bertrandt

New impulses for the future

Fiscal 2017/2018 Annual Report

Fiscal year 2017/2018

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

TABLE 01

IFRS	2017/2018	Changes in %	2016/2017	2015/2016	2014/2015	2013/2014
Income statement						
Total revenues (EUR million)	1,021.020	2.7	993.878	992.693	935.259	870.739
EBIT (EUR million)	72.141	14.7	62.870	92.865	91.637	89.087
Profit from ordinary activities (EUR million)	69.158	14.0	60.689	91.487	91.670	89.519
Post-tax earnings (EUR million)	47.385	8.0	43.866	63.608	62.636	62.343
Cash flow statement						
Cash flow from operating activities (EUR million)	27.208	-35.5	42.182	90.631	36.967	79.670
Cash flow from investing activities (EUR million)	-50.935	42.8	-35.669	-79.679	-82.313	-64.211
Free cash flow (EUR million)	-23.727	-464.3	6.513	10.952	-45.346	15.459
Capital spending (EUR million)	52.500	37.1	38.302	83.404	84.917	66.843
Balance sheet						
Equity (EUR million)	398.876	6.0	376.360	357.936	320.306	280.324
Equity ratio (%)	50.6	4.8	48.3	46.9	56.9	59.4
Total assets (EUR million)	788.395	1.2	778.800	763.314	563.009	471.800
Share						
Earnings per share (EUR)	4.69	7.8	4.35	6.30	6.21	6.19
Dividend per share (EUR)	2.00[3]	-20.0	2.50	2.50	2.45	2.40
Share price on 30 September (EUR)[1]	79.55	-6.6	85.18	97.01	93.23	101.30
Share price, high (EUR)[2]	109.30	2.1	107.00	115.00	138.70	119.85
Share price, low (EUR)[2]	76.40	13.6	67.28	82.80	85.25	88.60
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)	806.9	-6.6	864.0	984.0	945.7	1,027.5
Employees						
Number of employees at Bertrandt Group on 30 September	13,229	2.0	12,970	12,912	12,367	11,561

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

Multiyear overview

CONSOLIDATED INCOME STATEMENT

TABLE 02

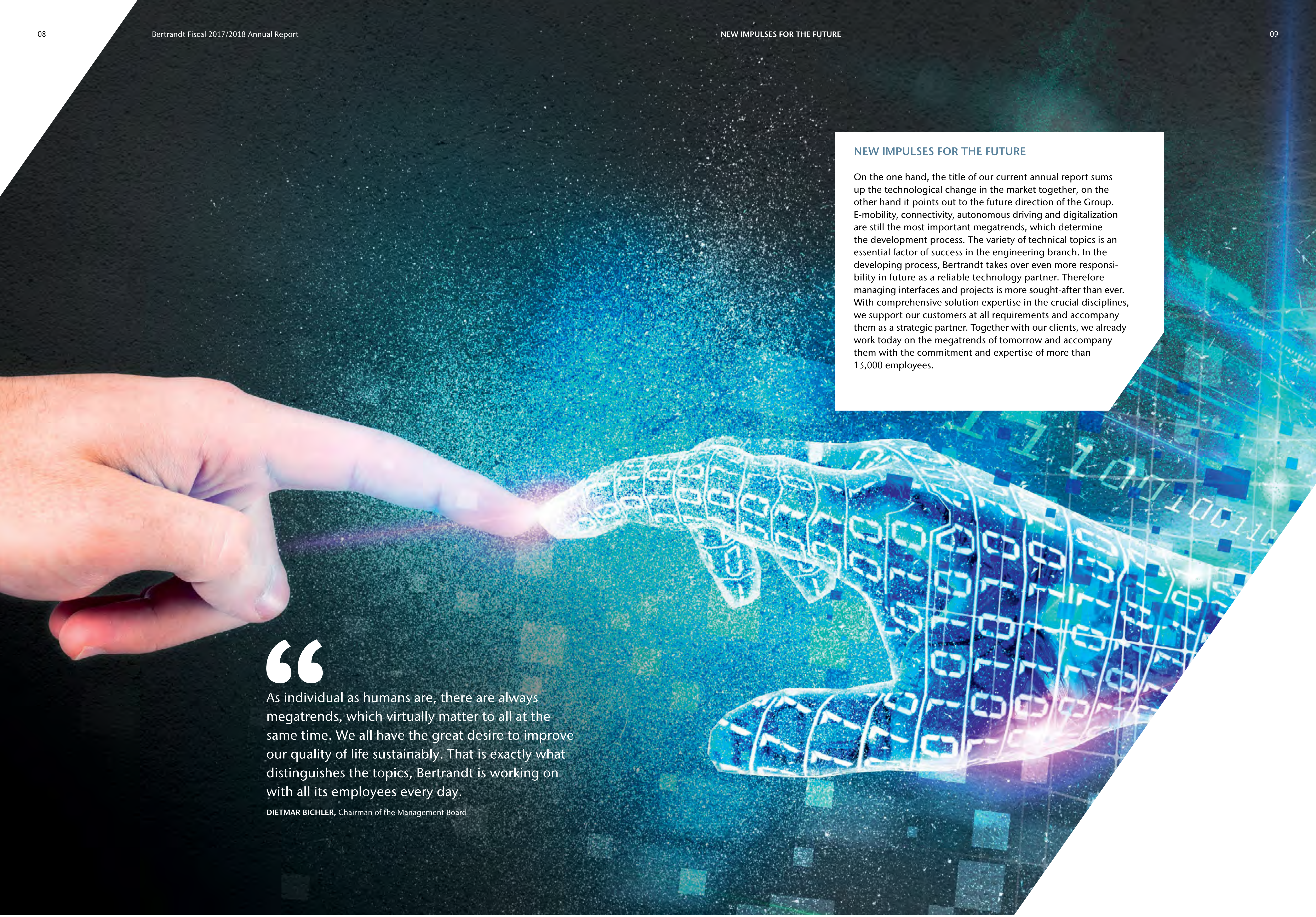
EUR million 01/10 until 30/09	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Revenues	**1,019.914**	**992.276**	**992.021**	**934.787**	**870.563**
Other internally generated assets	1.106	1.602	0.672	0.472	0.176
Total revenues	**1,021.020**	**993.878**	**992.693**	**935.259**	**870.739**
Other operating income	8.594	8.682	11.471	13.323	13.208
Raw materials and consumables used	-100.388	-105.605	-98.097	-88.089	-71.444
Personnel expenses	-723.971	-703.593	-695.681	-660.357	-624.141
Depreciation	-33.022	-33.864	-29.725	-25.193	-22.234
Other operating expenses	-100.092	-96.628	-87.796	-83.306	-77.041
EBIT	**72.141**	**62.870**	**92.865**	**91.637**	**89.087**
Net finance income	**-2.983**	**-2.181**	**-1.378**	**0.033**	**0.432**
Profit from ordinary activities	**69.158**	**60.689**	**91.487**	**91.670**	**89.519**
Other taxes	-3.858	-2.698	-1.674	-1.250	-1.220
Earnings before tax	**65.300**	**57.991**	**89.813**	**90.420**	**88.299**
Income taxes	-17.915	-14.125	-26.205	-27.784	-25.956
Post-tax earnings	**47.385**	**43.866**	**63.608**	**62.636**	**62.343**
– attributable to minority interest	0	0	0	0.017	0.004
– attributable to shareholders of Bertrandt AG	47.385	43.866	63.608	62.619	62.339
Number of shares (million) – diluted/basic, average weighting	10.095	10.091	10.091	10.083	10.076
Earnings per share (EUR) – diluted/basic	**4.69**	**4.35**	**6.30**	**6.21**	**6.19**

CONSOLIDATED BALANCE SHEET

TABLE 03

EUR million	30/09/2018	30/09/2017	30/09/2016	30/09/2015	30/09/2014
Assets					
Intangible assets	13.724	15.740	17.480	17.455	15.548
Property, plant and equipment	282.104	264.284	235.800	184.823	132.365
Investment properties	1.408	1.474	1.540	1.608	1.672
Financial assets	7.095	7.173	7.806	8.091	4.885
Receivables and other assets	11.259	8.710	6.691	6.838	7.826
Income tax assets	0	0	0	0.150	0.301
Deferred taxes	3.324	3.822	2.473	3.212	3.717
Non-current assets	**318.914**	**301.203**	**271.790**	**222.177**	**166.314**
Inventories	1.156	1.182	0.889	0.558	0.614
Future receivables from construction contracts	121.100	119.607	114.130	139.342	75.081
Receivables and other assets	254.899	214.090	214.851	186.339	188.016
Income tax assets	3.921	3.452	1.833	1.525	0.232
Cash and cash equivalents	88.405	139.266	159.821	13.068	41.543
Current assets	**469.481**	**477.597**	**491.524**	**340.832**	**305.486**
Total assets	**788.395**	**778.800**	**763.314**	**563.009**	**471.800**
Equity and liabilities					
Issued capital	10.143	10.143	10.143	10.143	10.143
Capital reserves	29.713	29.374	29.374	28.595	27.734
Retained earnings and other comprehensive income	319.256	297.319	279.025	246.799	206.323
Consolidated distributable profit	39.764	39.524	39.394	34.083	35.455
Equity attributable to shareholders of Bertrandt AG	**398.876**	**376.360**	**357.936**	**319.620**	**279.655**
Minority interests	0	0	0	0.686	0.669
Equity	**398.876**	**376.360**	**357.936**	**320.306**	**280.324**
Provisions	9.740	9.908	16.927	13.039	12.374
Borrowings	199.810	215.737	199.701	0	0
Other liabilities	0.447	0.215	0.246	0.278	0.400
Deferred taxes	12.611	19.578	20.910	24.168	17.214
Non-current liabilities	**222.608**	**245.438**	**237.784**	**37.485**	**29.988**
Tax provisions	0.771	5.412	7.548	4.171	14.806
Other provisions	36.433	40.458	46.586	54.594	61.210
Borrowings	18.339	5.202	2.367	39.642	0.092
Trade payables	17.849	18.257	15.066	20.444	12.289
Other liabilities	93.519	87.673	96.027	86.367	73.091
Current liabilities	**166.911**	**157.002**	**167.594**	**205.218**	**161.488**
Total equity and liabilities	**788.395**	**778.800**	**763.314**	**563.009**	**471.800**

From the contents



NEW IMPULSES FOR THE FUTURE

On the one hand, the title of our current annual report sums up the technological change in the market together, on the other hand it points out to the future direction of the Group. E-mobility, connectivity, autonomous driving and digitalization are still the most important megatrends, which determine the development process. The variety of technical topics is an essential factor of success in the engineering branch. In the developing process, Bertrandt takes over even more responsibility in future as a reliable technology partner. Therefore managing interfaces and projects is more sought-after than ever. With comprehensive solution expertise in the crucial disciplines, we support our customers at all requirements and accompany them as a strategic partner. Together with our clients, we already work today on the megatrends of tomorrow and accompany them with the commitment and expertise of more than 13,000 employees.

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As individual as humans are, there are always megatrends, which virtually matter to all at the same time. We all have the great desire to improve our quality of life sustainably. That is exactly what distinguishes the topics, Bertrandt is working on with all its employees every day.

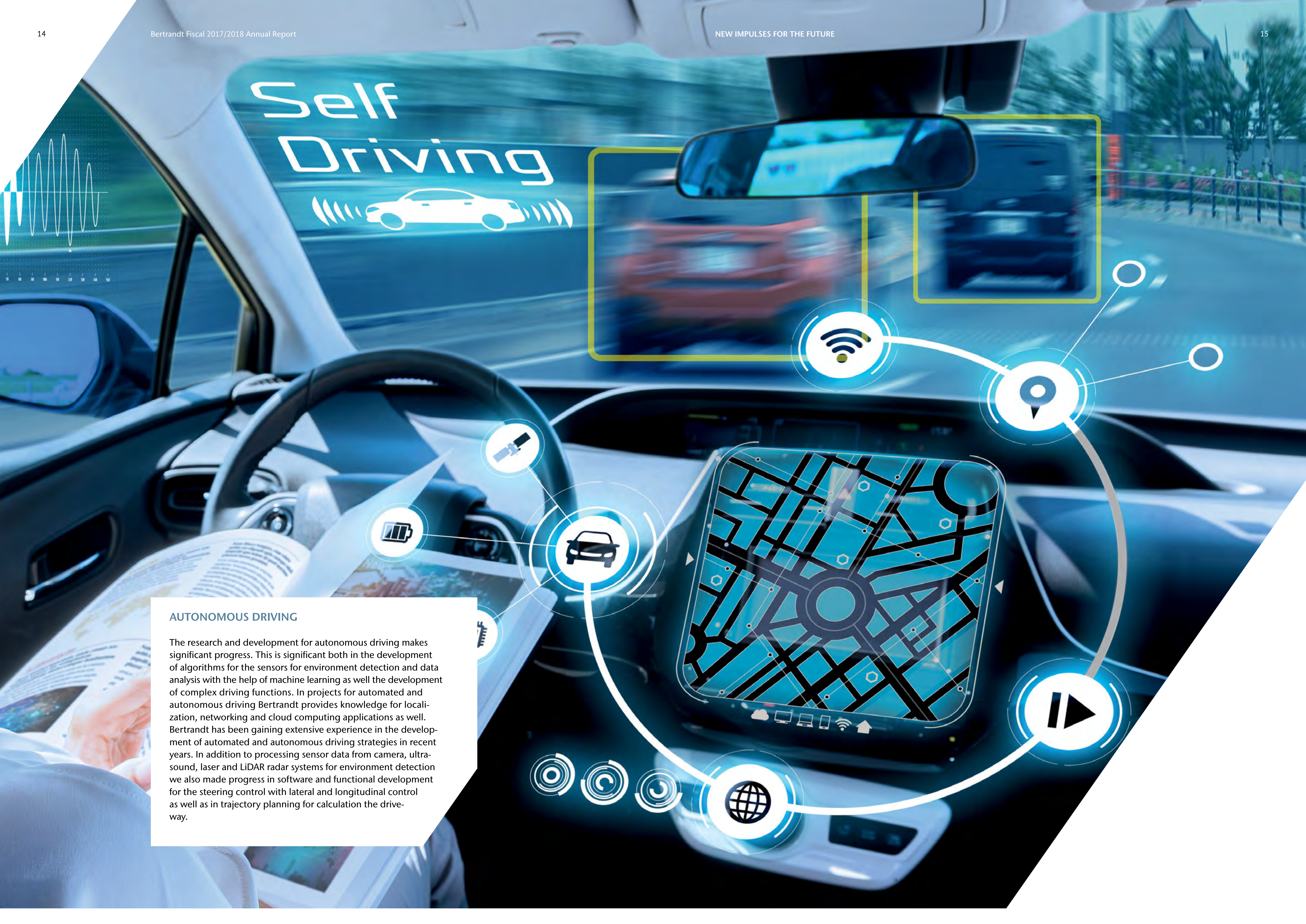
DIETMAR BICHLER, Chairman of the Management Board

ELECTROMOBILITY

Development and validation in e-mobility are in the focus at Bertrandt. It contains the electric powertrain with the development of high-voltage storage as well as the development of functions and applications for power electronics. It also includes interdisciplinary, adjoining competence areas such as electrical systems for multi-voltage vehicles, lightweight vehicle construction and component integration, operating strategies and driving dynamics. The vehicle-related solutions are based upon our experience in charging infrastructure such as charging technologies or integration into smart grids. In the field of developing of e-mobility, we cover the full range from certain aspects at the component and system level to complete concepts for electric vehicles. Bertrandt has its own e-mobility centers and provides the full range of technical testing.

CONNECTIVITY

Automated and autonomous driving functions require connected vehicles and a bidirectional data exchange via online services. For full connectivity, there are still many technical challenges that have to be managed. Bertrandt has built up an extensive expertise in this area for car manufacturers and suppliers as well to pursue new development approaches. We develop intelligent autonomous driving systems based on information from the environment, enabling the car to decide and react independently. In a project for autonomous parking, various data from online services, cameras and LiDAR sensors were transmitted to the cloud processed via algorithms and artificial intelligence, converted into driving specifications for the vehicle and returned to the vehicle. The vehicle thereby attains the ability to steer independently, slow down and move automatically.



AUTONOMOUS DRIVING

The research and development for autonomous driving makes significant progress. This is significant both in the development of algorithms for the sensors for environment detection and data analysis with the help of machine learning as well the development of complex driving functions. In projects for automated and autonomous driving Bertrandt provides knowledge for localization, networking and cloud computing applications as well. Bertrandt has been gaining extensive experience in the development of automated and autonomous driving strategies in recent years. In addition to processing sensor data from camera, ultrasound, laser and LiDAR radar systems for environment detection we also made progress in software and functional development for the steering control with lateral and longitudinal control as well as in trajectory planning for calculation the driveway.

DIGITALIZATION

Bertrandt is busy in a wide variety of industries, from the automotive industry to medical technology or even plant construction. Common to all industries is that the value chain from development, design and manufacturing until the customer gets closer together through digitization. Digitization is a well-known terrain for a development service provider – and yet here arise completely new opportunities: agile project development, augmented reality, digital twin, artificial intelligence, predictive maintenance or autonomous driving are based very much on current digital technologies. For the illustration of digital value chains Bertrandt has both the necessary expertise and extensive experience from successfully projects. These include e.g. machine data collection, data storage, analysis of large amounts of data and the development of virtual models and their visualization.

Letter to the shareholders

Management Board report

"

A solid financial base makes Bertrandt a reliable partner for its customers, employees and shareholders

DIETMAR BICHLER, Chairman of the Management Board

Dear shareholders,

Environmentally-friendly and individual mobility, as well as automated and connected driving, continue to be important market trends which are reflected in many ways throughout all the core areas of the automotive industry. The dynamic development of these trends and the transformation produced by them continue to be major factors in the radical upheavals taking place in and felt by all the players in the industry. Mobility and IT are more closely intertwined than ever before and are generating new business segments. A huge range of topics now play a critically important role in the success of engineering business. This is why, as a reliable technology partner, Bertrandt has taken on considerably more responsibility in the development process. There is a growing demand for interface management as well as controlling and project management competence. As mobility and data grow increasingly interconnected, new topics, products and services have also emerged alongside established fields of business which Bertrandt is exploiting to develop the best solutions in each case for its customers.

Bertrandt has set course for the future in this fiscal year and has again extended its technical prowess as an engineering services provider. New cooperative ventures have been launched during the reporting period – such as with Microsoft. We launched this cooperation during the Frankfurt motor show (IAA) 2017 and since then have intensified our work in this area. We became Microsoft certified partners for Azure and Hololens several months ago and are already establishing the first projects at many subsidiaries. In the field of application development, Bertrandt is even one of Microsoft's few "Gold Partners". This cooperation will open up new markets and customer groups for us and is for this reason extremely important.

MARKET

The Bertrandt Group developed in the financial year 2017/2018 as expected. Despite two working days less than in the same period last year and continuing heterogeneous conditions in the automotive industry the key figures of the group increased. The overall performance of the group amounts to EUR 1,021 million and exceeds for the first time in the history of the company the billion mark. The EBIT adds up to EUR 72.1 million and the equity ratio is 50.6 percent.

This solid financial base makes Bertrandt a reliable partner for its customers, employees and shareholders. In the light of current market trends, the essential foundations for positive business performance in the medium term are intact. Market research experts from Berylls expect the market for contracted out engineering services in the automotive industry to continue growing over the next few years. Most experts take the view that this will continue to be to the advantage of large, high-revenue companies which have the infrastructure and capacity required to take on large-scale projects. There is also a discernible shift in customer demand towards innovative solutions for electrical systems and electronics, particularly in the fields of digitalisation and automated driving. In conclusion, the study forecasts global market growth up to the year 2023 of around EUR 11 billion in 2017 and over EUR 18 billion in 2023. The German market in particular is expected to grow in this period from EUR 4 billion to over EUR 6 billion.

DEVELOPING NEW AREAS OF BUSINESS ACTIVITY

It was important for Bertrandt to take account of the changes taking place in the industry by identifying and developing promising areas of business activity in good time. Our expertise in the provision of comprehensive solutions in all the disciplines for which there is demand as well as in efficient interface management enables us to support our customers and respond to all their specific requirements. We have enhanced our know-how during the period under review and have invested in the infrastructure required by mega trends. Automated driving, electromobility, virtual reality or other new technologies: in all these fields we are moving with the times and, as a solutions-focused provider of engineering services, are already geared up to focus on the market and customer requirements of the future.

We are also consistently building on and expanding on the infrastructure – such as our new testing facilities in northern Germany – needed to offer innovative services, particularly for electrified drives. We have, for example, also invested in an all-wheel drive test stand and high-voltage test stands for power electronics. Bertrandt is thus consistently expanding its sustainable expertise in the trend topics of autonomous driving, electromobility, digitalisation and connectivity.

KNOW-HOW FOR MULTIFACETED PROJECTS

The sheer breadth and depth of topics confronting the Group can only be managed with expert and committed teams: As at the reporting date of 30 September 2018, we employed 13,229 people worldwide. Interdisciplinary cooperation has continually grown in importance during the period under review – “Strength through networking” is and remains Bertrandt’s corporate credo. As an engineering service provider operating on an international scale, people from a diverse range of cultures and from very different backgrounds come together every day in our Company. For this reason our employees need space for their own personal development. We create this space with our cooperative management style and an open door culture which supports constructive interactions. We are committed to the values of team spirit, flat hierarchies and an employee-friendly environment for the working world of tomorrow and flexible, dynamic and performance-oriented work. These values enable the Company to grow and progress for successes which cannot be measured in figures alone. Our attractiveness as a conscientious employer is positively reflected by the Company’s nationwide rankings in Germany.

SUSTAINABLE CORPORATE MANAGEMENT AS MARK OF SUCCESS

We attach overwhelming importance at Bertrandt to sustainable and responsible corporate management. In this we are guided by clear values. We have drawn on these values to update the Bertrandt mission statement which states the guiding principles on which our corporate strategy, our day-to-day work and our social responsibility are based. This governs both the way in which we treat each other within the Group and our relationships with our customers and shareholders. Commitment and trust are values that we apply and live every day afresh. The mission statement also identifies the roots of our business success: being a reliable partner over many years for our customers, shareholders and employees and our commitment to wider society. We understand sustainable and profitable growth and strong results as the foundations on which our future rests – with the objective of enhancing the value of the Company on an enduring and sustained basis. We aim to secure and expand our current market share whilst maintaining an optimum balance between customer benefits and business efficiency. This is discussed in more detail in the new Sustainability Report.

