartal	70.0
Bertrandt Campus Beteiligungen GmbH, Ehningen	50.0
Bertrandt Campus GmbH, Ehningen	50.0
Bertrandt Campus Grundbesitz GmbH, Ehningen	50.0
Bertrandt Campus Liegenschaft GmbH, Ehningen	50.0
Bertrandt Entwicklungen AG & Co. OHG, Pullach i. Isartal	30.0
aucip. automotive cluster investment platform Beteiligungs GmbH, Pullach i. Isartal	24.9
aucip. automotive cluster investment platform GmbH & Co. KG, Pullach i. Isartal	24.9
aucip GmbH & Co. KG, Pullach i. Isartal	24.9
aucip Verwaltung GmbH, Pullach i. Isartal	24.9
LASONO tool GmbH, Pullach i. Isartal	24.9
SADONA tool GmbH, Pullach i. Isartal	24.9
SIDENO tool GmbH, Pullach i. Isartal	24.9
Other countries	
Bertrandt Česká Republika Engineering Technologies s.r.o., Mladá Boleslav, Czech Republic	100.0
Bertrandt Engineering Shanghai Co., Ltd., Shanghai, China	100.0
Bertrandt Engineering Technologies Italia SRL, Sant'Agata Bolognese, Italy	100.0
Bertrandt Engineering Technologies Romania SRL, Sibiu, Romania	100.0
Bertrandt France S.A.S., Paris/Vélizy-Villacoublay, France	100.0
Bertrandt Otomotiv Mühendislik Hizmetleri Ticaret Limited Sirketi, Istanbul, Turkey	100.0
Bertrandt S.A.S., Paris/Vélizy-Villacoublay, France	100.0
Bertrandt Technologie GmbH, Steyr, Austria	100.0
Bertrandt UK Limited, Dunton, United Kingdom	100.0
Bertrandt US Inc., Rochester Hill, USA	100.0

[1] Pursant to Section 264 (3) HGB and Section 264b HGB, the entity has exercised the option not to prepare and publish any notes or management report in addition to the annual financial statements as at 30 September 2020.

The breakdown of voting rights is largely in accordance with the shareholder structure.

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

NET ASSETS AND RESULTS OF OPERATIONS OF ASSOCIATES

TABLE 74

EUR million	30/09/2020	30/09/2019
Assets	0.388	0.536
Liabilities	0	0.042
Revenues	0.008	68.386
Post-tax earnings / comprehensive income	0.034	0.348

The carrying amount of the investments in associates is EUR 0.119 million (previous year EUR 0.121 million).

The net assets and results of operations of the joint ventures are as follows:

NET ASSETS AND RESULTS OF OPERATIONS OF JOINT VENTURES

TABLE 75

EUR million	Bertrandt Campus GmbH	Bertrandt Liegen-schaft GmbH & Co. KG	Bertrandt Liegen-schaft Süd GmbH & Co. KG	Bertrandt Grund-stücks GmbH & Co. KG	Bertrandt Prüf-zentrum GmbH & Co. KG	Bertrandt Prüf-zentrum Süd GmbH & Co. KG	Other	30/09/2020
Assets	**38.047**	**7.110**	**8.425**	**9.625**	**7.547**	**6.691**	**6.407**	**83.852**
– Non-current	36.554	7.090	8.406	9.191	7.465	6.551	6.030	81.287
– Current	1.493	0.020	0.019	0.434	0.082	0.140	0.377	2.565
Liabilities	**24.796**	**7.178**	**8.647**	**9.342**	**7.605**	**6.828**	**6.257**	**70.653**
– Non-current	24.627	6.775	8.640	9.013	7.595	6.816	5.059	68.525
– Current	0.169	0.403	0.007	0.329	0.010	0.012	1.198	2.128
Revenues	2.565	0.344	0	0.578	0.043	0	0.128	3.658
Income taxes	0.167	0	0	0	0	0	0.016	0.183
Post-tax earnings	0.895	-0.018	-0.199	0.155	-0.048	-0.116	0.085	0.754
Previous year	Bertrandt Campus GmbH	Bertrandt Liegen-schaft GmbH & Co. KG	Bertrandt Liegen-schaft Süd GmbH & Co. KG	Bertrandt Grund-stücks GmbH & Co. KG	Bertrandt Prüf-zentrum GmbH & Co. KG	Bertrandt Prüf-zentrum Süd GmbH & Co. KG	Other	**30/09/2019**
Assets	**39.340**	**7.292**	**8.599**	**10.162**	**1.962**	**5.056**	**3.402**	**75.813**
– Non-current	37.548	7.272	8.485	8.841	1.847	4.503	3.123	71.619
– Current	1.792	0.020	0.114	1.321	0.115	0.553	0.279	4.194
Liabilities	**26.983**	**7.342**	**8.623**	**10.034**	**1.971**	**5.078**	**3.361**	**63.392**
– Non-current	24.612	6.775	0	8.629	0	0	1.550	41.566
– Current	2.371	0.567	8.623	1.405	1.971	5.078	1.811	21.826
Revenues	2.517	0.334	0	0	0	0	0.041	2.892
Income taxes	0.157	0	0	0	0	0	0.003	0.160
Post-tax earnings	0.837	-0.030	-0.034	-0.062	-0.019	-0.032	0.004	0.664