SHARE CLOSES AT EUR 79.55

The Bertrandt share started the fiscal year 2017/2018 in Xetra trading at EUR 84.80. In the first weeks, the share price showed a sideways trend before rising, after publication of the financial statements for the year as a whole, over several days of trading to hit its high of EUR 109.30 for the reporting period on 18 January 2018. However, this trend was halted by developments on the market as a whole in the wake of growing uncertainty in capital markets concerning the global economy in general and the automotive industry in particular. The Bertrandt share was unable to resist this trend and closed at its low of EUR 76.40 on 23 August 2018. By the end of the fiscal year the share had somewhat recovered from the weakened price to close at EUR 79.55 on the last day of trading. We also wish to pursue our sustainable dividend policy for fiscal 2017/2018. At the annual general meeting on 20 February 2019, the Management Board and Supervi-sory Board will therefore propose a dividend of EUR 2,00 per share.

WELL POSITIONED FOR THE FUTURE

Changes in the market, leaps in technology to new drive systems and digitalisation – the challenges are many. Bertrandt's response is to set course for the future by investing in infrastructure and knowhow and by producing innovative solutions and taking on greater project responsibility. We will also be intensifying our use of agile startup-type units in the fields of medical technology, virtual and augmented reality, cloud solutions, machine learning and big data. This will further strengthen our presence in the market and explicitly underscore our capabilities with innovative projects.

On that note, we thank our employees for their commitment and our customers, business partners and shareholders for the confidence shown in us.

Yours sincerely,

DIETMAR BICHLER
Chairman of the Management Board

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

MARKUS RUF
Member of the Management Board Finance

HANS-GERD CLAUS
Member of the Management Board Engineering

DIETMAR BICHLER
Chairman of the Management Board

MICHAEL LÜCKE
Member of the Management Board Sales

> “
> In the light of current market trends, the essential foundations for positive business performance in the medium term are intact
>
> **DIETMAR BICHLER,** Chairman of the Management Board

Supervisory Board report

DR KLAUS BLEYER
Chairman of the Supervisory Board

Activities of the Supervisory Board during the 2017/2018 financial year

Given the still challenging industry conditions, the fiscal year 2017/2018 showed a development in line with expectations. The ongoing public debate about emission values and the continuing transformation process in the automotive industry were still influencing all players in the sector. Despite the complex challenges, the Bertrandt Group was able to further strengthen and expand its market position.

The Supervisory Board of Bertrandt AG diligently performed all of its duties in accordance with the law, the Company's Articles of Association and the Board's Rules of Procedure in fiscal 2017/2018. The Board regularly advised the Management Board on the management of the Company and monitored the Management Board's activities on an ongoing basis. The Board was consulted on all the decisions of fundamental importance in a direct and timely manner. Regular briefings by the Management Board in written and oral reports formed the principal basis for fulfilling the statutory supervisory tasks. These reports provided comprehensive and up-to-date information on a regular basis on the strategy, business performance, planning and the risk situation. In the context of its activity the Board ensured that applicable statutory provisions, the Company's Articles of Association and the Rules of Procedure of the Supervisory and Management Boards were complied with.

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

FOCAL POINTS OF THE SUPERVISORY BOARD'S DELIBERATIONS

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

The Supervisory Board held four scheduled meetings during the 2017/2018 financial year: on 11 December 2017, on 21 February 2018, on 18 June 2018 and on 24 September 2018. All members of the Supervisory Board attended these meetings.

During its meeting on 11 December 2017, the Supervisory Board discussed, in addition to regular topics, the annual financial statements of Bertrandt AG and the Group. Moreover, the Board also approved the resolutions proposed for the ordinary annual general meeting which was held on 21 February 2018 in Sindelfingen. Upon the Audit Committee's proposal the Board also deliberated on the proposal for the appointment of the auditor for financial year 2017/2018. 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 Gov-ernance Report and the Corporate Governance Declaration pursuant to Section 3.10 German Corporate Governance Code. The meeting concluded with an anti-corruption status report for Bertrandt.

During its meeting on 21 February 2018, the Supervisory Board discussed, amongst other things, the Group's key performance indicators and the reports from its subsidiaries. At the meeting the Supervisory Board also dealt with an adjustment of the directors and officers liability insurance and the planned capital expenditure on powertrain development and testing. The decision was made for this purpose by circular resolution on April 9, 2018.

At the meeting of 18 June 2018, the Supervisory Board considered the Management Board reports as well as the status of and the further course of action regarding the compliance audit. The topics also included the presentation of the risk report for the first half of fiscal 2017/2018 as well as the enlarged scope of the provisions of Section 289c of the German Commercial Code (HGB) regarding the content of the non-financial statements and the Supervisory Board's duty to consider the content of these statements.

In its meeting on 24 September 2018, the Board, amongst other matters, adopted the Group budget for the upcoming financial year. The Declaration of conformity to the German Corporate Governance Code pursuant to Section 161 AktG was adopted. In addition, the Board members received training on the EU General Data Protection Regulation (GDPR), its implementation at Bertrandt and first experience gained. Regarding the enlarged scope of Section 289c HGB on the content of the non-financial statements and the Supervisory Board's duty to review such content, the Board decided to commission an external compliance audit on a "limited assurance" level.

In its meeting on 10 December 2018, the Supervisory Board adopted the present report and requested and authorised the Chairman to sign it.

In addition and outside the reporting period, the Supervisory Board set the course for continuity in the Executive and Supervisory Boards in an extraordinary meeting on 5 November 2018.

ORGANISATION AND BUSINESS OF THE COMMITTEES

To perform its duties the Supervisory Board has formed a Human Resources and an Audit Committee. The Human Resources Committee consists of Dr Klaus Bleyer (Committee Chairman), Maximilian Wölfle (Deputy Chairman) and Prof. Dr.-Ing. Wilfried Sihn. To raise efficiency, the Human Resources Committee also performs the duties of the Nomination Committee. The Audit Committee is composed of Dr. Klaus Bleyer (Committee Chairman), Maximilian Wölfle (Deputy Chairman) and Horst Binnig. The members of the Audit Committee as a whole are familiar with the industry in which the Company operates.

Dr. Klaus Bleyer acts as Financial Expert and independent Supervisory Board member with accounting and auditing expertise according to Section 100 (5) AktG.

The Audit Committee held five meetings in the 2017/2018 financial year. In its meeting on 11 December 2017, the Audit Committee in the presence of the auditors dealt with the financial statements of Bertrandt AG and the Group as well as the audit's contents, focal areas and results. The implementation of the Accounting Law Modernisation Act (BilMoG) at Bertrandt was also discussed and the outcome of the measures adopted for this purpose and the current status of the data analysis were presented. In the conference call meetings on 6 February 2018, 6 June 2018 and 21 August 2018, the Audit Committee discussed, amongst other things, the financial reports to be published soon after these dates with regard to revenues, earnings and cash flow development. During the Committee's last meeting on 24 September 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft presented the focal areas for the audit of the fiscal year 2017/2018.

The Human Resources Committee met on 11 December 2017, 21 February 2018 and 18 June 2018. The discussions focused on the adjustment of the directors and officers liability insurance and the mandates of a member of the Management Board.

AUDIT OF THE FINANCIAL STATEMENTS

On 21 February 2018, 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 2017/2018. 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 2017/2018 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 2017/2018, the reports of the auditors 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 of 10 December 2018.

The external auditors entrusted with the audit of the annual financial statements and the consolidated financial statements participated in the meeting. They reported on the audit as a whole, the defined focal areas of the audit, company-specific matters of particular importance (so-called key audit matters) and other relevant audit results. In addition, they answered questions from the members of the Supervisory Board. The Supervisory Board raised no objections against the audit. After having conducted its own review, which did not give raise to any objections, the Supervisory Board noted the annual financial statements prepared by the Management Board, the consolidated financial statements of the Group, the management reports of Bertrandt AG and the Group and the auditors' report with consent, and approved the annual financial statements and the consolidated financial statements. Thus, the annual financial statements were adopted and the consolidated financial statements approved at the same time. The Supervisory Board followed the proposal of the Management Board how to use Bertrandt AG's distributable profit for the fiscal year 2017/2018.

ACKNOWLEDGEMENT

The Supervisory Board thanks all members of the Management Board and all employees of the Bertrandt Group in Germany and abroad for their work in the year under review. They showed great commitment and generated a good result in a very challenging market environment.

Ehningen, 10 December 2018

K. P. Bleyer

DR KLAUS BLEYER
Chairman of the Supervisory Board

Member of the supervisory board of Bertrandt AG:

DR. KLAUS BLEYER
Chairman of the Supervisory Boards

MAXIMILIAN WÖLFLE
Deputy Chairman of the Supervisory Board

HORST BINNIG

PROF. DR.-ING. WILFRIED SIHN

STEFANIE BLUMENAUER
Employee representative

ASTRID FLEISCHER
Employee representative

Highlights of the year

October 2017

EUROPEAN-WIDE IMPLEMENTATION OF X TRACK DRIVE

With its new mobile test lab, Bertrandt sets new standards in the validation of automated driving functions as well as vehicle dynamics and brake systems. The Company is thus ideally positioned regarding future activities in the field of testing.

November 2017

BERTRANDT AND SGL GROUP PRESENT "CARBON CARRIER" TECHNOLOGY

Working in close cooperation, Bertrandt and SGL Group have developed the "CARBON CARRIER" technology, a novel and integrated concept for innovative interior structures based on composites. The mass production-capable "Carbon Carrier" brings together fibre composite-based light weight design with functional integration and is an example of the modern mix of materials used in automobiles.

December 2017

ANNUAL PRESS AND ANALYST CONFERENCE

This year's Bertrandt AG annual press and analyst conference was held in Stuttgart under the motto "Design change. Develop solutions." CEO Dietmar Bichler presented the current annual report to members of the press and shared information about the 2016/2017 fiscal year, which allowed the Bertrandt Group to continue on its growth path.

February 2018

ANNUAL GENERAL MEETING OF BERTRANDT AG

Shareholders, guests and members of the press were informed about the fiscal year 2016/2017 at the Annual General Meeting in Sindelfingen. The dividend proposal met with a positive response: Despite the heterogeneous business performance, the previous year's dividend of EUR 2.50 was maintained. Thus, Bertrandt has continued its consistent dividend policy.

March 2018

BERTRANDT OPENS NEW SITE IN ESSEN

By opening a new location in Essen, the Group is expanding its capabilities in electronics development. Initially, around 40 employees are starting to work on the premises with a floor area of 400 m²; Bertrandt is planning to create up to 100 jobs in the medium term.

April 2018

BERTRANDT AT HANOVER FAIR 2018

The technology specialist demonstrates two industry software solutions using Microsoft products at the Hanover Fair: a cloud solution and an app for repair and maintenance work.

May 2018

BERTRANDT USES EMIL RESEARCH PLATFORM

From May to September 2018, Bertrandt will use the Regensburg-based e-bus "EMIL" (Electromobility by inductive charging) as a research platform. On bus journeys through the old town of Regensburg, raw data are collected by LIDAR sensors and processed for key research fields such as object recognition. The data will support autonomous driving applications in the future urban environment.

June 2018

CAPITAL MARKET DAY IN EHNINGEN

Dietmar Bichler, CEO of Bertrandt AG, presented the first-half figures 2017/2018 at the Group's headquarters. As in the past, two renowned guest speakers were present: Dr. Benjamin Kreck, Chief Technical Officer of the unit Intelligent Cloud at Microsoft Deutschland GmbH, and Moritz Pawelke, Senior Manager of accounting and consulting firm KPMG AG.

July 2018

BERTRANDT IS AWARDED HIGHEST MICROSOFT PARTNER STATUS

In the field of application development, Bertrandt becomes certified "Gold Partner" of Microsoft. Based on this partnership and on the "Silver partner" status in cloud computing, which Bertrandt had achieved before, the Company continues to expand its IT-supported services.

Microsoft Partner
Microsoft
Gold Application Development
Silver Cloud Platform

August 2018

COOPERATION OF BERTRANDT AND AFB SOCIAL & GREEN IT

At Bertrandt, protecting the environment and saving resources plays a great role not only in the field of technological development but also regarding IT. This is why the engineering service provider has been cooperating already since 2011 with AfB social & green IT, a non-profit IT company specialized in reprocessing and remarketing of decommissioned IT hardware.

September 2018

SOD-TURNING FOR HIGH-VOLTAGE BATTERY TEST CENTRE AT HEADQUARTERS IN EHNINGEN

The sod-turning ceremony for the new high-voltage battery test centre at the Bertrandt Technikum in Ehningen was held in the last month of the 2017/2018 fiscal year. According to the planning, the new two-storey building, which will comprise an area of around 1,200 sqm, is to be completed in April 2019 with the test equipment up and running. The Company is investing more than 15 million euros in the building and the machinery and technical equipment.

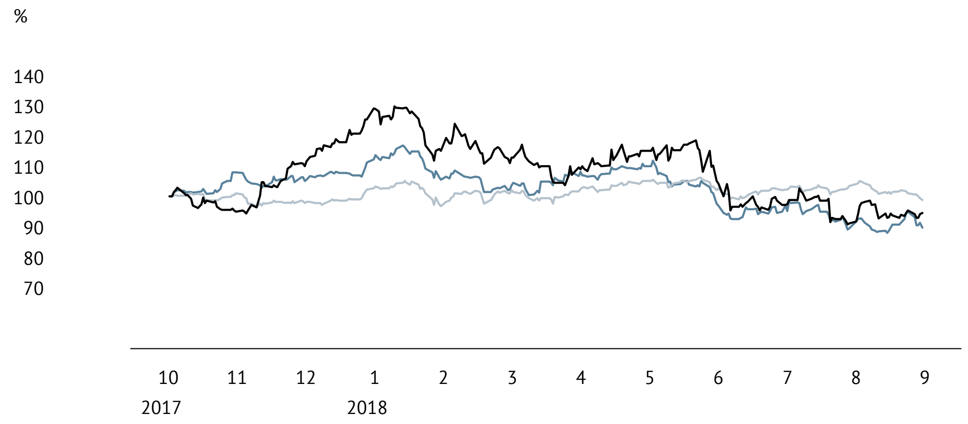
INFORMATION ON THE SHARE

TABLE 04

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

SHARE PRICE IN COMPARISON

CHART 05



Bertrandt AG — Prime Automobile Performance-Index — SDAX

Bertrandt on the capital market

DEVELOPMENT OF THE EQUITY MARKET IN FISCAL 2017/2018

Following the positive developments in the last three months of calendar year 2017 and a good start into the year 2018, the development of the global economy became increasingly uneven throughout the course of the year. While the economy in the eurozone gradually weakened, eco-nomic activity in the USA initially gained momentum. Most emerging economies also benefited from positive trends, although currencies came under pressure in many countries. Against the backdrop of a seemingly robust economy, several central banks began gradually tightening their loose monetary policies of the past years, with the US Federal Reserve taking the lead. Owing to the good employment situation in many advanced economies, wages increased considerably in the course of 2018. Commodity prices also rose. Moreover, amid increasing costs growing uncer-tainty regarding future trade relations between the USA and other nations had negative effects. The deteriorating economic conditions for companies worldwide were increasingly reflected in share price developments in global stock market indices. The gradual corrections that stock mar-kets in Europe and the emerging economies have begun to experience since early 2018 were followed by a market correction in the USA in autumn 2018. In the run-up to the reporting season of the third quarter of 2018, German bank M.M.WARBURG & CO stated that more companies than would usually be the case were issuing profit warnings.

KEY FIGURES OF THE BERTRANDT SHARE

TABLE 06

	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Earnings per share (EUR)	4.69	4.35	6.30	6.21	6.19
Dividend per share (EUR)	2.00[3]	2.50	2.50	2.45	2.40
Share price on 30 September (EUR)[1]	79.55	85.18	97.01	93.23	101.30
Share price, high (EUR)[2]	109.30	107.00	115.00	138.70	119.85
Share price, low (EUR)[2]	76.40	67.28	82.80	85.25	88.60
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)	806.9	864.0	984.0	945.7	1,027.5
Book value per share on 30 September (EUR)	39.32	37.10	35.29	31.58	27.64
Cashflow from operating activities per share (EUR)	2.68	4.16	8.94	3.64	7.85
Average daily trading volume (number)	14,843	31,201	25,373	26,166	19,295
Total payout (EUR million)	20.3	25.4	25.4	24.9	24.3
P/E ratio	17.0	19.6	15.4	15.0	16.4

[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 Board.

The general economic environment described above also had a bearing on the German stock market indices in the course of Bertrandt's fiscal year. The German blue-chip stock market index, DAX, started the first day of the period under review at 12,866 points. It climbed to its high of 13,560 points on 23 January 2018; however, owing to growing market uncertainty it was not able to maintain this level. On 26 March 2018, the index hit its low of 11,787 points with the hitherto prevailing volatility continuing until the end of Bertrandt's fiscal year. On 28 September 2018, the DAX closed at 12,228 points, which was around five percent below the opening value at the be-ginning of the fiscal year. In the course of fiscal 2017/2018 the SDAX showed a similar range of fluctuations as the DAX: starting at 11,944 points, it hit its high of 12,737 points on 13 June 2018. The index subsequently fell and closed at its low of 11,591 points on 13 November 2017. At the end of Bertrandt's fiscal year the SDAX had almost regained the level it had at the beginning of the fiscal year and closed at 11,864 points. The Prime Automobile Performance Index started the first day of the fiscal year at 1,580 points and closed at 1,416 points on 28 September 2018.

→ CHART 05

4,69

euros earnings per share in fiscal 2017/2018.

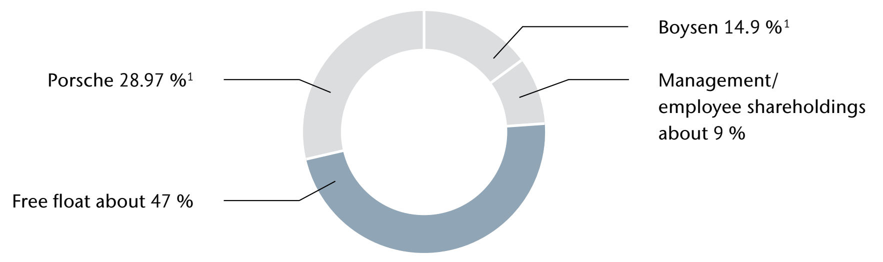
THE BERTRANDT SHARE CLOSES AT EUR 79.55 AT THE END OF FISCAL YEAR 2017/2018

As with the German stock market indices in general, the Bertrandt share showed a volatile devel-opment in the 2017/2018 financial year. The share started the fiscal year in Xetra trading by opening at EUR 84.80 on 2 October 2017. In the first weeks, the share price showed a sideways trend before rising, after publication of the financial statements for the year as a whole, over sev-eral days of trading to hit its high of EUR 109.30 for the reporting period on 18 January 2018. However, this trend was halted by developments on the market as a whole in the wake of growing uncertainty in capital markets concerning the global economy in general and the automotive in-dustry in particular. The Bertrandt share was unable to resist this trend and closed at its low of EUR 76.40 on 23 August 2018. By the end of the fiscal year the share had somewhat recovered from the weakened price to close at EUR 79.55 on the last day of trading. Compared to the clos-ing price in the previous year (EUR 85.18), there was an overall decline in the share price of around seven percent. The average daily trading volume considerably decreased to 14,843 shares (previous year 31,201 shares).

→ TABLE 06

SHAREHOLDER STRUCTURE

CHART 07



[1] All data is based on disclosures made to the company pursuant to Section 21 et. seq. WpHG.
As of 30 September 2018

ANALYST RECOMMENDATIONS*

TABLE 08

Bank	Target for the share in EUR	Recommendation
B. Metzler seel. Sohn & Co. KGaA	110	Buy
Bankhaus Lampe KG	79	Hold
Deutsche Bank AG	85	Hold
DZ Bank AG	97	Buy
Hauck & Aufhäuser Privatbankiers AG	72	Hold
Landesbank Baden-Württemberg AöR	100	Buy
M.M.Warburg & CO KGaA	96	Buy
MainFirst Bank AG	110	Hold
Joh. Berenberg, Gossler & Co. KG	98	Hold

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

STABLE SHAREHOLDER STRUCTURE

As at the date when these consolidated financial statements were prepared, shareholdings in Bertrandt AG broke down as follows: A share of 28.97 percent of the shares was held by Porsche AG, Stuttgart, Germany. Another 14.9 percent were held by Friedrich Boysen Holding GmbH, with registered offices in Altensteig, a subsidiary of Friedrich Boysen Unternehmensstiftung. Manage-ment and staff held around nine percent of the shares, while free float amounted to around 47 percent. Notifications of voting rights pursuant to the German Securities Trading Act are published in the Investor Relations section of Bertrandt's website.

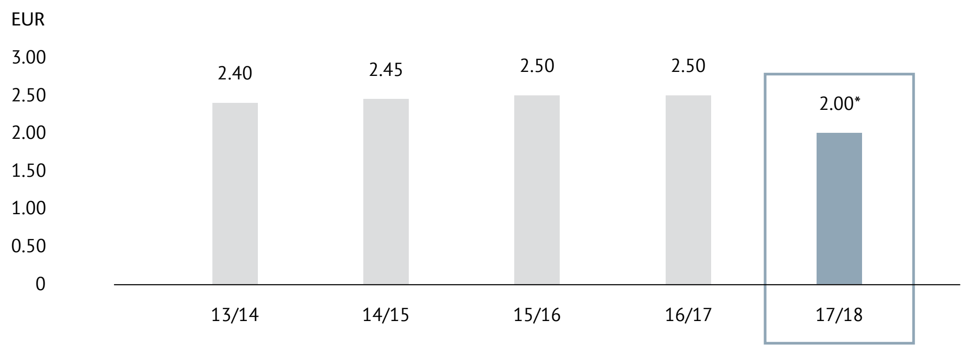
→ CHART 07

47

percent is the current free float.

DEVELOPMENT OF THE DIVIDEND

CHART 09



* Dividend proposed by the Management and the Supervisory Board.

HOLD RECOMMENDATION BY MAJORITY OF ANALYSTS

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

→ TABLE 08

13. CURRENT TECHNOLOGY TRENDS IN FOCUS OF CAPITAL MARKET DAY

Bertrandt invited representatives from banks, analysts and journalists to the Company's thirteenth Capital Market Day in Ehningen on 14 June 2018. As in the past, two renowned guest speakers were present, who discussed current technology trends: Dr. Benjamin Kreck, Chief Technical Officer of the unit Intelligent Cloud at Microsoft Deutschland GmbH, offered insights into the trend "artificial intelligence" (AI) and explained its impact on diverse industries. Moritz Pawelke, Senior Manager at accounting and consulting firm KPMG AG, shared the findings of the Global Automotive Executive Survey 2018". More than 900 managers worldwide participated in the survey, which covered current technology trends in the automotive industry, and shared their expectations concerning the medium-term technological evolution in the industry. The two contributions were followed by a presentation by the Chairman of the Management Board, Dietmar Bichler, about the current business performance of Bertrandt AG.

2.00

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

DIVIDEND PROPOSAL AT 2.00 EURO PER SHARE

The Bertrandt Group stands for an appropriate and sustainable dividend policy. Board and Supervisory Board will propose to the Annual General Meeting on February 20, 2018 a dividend of 2.00 Euro per share. It is slightlyabove the communicated and practiced payout ratioof 40 percent. With this amountwe want our shareholders for their investmentand thank you for your trust in the company.

→ CHART 09

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

→ INVESTOR RELATIONS

EXTENSIVE INVESTOR RELATIONS ACTIVITIES

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

In the fiscal year 2017/2018 Bertrandt kept institutional investors and analysts up to date at several conferences and road shows in the finance centres in Europe and informed them about the group's business performance. Bertrandt presented itself to potential and existing institutional and private investors at 16 roadshows in Germany, Austria, Belgium, Denmark, France, Switzerland, the UK and, for the first time, in Italy. The Management Board was closely involved in the investor relations activities. Moreover, visits to the location in Ehningen were also organised. In addition, the annual press and analyst conference on 14 December 2017 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 com-prehensive information on the Company. Information on the group is published in due time in the Investor Relations section of Bertrandt's website in both German and English. In addition to information on the Bertrandt share, basic information, current analysts' recommendations and the financial calendar are published on the website.

Corporate governance

DECLARATION ON CORPORATE GOVERNANCE CODE ACCORDING TO SECTION 161 AKTG

The declaration of compliance required by § 161 AktG September 24, 2018 is in addition to her Updated on 5 November 2018 at the Website of the company at https://www.bertrandt.com/en/investor-relations/corperate-governance.html in the rubric "Fiscal year2017/2018" at the stated release dates.

REPORT PURSUANT TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE

On 24 September 2018, Bertrandt AG submitted the declaration pursuant to Section 161 German Stock Corporation Act (AktG) for the current year stating whether the Company has conformed and is conforming to the recommendations of the German Corporate Governance Code (GCGC) or which recommendations were or are not applied. The declaration was updated on 5 November 2018. Both declarations are reproduced in our annual report for fiscal 2017/2018 as part of the corporate governance declaration (pursuant to Section 289f of the German Commercial Code, HGB) in the Group Management Report and are also published at "http://www.bertrandt.com/investor-relations/corporate-governance.html".

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

MANAGEMENT BOARD

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

SUPERVISORY BOARD

The Supervisory Board of Bertrandt AG comprises six members, of whom four are shareholder representatives elected at the 2014 annual general meeting. Two members, the employee representatives on the Supervisory Board, were and are voted by Bertrandt employees. At the annual general meeting on 20 February 2019, new shareholder representatives will be elected. The new employee representatives were already elected in 2018.

The Supervisory Board monitors the Management Board and is responsible for appointing its members. To perform its duties in an effective and efficient manner, the Supervisory Board has formed a Human Resources and an Audit Committee. The present Audit Committee is composed of Dr. Klaus Bleyer, Maximilian Wölfle and Horst Binnig. The members of the Audit Committee as a whole are familiar with the industry in which the Company operates. The Human Resources Committee currently consists of Dr. Klaus Bleyer, Maximilian Wölfle and Prof. Dr. Ing. Wilfried Sihn. The Human Resources Committee simultaneously assumes the role of the Nomination Committee. The current independent Supervisory Board member (socalled "financial expert") with accounting and auditing expertise according to Section 100 (5) German Stock Corporation Act is Dr. Klaus Bleyer.

Intensive and ongoing communication takes place between the Management Board and the Supervisory Board. The Management Board informs the Supervisory Board in a timely and comprehensive manner and on a regular basis of matters especially concerning corporate strategy, the course of business, the Group's financial position (including the risk situation and risk management activities as well as compliance) and corporate planning and the Company's orientation. The Audit Committee also discusses the half-year report and the quarterly reports with the Management Board. Further, the Audit Committee deals with the appointment and in-dependence of the auditor. In particular, the Audit Committee represents the Supervisory Board in negotiating and deciding upon giving prior agreement to non-audit services provided by the auditor, which is required under national and directly applicable EU legislation. There are certain services for which the Audit Committee may provide prior agreement.

HOLDING OF SHARES IN THE COMPANY BY THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF BERTRANDT AG

TABLE 10

Management Board	Supervisory Board
400,000	101

ANNUAL GENERAL MEETING

The shareholders of Bertrandt AG use their rights at the annual general meeting, exercising their voting rights. Each share has one vote. There are no shares with multiple, preferential or maximum voting rights. At the annual general meeting the shareholders pass resolutions in particular on such matters as the appropriation of profits, discharging the Management Board and Supervisory Board from their responsibilities, and they appoint the shareholder repre-sentatives for the Supervisory Board and the auditor. Shareholders are notified of important dates on a regular basis by means of a financial calendar, which is published in the annual re-port, the quarterly reports as well as on the Company's website. As a matter of principle, the Chairman of the Supervisory Board chairs the annual general meeting. Bertrandt AG offers its shareholders the service of a proxy voter bound by instructions.

Ehningen, 10 December 2018

The Management Board	The Supervisory Board
DIETMAR BICHLER	**DR. KLAUS BLEYER**
Chairman/	Chairman/
MARKUS RUF	**MAXIMILIAN WÖLFLE**
Member of the Management Board	Deputy Chairman

Group management report

The Group – General information

BUSINESS MODEL AND STRATEGY

As one of Europe's leading engineering partners, Bertrandt has been devising specific and tailored solutions with cus-tomers at 54 locations in Europe, Asia and the United States for over 40 years now. Our services for the automotive and aerospace industries include all process steps in the project phases of conceptual design, CAD, development, design modelling, tool production, vehicle construction and production planning right through to start of production and production support. In addition, the individual development steps are validated by simulation, prototype building and testing. At our technology centres in the immediate vicinity of our customers, we manage projects of different sizes in cooperation with our customers. The technology centres provide dedicated design studios, electronics labs as well as testing facilities.Our customer base comprises nearly all European manufacturers as well as important system suppliers. We also provide technological services outside the mobility industry in such forward-looking sectors as energy, medical technology, electrical engineering as well as machinery and plant engineering throughout Germany. Consistency, reliability and capital expenditure on infrastructure and technical equipment enable our customer relationships to thrive. These are key success factors for Bertrandt.

40

EUR billion will be invested by German OEM's in the development of alternative drive technologies alone by 2020 forecasts the VDA.

CORPORATE RESPONSIBILITY

An integral part of the Bertrandt business model is a sustainable business management,also considering non-financial aspects. The separate digital Corporate Responsibility Report of Bertrandt contains information about the economic, environmental and social impacts ofthe business activity of the Bertrandt Group in fiscal 2017/2018. Exclusively available as a navigablePDF file, it combines sustainability and CSR aspects, this year for the first time non-financial aspects according to §§ 315b and 315c i.V.m. 289c to 289e HGB. The Corporate Responsibility Report is available on the website of Bertrandt AG at Investor Relations in the section Financial Reports.

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 is constantly increasing. Trends towards environmentally friendly mobility, automated and connected driving, increased comfort and safety, for example, require detailed technical know-how and integrated thinking throughout product development. We consider ourselves an active contributor to the development of the future of mobility, and are therefore constantly adapting our range of services to customer needs as well as to changing market conditions. Bertrandt's particular strength lies in the linking up and further development of know-how, and this makes us one of the leading European partners on the market for engineering services. In light of an ongoing consolidation of the industry and growing diversity of customers and their needs and issues, Bertrandt is also looking at inorganic growth opportunities. The engineering expertise Bertrandt has built up over many years of activity in the mobility industries provides a firm foundation upon which the Company can realise and take forward customised development solutions in new sectors. The most significant market trends that drive Bertrandt's success are the following.

ENVIRONMENTALLY FRIENDLY AND INDIVIDUAL MOBILITY

New solutions and alternative drive systems will be needed to master the challenges of scarcity of fossil fuels, global climate change and the increasing mobility needs of a growing world population. Experts worldwide are discussing a further reduction of permitted emission values. While a combustion engine can exploit up to 50 percent of the energy in fuels, an electric motor utilises between 80 and close to 100 percent of the energy provided, according to experts from German Association of the Automotive Industry (VDA). The electrification of the vehicles of the future will therefore play an increasingly important role in reducing local emissions. This will be achieved in two ways: First, emissions will be 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. OEMs are working in this direction and are redoubling their efforts to develop fuel-cell drives which generate electrical power on board the car in a chemical reaction between oxygen and hydrogen.

Legislators will play an important role in spreading these new drive technologies. This is the outcome of the "FAST 2030" study conducted by the VDA in cooperation with Oliver Wyman. CO_2 emission standards are becoming more stringent worldwide. Passenger cars in the European Union have been subject to CO_2 regulations since 2009, for instance. The average emissions of all a manufacturer's newly registered vehicles must not exceed a statutorily defined annual grams CO_2 per kilometre limit. The limit for passenger cars will be reduced from its current 130 grams CO_2 to 95 grams CO_2 per kilometre by the year 2021. This is equivalent to an average consumption of 3.6 litres of diesel or 4.1 litres of petrol per 100 kilometres. Other countries such as the USA or China have set similar environmental targets. Some countries even plan to ban combustion engines in the long-term, for example Norway, starting 2025; the Netherlands, starting 2030 and also France and the UK, starting 2040. However, according to an analysis carried out by the Center of Automotive Management (CAM), the average CO_2 emissions from newly registered passenger cars in Germany, for example, have even increased compared to 2016: At 127.9 grams per kilometre, the average value exceeded the mean of 2016 (127.4 grams) by 0.5 grams.

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. The VDA forecasts that by 2020 German OEMs will have invested around EUR 40 billion specifically in the development of alternative drive technologies. The conclusion of the "FAST 2030" study is that there will already be a marked increase in hybrid vehicles and vehicles which run solely on battery electric power in the years 2020 to 2025. It seems probable, therefore, that by 2030 electrified cars will account for 60% or more of production worldwide.

AUTOMATED 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 CAM in cooperation with the trade journal carIT. Every second technological innovation presented by OEMs over the last four years was a solution in the domains of telematics, vehicle safety systems or operating and display concepts. German OEMs have dominated innovation in the automotive industry for years, accounting for a share of 58 percent of worldwide patents on connected and automated driving with Asian and US-American carmakers considerably further back.

In the premium segment, models are already equipped with partially automated functions of longitudinal and transverse guidance, although it is still the drivers' responsibility to control the vehicle and keep their hands on the wheel. The new technologies of highly automated driving which are currently being developed will allow drivers to delegate responsibility for vehicle control to the system and to engage in other activities. To bring these technologies to market, OEMs and suppliers will be required to make progress in their development activities, as a study by the Heinrich Böll Foundation has found. This concerns e.g. hardware and software components such as the different sensors, processing capacity, human-machine interfaces, software platforms used, connection of sensors and high-resolution map data for exact positioning and artificial intelligence for improving software algorithms. Production-readiness depends on mastering the challenges of highly automated driving, especially driving at higher speeds, controlling complex driving situations, but also the mix of autonomous and manual cars in road traffic. The VDA experts consequently expect that the German automotive industry will invest another EUR 16 to 18 billion in digitisation technologies in the next three to four years.

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

DIVERSITY OF MODELS AND VARIANTS

Module and platform strategies as well as common parts enable carmakers to offer a broad range of vehicle variants. Scale effects across several models and model series mean that automotive manufacturers produce variants that are profitable even in small numbers. The ultimate goal of this strategy is to cover major portions of the global market including smaller niches. As emission standards become ever more stringent, many OEMs are focusing their technology development more on e-mobility. Against this backdrop, medium-term model plans are often being updated to develop models with alternative powertrains.

Berylls Strategy Advisors conclude in a recent study that German car makers will launch a total of 162 new models in the years from 2019 to 2025. This does not include the different drive variants for each model. The adaption of different drive variants offers business opportunities to engineering service providers in addition to vehicle development in its own right.

INDUSTRIE 4.0

The expression “Industry 4.0” stands for the complete digitalisation and integration of the industrial value chain. Combin-ing information and communication technologies with automation and connecting them with the Internet of Things and Services will enable higher degrees of connectivity of and between production equipment from the supplier up to the customer. Digitalisation, or more specifically 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 a recently published study, consulting firm Strategy& analysed the potentials which digitalisation offers to the German economy. According to the study’s findings, the surveyed German companies expect their sales revenues to increase by EUR 276 billion by the year 2023. The managers surveyed believe that artificial intelligence has the greatest future potential because it will provide a better basis for making operational decisions.

Product and service range

Bertrandt’s comprehensive range of products and services provides each customer with customised and all-in solutions along the entire product engineering process. As one of Europe’s leading engineering specialists, Bertrandt is a reliable partner when it comes to meeting current and future challenges across all engineering project stages. All the expertise of the entire Bertrandt Group 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 develop-ment of components, modules and vehicle derivatives.

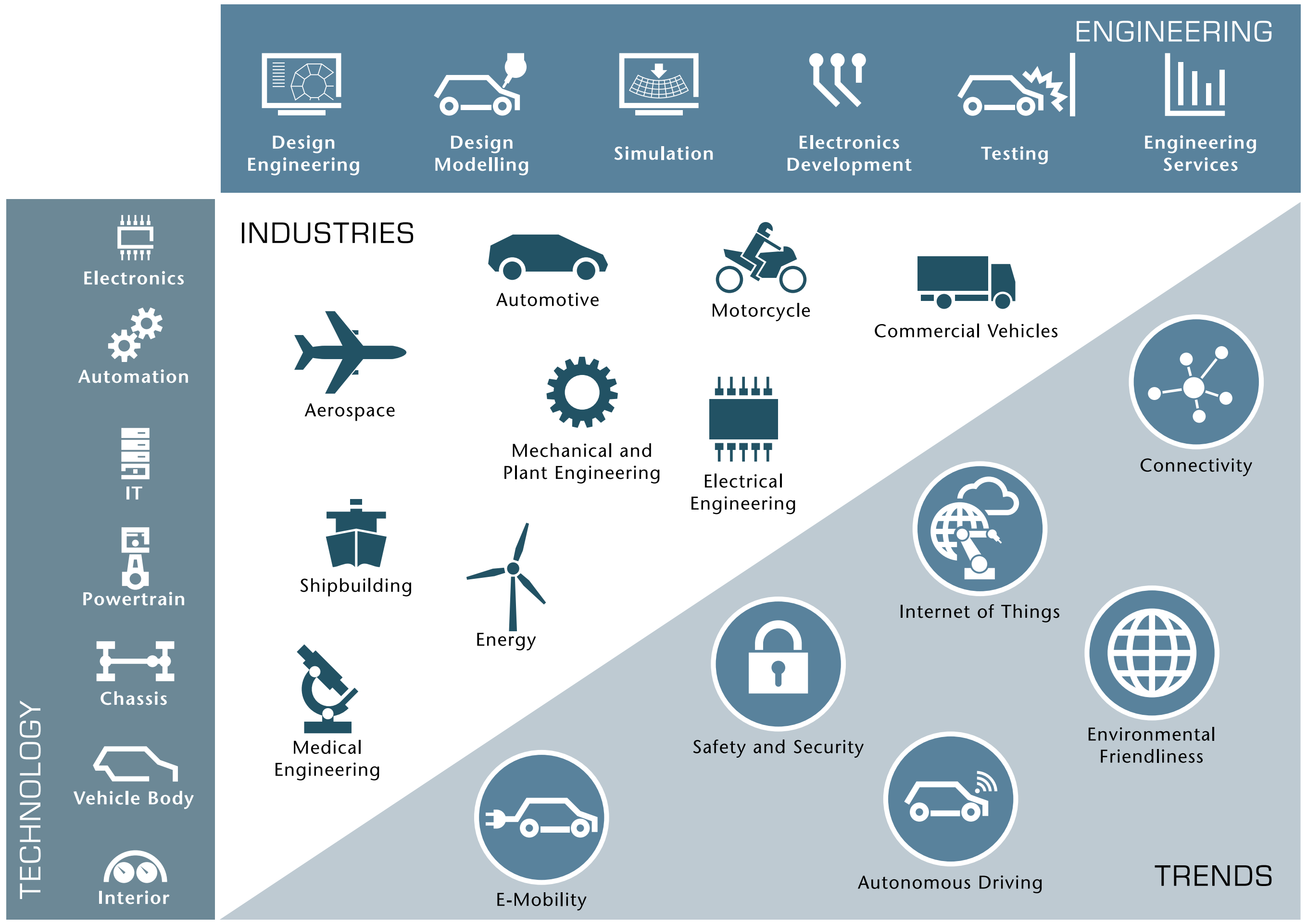
SPECIALIST SERVICES

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.

GENERAL SERVICES

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

BERTRANDT RANGE OF SERVICES CHART 11



MODULE AND DERIVATIVE DEVELOPMENT

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

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

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

→ RANGE OF SERVICES

Competence centres at Bertrandt

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

DESIGN SERVICES/DESIGN MODELLING AND RAPID TECHNOLOGIES

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

VEHICLE BODY DEVELOPMENT

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

INTERIOR DEVELOPMENT

The development of the interior plays a key role in the process of producing new cars and aircraft. Whether for seats or in the cockpit – car manufacturers are increasingly using interior design elements and surface textures as differentiating features. Interior design is characterised by 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 vehi-cle 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 elec-tronics. The complexity of the requirements in automotive and aviation development is increasing. Electronics in vehicles, the complete product development process – from the requirement and the development, through to the integration and validation of at the level of individual components, systems and complete vehicles. Bertrandt offers these devel-opment steps for almost all areas of vehicle electronics. This includes both classic elements such as infotainment, com-fort, 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, automated driving, online services/apps and infrastructure/IT.

POWERTRAIN DEVELOPMENT

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

CHASSIS DEVELOPMENT

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

SIMULATION

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

TESTING/TRIALS

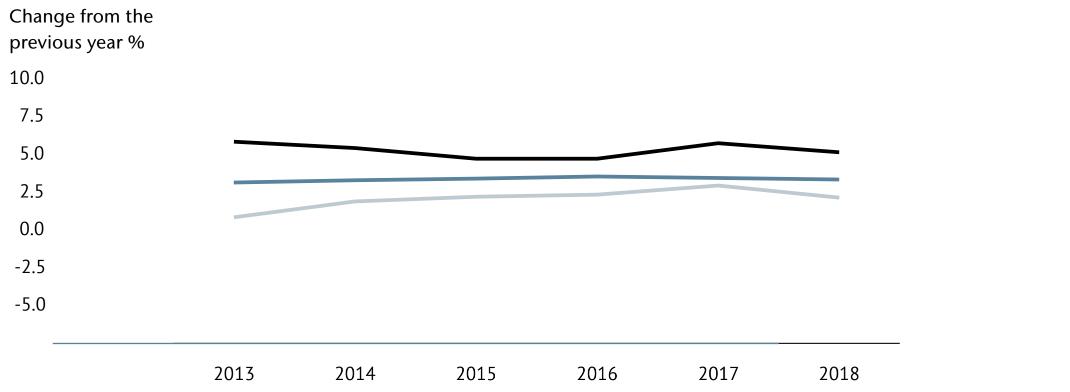
Sustainability calls for the development of new realities and solutions. In order to ensure an optimum and ground-breaking result for our customers, Bertrandt examines, tests and validates ideas and solutions in a manner that is close to reality and uncompromising – and extremely inventive when it comes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

ENGINEERING SERVICES

Ever higher 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 and logistics planning, and material flow simulation.

REAL GROSS DOMESTIC PRODUCT

CHART 12

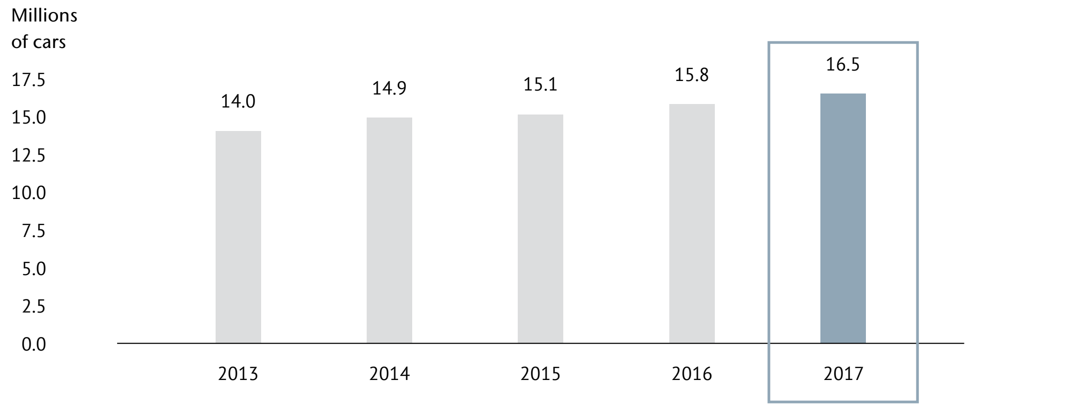


The world economy continues to expand.
Emerging Economies World Europe

Source: Joint Economic Forecast Project Group, Joint Economic Forecast Autumn 2018.

GLOBAL CAR PRODUCTION OF GERMAN MANUFACTURERS

CHART 13



In 2017, German car manufacturers again succeeded in increasing production volumes over the previous year.

Source: On the basis of VDA

Report on enconomic postition

ECONOMIC DEVELOPMENT

The global macroeconomic data were predominantly positive during Bertrandt's fiscal year 2017/2018. Worldwide industrial production expanded substantially in 2017, and the volume of global trade grew strongly. Experts in the Joint Economic Forecast Group reported 2.2 percent economic growth in the USA for the 2017 calendar year. The economy in China grew by 6.9 percent, and output in the Member States of the European Union rose by 2.5 percent. In 2017, Germany's economy grew by 2.5 percent compared to the previous year. Positive momentum was carried over from the previous quarter of 2017, albeit at a somewhat slower pace, and continued through to the summer of 2018, according to the Joint Economic Forecast. Uncertainties concerning the future development of the global economy deepened perceptibly. Darkening clouds on the horizon were the deteriorating financial constraints for the emerging countries and the menacing prospect of trade conflicts. Global trade, which had continued to expand substantially up to the end of last year, has not grown significantly since the beginning of the year.

Against this backdrop the experts from the Joint Economic Forecast Project Group forecast growth in the US economy of 2.9 percent for 2018 in their recent autumn report. The momentum of the Chinese economy is likely to slow down to growth of 6.6 percent. According to the forecast, the EU can expect two percent growth, with Germany's GDP growing by 1.7 percent.
→ CHART 12

1.7

percent is the level of economic growth forecast for Germany for 2018.