The carrying amount of the investments in joint ventures is EUR 6.929 million (previous year EUR 6.332 million), of which EUR 6.626 million are attributable to Bertrandt Campus GmbH (previous year EUR 6.178 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% in Bertrandt Campus GmbH, 70% in Bertrandt Liegenschaft GmbH & Co.KG, Bertrandt Liegenschaft Süd GmbH & Co.KG, Bertrandt Prüfzentrum GmbH & Co. KG and Bertrandt Prüfzentrum Süd GmbH& Co. KG respectively, and 100% in Bertrandt Grundstücks GmbH & Co.KG. According to existing contractual arrangements, the Group has no control of these joint ventures.

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 0.341 million (previous year EUR 1.074 million) and payables were at EUR 0.071 million (previous year EUR 0.012 million). In the fiscal year under review, revenues were EUR 0.096 million (previous year EUR 0.198 million), other operating expenses were EUR 0.168 million (previous year EUR 0.335 million) and interest expense came to EUR 0.183 million (previous year EUR 0 million). No other operating income was recorded in the period under review (previous year EUR 0.146 million).

Other related parties
On 2 July 2014, Dr. Ing. h.c. F. Porsche AG, Stuttgart, increased its shareholding in Bertrandt AG by nearly 4 percentage points. After the share purchase, the Volkswagen group now indirectly holds around 29% 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 353.773 million in the period under review (previous year EUR 338.210 million). In addition, other operating income of EUR 0.037 million (previous year EUR 0.132 million) and expenses of EUR 4.900 million (previous year EUR 4.221 million) have been recognised. As of the balance sheet date, trade receivables amounted to EUR 84.321 million (previous year EUR 78.958 million) contract assets were EUR 21.943 million (previous year EUR 30.287 million), contract liabilities were EUR 4.701 million (previous year EUR 17.415 million), and payables amounted to EUR 0.399 million (previous year EUR 0.619 million). No provisions for impairment of trade receivables were made in the 2019/2020 financial year (previous year EUR 0 million).

[55] 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 76

EUR million	2019/2020	2018/2019
Audit of financial statements	0.326	0.318
Other audit services	0.002	0.036
Tax consulting services	0.013	0.040
Other services	0.036	0.024
Total	**0.377**	**0.418**

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 business audit of disclosures on equity. 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 (HFB) or IFRS, and consolidation matters.

[56] PROFIT ALLOCATION PROPOSAL

In accordance with Section 58 (2) of the German Stock Corporation Act (AktG), 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 on 30 September 2020.

The Management Board proposes using Bertrandt AG's distributable profit of EUR 32,479,640.34 for fiscal year 2019/2020 to pay a dividend of EUR 0.15 per qualified share, and carry forward the remaining amount of EUR 30,958,154.34 to the next financial year. In accordance with Section 58 (4) sentence 2 of the German Stock Corporation Act, 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 15 March 2021. In accordance with the German Stock Corporation Act, 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.

[57] DIVIDEND FOR THE FISCAL YEAR 2018/2019

The Management Board's dividend proposal for the previous year of EUR 1.60 was adopted by the annual general meeting.

[58] 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 7 December 2020.