DEVELOPMENT IN THE AUTOMOTIVE INDUSTRY

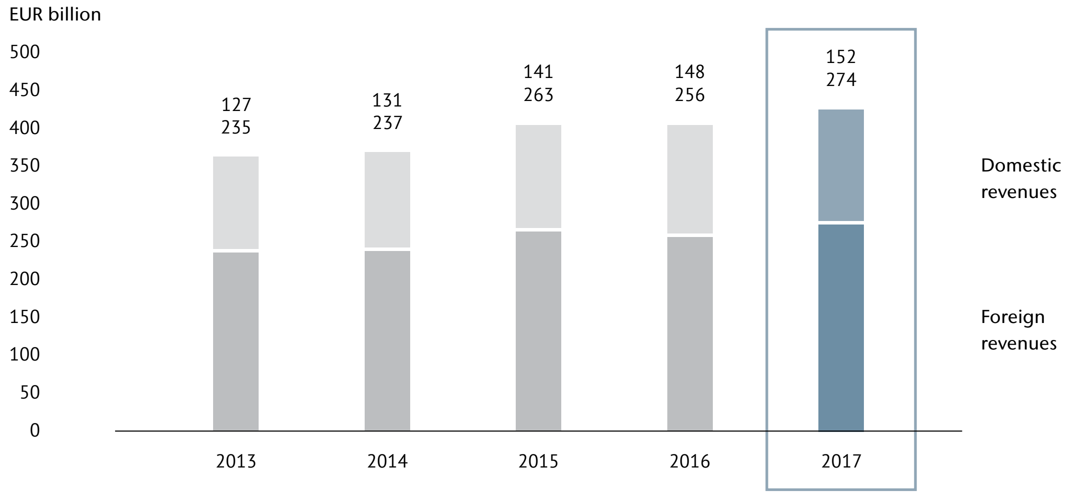
New car sales worldwide grew to 84.7 million passenger cars (previous year 82.9 million) according to the German Association of the Automotive Industry (VDA). This is equivalent to an increase of two percent. The number of new vehicle registrations in the United States of America stagnated slightly in the light vehicle category at 17.1 million units; altogeth-er around two percent fewer vehicles were newly registered than in the previous year. According to the VDA's statistics, sales of passenger cars fell compared with the previous year by 12 percent to 6.1 million vehicles. In contrast, sales of light trucks rose by four percent to 11.4 million units. At a growth rate of two percent, China was again the largest individual market worldwide and registered 24.2 million new vehicles another all-time high. With a plus of three percent and 14.3 million new car registrations in the past year, Western Europe also continued along its growth path.

The mainly positive trend in the automotive industry continued right up to the end of Bertrandt's fiscal year on 30 September 2018. In the first three quarters of this year, sales of light vehicles in the USA rose slightly by 0.3 percent to some 12.8 million units. The trend towards larger vehicles continued unchanged. While sales in the light vehicle category fell by 14 percent compared to the previous year, sales in the light trucks category rose by eight percent. China continued to develop dynamically with new registrations rising by around one percent to more than 16.9 million passenger cars. The Western European market also continued to grow to around 11.2 million new car registrations, exceeding the previous year figures by 1.4 percent. Overall for the year 2018, the VDA expects approximately 85.7 million new cars to be sold worldwide, which is equal to an increase of one percent over the previous year.

According to a survey conducted by the VDA, the German car industry was able to increase its sales revenues by 5.3 percent to EUR 426 billion in 2017. The export share rose to EUR 273.7 billion (6.8 percent above the previous year) and domestic sales revenues to EUR 152.3 billion (2.7 percent above the previous year). In 2017 the automotive industry employed 819,996 people, an increase of 1.4 percent over the previous year 2016.
→ CHART 14

REVENUES IN THE GERMAN AUTOMOTIVE INDUSTRY

CHART 14



According to the VDA, sales in the German automotive industry exceeded with EUR 426 billion in 2017 significantly the previous year›s level.

Source: On the basis of VDA.

DEVELOPMENT IN AEROSPACE

According to the German Aerospace Industries Association (BDLI), the German aerospace industry also developed very positively in 2017. In total, the industry's sales revenues grew by six percent, reaching an all-time high of EUR 40 billion (previous year EUR 37.5 billion). The number of employees in the industry also increased again, climbing to a new historical high of 109,500 (previous year: 108,000). Spending on research and development of EUR four billion equalled that of the previous year, corresponding to ten percent of industry sales revenues.

After bringing development work on important aircraft programmes to a close, the industry is now increasingly investing in new technologies and products linked to the development of the next generation of aircraft and in the ongoing development of products for current aircraft programmes. One important topic is the introduction of Industry 4.0 and the digitalisation of development, production and services. Other current fields of development include unmanned flight and hybrid or electric propulsion technology. The two big aerospace groups, Airbus and Boeing, both report an unbroken worldwide growth trend in civil aviation. Airbus' annually updated long-term forecast anticipates worldwide demand for new aircraft for civil aviation of up to 37,400 units between 2018 and 2037. According to Airbus, the market value of this volume is some EUR 5 trillion. Boeing anticipates an even higher volume of demand for new civil aircraft in its forecast for the same period of 42,730 new units by 2037. This is equal to a present market value of almost EUR 5.5 trillion.

4

billion euros were invested by the German aerospace industry in research and development in 2017.

DEVELOPMENTS IN OTHER SECTORS

The upturn in the German economy has now continued for six years. Growth has been driven in particular by strong domestic demand supported by an ongoing expansion in employment and low interest rates. Production capacity utilisation had already reached a very high level in early 2017 and remained at this level through to the autumn. The four key industries in which Bertrandt operates outside the automotive and aerospace sectors developed as follows.

The German Engineering Federation (VDMA) estimates total sales revenues for the industry of around EUR 274 billion for 2017, equal to growth of five percent over the previous year. In the light of a continuing expansion in worldwide investment activities, the Federation anticipates that production will rise again by five percent in 2018 over the previous year.

According to the German Electrical and Electronic Manufacturers Association (ZVEI), sales revenues for the industry rose substantially in 2017 to EUR 191.5 billion (+7.2 percent). In the same period, EUR 17.2 billion was expended on re-search and development, around three percent more than in the previous year. For the year 2018, ZVEI experts expect the positive environment to support further growth in output of three percent and an increase in industry sales revenues to EUR 196 billion.

The trade association Medical Technology, a division of the German Hightech Industry Association (SPECTARIS) report-ed an increase in sales revenues generated by the 1,310 German medical technology producers in 2017 of 2.5 percent, equal to total sales revenues of EUR 29.2 billion. The workforce grew by 3.9 percent to around 137,900 employees. The share of spending on research and development was around nine percent of sales revenues. The Association anticipates further positive growth throughout 2018 with revenues expected to be four percent higher than in the previous year.

Revenues in the energy engineering sector rose slightly by 6.2 percent to EUR 13.4 billion in 2017, as reported by the Power Engineering division of the ZVEI. The industry experts anticipate the global market for power engineering expanding by four percent in 2018.

DEVELOPMENT OF THE ENGINEERING MARKET

According to the findings of the Automobilwoche industry magazine, the engineering service provider industry is still on the upswing. In 2017, the 25 leading companies were able to boost their sales revenues with customers from the auto-motive industry by an average of over ten percent compared to the previous year. Ongoing consolidation within the industry is a major determinant of the growth in sales revenues being generated by the engineering service providers. In total, the top 25 recorded revenues of EUR 9.4 million with the car industry. According to a market analysis performed by the consultancy Berylls, the main factors promoting growth are digitalisation, automated driving and the continuing acquisition of a broad range of integrated expertise by engineering service providers. This expertise enables the indus-try to take on increasingly complex and multi-faceted project scopes from OEMs and suppliers. Experts also expect this growth trend to continue in 2018.

DEVELOPMENT OF THE ENGINEERING MARKET

According to the findings of the Automobilwoche industry magazine, the engineering service provider industry still has sustainable growth potential. In 2017, the 25 leading companies were able to boost their sales revenues with customers from the automotive industry by an average of over ten percent compared to the previous year. Ongoing consolidation within the industry is a major determinant of the growth in sales revenues being generated by the engineering service providers. In total, the top 25 recorded revenues of EUR 9.4 million with the car industry. According to a market analysis performed by the consultancy Berylls, the main factors promoting growth are digitalisation, automated driving and the continuing acquisition of a broad range of integrated expertise by engineering service providers. This expertise enables the industry to take on increasingly complex and multi-faceted project scopes from OEMs and suppliers. Experts also expect this growth trend to continue in 2018.

9.4

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

Business performance

BUSINESS DEVELOPMENT

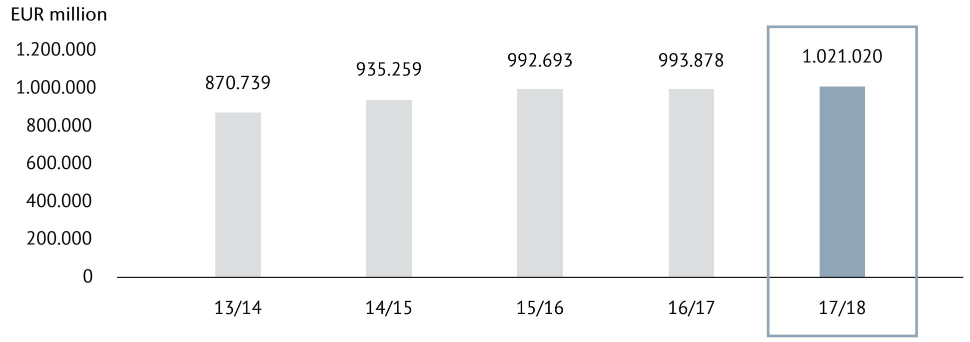
The Bertrandt Group performed in line with expectations in the 2017/2108 financial year. The Company's key performance figures went up, even though the environment in the automotive industry remained challenging and despite the fact that there were two fewer working days in the period compared to the same period in the previous year. Delays again arose in the award of development contracts to external engineering service providers and pressure on prices remained tangible. This limited the Company's positive development, despite positive economic conditions and intact drivers of market and technology development. Growth in Bertrandt AG's total revenues and earnings in fiscal 2017/2018 was consequently at the lower end of expectations.

TOTAL REVENUES

Total revenues increased by EUR 27.142 million from EUR 993.878 million in the previous year to EUR 1,021.020 million. Revenues totalled EUR 1,019.914 million (previous year EUR 992.276 million). Bertrandt's foreign subsidiaries continued their overall good performance, generating revenues of EUR 152.720 million (previous year EUR 134.300 million), which is equivalent to an increase of 13.7 percent. This was mainly due to increasing customer demand in France. Own work capitalised amounted to EUR 1.106 million after EUR 1.602 million in the previous year. In-house developments in the field of connected, automated and electrified driving were sold to customers.

TOTAL REVENUES

CHART 15



For the first time in its history, Bertrandt achieved more than 1 EUR billion in total revenues.

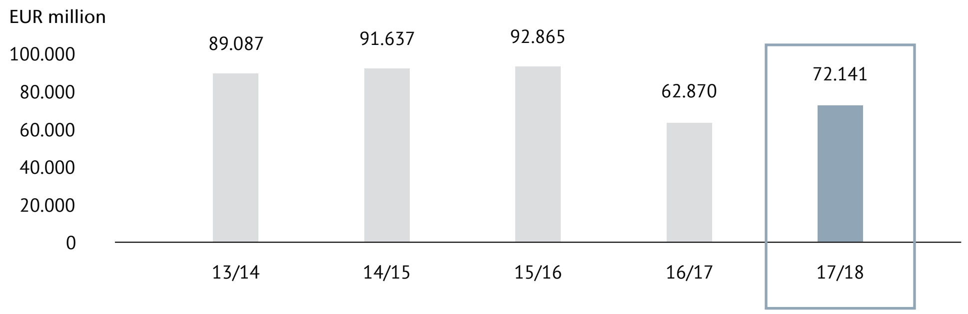
The increase in total revenues in the year under review was thus within the range of between EUR 20 million and EUR 50 million above the previous year projected in the preceding year's management report and announced by management.
→ CHART 15

KEY EXPENDITURE FIGURES

The key expenditure figures in the 2017/2018 fiscal year compared with the previous year are as follows: Fewer procurements from external service suppliers reduced the cost of materials in relation to projects to EUR 100.388 million (previous year EUR 105.605 million). As the workforce increased, and fuelled by a general increase in wages, personnel expenses also rose by 2.9 percent to EUR 723.971 million (previous year EUR 703.593 million). The staff cost ratio slightly increased to 70.9 percent (previous year 70.8 percent). Although Bertrandt continued building up and expanding its infrastructure and technical equipment with a view to future business, depreciation/amortisation expense fell slightly due to the consumption pattern of the assets from EUR 33.864 million in the previous year to EUR 33.022 million. The ratio of depreciation/amortisation to total revenues was 3.2 percent (previous year 3.4 percent). Other operating expenses increased in the period under review by 3.6 percent to EUR 100.092 million (previous year EUR 96.628 million), mainly driven by a further expansion of the volume of rental expenses. As a result of the growth in total revenues, other operating expenses in relation to total revenues were at 9.8 percent, thus more or less equalling the level of the 2016/2017 fiscal year (previous year 9.7 percent).

EBIT

CHART 16



The increase in EBIT can mainly be attributed to the improved capacity utilization and better project results.

72.141

million euros of operating profit were reported in fiscal 2017/2018.

EBIT

Bertrandt generated an EBIT of EUR 72.141 million in fiscal year 2017/2018 (previous year EUR 62.870 million) and increased its EBIT margin from 6.3 to 7.1 percent. The higher EBIT can mainly be explained by the improved order position, capacity utilisation and project output. Bertrandt's foreign subsidiaries generated an EBIT of EUR 14.681 million (previous year EUR 10.355 million). The non-domestic entities' contribution to EBIT has thus developed positively, despite the ongoing start-up costs incurred for the expansion of the so-called best cost country locations.
→ CHART 16

Consequently, the increase in EBIT by 9.271 million and the EBIT margin of 7.1 percent in fiscal 2017/2018 meet the expectations in the preceding management report of a minimum growth in EBIT of EUR 8.100 million and an EBIT margin in the range of seven to nine percent of total revenues.

NET FINANCE INCOME

On balance, net finance income was EUR -2.983 million (previous year EUR -2.181 million). The finance costs were at previous year's level; the change in net finance income is mainly explained by the fact that the positive interest effect from a tax asset, which was included in net other finance income in the previous year, did not continue into fiscal 2017/2018.

POST-TAX EARNINGS

Profit from ordinary activities amounted to EUR 69.158 million (previous year EUR 60.689 million). With income tax expense amounting to EUR 17.915 million (previous year EUR 14.125 million), the tax rate for the period under review rose to 27.4 percent (previous year 24.4 percent), as last year's tax assessment included a tax refund resulting from a tax audit. Post-tax earnings were EUR 47.385 million (previous year EUR 43.866 million). This works out to earnings per share of EUR 4.69 (previous year EUR 4.35).
→ CHART 17

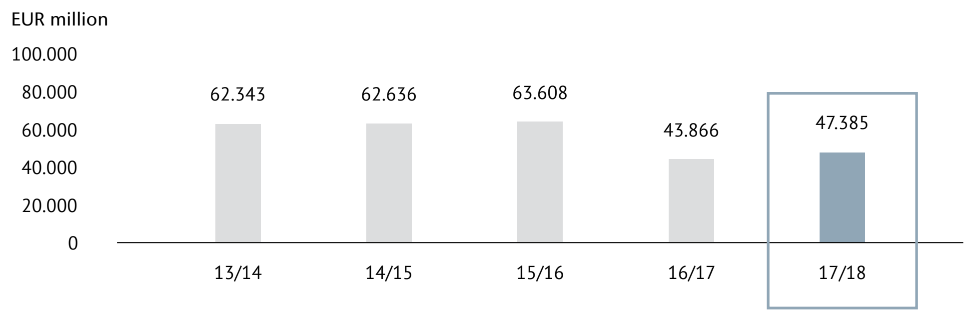
PERFORMANCE BY SEGMENTS

Bertrandt organises its business activities according to the Digital Engineering, Physical Engineering and Electrical Systems/Electronics segments. Total segment revenues and earnings developed positively overall in fiscal 2017/2018.

In the Digital Engineering segment, which mainly covers the design of modules and components, total revenues increased to EUR 595.568 million (previous year EUR 582.680 million) as a result of the positive development abroad generated by

POST-TAX EARNINGS

CHART 17



The improved business situation is also reflected in earnings after income taxes.

improved customer demand. At EUR 33.077 million (previous year EUR 29.283 million), EBIT in the reporting period contributed 45.9 percent to the Group's total EBIT.

Design modelling, testing, vehicle construction and rapid prototyping activities, for example, are bundled in the Physical Engineering segment. In the 2017/2018 financial year, the segment's total revenues rose to EUR 214.519 million (previous year EUR 201.092 million). EBIT increased year on year to EUR 18.235 million (previous year EUR 12.976 million). One factor driving this development was the sustained recovery in demand from a single major customer.

The Electrical Systems/Electronics segment generated total revenues of EUR 210.933 million (previous year EUR 210.106 million). This segment continued to be the most profitable, generating EBIT of EUR 20.829 million (previous year EUR 20.611 million). This development is due to an improvement in capacity utilisation.

The development of the segments thus almost met the expectations in the forecast section of last year's management report. All segments grew, although the expansion of total revenues by EUR 13.427 million in the Physical Engineering segment was strongest in absolute terms. At EUR 12.888 million, growth in the Digital Engineering segment was only slightly lower than the rate reported for the Physical Engineering Segment. EBIT grew in all three segments; at EUR 5.259 million, this was also strongest in the Physical Engineering segment.

NET ASSETS

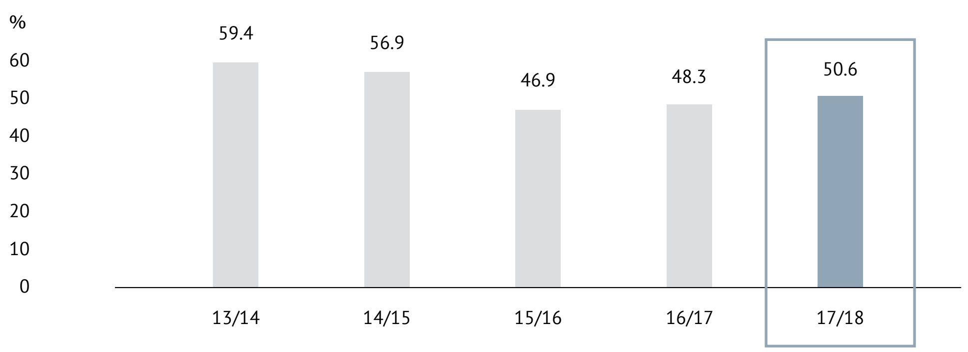
The Group's balance sheet structure is based on the principle of matching maturities. Total assets slightly increased by 1.2 percent year on year to EUR 788.395 million (previous year EUR 778.800 million). Non-current assets increased by EUR 17.711 million to EUR 318.914 million, in particular as a result of ongoing spending on property, plant and equipment. Current assets declined to EUR 469.481 million (previous year EUR 477.597 million). The volume of capital committed as working capital had increased on the balance sheet date, as reflected in an increase in current receivables and other assets of EUR 40.809 million to EUR 254.899 million (previous year EUR 214.090 million). Cash and cash equivalents were also down from EUR 139.266 million to EUR 88.405 million as a result of the change in working capital, ongoing investing activities and a dividend payment during the fiscal year. The Company's equity increased as a result of the ongoing improvement in earnings to EUR 398.876 million (previous year: EUR 376.360 million). Non-current liabilities dropped by EUR 15.982 million due to a reclassification of non-current into current borrowings and lower deferred tax liabilities of EUR 12.611 million (previous year EUR 19.578 million).

SOLID EQUITY BASE

The positive earnings situation is reflected in higher equity of EUR 398.876 million (previous year EUR 376.360 million). This change is largely due to the post-tax earnings of EUR 47.385 million (previous year EUR 43.866 million) less the paid out dividend of EUR 25.228 million adopted by the annual general meeting. With an equity ratio of 50.6 percent (previous year 48.3 percent), Bertrandt is well above the internal target rate of 45.0 percent and continues to be a financially strong company.
→ CHART 18

EQUITY RATIO

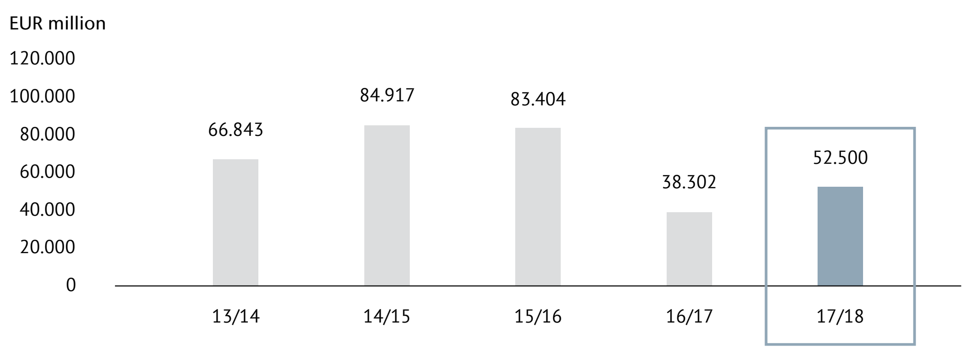
CHART 18



The high equity ratio makes Bertrandt a financial stable company.

CAPITAL EXPENDITURE

CHART 19



Capex was adjusted to business dynamics.

FINANCIAL POSITION

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

CASH FLOW FROM OPERATING ACTIVITIES

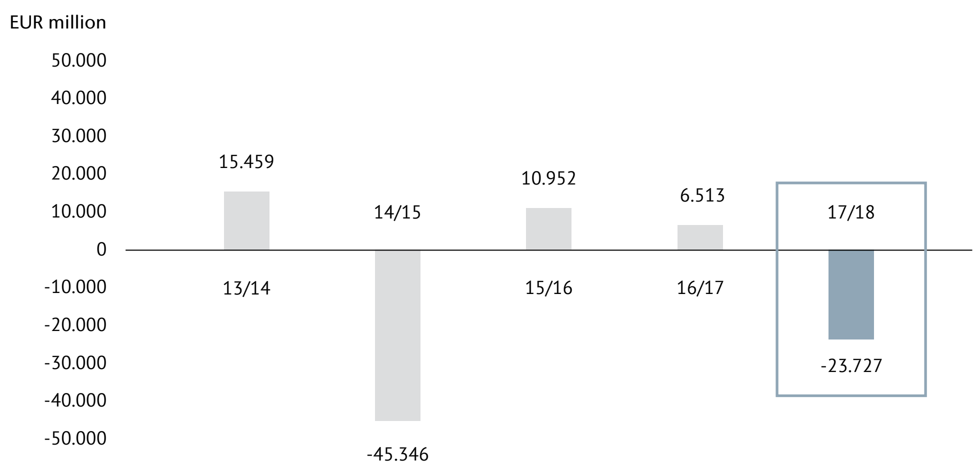
Bertrandt's cash flow from operating activities fell in the 2017/2018 fiscal year despite higher earnings as the increased commitment of working capital was mainly due to the substantial increase in receivables and other assets on the balance sheet date in the fourth quarter of the fiscal year. In the period under review, it amounted to EUR 27.208 million (previous year EUR 42.182 million). This was therefore positive as had been expected, and developed in parallel to business performance.