Ehningen, 25 November 2020

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 2020, and 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 2019 to 30 September 2020, 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, Ehningen for the financial year from 1 October 2019 to 30 September 2020. 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 2020, as well as of the earnings situation for the financial year from 1 October 2019 to 30 September 2020, 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 risks and opportunities 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 the 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 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 2019 to 30 September 2020. 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 90 million are reported in the consolidated financial statements of Bertrandt Aktiengesellschaft, Ehningen, as at 30 September 2020. This is equivalent to 9.6% 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 those controls implemented in the system for the respect of 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, 6 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 in accordance with Sections 289f and 315d of the German Commercial Code (HGB) contained in the section “Corporate governance declaration pursuant to Sections 315d, 289f HGB, Article 83 (1) sentence 2 of the Introductory Law to the German Commercial Code (EGHGB)” in the group management report
– 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 § 315e (1) HGB, and for 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.

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 risks and opportunities of future development. 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 as well as, in all material respects, is consistent with the consolidated financial statements and the findings of audit, and whether it complies with German legal requirements and suitably presents the risks and opportunities 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 after 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 or 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 19 February 2020. The Supervisory Board engaged us on 28 May 2020. 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, 25 November 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

JÜRGEN BERGHAUS	**DENIS ETZEL**
German Public Auditor	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, 25 November 2020

Bertrandt AG

The Management Board

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

Further information

Condensed separate financial statements under commercial law, Bertrandt AG, Ehningen

BALANCE SHEET

TABLE 77

EUR million			
		30/09/2020	30/09/2019
	Assets		
A.	**Fixed assets**	**226.877**	**214.055**
	I. Intangible assets	3.515	3.259
	II. Property, plant and equipment	216.516	203.984
	III. Long-term financial assets	6.846	6.812
B.	**Current assets**	**473.079**	**509.552**
	I. Inventories	53.894	116.455
	II. Receivables and other assets	284.360	335.351
	III. Securities	0.001	0.001
	IV. Cash in hand, bank balances and cheques	134.824	57.745
C.	**Prepaid expenses**	**4.398**	**4.656**
	Assets total	**704.354**	**728.263**
	Equity and liabilities		
A.	**Equity**	**330.428**	**333.712**
	I. Issued share capital less nominal amount of treasury shares	10.095	10.095
	II. Capital reserves	28.791	28.791
	III. Retained earnings		
	-. other retained erarnings	259.062	259.062
	IV. Distributable profit	32.480	35.764
	Special reserve item for investment grants received for fixed assets	**0.151**	**0.183**
B.	**Provisions**	**62.802**	**62.672**
C.	1. Provisions for pensions	4.615	4.262
	2. Tax provisions	8.109	0.627
	3. Other provisions	50.078	57.783
	Liabilities	**310.931**	**331.654**
D.	1. Liabilities to banks	209.928	209.266
	2. Advance payments received on account of orders	0.570	0
	3. Trade payables	2.365	2.774
	4. Liabilities to associates	79.735	100.153
	5. Other liabilities	18.333	19.461
	Deferred income	**0.042**	**0.042**
E.	**Deferred income**	**704.354**	**728.263**

INCOME STATEMENT

TABLE 78

EUR million		
01/10 until 30/09	2019/2020	2018/2019
1. Total revenues	**825.815**	**898.366**
2. Other operating income	11.553	20.798
3. Cost of materials	-78.556	-81.834
4. Personnel expenses	-613.618	-669.398
5. Amortisation of intangible fixed assets and depreciation of property, plant and equipment	-29.541	-29.588
6. Other operating expenses	-91.860	-97.658
7. EBIT	**23.793**	**40.686**
8. Net finance income	**-1.326**	**4.679**
9. Income taxes	-9.119	-12.548
10. Post-tax earnings	**13.348**	**32.817**
11. Other taxes	-0.480	-0.435
12. Net income for the fiscal year	**12.868**	**32.382**
13. Retained profits	19.612	19.573
14. Transfer to other retained earnings	0	-16.191
15. Distributable profit	**32.480**	**35.764**

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 79

Further information see:

→ LOCATIONS

Financial calendar

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

Report on the 1st quarter 2020/2021
24 February 2021

Annual General Meeting
10 March 2021
10:30
Virtual

Report on the 2nd quarter 2020/2021
20 May 2021

16th Capital Market Day
20 May 2021

Report on the 3rd quarter 2020/2021
9 August 2021

Annual report 2020/2021
Annual press and analysts' conference
9 December 2021

Annual General Meeting
23 February 2022
10:30
City Hall Sindelfingen or virtual

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

Credits

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Bertrandt archive

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

Multiyear overview

CONSOLIDATED BALANCE SHEET

TABLE 80

EUR million	30/09/2020	30/09/2019	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014	30/09/2013	30/09/2012	30/09/2011
Assets										
Intangible assets	14.566	14.017	13.724	15.740	17.480	17.455	15.548	14.262	13.936	11.486
Property, plant and equipment	413.056	302.855	282.104	264.284	235.800	184.823	132.365	89.488	76.410	56.339
Investment properties	1.277	1.342	1.408	1.474	1.540	1.608	1.672	1.737	1.803	1.869
Investments accounted for using the equity method	7.048	6.453	5.874	5.488	5.077	4.367	0.090	0.086	0.226	0.824
Financial receivables	1.428	1.412	1.291	1.685	2.729	3.724	4.795	5.269	6.095	7.127
Other financial assets	2.832	2.581	2.294	2.017	1.988	2.949	2.572	2.290	2.075	2.860
Other assets	8.724	8.831	8.895	6.693	4.703	3.889	5.254	4.631	1.924	0
Income tax assets	0	0	0	0	0	0.150	0.301	0.446	0.586	0.720
Deferred taxes	15.866	3.072	3.324	3.822	2.473	3.212	3.717	2.685	2.376	2.521
Non-current assets	**464.797**	**340.563**	**318.914**	**301.203**	**271.790**	**222.177**	**166.314**	**120.894**	**105.431**	**83.746**
Inventories	0.860	0.993	1.156	1.182	0.889	0.558	0.614	0.749	0.560	0.528
Contract assets	90.493	125.315	121.100	119.607	114.130	139.342	75.081	62.443	58.695	37.927
Trade receivables	175.471	226.007	236.206	193.024	189.879	167.630	174.262	164.770	158.307	129.315
Financial receivables	0.413	0.558	1.277	1.640	1.639	1.722	1.694	1.713	1.491	1.578
Other financial assets	3.156	2.873	2.901	4.379	1.349	1.066	1.965	1.549	1.496	1.013
Other assets	19.671	15.664	14.515	15.047	21.984	15.921	10.095	8.868	9.582	3.811
Income tax assets	3.365	5.198	3.921	3.452	1.833	1.525	0.232	0.181	0.339	0.248
Cash and cash equivalents	187.233	91.491	88.405	139.266	159.821	13.068	41.543	47.253	21.517	36.677
Current assets	**480.662**	**468.099**	**469.481**	**477.597**	**491.524**	**340.832**	**305.486**	**287.526**	**251.987**	**211.097**
Total assets	**945.459**	**808.662**	**788.395**	**778.800**	**763.314**	**563.009**	**471.800**	**408.420**	**357.418**	**294.843**
Equity and liabilities										
Issued capital	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143	10.143
Capital reserves	29.714	29.714	29.713	29.374	29.374	28.595	27.734	26.984	26.625	26.625
Retained earnings and other reserves	340.227	341.071	319.256	297.319	279.025	246.799	206.323	171.219	138.684	106.651
Consolidated distributable profit	23.347	35.764	39.764	39.524	39.394	34.083	35.455	30.666	25.706	22.571
Equity attributable to shareholders of Bertrandt AG	**403.431**	**416.692**	**398.876**	**376.360**	**357.936**	**319.620**	**279.655**	**239.012**	**201.158**	**165.990**
Minority interests	0	0	0	0	0	0.686	0.669	0.001	0.001	0.002
Equity	**403.431**	**416.692**	**398.876**	**376.360**	**357.936**	**320.306**	**280.324**	**239.013**	**201.159**	**165.992**
Borrowings	234.913	212.419	199.810	215.737	199.701	0	0	0	0	0
Other financial liabilities	76.449	0	0	0	0	0	0	0	0	0
Other liabilities	1.648	1.747	0.447	0.215	0.246	0.278	0.400	0.432	0.464	0.495
Provisions	13.002	12.445	9.740	9.908	16.927	13.039	12.374	9.690	8.914	6.978
Deferred taxes	18.586	12.634	12.611	19.578	20.910	24.168	17.214	14.138	12.070	10.668
Non-current liabilities	**344.598**	**239.245**	**222.608**	**245.438**	**237.784**	**37.485**	**29.988**	**24.260**	**21.448**	**18.141**
Borrowings	45.412	3.498	18.339	5.202	2.367	39.642	0.092	0.221	0.149	0.466
Contract liabilities	2.137	4.520	6.354	9.743	18.408	13.832	11.373	10.066	9.816	6.218
Trade payables	12.852	15.751	17.849	18.257	15.066	20.444	12.289	10.179	11.208	10.491
Other financial liabilities	35.205	22.442	22.517	12.578	7.553	10.486	15.570	13.558	13.347	9.526
Sonstige Verbindlichkeiten	67.046	72.562	64.648	65.352	70.066	62.049	46.148	44.018	41.204	36.249
Other liabilities	26.546	33.185	36.433	40.458	46.586	54.594	61.210	52.147	50.151	43.921
Other provisions	8.232	0.767	0.771	5.412	7.548	4.171	14.806	14.958	8.936	3.839
Current liabilities	**197.430**	**152.725**	**166.911**	**157.002**	**167.594**	**205.218**	**161.488**	**145.147**	**134.811**	**110.710**
Total equity and liabilities	**945.459**	**808.662**	**788.395**	**778.800**	**763.314**	**563.009**	**471.800**	**408.420**	**357.418**	**294.843**