CAPITAL EXPENDITURE

Spending on property, plant and equipment was significantly increased in 2017/2018 compared with the previous year, and the total resulting outflow of liquidity was EUR 49.309 million (previous year EUR 34.051 million). Payments for spending on intangible assets decreased by EUR 0.984 million to EUR 2.802 million. Payments for spending on other financial assets amounted to EUR 0.389 million (previous year EUR 0.436 million). In total, liquidity outflow due to capital expenditure was

FREE CASH FLOW

CHART 20



Bertrandt recorded a negative free cash flow in the period under review.

EUR 52.500 million in the period under review (previous year EUR 38.302 million). Other financial obligations of EUR 36.650 million also exist for property, plant and equipment beyond the balance sheet date of 30 September 2018 (previous year EUR 26.241 million).

By investing in infrastructure and facilities, the Company seeks to complete its scope of products and services with a focus on its customers' needs. State-of-the-art technical equipment will enhance the range of competencies offered at Bertrandt's locations. Moreover, new capital expenditure is also intended to promote innovation. Investment is concentrated on the dominant technology trends in the industry, such as environmentally-friendly individual mobility and automated and connected driving. New testing facilities which enable innovative services for electrified drives in particular were opened successively in northern Germany during fiscal year 2017/2018. A high-voltage centre for battery tests in a climate chamber will also be built at the Company's Ehningen headquarters in fiscal 2018/2019. The Group is also planning two testing centres for new drive technologies. Bertrandt is investing in its proprietary competence initiatives in the fields of electrified, connected and automated driving as well as in innovative solutions in lightweight design. This growth in new and existing fields of competencies across the entire Bertrandt Group enables us to penetrate additional areas of the automotive development process and to further expand and secure our market position as a technology group.
→ CHART 19

FINANCING AND LIQUIDITY

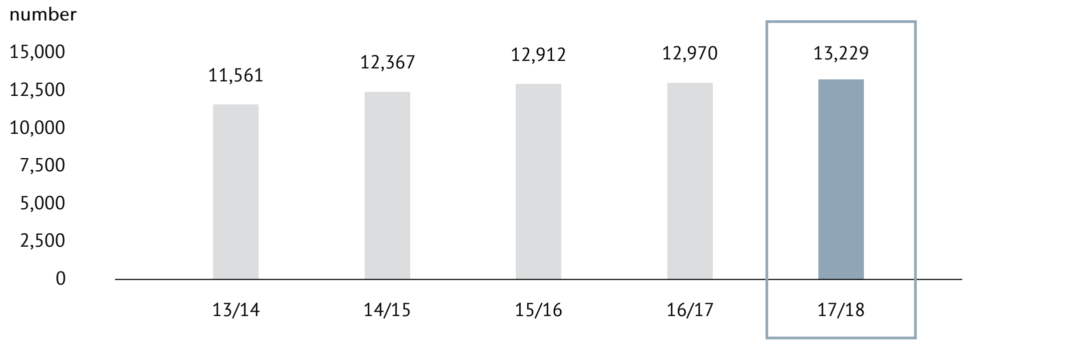
The influences described here resulted in negative free cash flow of EUR 23.727 million (previous year EUR 6.513 million positive free cash flow) in fiscal 2017/2018. The negative cash flow from financing activities was mainly due to the payment of a dividend of EUR 25.228 million (previous year EUR 25.229 million). Cash and cash equivalents thus fell from EUR 139.266 million to EUR 88.405 million. Bertrandt has unused medium-term credit facilities of around EUR 193 million. With these financial resources, unused and committed medium-term credit lines and alternative financing instruments of around EUR 238 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 20

GENERAL STATEMENT ON BUSINESS PERFORMANCE

Despite the still challenging business environment, Bertrandt increased its total revenues in fiscal 2017/2018 over the previous year and reported total revenues of more than one billion euros for the first time in the Company's history. Although, as a result of the influencing factors described above, growth in EBIT and EBIT margin only just met expectations, the Management Board judges the Company's business performance and, in particular, its prospects to be good. The three

DEVELOPMENT OF EMPLOYEES

CHART 21



Bertrandt kept on creating new jobs.

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

→ CAREER AT BERTRANDT

The detailed Bertrandt mission statement can be found here:

→ BERTRANDT MISSION STATEMENT

major influencing factors, i.e. the increasing variety of models and variants, environmentally friendly individual mobility, and connected and automated driving remain intact in the long-term and continue to offer opportunities well into the future. With an equity ratio of more than fifty percent the Company stands on a sound financial footing. Its good capital base and its investment activities have paved the way for lasting success in the future.

Human resources management

As at the balance sheet date, 13,229 employees (previous year 12,970) worked for Bertrandt worldwide. On 30 September 2017, the Company had 11,143 employees (previous year 11,145) in Germany and 2,086 (previous year 1,825) in other countries.
→ CHART 21

This means that over 13,000 people are devising top-level customised development solutions for customers in Germany and abroad. At Bertrandt we attach overwhelming importance to sustainable and responsible corporate management, respecting the fundamental values of honesty, credibility, reliability, esteem and mutual trust. We have drawn on these values to update the Bertrandt mission statement in fiscal 2017/2018 which states the guiding principles on which our corporate strategy, our day-to-day work and our social responsibility are based. This governs both the way in which we treat each other within the Group and our relationships with our customers and shareholders. The key corporate culture issues are presented transparently in the mission statement. Trust, fairness, esteem, and respect for people and the environment are the pillars of Bertrandt's corporate culture.

To remain an attractive employer in the future, Bertrandt is currently implementing a group-wide programme for more flexibility and individualisation of the working environment and forms of working. This includes flexible working time and work places, as well as different room concepts at the Company's branches and locations.

Bertrandt's reputation as a competitive employer was confirmed once again in the period under review by an independent source: Bertrandt was again ranked among the 100 most attractive employers in Germany by Universum in 2018. In the „trendence Graduate Barometer 2018 – Engineering Edition" the Company has consistently been among the 100 most popular employers in Germany since 2012 and in the period under review ranks number 82. The Group also received the "Best employer 2018" award by the Focus magazine in the 2017/2018 fiscal year.

RECRUITMENT

Staff recruitment plays 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 play a major role. As a future-proof company Bertrandt seizes the opportunities offered by a large variety of events 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. Multi-faceted project scopes and a deep and broad spectrum of service offer interesting tasks in key technological industries to specialists, experienced professional engineers and technicians as well as to graduates fresh from university. In the year under review, Bertrandt continued to expand its activities in this field, including the use of social media.

FURTHER TRAINING

Numerous technological innovations and our customers' high quality expectations call for continuous further training of our employees. Bertrandt is aware of this challenge. To be able to meet these high demands in the best possible way, the Company develops the know-how of its staff on an ongoing basis and ensures individual support for each staff member. The further training schemes continuously carried out by the Company provide the basis for lifelong learning: a broad range of technical and methodological trainings, management programmes and specific project management courses are offered in the Bertrandt knowledge portal, the Company's own training programme. In total, Bertrandt spent EUR 9.5 million (previous year EUR 10.2 million) on further training for staff and managers in the year under review.

TRAINING

Bertrandt has always attached great importance to the training of young talent. The Company develops its own pool of talent by running and applying numerous training programmes and methods as well by cooperating closely with universities. For example, we also train postgraduates in the field of electromobility. As at 30 September 2018, 360 employees were participating in a training or study programme in technical or commercial disciplines.

Group organisation and controlling

INTERNATIONAL GROUP STRUCTURE

Bertrandt AG is the parent company within the Bertrandt Group, which operates with domestic or foreign independent legal entities or permanent establishments in Germany, China, the United Kingdom, France, Austria, Romania, Spain, Turkey, Hungary and the United States. 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 regu-lar management meetings between the Group Management Board and the management of the respective subsidiaries. Cyclical and sector-specific changes are constantly monitored and incorporated in the operative control of the business segments in a timely manner.

ENHANCING ENTERPRISE VALUE AS A PRIORITY

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

Corporate governance declaration pursuant to Sections 315d and 289a 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 responsible corporate governance in accordance with the law, the Company has also established internal regulations that reflect the Group's value system and leadership principles.

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 principles. 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 2017, 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/data/downloads/00_Unternehmen/2017_Bertrandt-Leitbild_en.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 Dr. Klaus Bleyer 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 dates of the regular financial reporting are listed on the Bertrandt's website at "hhttps://www.bertrandt.com/en/investor-relations/dates.html. In addition to regular reporting, information that concerns Bertrandt and which might have a considerable impact on the price of Bertrandt's share but is not publicly known is disclosed by means of ad-hoc announcements pursuant to Section 15 WpHG and, from 3 July 2016 onward 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 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 CEO 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 it in good time.

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 Supervisory Board.

The Management Board did not form any committees.

COMPOSITION AND WORKING PROCEDURES OF THE SUPERVISORY BOARD

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 Human Resources Committee consists of Dr. Klaus Bleyer (Committee Chairman), Maximilian Wölfle (Deputy Chairman) and Prof. Dr.-Ing. Wilfried Sihn. The Audit Committee is composed of Dr. Klaus Bleyer (Committee Chairman), Maximilian Wölfle (Deputy Chairman) and Horst Binnig. The members of the Audit Committee as a whole are familiar with the industry in which the Company operates.

A list of all members of the Supervisory Board is available at "https://www.bertrandt.com/en/company/supervisory-board.html". Information on the professions of the Supervisory Board members and disclosures on other offices held in supervisory boards and other monitoring bodies can be found in the 2017/2018 Annual Report (section "Consolidated Financial Statements/Notes") which is available at "https://www.bertrandt.com/en/investor-relations/financial-reports.html" upon its publication on 13 December 2018.

STIPULATIONS PURSUANT TO SECTION 76 (4) AND SECTION 111 (5) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

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

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

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

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

The targets previously defined in September 2015 were attained at the level of the Management Board, however not at the first and second management levels below the Management Board. Female representation showed a positive development and was 41.7%; in the Supervisory Board it was 33.33 %.

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) DATED 24 SEPTEMBER 2018 (INCLUDING THE UPDATE OF 5 NOVEMBER 2018)

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

The Management Board and Supervisory Board of Bertrandt AG declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that the recommendations of the Government Commission on the German Corporate Governance Code (GCGC), as amended on 7 February 2017 and published in the electronic Federal Gazette on 24 April 2017 and corrected on 19 May 2017, have been and are being complied with, with the following exceptions having been and being made: Sections 3.8 (3), 4.1.3 sent.2, 4.1.5, 4.2.3 (3), 4.2.5 (3) and (4), 5.3.2 (3) sent. 2 and 3, 5.4.1 (2) and (4), 5.4.2 sent. 1, 5.5.2, 5.5.3 sent. 1 and 7.1.2 sent. 3 of GCGC; since 24 September 2018, the Company has also deviated from Section 5.4.1 (6) GCGC.

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

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

Section 4.1.3 sent. 2 GCGC
Bertrandt AG maintains a compliance management system which is aligned to the Company's risk situation. The Company will report on this system from the fiscal year 2017/18 onward 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), which will be applicable to the Company's annual financial statements and consolidated financial statements as well as the management and group management reports for the first time in the 2017/18 financial year ending on 30 September 2018. The Company continues to deviate from Section 4.1.3 sent. 2 GCGC with regard to the new statutory provisions.

Section 4.2.3 (3) GCGC
The Company continues to deviate from Section 4.2.3 (3) GCGC. It is not the Supervisory Board's intention to guarantee a specific pension level for retired members of the Management Board, but to ensure that active

members of the Management Board are compensated in line with the market and the situation of the Company. Hence, pension commitments are generally not made. Such commitments exist, as has been stated in the Company's annual reports for many years, exclusively with regard to one active and one former member of the Management Board.

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

Section 5.3.2 (3) sent. 3 GCGC
The Chairman of the Supervisory Board has for many years simultaneously been Chairman of the Audit Committee. Since this has proven effective, the Company continues to deviate from the recommendation in Section 5.3.2 (3) sent. 3 GCGC

Section 5.3.2 (3) sent. 2 GCGC and Section 5.4.2 sent. 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 sent. 2 GCGC, the Company as a precautionary measure declares a deviation from Section 5.3.2 (3) sent. 2 GCGC as well as Section 5.4.2 sent. 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 sent. 1, second clause GCGC
The Company also continues to deviate from Section 5.4.2 sent. 1, second clause, GCGC. The business model of Bertrandt AG 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 individual shareholders on the Supervisory Board.

Section 5.4.1 (2) and (4) and Section 4.1.5 GCGC
The Company continues to deviate from Section 5.4.1 (2) and (4) and Section 4.1.5 GCGC. It is in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Management Board and the Supervisory Board or appointing other executives. While the Company believes that adequate members have been selected for the Supervisory Board also bearing in mind the aspects mentioned in Section 5.4.1 (2) GCGC the Supervisory Board has refrained from defining a rigid skill profile or laying down specific objectives so as to avoid any restrictions regarding the future candidate selection process. Taking this into account, the Company has also decided not to fix a maximum period of office in the Supervisory Board within the meaning of Section 5.4.1 (2) GCGC.

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

Section 5.5.2 and Section 5.5.3 sent. 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 sent. 1 GCGC. The Rules of Procedure require each Supervisory Board member to disclose any conflicts of interest to the Chairman of the Supervisory Board; it is mandatory for the Chairman of the Supervisory Board to disclose this information to his or her deputy. These provisions exceed the stipulations of Section 5.5.3 sent. 1 GCGC by applying to all conflicts of interest and not distinguishing between matters which are of material or temporary nature. The right to waive public disclosure of such information enables the members of the Supervisory Board to discuss in confidence with the Chairman cases which merely appear to be conflicts of interests.

Section 7.1.2 sent. 3 GCGC
Bertrandt AG published its report on the first quarter of fiscal 2017/2018 on 19 February 2018, the report on the second quarter on 14 June 2018 and the report on the third quarter on 29 August 2018. 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 sent. 3 GCGC.

Ehningen, 24 September 2018

The Management Board	*The Supervisory Board*
Dietmar Bichler *Chairman*	*Dr. Klaus Bleyer* *Chairman"*

"Update of the Declaration of conformity to the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act

The annual declaration of conformity was submitted by the Management Board and Supervisory Board on

24 September 2018. The declaration is updated with the following additions:

From the conclusion of the annual general meeting on 20 February 2019 onward, the Company will also deviate from Section 4.2.1 sent. 1, second alternative, of the German Corporate Governance Code as amended on 7 February 2017, promulgated in the Federal Gazette on 24 April 2017 and corrected on 19 May 2017.

This additional deviation is based on the following considerations:
In Section 4.2.1 sent. 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 will no longer be 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.

Ehningen, 5 November 2018

The Management Board	*The Supervisory Board*
Dietmar Bichler *Chairman*	*Dr. Klaus Bleyer* *Chairman"*

DIVERSITY POLICY

The Company does not pursue a diversity policy. As has been set out in the declaration of conformity of 24 September 2018 pursuant to Section 161 AktG, it is in the interest of Bertrandt AG to give priority to the professional experience, capabilities and knowledge of the individual persons when appointing members to the Management Board and the Supervisory Board or appointing other executives.

Ehningen, 10 December 2018

The Management Board	The Supervisory Board
DIETMAR BICHLER Chairman / **MARKUS RUF** Member of the Management Board	**DR. KLAUS BLEYER** Chairman / **MAXIMILIAN WÖLFLE** Deputy Chairman

Remuneration report

COMPENSATION STRUCTURE FOR THE MEMBERS OF THE MANAGEMENT BOARD

Compensation of Management Board members comprises fixed/non-performance-related and variable components. The fixed/non-performance-related compensation consists of a fixed remuneration and fringe benefits. 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 2017/2018 fixed/non-performance-related compensation paid to the Management Board members was EUR 0.669 million (previous year EUR 0.668 million) for Dietmar Bichler; EUR 0.330 million (previous year EUR 0.330 million) for Hans-Gerd Claus; EUR 0.330 million (previous year EUR 0.330 million) for Michael Lücke and EUR 0.330 million (previous year EUR 0.330 million) for Markus Ruf.

The variable component is adjusted to the Bertrandt Group's earnings situation. For the year under review, the variable component paid was EUR 1.676 million (previous year EUR 1.571 million) in total for Dietmar Bichler, thereof EUR 0.864 million as long-term incentive component for 2016/2017 (previous year EUR 0.864 million); EUR 0.838 million (previous year EUR 0.786 million) in total for Hans-Gerd Claus, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million); EUR 0.838 million (previous year EUR 0.786 million) in total for Michael Lücke, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million); and EUR 0.838 million (previous year EUR 0.786 million) in total for Markus Ruf, thereof EUR 0.432 million as long-term incentive component for 2016/2017 (previous year EUR 0.432 million).

The system for Management Board compensation is oriented towards the sustainable growth of the Company within the meaning of Section 87 (1) sent. 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).

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 reporting period 2017/2018, taxable non-cash fringe benefits were EUR 0.015 million (previous year EUR 0.013 million) in total for Dietmar Bichler, EUR 0.014 million (previous year EUR 0.014 million) in total for Hans-Gerd Claus, EUR 0.023 million (previous year EUR 0.023 million) in total for Michael Lücke and EUR 0.014 million (previous year EUR 0.014 million) in total for Markus Ruf.

Compensation paid to the active members of the Management Board in the year under review was EUR 2.360 million (previous year EUR 2.252 million) in total for Dietmar Bichler, EUR 1.182 million (previous year EUR 1.130 million) in total for Hans-Gerd Claus, EUR 1.191 million (previous year EUR 1.139 million) in total for Michael Lücke and EUR 1.182 million (previous year EUR 1.130 million) in total for Markus Ruf. In total, EUR 5.915 million (previous year EUR 5.651 million) were paid in compensation to all active members of the Management Board.

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

The compensation structure implemented by the Supervisory Board does not generally provide for pension commitments to members of the Management Board. Correspondingly, such commitments, which date back to the time before the Company adopted the legal form of a stock corporation, only exist for one active (Dietmar Bichler) and one former member of the Management Board. CEO Dietmar Bichler is entitled to a benefit with a present value of EUR 4.260 million (previous year EUR 4.209 million). The Company has made a provision of EUR 0.051 million in the year under review for this purpose as a result of interest rate changes (in the previous year a provision of EUR 0.350 million had been reversed).

Even before the German Act on the Appropriateness of Management Board Remuneration (VorstAG) of 31 July 2009 entered into force, a contract provided for compensation to be paid to Dietmar Bichler in the amount of half of the fixed and variable components of the remuneration he received in the preceding fiscal year, in the event of his leaving the Company for reasons which do not constitute good cause for termination without notice by the Company, and if the non-renewal of the contract or the withdrawal of the appointment is not due to Dietmar Bichler's own wish.

COMPENSATION STRUCTURE FOR THE MEMBERS OF THE SUPERVISORY BOARD

The compensation 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 percent of their fixed compensation while members acting as committee chairmen receive another 25 percent of their fixed compensation. However, the maximum amount received by Supervisory Board members in total is four times the fixed compensation. Payment of the compensation is due after adoption by the annual general meeting of the resolution on the appropriation of profits. In total, compensation of the Supervisory Board members amounted to EUR 0.320 million in fiscal 2017/2018 (previous year EUR 0.320 million). Since the 2013/2014 financial year the Company has ceased to pay performance-based compensation to Supervisory Board members.

Share capital

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

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

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

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

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

At the annual general meeting of 18 February 2015, 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 until 31 January 2020. At the annual general meeting of 23 February 2017 the shareholders additionally authorised the Management Board to increase the share capital of Bertrandt AG pursuant to the Articles of Association with the approval of the Supervisory Board by issuing, in the period leading to 31 January 2022, new bearer shares on a cash or non-cash basis (including in the form of so-called mixed non-cash contributions), either once or several times, however by a maximum amount of EUR 4,000,000.00 (Authorised Capital 2017).

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

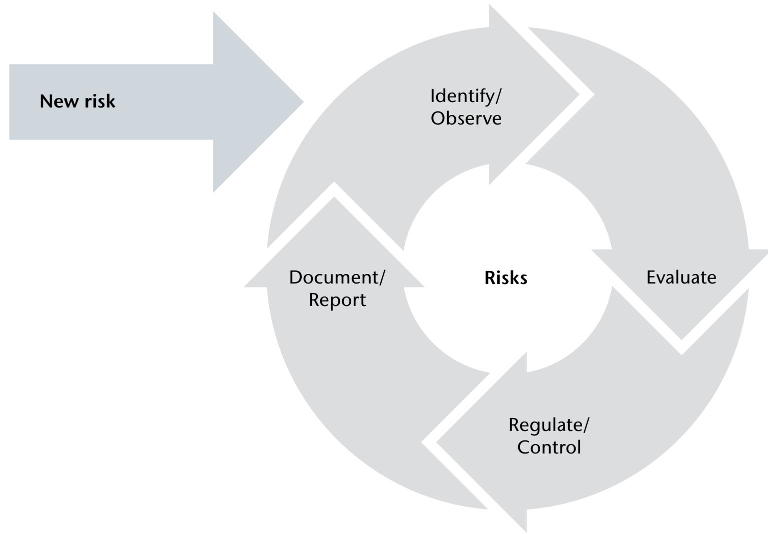
Opportunities and risks report

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

THE BERTRANDT RISK MANAGEMENT SYSTEM CHART 22



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

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 as well as 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 aggregat-ed and their importance to the Group analysed at Group level. Depending on the results, appropriate corrective action plans are devised with top priority and compared with best practices, and the corresponding strategy is implemented without delay by the responsible Managing Directors in cooperation with supporting corporate functions.
→ CHART 22

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

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

Risks are assessed on this basis in gross and net terms. The gross assessment assesses the risk event without account-ing 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 between EUR 1.5 million and EUR 3.0 million
- C risk corresponds to a risk magnitude of < EUR 1.5 million

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

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 importance.

FINANCIAL RISKS

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

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

In recent years, the automotive industry has intensified the external sourcing of engineering services in response to the rising number of different drive technologies, increasing diversity of models and ever shorter model lifecycles. However, it is conceivable that in the future OEMs will render certain engineering services themselves again. This would result in a reduction of Bertrandt's current and future business volume, which may adversely affect the Company's revenue and earnings situation. The risk arising from a change in the external sourcing strategy of Bertrandt's customers is considered a category A risk, in conjunction with a low probability of occurrence. The discussion of the measurement of emis-sion 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. OEMs appear to be changing their strategies in the field of drive technologies. Medium term model roadmaps are now frequently reviewed for this aspect, the result of which could be a reduction in the variety of models. Accordingly, the risk associated with the stop or postponement of projects is viewed by Bertrandt as a category A risk, with a medium probability of occurrence.

PRICING

Our customers are constantly aware of their own efficiency so that the price of externally sourced engineering services is also in the focus of their attention. Changes in the law have made matters also considerably more complex in the field of contracts for work. Furthermore, our customers are intensifying their efforts to source some of their engineering services from countries with lower wage levels. In 2018, new emissions tests imposed additional financial burdens on many of Bertrandt's customers. With effect from 1 September 2017, the "Worldwide Harmonized Light-Duty Vehicles Test Proce-dure" (WLTP) for the type approval of passenger cars replaced the former NEDC (New European Driving Cycle) standard which had been in place since 1992. The resulting additional expenses led in some cases to adjustments in OEMs' and suppliers' sales and earnings forecasts. It is therefore conceivable that this development will increase the pressure on prices. The Bertrandt Group is responding to these conditions by optimising its cost structure, working to high levels of quality and, depending on the project in question, diversifying its locations outside Germany. Price will therefore continue to be subject to competitive pressures. Bertrandt classifies this as an A risk with a medium probability of occurrence.

IMPLEMENTATION OF NEW PROCESSES

The ongoing alignment with the technical demands of customers is an integral part of the business model of an engineering provider such as Bertrandt. This results in the continuous implementation of new processes, software tools and systems. Flawless introduction in each case is necessary in order to maintain the obligatory certifications. Flawed implementation of new processes may cause disorganisation in the utilisation of our resources.

In order to address this risk, Bertrandt installed a comprehensive management system which is applicable throughout the Group which regularly measures and evaluates non-financial performance indicators. Its purpose is to ensure that customer requirements are satisfied and that internal processes are optimised and refined. The management system supports Bertrandt's employees' endeavours to work effectively and without making mistakes, and to identify potential for optimisation.

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

- DIN EN ISO 9001 Quality Management
- DIN EN ISO 14001 Environmental Management
- DIN ISO/IEC 27001 Information security with prototype protection as specified by the German Association of the Automotive Industry (VDA).
- OHSAS 18001 Occupational health and safety management
- DIN EN ISO/IEC 17025 for accredited test laboratories

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

I.	**Performance of the management system** (for example: target process of the management system and its accomplishment, outcomes of external audits and reviews, controlling of resources, dealing with changes in the environment of the enterprise)
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: survey of employee satisfaction, 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 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 2016/2017 is as follows for non-financial performance indicators:

	Assessment areas	Points
I.	**Performance of the management system**	**86**
II.	**Service delivery**	**85**
III.	**Continuous improvement**	**91**
IV.	**Risk management**	**96**
V.	**Personnel and human resources**	**85**

The assessment results can be regarded as indicators of the stability and sustainability of the business processes covered by the integrated managementsystem of Bertrandt. The Company successfully adjusted its management system to the revised DIN EN ISO 9001:2015 and DIN EN ISO 14001:2015 during the fiscal year. Adaptions with respect to the revised standards had already been made in advance in the previous year. The key performance figures in the assessment areas generally indicate stable and controlled business processes. All assessment results are above the intervention limit of 75 points. The measures implemented in the previous year enhanced the performance of the management system. The high performance level in risk and change management was maintained. This also applies to Bertrandt's occupational health management and other assessment areas relating to personnel. The values for the service delivery business are somewhat below those of the previous year. The new lean and flexible processes, which were introduced along with the above-mentioned adjustment, need to be further established and expanded. Improvement cycles have resulted in a first series of adaptions and actions, which support the initiated change process. As in previous years, Man-agement's activities focus on raising efficiency and optimising process performance. Bertrandt maintains its view that the risk associated with the implementation of new processes is a category B risk with a low 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 a number of 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. The fact that Bertrandt received awards as top employer in the area of Engi-neering once again in 2017/2018, demonstrates that effective measures are being taken in this field. Still, it can never be ruled out completely that our staff leave Bertrandt to join our customers, since they are able to offer attractive career prospects, too. From our point of view, this risk of fluctuation is to be considered a category B risk, in conjunction with a medium probability of occurrence. The risk of scarcity of qualified personnel is at present also considered a category B risk, also in conjunction with a medium probability of occurrence.

OVERALL RISK

The early warning system described enables management to detect existing risks at an early stage and to initiate corrective action. As every year, the system of early risk detection and monitoring was subjected to a compulsory review as part of the audit of this year's annual financial statements. The conclusion is that the risk analysis based on the information currently at hand produces a satisfactory result. According to this, there is no evidence at the moment of any going-concern risks with a loss or hazard potential for the Company's operating results or financial position.

OPPORTUNITIES

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

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

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

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

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

MODEL VARIETY

The discussion of the measurement of emission values in passenger cars which has been ongoing in the public since September 2015 and the debate about the possible adjustment of the measurement methodology by legislators 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, which may lead to a reduction in the variety of conventional drive models or expansion in alternative drive variants. As things currently stand, it is impossible to predict where this development, which presents both risks and opportunities for Bertrandt, will ultimately lead.

Berylls Strategy Advisors conclude in a recent study that German car makers will launch a total of 162 new models in the years from 2019 to 2025. This does not include the different drive variants for each model. If the drive and transmission variants for these new models are also taken into account, a total of 1.717 versions will be introduced into the market by the year 2025. The adaption of these different drive and transmission variants offers business opportunities to engineering service providers in addition to vehicle development in its own right. The probability of occurrence for this scenarioestimates Bertrandt as high for this reason, ata moderate influence on the overall performance. Compared to the previous fiscal year the assessment of the probability of occurrence has not changed. The assessment of a possible financial impact has changed in thecomparison to the previous year from significant to moderate.

TECHNOLOGY PROGRESS

According to VDA President Bernd Mattes, future growth in the automotive industry will be associated with fundamental structural change at the regional and economic level, and above all in the technological arena. The VDA President re-ferred to connected and automated driving as an example of the innovative power of the industry. According to Mattes, in the next three to four years the German automotive industry will invest EUR 16 to 18 billion in a future which will make road traffic even more safe, efficient and comfortable. However, the biggest financial commitment by German OEMs is to develop low-emission drive technologies. The VDA President notes that by 2020 the industry will have invested EUR 40 billion in electromobility alone. Forty percent of all patent applications in Germany are filed by the automotive industry, which underlines its importance as a hub for innovation.

In the field of aircraft construction for civil aviation, the forecasts of the two big aircraft manufacturers, Airbus and Boeing, anticipate stable growth up to 2037. As in previous years, this can be attributed to growing internationalisation and ex-panding tourism. The related technological development trends continue to be shaped by the demands of sustainability and comfort. Alternative materials and new engine technologies are to reduce weight, and consequently fuel consumption. Modern cabins will make travel as comfortable as possible for passengers.

The four key industries in which Bertrandt operates apart from the automotive and aerospace sectors are substantially impacted by the increasing digitalisation of processes. The establishment of intelligent, digitally networked systems is the basis for implementing more efficient value chains – from the idea for a product through to its development, production, use and maintenance and, finally, recycling. Industry 4.0 offers huge opportunities for Germany as a leading international industry supplier. Notwithstanding these prospects, uncertainty about future economic development has clearly grown in German companies recently. This is also reflected in the business climate index published by the ifo Institute (Leibniz Institute for Economic Research) at the University of Munich, which looks at the current economic situation and the expectations of businesses in the manufacturing sector for the coming months. Although it is still clearly above the long-term average of the index, the assessment of the current situation has deteriorated compared to the preceding months. However, by the end of Bertrandt's fiscal year, expectations regarding developments in the months ahead had climbed to the highest value since February 2018. Companies are still planning to expand production in the coming months. The prospects which this offers for the energy, medical and electrical technology industries, as well as the machinery and plant engineering sectors, also mean huge growth opportunities for external development partners like Bertrandt.

The probability of occurrence of a continuing increase of technological demand in the target sectors of the Bertrandt Group is esteemed high at the moment with a moderate impact on overall performance. Compared to the previous fiscal year the assessment of the probability of occurrence has not changed. The assessment of a possible financial impact has changed in the comparison to the previous year from significant to moderate.

EXTERNAL SOURCING OF ENGINEERING SERVICES

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

The likelihood of a continued rising in outsourcing of development services in the core sector of the Bertrandt Group is estimated according to today's status therefore as high with a moderate impact on the overall performance. Compared to the previous fiscal year the assessment of the probability of occurrence has not changed. The assessment of a possible financial impact has changed in thecomparison to the previous year from significant to moderate.

OVERALL CHANCES

The three main factors influencing the Bertrandt's business model are intact from the company's point of view and continue to offer potential fora successful corporate development. Asteady increase in model diversity which continues,ongoing technological progress as well aspersistent outsourcing behavior are likely alsoaccording to external experts. In summary, the opportunity analysis yieldsbased on the information we know todayto a positive result: Thereafter there is nodecrease of the three major factors influencing Bertrandtand its the business model foreseeable.

CONCLUSION

The outlook for the coming financial yearis still influenced by numerous developments the industries that are important for Bertrandt, whose outcome is currently not conclusively assessed. Depending on the development of thedescribed factors there maybe opportunities or risks applying to the Bertrandt Group. As long as the risks described do not manifest and the chances are still intact, Bertrandt expects a positive corporate development for the coming fiscal year.

Forecast

ECONOMIC ENVIRONMENT

In their autumn report, leading German economic research institutes forecast continued global economic growth. Nonetheless, the future is increasingly uncertain, and doubts and concerns about the future world trade order are having a growing impact on developments in the real economy. According to the experts' estimates, world output is set to grow by 3.3 percent in 2018 and a further 3 percent in 2019. The upturn will probably be mainly driven by the advanced economies.

In the US, economic output is expected to grow by 2.5 percent in the course of the coming year. Economic research institutes project a continuing slowdown in the pace of growth of the Chinese economy and China's real GDP to expand by 6.3 percent. Growth in the European Union is also expected to be slower than in the previous year, with economic output growing by 1.8 percent year on year. Experts anticipate GDP growth in Germany for 2019 of 1.8 percent.

SITUATION IN THE INDUSTRY

The consultancy Berylls also expects general conditions to be positive thanks to a further medium-term increase in output in the automotive industry. The experts forecast a global increase in the production of new vehicles of up to 98.3 million units in 2019. By the year 2024, worldwide vehicle production is expected to rise at an average annual rate of growth of 1.9 percent to 108.3 million units.

The key market trends promoting Bertrandt's business success remain intact: environmentally-friendly individual mobility, connected and automated driving as well as a greater variety of models and variants. The VDA reports that the German automotive industry is already pursuing a broad-based decarbonisation strategy such as by developing environmentally friendly powertrains. This extends from further optimisation of the combustion engine and alternative powertrains and fuels (e.g. hydrogen, natural gas and e-fuels) through to wholly electrically-powered vehicles. Up to EUR 40 billion is expected to be invested in the development of electric vehicles by 2020, for example. The range of electrically-powered passenger cars will consequently more than triple to around 100 models. The VDA notes that German manufacturers and suppliers also aim to make road traffic even safer, more efficient and comfortable. Industry players are approaching this by adding automated driving functions to existing driver assistance systems. Almost every second patent for connected and automated driving now originates in the German automotive industry, making Germany the patent world champion in this field. This is a future in which German manufacturers and suppliers aim to invest up to EUR 18 billion in the next three to four years. According to VDA President Bernd Mattes, connectivity boosts efficiency enormously. Modern network technologies could make it easier to find parking spaces, thereby cutting down on lost time and emissions. This would allow up 50 tonnes of particulates and up to 1,000 tonnes of nitrogen oxide to be avoided in German towns and cities.

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

The production forecast made by the German Engineering Federation (VDMA) for the year 2019 is based on assumed growth of two percent. The Federation's experts expressed confidence in the good order situation. Well-filled order books ensure that mechanical engineering companies can continue to expect rising production in the coming year. Experts from the German Electrical and Electronic Manufacturers Association (ZVEI) expect the German electrical and electronic industry to grow by three percent in 2019. The figures provided by the ZVEI for the power engineering industry in particular refer only to the development of the global market. This is expected to grow again by four percent in the coming year. The German Hightech Industry Association SPECTARIS anticipates annual growth in the world market for medical technology of around five percent in the coming year. The experts believe that the German medical technology industry, which is highly innovative, well positioned and internationally competitive, will be able to benefit from this development.

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

POTENTIALS

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

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

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

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT

The outlook for fiscal 2018/2019 reflects ongoing developments in the automotive sector, the ultimate outcomes of which cannot be wholly predicted at the present juncture. Depending on the turn the influencing factors described here take, they may result in opportunities or risks for the Bertrandt Group in the next fiscal year. Assuming that underlying economic conditions do not deteriorate, that OEMs make sustained investments in research and development for new technologies and models, engineering work continues to be contracted out and qualified human resources are available, Bertrandt expects the Company to develop positively in fiscal 2018/2019. The three major influencing factors, i.e. the increasing variety of models and variants, environmentally friendly individual mobility and connected and automated driving, continue to offer business opportunities. In light of this, the Management Board anticipates an increase in total revenues of between EUR 20 and 50 million for fiscal 2018/2019. EBIT in the period under review is targeted between seven and nine percent of total revenues. This equals an EBIT between EUR 72,9 and 96,4 million.

For all three segments – Digital Engineering, Physical Engineering and Electrical Systems/Electronics – Management expects most probably a total revenue and EBIT development compared to fiscal 2017/2018, which is in line with and proportionate to the Group's guidance for 2017/2018. The strongest growth is expected for the Physical segment both in total revenues and EBIT, with a major boost coming from the capex.

With respect to non-financial performance indicators, it is our objective to maintain the high level also in fiscal 2018/2019.

The market continues to offer real business opportunities in 2018/2019. As a result, Bertrandt will continue to focus its investment activities in building up and expanding its infrastructure with the aim of continually optimising its range of services, bearing in mind that the technological developments of tomorrow will require state-of-the-art technology. The Company anticipates a volume of capital spending in fiscal 2018/2019 of between EUR 60 and 80 million, which could be even higher if necessary. Bertrandt anticipates a positive cash flow from operating activities for the year as a whole. The magnitude of the expansion will ultimately depend on the funds tied up in items such as future receivables from construction contracts and receivables resulting from the development of total revenues.

Ehningen, 29 November 2018

The Management Board

DIETMAR BICHLER
Chairman of 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 23

EUR million			
01/10 until 30/09		2017/2018	2016/2017
	Notes		
I. Income statement			
Revenues	[6]	**1,019.914**	**992.276**
Other internally generated assets	[7]	1.106	1.602
Total revenues		**1,021.020**	**993.878**
Other operating income	[8]	8.594	8.682
Raw materials and consumables used	[9]	-100.388	-105.605
Personnel expenses	[10]	-723.971	-703.593
Depreciation	[11]	-33.022	-33.864
Other operating expenses	[12]	-100.092	-96.628
EBIT		**72.141**	**62.870**
Share of profit in associates		0.331	0.411
Interest income/expense		-3.676	-3.576
Other net financial result		0.362	0.984
Net finance income	[13]	**-2.983**	**-2.181**
Profit from ordinary activities		**69.158**	**60.689**
Other taxes	[14]	-3.858	-2.698
Earnings before tax		**65.300**	**57.991**
Income taxes	[15]	-17.915	-14.125
Post-tax earnings		**47.385**	**43.866**
attributable to shareholders of Bertrandt AG		47.385	43.866
Number of shares (million) – diluted/basic, average weighting		10.095	10.091
Earnings per share (EUR) – diluted/basic	[16]	4.69	4.35
II. Statement of comprehensive income			
Post-tax earnings		**47.385**	**43.866**
Exchange rate differences[1]		-0.070	-0.727
Revaluation of pension obligations		0.128	0.734
Deferred tax on remeasurement of retirement benefit obligations		-0.038	-0.220
Other comprehensive income after taxes		**0.020**	**-0.213**
Total comprehensive income		**47.405**	**43.653**
attributable to shareholders of Bertrandt AG		47.405	43.653

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

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET

TABLE 24

EUR million			
		30/09/2018	30/09/2017
	Notes		
Aktiva			
Intangible assets	[18]	13.724	15.740
Property, plant and equipment	[19]	282.104	264.284
Investment properties	[20]	1.408	1.474
Investments accounted for using the equity method	[21]	5.874	5.488
Other financial assets	[22]	1.221	1.685
Receivables and other assets	[23]	11.259	8.710
Deferred taxes	[24]	3.324	3.822
Non-current assets		**318.914**	**301.203**
Inventories	[25]	1.156	1.182
Future receivables from construction contracts	[26]	121.100	119.607
Receivables and other assets	[23]	254.899	214.090
Income tax assets	[27]	3.921	3.452
Cash and cash equivalents	[28]	88.405	139.266
Current assets		**469.481**	**477.597**
Total assets		**788.395**	**778.800**
Equity and liabilities			
Issued capital	[29]	10.143	10.143
Capital reserves	[30]	29.713	29.374
Retained earnings and other comprehensive income	[31]	319.256	297.319
Consolidated distributable profit		39.764	39.524
Equity		**398.876**	**376.360**
Provisions	[32] / [33]	9.740	9.908
Borrowings	[34]	199.810	215.737
Other liabilities	[35]	0.447	0.215
Deferred taxes	[24]	12.611	19.578
Non-current liabilities		**222.608**	**245.438**
Tax provisions	[36]	0.771	5.412
Other provisions	[33]	36.433	40.458
Borrowings	[34]	18.339	5.202
Trade payables	[37]	17.849	18.257
Other liabilities	[35]	93.519	87.673
Current liabilities		**166.911**	**157.002**
Total equity and liabilities		**788.395**	**778.800**

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TABLE 25

EUR million	Issued capital	Capital reserves	Retained earnings and other comprehensive income				Consolidated distributable profit	Total
			Non-distributed earnings	Currency translation reserve	Hedging instruments	Total		
Value on 01/10/2017	**10.143**	**29.374**	**301.244**	**-1.823**	**-2.102**	**297.319**	**39.524**	**376.360**
Post-tax earnings							47.385	**47.385**
Other comprehensive income after taxes				-0.070[1]	0.090	**0.020**		**0.020**
Total comprehensive income				**-0.070**	**0.090**	**0.020**	**47.385**	**47.405**
Dividend payment							-25.228	**-25.228**
Other non-operating changes			21.917			**21.917**	-21.917	
Treasury shares – additions		0.339						**0.339**
Value on 30/09/2018	**10.143**	**29.713**	**323.161**	**-1.893**	**-2.012**	**319.256**	**39.764**	**398.876**
Previous year								
Value on 01/10/2016	**10.143**	**29.374**	**282.737**	**-1.096**	**-2.616**	**279.025**	**39.394**	**357.936**
Post-tax earnings							43.866	**43.866**
Other comprehensive income after taxes				-0.727[1]	0.514	**-0.213**		**-0.213**
Total comprehensive income				**-0.727**	**0.514**	**-0.213**	**43.866**	**43.653**
Dividend payment							-25.229	**-25.229**
Other non-operating changes			18.507			**18.507**	-18.507	**0**
Treasury shares – additions								**0**
Value on 30/09/2017	**10.143**	**29.374**	**301.244**	**-1.823**	**-2.102**	**297.319**	**39.524**	**376.360**

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

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

TABLE 26

EUR million 01/10 until 30/09	2017/2018	2016/2017
1. Post-tax earnings	**47.385**	**43.866**
2. Income taxes	17.915	14.125
3. Interest income/expense	3.676	3.576
4. Other net financial result	-0.362	-0.984
5. Investments accounted for using the equity method	-0.331	-0.411
6. Depreciation of non-current assets	33.022	33.864
7. Increase in provisions	-2.392	-16.305
8. Other non-cash expenses/income	0.370	0.141
9. Profit/loss from disposal of non-current assets	-0.313	-0.152
10. Increase in inventories, future receivables from construction contracts, receivables and other assets as well as other assets not assigned to investing or financing activities	-44.033	-7.766
11. Increase/decrease in trade payables and other liabilities not assigned to investing or financing activities	5.584	-5.114
12. Income tax paid	-29.546	-24.127
13. Income tax received	0.321	3.835
14. Interest paid	-4.311	-3.889
15. Interest received	0.223	1.523
16. Cash flow from operating activities (1.-15.)	**27.208**	**42.182**
17. Payments received from disposal of property, plant and equipment	0.775	1.153
18. Payments received from the disposal of financial assets	0.790	1.480
19. Payments made for investments in property, plant and equipment	-49.309	-34.051
20. Payments made for investments in intangible assets	-2.802	-3.786
21. Payments made for investments in financial assets	-0.389	-0.436
22. Payouts stemming from the purchase of consolidated companies and other business units	0	-0.029
23. Cash flow from investing activities (17.-22.)	**-50.935**	**-35.669**
24. Equity contributions	0.339	0
25. Dividend payment	-25.228	-25.229
26. Cash repayment of bonds and financial liabilities	-1.936	-1.452
27. Cash flow from financing activities (24.-26.)	**-26.825**	**-26.681**
28. Changes in cash and cash equivalents (16.+23.+27.)	-50.552	-20.168
29. Effect of exchange rate changes on cash and cash equivalents	-0.309	-0.387
30. Cash and cash equivalents at beginning of period	139.266	159.821
31. Cash and cash equivalents at end of period (28.-30.)	**88.405**	**139.266**

The consolidated cash flow statement is explained in the notes under [38].

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, electrical and medical engineering sectors as well as electronics and software development.

As stipulated by EU Regulation (EC) No. 1606/2002, the consolidated financial statements of Bertrandt AG for the financial year from 1 October 2017 to 30 September 2018 have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) and IFRIC Interpretations, as adopted by the European Union. In addition, the requirements of Section 315e (1) of the German Commercial Code were observed.

All standards effective in the 2017/2018 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 29 November 2018. The period for disclosure of adjusting events ends on this date.

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. There are no substantial changes in the presentation as compared to the previous year.

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. Trade receivables and trade payables are generally recognised as current items. Provisions for pensions are carried under non-current liabilities to reflect their long-term nature. Deferred tax assets and liabilities are classified as non-current.

The consolidated financial statements give a true and fair view of the net assets, financial position and earnings situation as well as the cashflows of the Group.