Multiyear overview

CONSOLIDATED INCOME STATEMENT

TABLE 81

EUR million 01/10 until 30/09	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Revenues	**915.191**	**1,058.112**	**1,019.914**	**992.276**	**992.021**	**934.787**	**870.563**	**782.405**	**709.323**	**576.238**
Other internally generated assets	1.391	1.758	1.106	1.602	0.672	0.472	0.176	0.375	0.483	0.379
Total revenues	**916.582**	**1,059.870**	**1,021.020**	**993.878**	**992.693**	**935.259**	**870.739**	**782.780**	**709.806**	**576.617**
Other operating income	8.771	17.406	8.594	8.682	11.471	13.323	13.208	13.043	9.007	8.649
Raw materials and consumables used	-76.943	-108.755	-100.388	-105.605	-98.097	-88.089	-71.444	-62.862	-66.126	-55.395
Personnel expenses	-696.829	-765.386	-723.971	-703.593	-695.681	-660.357	-624.141	-560.548	-494.047	-399.052
Depreciation	-54.356	-33.687	-33.022	-33.864	-29.725	-25.193	-22.234	-19.594	-15.251	-11.353
Other operating expenses	-82.064	-109.126	-100.092	-96.628	-87.796	-83.306	-77.041	-71.558	-68.284	-59.067
EBIT (EUR million)	**15.161**	**60.322**	**72.141**	**62.870**	**92.865**	**91.637**	**89.087**	**81.261**	**75.105**	**60.399**
Net finance income	**-5.231**	**-2.845**	**-2.983**	**-2.181**	**-1.378**	**0.033**	**0.432**	**0.384**	**0.067**	**0.609**
Profit from ordinary activities	**9.930**	**57.477**	**69.158**	**60.689**	**91.487**	**91.670**	**89.519**	**81.645**	**75.172**	**61.008**
Other taxes	-3.162	-3.257	-3.858	-2.698	-1.674	-1.250	-1.220	-1.148	-1.161	-0.930
Earnings before tax	**6.768**	**54.220**	**65.300**	**57.991**	**89.813**	**90.420**	**88.299**	**80.497**	**74.011**	**60.078**
Income taxes	-3.033	-15.206	-17.915	-14.125	-26.205	-27.784	-25.956	-23.229	-22.285	-18.076
Post-tax earnings	**3.735**	**39.014**	**47.385**	**43.866**	**63.608**	**62.636**	**62.343**	**57.268**	**51.726**	**42.002**
– attributable to minority interest	0	0	0	0	0	0.017	0.004	0	0	0
– attributable to shareholders of Bertrandt AG	3.735	39.014	47.385	43.866	63.608	62.619	62.339	57.268	51.726	42.002
Number of shares (million) – diluted/basic, average weighting	10.095	10.095	10.095	10.091	10.091	10.083	10.076	10.069	10.061	10.049
Earnings per share (EUR) – diluted/basic	**0.37**	**3.86**	**4.69**	**4.35**	**6.30**	**6.21**	**6.19**	**5.69**	**5.14**	**4.18**

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