International Financial Reporting Standards and IFRIC Interpretations applicable as of fiscal 2017/2018
The following table sets out the International Financial Reporting Standards and IFRIC Interpretations that are applicable as of fiscal 2017/2018.

TABLE 27

Standard/ Interpretation		Compulsory application[1]	Expected effects
IAS 7	Amendments to IAS 7: Statement of Cash Flows – Disclosure Initiative	01/01/2017	More detailed disclosures in the Notes
IAS 12	Amendments to IAS 12: Income Taxes - Recognition of Deferred Tax Asset for Unrealised Losses	01/01/2017	None
Improvements to IFRS	Adoption of Annual Improvements to IFRS Cycle 2014-2016	01/01/2017 / 01/01/2018	None

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

International Financial Reporting Standards and Interpretations that have been published but are not yet 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 2017/2018. Bertrandt will apply them for the accounting period for which they become effective.

TABLE 28

Standard/ Interpretation		Compulsory application[1]	Expected effects
IFRS 2	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01/01/2018	None
IFRS 3[2]	Amendments to IFRS 3: Business Combinations	01/01/2020	Currently under examination
IFRS 4	Amendments to IFRS 4: Insurance Contracts – Applying IFRS IFRS 9 Instruments with IFRS 4 Insurance Contracts	01/01/2018	None
IFRS 9	Amendments to IFRS 9: Financial Instruments Amendments to IFRS 9: Prepayment Features with Negative Compensation	01/01/2018 01/01/2019	More detailed disclosures in the Notes
IFRS 15	Revenue from Contracts with Customers Amendments to IFRS 15	01/01/2018	More detailed disclosures in the Notes
IFRS 16	Leasing	01/01/2019	Currently under examination
IFRS 17[2]	Insurance Contracts	01/01/2021	None
IAS 1 and IAS 8[2]	Amendments to IAS 1 and IAS 8: Definition of Material	01/01/2020	Currently under examination
IAS 19[2]	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	01/01/2019	Currently under examination
IAS 28[2]	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	01/01/2019	None
IAS 40	Amendments to IAS 40: Transfers of Investment Property	01/01/2018	None
IFRIC 22	Foreign Currency Transactions and Advance Considerations	01/01/2018	None
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	None
Improvements to IFRS[2]	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.
[2]Not yet endorsed by the EU.

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

Financial assets are classified and measured on the basis of an entity's business model and the cash flow characteristics. At initial recognition, a financial asset is classified as subsequently measured "at amortised cost", "fair value through other comprehensive income" or "fair value through profit or loss". Bertrandt AG does not expect the new approach to the classification and measurement of financial assets under IFRS 9 to have a material impact on the Company. The classification and measurement of financial liabilities under IFRS 9 are broadly the same as under the current accounting requirements according to IAS 39.

The existing incurred loss model for determining impairments and making credit risk provisions is replaced with an expected credit loss model where companies are required to provide for future expected losses. When applied for the first time, the new measurement method is expected to result in a reduction in risk provisions of EUR 0.500 million to EUR 1.000 million. The amounts will be recognised in retained earnings.

IFRS 15 – Revenue from Contracts with Customers
In contrast to currently applicable provisions, the new standard provides for a single five-step model based on core principles, which is applicable to all contracts with customers. According to the new standard, entities have to recognise revenue when control over the good or service transfers to the customer. The new standard IFRS 15 is applicable for reporting periods beginning on or after 1 January 2018.

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

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

Following an analysis of the contracts with customers in the Bertrandt Group existing as of 30 September 2018, the Company does not expect the implementation of IFRS 15 to have a material impact on its consolidated financial statements.

IFRS 16 – Leases
IFRS 16 changes the financial reporting rules for leases. The primary objective of the standard is the recognition of leases on the balance sheet: Lessees are no longer required to make a distinction between finance leases and operating leases. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability; the only optional exemptions are for certain short-term leases and leases of low-value assets. During the lease term, the lessee recognises systematic depreciation on the right-of-use asset, and the lease liability is measured in subsequent periods using the effective interest method and taking account of the lease payments. The new accounting requirements for lessees are therefore likely to increase non-current assets and non-current liabilities. The new rules are also expected to have an impact on the income statement: Operating costs will decrease and finance costs will increase. Moreover, more detailed disclosures in the notes will be required.

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

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

[3] GROUP OF CONSOLIDATED COMPANIES

The group of consolidated companies includes all operating subsidiaries under the legal and constructive control of Bertrandt AG. This specifically entails the following German companies: Bertrandt Ingenieurbüro GmbHs in Gaimersheim, Ginsheim-Gustavsburg, Hamburg, Cologne, Munich, Neckarsulm and Tappenbeck as well as b.professional GmbH in Mannheim; Bertrandt Beteiligungen GmbH in Ehningen; Bertrandt Fahrerprobung Süd GmbH in Nufringen; Bertrandt Grundstücks GmbH in Nufringen; Bertrandt Projektgesellschaft mbH; Bertrandt Services GmbH; Bertrandt Solutions GmbH; Bertrandt Technikum GmbH in Ehningen and Bertrandt Technologie GmbHs in Immendingen, Mönsheim and Sassenburg; Bertrandt Ehningen GmbH in Ehningen; Bertrandt GmbH in Hamburg; Bertrandt Verwaltungs GmbH in Mönsheim; Bertrandt Automotive GmbH & Co. KG; Bertrandt Immobilien GmbH & Co. KG and Bertrandt Grundbesitz GmbH & Co. KG, each located in Pullach i. Isartal; Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG in Mainz as well as Bertrandt Energie GmbH in Mönsheim; Bertrandt München GmbH in Munich and Bertrandt Tappenbeck GmbH in Tappenbeck. Moreover, the entities newly incorporated in the year under review, Bertrandt Digital GmbH, Bertrandt Innovation GmbH and Bertrandt Simulations GmbH (formerly Bertrandt Neo GmbH), each located in Ehningen, were included for the first time in the consolidated financial statements.

The consolidated companies additionally include the foreign entities Bertrandt Engineering Shanghai Co., Ltd. in Shanghai; Bertrandt Engineering Technologies Romania SRL in Sibiu; Bertrandt France S.A., Bertrandt S.A.S., each located in Vélizy-Villacoublay; Bertrandt Otomotiv Mühendislik Hizmetleri Ticaret Limited Sirketi in Istanbul; Bertrandt Technologie GmbH in Steyr; Bertrandt UK Limited in Dunton and Bertrandt US Inc. in Detroit. Further, the entity newly incorporated in the year under review, Bertrandt Engineering Technologies (Italia) S.R.L. in Sant' Agata Bolognese was included for the first time in the consolidated financial statements.

Associates, i.e. entities which are not controlled by Bertrandt but over which the Company has significant influence are accounted for in the consolidated financial statements using the equity method. The following companies are associates: aucip. automotive cluster investment platform GmbH & Co. KG, Bertrandt Entwicklungen AG & Co. OHG, each located in Pullach i. Isartal and indirect investments in aucip. automotive cluster investment platform Beteiligungs GmbH; MOLLIS automotive GmbH; NAMENU tool GmbH and MCIP tool GmbH, each located in Pullach i. Isartal. The entities newly incorporated in the year under review, aucip GmbH & Co. KG, aucip Verwaltung GmbH and Lasono tool GmbH (indirect investment), each located in Pullach i. Isartal, were included for the first time in the consolidated financial statements. In addition, Bertrandt Campus GmbH and the indirect investment in Bertrandt Campus Grundbesitz GmbH, each located in Ehningen, and, for the first time, the newly incorporated entities Bertrandt Campus Liegenschaft GmbH (indirect investment) and Bertrandt Liegenschaft GmbH & Co. KG, both jointly controlled by Bertrandt, are accounted for as joint ventures in the consolidated financial statements under the equity method.

Refer to Note [50] for more disclosures on the shareholdings of Bertrandt AG.

[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.

Accordingly, 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 as of 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 29

relative to one euro		Average rate on balance sheet date		Annual average rate	
		30/09/2018	30/09/2017	2017/2018	2016/2016
China	CNY	7.9665	7.8400	7.7762	7.5171
United Kingdom	GBP	0.8879	0.8827	0.8848	0.8711
Romania	RON	4.6640	4.5995	4.6446	4.5389
Turkey	TRY	6.9601	4.2038	5.2189	3.8855
Hungary	HUF	324.4800	311.1300	315.8610	308.6830
United States	USD	1.1580	1.1812	1.1901	1.1048

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

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

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

Recognition of income and expenses

Revenues and other operating income are recognised when the service has been performed (especially service contracts) or when the risks have passed to the customer (contracts for work), if the amount of revenues can be estimated reliably and if it is probable that the Company will collect the consideration. Revenues are recognised net of all deductions such as discounts and bonuses. In the case of construction contracts for individual customers, revenues are recognised according to the percentage-of-completion method (PoC method). Contingent losses are recognised when they become known. 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. Government grants are recognised only where it is reasonably certain that the applicable conditions have been met and the grants will be disbursed. They are charged to the periods in which the expenses that the grants are to cover are incurred. Interest income and expense and all other income and expenses are recognised in the period in which they arise.

Intangible Assets

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

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

Goodwill is tested for impairment annually in accordance with IAS 36 and IFRS 3. The assessment is carried out at least once a year; however it is always carried out whenever an impairment indicator arises. To test goodwill for impairment, the higher of the value in use and fair value, less costs of disposal of the respective classes of cash-generating units is used. At Bertrandt, these are the segments Digital Engineering, Physical Engineering and Electrical Systems/Electronics pursuant to the definition in IFRS 8. The impairment tests are based on the corporate forecast for a three-year period, which is considered sufficient to test goodwill for impairment. To determine the values in use, a WACC before tax of 7.2 percent (previous year 9.3 percent) and for the terminal growth rate of 6.2 percent (previous year 8.3 percent) are applied in the Digital Engineering segment. In the Physical Engineering segment, the WACC before tax is 6.9 percent (previous year 8.9 percent) and for the terminal growth rate it is 5.9 percent (previous year 7.9 percent). The terminal growth rate is based on a growth factor of one percent (previous year also one percent). Adjusting the WACC by +/- four percentage points has no influence on the results of the impairment tests for goodwill.

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

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

Property, plant and equipment

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

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

Borrowing costs

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

Investment properties

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

Impairment losses

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

Financial Instruments

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

Pursuant to IAS 39 Bertrandt classifies its financial instruments in the following categories:

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

Categorisation depends on the purpose for which the financial asset has been acquired or the financial liability accepted.

The classification of financial instruments according to these categories is shown in the reconciliation statement in Note [43].

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.

Other investments
Loans are recorded at amortised cost.

Other receivables and financial assets
Other receivables and financial assets (with the exception of derivatives) are recognised at amortised cost on the basis of the effective interest method. Appropriate provisions for impairment are made to allow for discernible individual risks and general credit risks such as insolvency and uncollectability.

Future receivables from construction contracts
Future receivables from construction contracts that comprise work in progress as well as finished work not yet accepted are measured at cost, accounting for a markup for profit proportionate to the percentage of completion, less any losses incurred, provided that the outcome of the construction contract can be estimated reliably. The percentage of completion is determined according to the ratio of costs incurred to total costs (cost-to-cost method). Finished work which has not yet been accepted is measured at its contract value. Advance payments received are netted against receivables from construction contracts.

Trade Receivables
Trade receivables are measured at amortised cost using the effective interest method with appropriate provisions for impairment for all discernible risks.

Cash and cash equivalents
Cash and cash equivalents comprise bank balances, cheques received but not yet credited and cash in hand, all of which are measured at amortised cost.

Liabilities
Liabilities are measured at amortised cost using the effective interest method.

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 IAS 39. 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 which are recognised at cost or their net realisable value, whichever is lower.

Current and deferred income tax

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

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

Provisions

Provisions for pensions
Provisions for post-retirement benefits are set aside for obligations arising from pension plans. 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 final salary defined, and the defined contribution obligations apply towards government or private pension funds in accordance with contractual or statutory provisions. The Company has no further obligations once the contributions have been paid.

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

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

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

Government grants

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

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

Leases

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

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

Notes on itmes of the income statement

[6] REVENUES

Revenues are recognised upon performance of the service or when the risks pass to the customer. Further, work in progress measured using the PoC method is recognised under revenues, net of value added tax and all discounts and bonuses claimed.

Of the consolidated revenues of EUR 1,019.914 million (previous year EUR 992.276 million), EUR 867.194 million (previous year EUR 857.976 million) were domestic revenues and EUR 152.720 million (previous year EUR 134.300 million) were foreign revenues. This breakdown reflects the regional segmentation of Bertrandt's operations.

The share of revenues recognised based on the PoC method is EUR 730.548 million (previous year EUR 659.910 million).

There are two customers with whom Bertrandt generated more than ten percent of its total revenues respectively, in both cases across all segments. Total revenues generated by these two customers amount to EUR 341.563 million (previous year EUR 341.139 million) and EUR 232.938 million (previous year EUR 220.800 million) respectively.

[7] OTHER OWN WORK CAPITALISED

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

[8] OTHER OPERATING INCOME

Other operating income for fiscal 2017/2018 is comprised of the following:

SONSTIGE BETRIEBLICHE ERTRÄGE TABLE 30

EUR million	2017/2018	2016/2017
Work-related income	**5.375**	**4.884**
of which non-cash benefits to employees	4.297	4.328
of which rental income	1.078	0.556
Non-work-related income	**1.572**	**2.456**
of which income from disposal of assets	0.408	0.420
of which income from reversal of provisions	0.753	1.813
of which income from reversal of impairment losses	0.411	0.223
Miscellaneous other operating income	**1.647**	**1.342**
of which payments for damages received	0.131	0.089
of which income from exchange-rate differences	0.481	0.603
of which miscellaneous	1.035	0.650
Total	**8.594**	**8.682**

Rental income comprises rental income from investment property in the amount of EUR 0.233 million (previous year EUR 0.233 million). For the coming fiscal years other rental income of EUR 8.151 million (previous year EUR 1.342 million) is expected. Of this, rental income of EUR 1.269 million (previous year EUR 0.517 million) arises from leases with a term of up to one year, EUR 2.922 million (previous year EUR 0.755 million) from leases with a term between one and five years and EUR 3.963 million (previous year EUR 0.070) from leases with a term of more than five years. In the period under review, miscellaneous other operating income includes government grants for innovative projects in the amount of EUR 0.318 million (previous year EUR 0 million).

[9] COST OF MATERIALS

The cost of materials breaks down as follows:

AW MATERIALS AND CONSUMABLES USED

TABLE 31

EUR million	2017/2018	2016/2017
Expenditure on raw materials and consumables used	**21.981**	**18.728**
Expenditure on work purchased	**78.407**	**86.877**
of which CAD costs	18.163	18.473
of which external work	59.928	68.115
of which incoming freight	0.316	0.289
Total	**100.388**	**105.605**

The cost of materials in relation to projects decreased by EUR 5.217 million as Bertrandt outsourced fewer projects to external service suppliers.

[10] PERSONNEL EXPENSES

Overall, the group employed an average of 12,850 people in the period under review (previous year 12,495).

EMPLOYEES IN AVERAGE

TABLE 32

	2017/2018	2016/2017
Technical employees	977	914
Office employees	10,969	10,736
Trainees/undergraduates	356	348
Interns/post-graduates	192	188
Temporary staff	356	309
Total	**12,850**	**12,495**

Personnel expenses include expenditure on wages and salaries in the amount of EUR 599.416 million (previous year EUR 581.993 million) as well as expenditure on social security of EUR 124.555 million (previous year EUR 121.600 million) including the employer contribution to the statutory pension system presented under expenses for post-employment benefits and further defined contribution expense of EUR 57.499 million (previous year EUR 58.677 million).

PERSONNEL EXPENSES

TABLE 33

	2017/2018	2016/2017
Wages and salaries	**599.416**	**581.993**
Expenditure on social security	**124.555**	**121.600**
of which employer contribution to social security	66.939	62.982
of which expenditure on post-employment benefits	57.616	58.618
Total	**723.971**	**703.593**

Personnel expenses include government grants of EUR 1.643 million (previous year EUR 1.648 million) as well as subsidies for innovative projects of EUR 1.190 million (previous year EUR 0.557 million) received under government economic stimulus packages.

Under an employee share scheme, Bertrandt AG provides a grant for the purchase of Bertrandt shares by staff (Notes [30] and [31]).

A lock-up period of a total of two years applies to the sale of these shares. This resulted in personnel expenses of EUR 0.113 million in fiscal 2017/2018 (previous year EUR 0 million). In addition, expenses were incurred in relation to a management share scheme amounting to EUR 0.076 million (previous year EUR 0.166 million).

[11] DEPRECIATION/AMORTISATION

Depreciation/amortisation expense is comprised of the following:

DEPRECIATION/AMORTISATION

TABLE 34

	2017/2018	2016/2017
Depreciation/amortisation on		
intangible assets	4.371	5.488
property, plant and equipment	28.585	28.310
investment properties	0.066	0.066
Total	**33.022**	**33.864**

Refer to Notes [18] – [20] for the changes in non-current assets and 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 35

	2017/2018	2016/2017
Miscellaneous manufacturing expenses	5.620	5.708
Office premises, furnishings and fittings	42.835	38.574
Miscellaneous personnel expenses	17.587	15.800
General administrative expenses	2.767	2.346
Distribution expenses	16.559	16.444
Expenditure on exchange-rate differences	0.607	1.038
Non-work-related expenses	2.901	2.818
Other expenses	11.216	13.900
Total	**100.092**	**96.628**

Miscellaneous other operating items primarily comprise fleet costs as well as legal and consulting fees. Expenditure on premises and inventory includes rental expenses of EUR 21.805 million (previous year EUR 19.416 million). Expenses for changes in personnel structure in fiscal 2017/2018 amounted to EUR 1.900 million (previous year EUR 1.882 million).

In the period under review, government subsidies for innovative projects in the amount of EUR 0.863 million (previous year EUR 0.376 million) are included in miscellaneous other operating expense.

[13] NET FINANCE INCOME

Net finance income breaks down as follows:

NET FINANCE INCOME — TABLE 36

EUR million	2017/2018	2016/2017
Share of profits in associates	0.331	0.411
Finance costs	-3.676	-3.576
Other net financial result	0.362	0.984
Net finance income	**-2.983**	**-2.181**

The finance costs of EUR 3.676 million (previous year EUR 3.576 million) primarily comprise interest expense resulting from long-term loans and the long-term commitment of credit facilities of EUR 3.290 million (previous year EUR 3.333 million). Net finance income also comprises interest on tax payments in the amount of EUR 0.078 million (previous year EUR 0.509 million) and other interest, including interest arising from unwinding discounts on provisions, of EUR 0.132 million (previous year EUR 0.102 million).

Net other finance income includes interest from tax refunds of EUR 0.136 million (previous year EUR 0.702 million) and other interest income of EUR 0.226 million (previous year EUR 0.263 million). Interest income from government subsidies for innovative projects is not included (previous year EUR 0.019 million).

[14] OTHER TAXES

Foreign tax expenditure primarily involves the subsidiaries in France.

OTHER TAXES — TABLE 37

EUR million	2017/2018	2016/2017
Domestic tax expense	1.085	0.449
Foreign tax expense	2.773	2.249
Other taxes	**3.858**	**2.698**

[15] INCOME TAXES

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

Income taxes thus break down as follows:

INCOME TAXES — TABLE 38

EUR million	2017/2018	2016/2017
Actual domestic tax expense	22.953	15.191
Actual foreign tax expense	1.507	1.938
Actual tax expense	**24.460**	**17.129**
Deferred tax income	-6.545	-3.004
Income taxes	**17.915**	**14.125**

The income tax expense in the amount of EUR 17.915 million calculated for fiscal 2017/2018 was EUR 1.675 million less than the expected income tax expense of EUR 19.590 million that would have arisen had a tax rate of 30 percent (previous year 30 percent) been applied to consolidated pre-tax earnings.

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

RECONCILIATION OF INCOME TAX — TABLE 39

EUR million	2017/2018	2016/2017
Earnings before income tax	65.300	57.991
Expected tax rate	30.0%	30.0%
Expected income tax expense	**19.590**	**17.397**
Taxation differences affecting foreign subsidiaries	-0.571	-0.250
Tax effects of payouts and pre-year tax assessments	0.228	-1.482
Tax effect of non-deductible operating expenses and other tax modifications	-0.940	-0.418
Tax effects resulting from appreciation of loss carry-forwards	0	-1.076
Changes in tax rate	-0.410	0
Consolidation effects	0.024	-0.048
Other effects	-0.006	0.002
Actual income tax expense	**17.915**	**14.125**
Effective tax rate	27.4%	24.4%

The item “taxation differences affecting foreign subsidiaries” includes, among other things, impairment of deferred tax assets from loss carry-forwards of EUR 0.140 million (previous year EUR 0.050 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 0.740 million (previous year EUR - 0.232 million). The deferred tax assets from loss carry-forwards utilised amounted to EUR 0.011 million (previous year EUR 0.089 million).

In the period under review, tax effects of EUR -0.038 million (previous year EUR -0.220 million) resulted from the remeasurement of the retirement benefit obligations. These tax effects are recognised in total comprehensive income; their cumulated amount is EUR 0.789 million (previous year EUR 0.827 million).

[16] EARNINGS PER SHARE

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

CALCULATION EARNINGS PER SHARE — TABLE 40

according to IAS 33	2017/2018	2016/2017
Post-tax earnings (EUR million)	47.385	43.866
attributable to shareholders of Bertrandt AG (EUR million)	**47.385**	**43.866**
Number of shares (million)	10.143	10.143
Number of treasury shares (million)	-0.048	-0.052
Number of shares which are entitled to dividend (million) – diluted / basic, average weighting	**10.095**	**10.091**
Earnings per share (EUR) – diluted / basic	**4.69**	**4.35**

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

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

NET GAINS OR NET LOSSES ON FINANCIAL INSTRUMENT BY CATEGORY AS DEFINED IN IAS 39 — TABLE 41

EUR million	2017/2018	2016/2017
Loans and receivables	0.047	-0.402
Financial liabilities measured at amortised cost	-3.566	-3.084
Total	**-3.519**	**-3.486**

The “loans and receivables” category comprises all other loans, trade receivables, other assets and cash and cash equivalents. Financial liabilities measured at amortised cost include liabilities to banks, trade payables and other 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 42

EUR million	2017/2018	2016/2017
Interest income	0.226	0.256
Interest expenses	-3.423	-2.976
Total	**-3.197**	**-2.720**

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 2017/2018 as was also the case in the previous year.

Impairment losses on loans and receivables came to EUR 0.811 million in the period under review (previous year EUR 0.616 million).

Notes on items of the balance sheet

Assets

NON-CURRENT ASSETS

[18] INTANGIBLE ASSETS

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

Goodwill is subjected to regular impairment testing in accordance with IAS 36. In fiscal 2017/2018, as in the previous year, this did not result in any impairment losses.

Goodwill breaks down by segment as follows: Digital Engineering EUR 6.093 million (previous year EUR 6.093 million) and Physical Engineering EUR 2.909 million (previous year EUR 2.909 million). Other intangible assets consist primarily of internally generated software under development including advance payments made, amounting to EUR 0.309 million (previous year EUR 0.595 million).

INTANGIBLE ASSETS

TABLE 43

EUR million	Concessions and licences	Internally generated software	Goodwill	Other	Total intangible assets
Historical costs					
Value on 01/10/2017	49.180	0.789	9.002	0.595	59.566
Currency differences	-0.054	0	0	0	-0.054
Additions	2.553	0	0	0.249	2.802
Disposals	0.493	0.087	0	0.375	0.955
Reclassifications	0	0	0	0	0
Value on 30/09/2018	51.186	0.702	9.002	0.469	61.359
Amortisation					
Value on 01/10/2017	43.037	0.789	0	0	43.826
Currency differences	-0.031	0	0	0	-0.031
Additions	4.359	0	0	0.012	4.371
Disposals	0.444	0.087	0	0	0.531
Reclassifications	0	0	0	0	0
Value on 30/09/2018	46.921	0.702	0	0.012	47.635
Residual carring amount 30/09/2018	**4.265**	**0**	**9.002**	**0.457**	**13.724**
Residual carring amount 30/09/2017	**6.143**	**0**	**9.002**	**0.595**	**15.740**
Previous year					
Historical costs					
Value on 01/10/2016	46.428	0.841	9.002	0.017	56.288
Currency differences	-0.048	0	0	0	-0.048
Additions	3.208	0	0	0.578	3.786
Disposals	0.408	0.052	0	0	0.460
Reclassifications	0	0	0	0	0
Value on 30/09/2017	49.180	0.789	9.002	0.595	59.566
Amortisation					
Value on 01/10/2016	37.968	0.840	0	0	38.808
Currency differences	-0.018	0	0	0	-0.018
Additions	5.488	0	0	0	5.488
Disposals	0.407	0.051	0	0	0.458
Reclassifications	0.006	0	0	0	0.006
Value on 30/09/2017	43.037	0.789	0	0	43.826
Residual carring amount 30/09/2017	**6.143**	**0**	**9.002**	**0.595**	**15.740**
Residual carring amount 30/09/2016	**8.460**	**0.001**	**9.002**	**0.017**	**17.480**

[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 amount to EUR 0.110 million (previous year EUR 0.042 million).

PROPERTY, PLANT AND EQUIPMENT

TABLE 44

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 01/10/2017	179.672	113.831	112.571	17.366	423.440
Currency differences	0	0	-0.139	0	-0.139
Addition upon initial consolidation	0	0	0	0	0
Additions	0.948	4.397	12.563	29.388	47.296
Disposals	0.339	1.899	5.741	0.007	7.986
Reclassifications	3.850	2.055	0.406	-6.311	0
Value on 30/09/2018	184.131	118.384	119.660	40.436	462.611
Depreciation					
Value on 01/10/2017	19.321	61.001	78.827	0.007	159.156
Currency differences	0	0	-0.034	0	-0.034
Additions	5.250	10.316	13.019	0	28.585
Disposals	0.002	1.758	5.433	0.007	7.200
Reclassifications	-0.068	-0.002	0.002	0.068	0
Value on 30/09/2018	24.501	69.557	86.381	0.068	180.507
Residual carring amount 30/09/2018	**159.630**	**48.827**	**33.279**	**40.368**	**282.104**
Residual carring amount 30/09/2017	**160.351**	**52.830**	**33.744**	**17.359**	**264.284**
Previous year					
Historical costs					
Value on 01/10/2016	144.514	99.944	103.783	25.864	374.105
Currency differences	0	0	-0.149	0	-0.149
Addition upon initial consolidation	20.725	0	0	0	20.725
Additions	5.693	7.653	14.219	9.644	37.209
Disposals	0.065	0.899	7.486	0	8.450
Reclassifications	8.805	7.133	2.204	-18.142	0
Value on 30/09/2017	179.672	113.831	112.571	17.366	423.440
Depreciation					
Value on 01/10/2016	14.349	51.903	72.053	0	138.305
Currency differences	0	0	-0.029	0	-0.029
Additions	4.967	9.822	13.514	0.007	28.310
Disposals	0	0.724	6.700	0	7.424
Reclassifications	0.005	0	-0.011	0	-0.006
Value on 30/09/2017	19.321	61.001	78.827	0.007	159.156
Residual carring amount 30/09/2017	**160.351**	**52.830**	**33.744**	**17.359**	**264.284**
Residual carring amount 30/09/2016	**130.165**	**48.041**	**31.730**	**25.864**	**235.800**

[20] INVESTMENT PROPERTIES

As of 30 September 2018, 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 6.9 percent (previous year 8.9 percent) and a terminal growth rate of 5.9 percent (previous year 7.9 percent). The terminal growth rate is based on a growth factor of one percent (previous year also one percent). No external independent expert's valuation was used for this purpose. In the period under review rental income of EUR 0.233 million (previous year EUR 0.233 million) was recorded. Maintenance expense came to EUR 0.007 million (previous year EUR 0.002 million).

INVESTMENT PROPERTIES — TABLE 45

EUR million	Investment properties
Historical costs	
Value on 01/10/2017	4.626
Additions	0
Disposals	0
Reclassifications	0
Value on 30/09/2018	4.626
Depreciation	
Value on 01/10/2017	3.152
Additions	0.066
Disposals	0
Reclassifications	0
Value on 30/09/2018	3.218
Residual carring amount 30/09/2018	**1.408**
Residual carring amount 30/09/2017	**1.474**
Historical costs	
Value on 01/10/2016	4.626
Additions	0
Disposals	0
Reclassifications	0
Value on 30/09/2017	4.626
Depreciation	
Value on 01/10/2016	3.086
Additions	0.066
Disposals	0
Reclassifications	0
Value on 30/09/2017	3.152
Residual carring amount 30/09/2017	**1.474**
Residual carring amount 30/09/2016	**1.540**

[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 46

EUR million	Associates	Joint ventures	Total
Historical costs			
Value on 01/10/2017	0.121	5.367	5.488
Additions	0.048	0.007	0.055
Share of profit/loss	-0.054	0.385	0.331
Dividends	0	0	0
Value on 30/09/2018	0.115	5.759	5.874
Depreciation			
Value on 01/10/2017	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30/09/2018	0	0	0
Residual carring amount 30/09/2018	**0.115**	**5.759**	**5.874**
Residual carring amount 30/09/2017	**0.121**	**5.367**	**5.488**
Previous year			
Historical costs			
Value on 01/10/2016	117	4.960	5.077
Additions	0	0	0
Share of profit/loss	0.004	0.407	0.411
Dividends	0	0	0
Value on 30/09/2017	0.121	5.367	5.488
Depreciation			
Value on 01/10/2016	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30/09/2017	0	0	0
Residual carring amount 30/09/2017	**0.121**	**5.367**	**5.488**
Residual carring amount 30/09/2016	**0.117**	**4.960**	**5.077**

The addition to joint ventures refers to the investment in Bertrandt Liegenschaft GmbH & Co. KG. Of the joint ventures' share of the profit/loss, EUR 0.392 million (previous year EUR 0.407 million) are accounted for by Bertrandt Campus GmbH.

[22] OTHER INVESTMENTS

Other investments are mainly employer loans which bear interest of three to five percent and are due for settlement in two to eight years. Their carrying amounts approximate their fair values. In the period under review, additions of EUR 0.334 million (previous year EUR 0.436 million) and departures of EUR 0.798 million (previous year EUR 1.480 million) were recorded, the residual value is EUR 1.221 million (previous year EUR 1.685 million).

[23] CURRENT AND NON-CURRENT RECEIVABLES AND OTHER ASSETS

Receivables and other assets are broken down as follows according to their maturities:

RECEIVABLES AND OTHER ASSETS

TABLE 47

EUR million				
	30/09/2018	< 1 year	1-5 years	> 5 years
Trade receivables	236.206	236.206	0	0
Other assets	29.952	18.693	9.215	2.044
Total	**266.158**	**254.899**	**9.215**	**2.044**
Previous year				
	30/09/2017	< 1 Jahr	1-5 Jahre	> 5 Jahre
Trade receivables	193.024	193.024	0	0
Other assets	29.776	21.066	6.895	1.815
Total	**222.800**	**214.090**	**6.895**	**1.815**

Other current assets include, among others, receivables from employees, tax refund claims, refund claims against social security funds, other current receivables and advance payments made for services the corresponding expense for which is to be allocated to future periods. The Company has entered into a factoring agreement with a bank, whereby it sells trade receivables to the bank. The receivables are bought without recourse and all risks assumed. In total, trade receivables of EUR 19.649 million were sold (previous year EUR 16.842 million) and derecognised in full.

Other non-current assets comprise, amongst other items, reinsurance amounting to EUR 2.044 million (previous year EUR 1.815 million).

Provisions for impairment amounted to EUR 3.968 million (previous year EUR 3.611 million). Refer to Note [43] for a breakdown of financial and non-financial receivables.

[24] DEFERRED TAX BALANCES

Deferred tax assets and liabilities were comprised of the following:

DEFERRED TAX ASSETS AND LIABILITIES

TABLE 48

EUR million				
	30/09/2018		30/09/2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	1.365	2.894	1.167	2.754
Inventories	0	10.432	0	17.281
Post-retirements benefit provisions	0.954	0	0.994	0
Other provisions	0.784	0.006	0.830	0
Unused tax losses	1.315	0	1.699	0
Other items	0.330	0.703	0.416	0.827
Total before offsetting	**4.748**	**14.035**	**5.106**	**20.862**
Offsetting	-1.424	-1.424	-1.284	-1.284
Deferred tax assets and liabilities	**3.324**	**12.611**	**3.822**	**19.578**

Of the deferred tax assets before offsetting, EUR 4.307 million (previous year EUR 4.559 million) have a residual maturity of more than one year. Of the deferred tax liabilities before offsetting, EUR 11.058 million (previous year EUR 18.094 million) are current and EUR 2.977 million (previous year EUR 2.768 million) are non-current liabilities.

A deferred tax asset was capitalised in the amount of EUR 0.042 million (previous year EUR 0.160 million) for companies that in the previous year or the current 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 2.897 million (previous year EUR 4.175 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 39.889 million (previous year EUR 30.043 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

[25] INVENTORIES

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

INVENTORIES

TABLE 49

EUR million		
	30/09/2018	30/09/2017
Raw materials and consumables used	**1.156**	**1.182**

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

[26] FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

Future receivables from construction contracts were comprised of the following:

FUTURE RECEIVABLES FROM CONSTRUCTION CONTRACTS

TABLE 50

EUR million		
	30/09/2018	30/09/2017
Construction contracts before advance payments	222.506	253.817
Advance payments received on construction contracts	-101.406	-134.210
Total	**121.100**	**119.607**

No impairments were made in the period under review (previous year EUR 1.787 million).

[27] CURRENT INCOME TAX ASSETS

The current income tax assets of EUR 3.921 million (previous year EUR 3.282 million) comprise tax refund claims for the current fiscal year and for previous years. Tax assets in accordance with the Act on Accompanying Tax Measures for the Introduction of the European Company and the Modification of Further Tax Law Provisions (SEStEG) no longer exist (previous year 0.170 million).

[28] CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and cheques. Foreign currency balances were translated into the Group currency at the mean closing rate prevailing on the balance sheet date, 30 September 2018. The changes of cash and cash equivalents are stated in the cash flow statement with explanations given in the notes to the cash flow statement (Note [38]).

Equity and liabilities

EQUITY

[29] ISSUED SHARE CAPITAL

On 30 September 2018 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 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.

[30] 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 [31]).

As of the balance sheet date, treasury stock comprised 48,036 shares (previous year 51,951 shares), equivalent to 0.5 percent (previous year 0.5 percent) of the Company's share capital. This change is due to a staff share scheme implemented in fiscal 2017/2018, under which a grant for 3,915 shares was provided, the weighted average fair value of the shares being EUR 86.65. No staff share scheme had been implemented in the previous year.

[31] RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

Exchange differences of EUR -0.070 million (previous year EUR -0.727 million) resulting from the consolidation of the subsidiaries' equity were offset with retained earnings.

The change in provisions for pensions of EUR 0.128 million (previous year EUR 0.734 million) due to actuarial gains/losses in the fiscal year was offset with the tax effects allocable thereto in the amount of EUR -0.038 million (previous year EUR -0.220 million) and recognised under retained earnings according to IAS 19.

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

[32] PROVISIONS FOR PENSIONS

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

ASSUMPTIONS FOR DETERMINING PENSION OBLIGATIONS TABLE 51

diverse information		
	30/09/2018	30/09/2017
Interest rate	1.30%	1.20%
Assumed rate of salary increase	0% / 2.50%	0% / 2.50%
Assumed rate of pension increase	1.50% / 2.50%	1.50% / 2.50%
Probability of mortality and invalidity according to Heubeck	2005 G	2005 G
Valuation of widow (pension) entitlement	Collektive	Collektive
Retirement age	65 years	65 years
Average remaining life expectancy of persons with active entitlement	4 years	5 years

As of 30 September 2018 the provisions for pensions changed by EUR -0.011 million (previous year EUR -0.794 million) and are now EUR 6.045 million (previous year EUR 6.056 million). Of this reduction in pension provisions, EUR 0.117 million are recognised as an increase in personnel expenses (previous year EUR 0.060 million decrease in personnel expenses) and EUR 0.128 million are recognised in other comprehensive income as an increase in equity (previous year EUR 0.734 million reduction in equity). As of the balance sheet date the weighted average duration of the retirement benefit obligations was 18.7 years (previous year 19.6 years).

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

ACTUARIAL PRESENT VALUE OF PENSION OBLIGATIONS

TABLE 52

EUR million	2017/2018	2016/2017
Present value on 01/10	**6.056**	**6.850**
Service cost	0.103	0.112
Past service cost	0	-0.161
Interest expense	0.072	0.047
Paid retirement benefits	-0.058	-0.058
Actuarial gains (-)/losses (+) from changes in financial assumptions	-0.115	-0.564
Actuarial gains (-)/losses (+) from historical adjustments	-0.013	-0.170
Present value on 30/09	**6.045**	**6.056**

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 0.122 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 0.274 million (previous year EUR 0.287 million) or increased by EUR 0.292 million (previous year EUR 0.306 million). If life expectancy is increased (decreased) by one year, the present value would be higher by EUR 0.269 million (previous year lower by EUR 0.271 million) or lower by EUR 0.268 million (previous year higher by EUR 0. 272 million). The greater part of the pension provisions is not affected by variable salary increases or pension increases.

[33] CURRENT AND NON-CURRENT OTHER PROVISIONS

Other provisions are comprised of the following:

CURRENT AND NON-CURRENT OTHER PROVISIONS

TABLE 53

EUR million	Personnel provisions	Provisions for ongoing business operations	Provisions for buildings	Other provisions	Total of other provisions
Value on 01/10/2017	**26.144**	**1.912**	**2.193**	**14.061**	**44.310**
of which current	24.417	1.912	0.568	13.561	40.458
of which non-current	1.727	0	1.625	0.500	3.852
Currency difference	0.012	0	0.001	-0.001	0.012
Utilisation	22.904	1.787	0.523	7.391	32.605
Reversal	1.001	0	0.058	0.810	1.869
Addition	22.546	0	1.171	6.563	30.280
Value on 30/09/2018	**24.797**	**0.125**	**2.784**	**12.422**	**40.128**
of which current	23.325	0.125	1.060	11.923	36.433
of which non-current	1.472	0	1.724	0.499	3.695

Personnel provisions primarily comprise amounts for profit sharing arrangements and bonuses as well as levies for failure to meet the required quota of severely handicapped employees and contributions for employer liability insurance associations. Provisions for obligations related to ongoing business operations essentially comprise provisions for guarantee obligations. As at the end of the financial year, there are no provisions for construction contracts where the losses to be expected exceed the costs incurred (previous year EUR 1.787 million). Provisions for buildings comprise, amongst other items, maintenance costs, rent, energy costs and other incidental costs. Other provisions have been set aside for numerous discernible individual risks.

Of the reversals, an amount of EUR 0.887 million (previous year EUR 4.518 million) is offset against personnel expenses and an amount of EUR 0.229 million (previous year EUR 0.142 million) is offset against other expenses. Non-current provisions comprise interest expense totalling EUR 0.020 million (previous year EUR 0.025 million), of which a sum of EUR 0.002 million (previous year EUR 0.009 million) is reported within net finance income/costs. Moreover, the provisions for personnel expenses include provisions for obli- gations arising from a management retention scheme in the amount of EUR 0.871 million (previous year EUR 1.561 million). The outflow of resources associated with non-current provisions depends on the individual case.

[34] CURRENT AND NON-CURRENT BORROWINGS

Bertrandt AG's non-current borrowings comprise a bonded loan of EUR 200.000 million. The original maturities of the tranches were five, seven and ten years. When payment is due, 100 percent of the loan amount must be paid. Special redemption rights apply to the floating-rate tranches.

The current borrowings of EUR 18.339 million (previous year EUR 5.202 million) primarily result from accrued unpaid interest, issued cheques that have not yet been presented for payment and the loan of Fariba Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG.

As of 30 September 2018 the domestic and non-domestic interest rates on current and non-current financial borrowings were in the range between 0.4 percent and 6.3 percent (previous year 0.4 and 6.3 percent). The carrying amounts reported for current and the floating-rate non-current financial liabilities equal their fair values.

The maturities are as follows:

CURRENT AND NON-CURRENT BORROWINGS

TABLE 54

EUR million	30/09/2018	< 1 year	1-5 years	> 5 years
Borrowings	218.149	18.339	133.392	66.418
Previous year				
	30/09/2017	< 1 year	1-5 years	> 5 years
Borrowings	220.939	5.202	45.956	169.781

[35] CURRENT AND NON-CURRENT OTHER LIABILITIES

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

CURRENT AND NON-CURRENT OTHER LIABILITIES TABLE 55

EUR million				
	30/09/2018	< 1 year	1-5 years	> 5 years
Taxes	17.987	17.987	0	0
Payroll and church tax	8.661	8.661	0	0
Social security	3.307	3.307	0	0
Wages and salaries	0.923	0.923	0	0
Personnel obligations	34.544	34.544	0	0
Advance payments received for outstanding	6.354	6.354	0	0
Miscellaneous other	22.190	21.743	0.447	0
Other liabilities	**93.966**	**93.519**	**0.447**	**0**
Previous year				
	30/09/2017	< 1 year	1-5 years	> 5 years
Taxes	19.790	19.790	0	0
Payroll and church tax	7.798	7.798	0	0
Social security	2.838	2.838	0	0
Wages and salaries	0.813	0.813	0	0
Personnel obligations	34.470	34.470	0	0
Advance payments received for outstanding	9.743	9.743	0	0
Miscellaneous other	12.436	12.221	0.215	0
Other liabilities	**87.888**	**87.673**	**0.215**	**0**

Miscellaneous other liabilities include an investment grant of EUR 0.500 million (previous year EUR 0.246 million) which was received as a government grant for a realised investment as well as liabilities for incoming payments of EUR 5.789 million (previous year 2.791 million) that are related to receivables transferred and due to the factor. In accordance with IAS 20, an amount of EUR 0.042 million (previous year EUR 0.032 million) was released to the income statement in the period under review based on the useful lives of the assets concerned. Advance payments received came to a total of EUR 107.760 million (previous year EUR 143.953 million), of which EUR 101.406 million (previous year EUR 134.210 million) were offset with receivables from construction contracts (Note [26]). As was the case in the previous year, there are no other liabilities with a maturity of more than five years in fiscal 2017/2018. Refer to Note [43] for a breakdown of financial and non-financial liabilities.

CURRENT LIABILITIES

[36] TAX PROVISIONS

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

[37] TRADE PAYABLES

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

TRADE PAYABLES TABLE 56

EUR million		
	30/09/2018	30/09/2017
Trade payables	**17.849**	**18.257**

[38] NOTES ON THE CASH FLOW STATEMENT

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

The changes in the individual items are derived from the consolidated balance sheet and the consolidated income statement.

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 27.208 million (previous year EUR 42.182 million). The changes in working capital are primarily due to cash transactions affecting the following balance sheet items: future receivables from construction contracts: EUR 1.493 million (previous year EUR 5.477 million); trade receivables: EUR 43.182 million (previous year EUR 3.145 million); and trade payables: EUR -0.408 million (previous year EUR 3.191 million).

There was a net cash outflow from investing activities of EUR -50.935 million (previous year EUR -35.669 million), which primarily comprised cash outflows for additions to assets. At EUR - 23.727 million, free cash flow has decreased over the previous year (EUR 6.513 million). Cash used in financing activities amounted to EUR -26.825 million (previous year EUR -26.681 million) and mainly comprises the cash outflows for dividend payments and, in the previous year, cash inflows from the issue of a bonded loan, and repayment of loans.

The financial liabilities arising from financing activities were as follows:

FINANCIAL LIABILITIES FROM FINANCING ACTIVITIES TABLE 57

EUR million	
	Financial liabilities
Value on 01/10/2017	**220.939**
Changes in cash	-2.088
Non-cash changes	-0.701
Value on 30/09/2018	**218.150**

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

Cash and cash equivalents are at EUR 88.405 million (previous year EUR 139.266 million).

[39] 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 are measured at EUR 297.088 million (previous year EUR 281.498 million). Of this total, domestic non-current assets account for EUR 289.712 million (previous year EUR 274.443 million), while foreign non-current assets account for EUR 7.376 million (previous year EUR 7.055 million).

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

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

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

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

SEGMENTE

TABLE 58

EUR million	Digital Engineering		Physical Engineering		Elektrical Systems/ Electronics		Total for all divisions	
01/10 until 30/09	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Revenues	620.418	607.797	227.133	216.625	223.198	221.060	1,070.749	1,045.482
Transfer between segments	25.496	25.980	12.761	15.790	12.578	11.436	50.835	53.206
Consolidated revenues	**594.922**	**581.817**	**214.372**	**200.835**	**210.620**	**209.624**	**1,019.914**	**992.276**
Other internally generated assets	0.646	0.863	0.147	0.257	0.313	0.482	1.106	1.602
Consolidated total revenues	**595.568**	**582.680**	**214.519**	**201.092**	**210.933**	**210.106**	**1,021.020**	**993.878**
EBIT	**33.077**	**29.283**	**18.235**	**12.976**	**20.829**	**20.611**	**72.141**	**62.870**
Scheduled depreciation	9.678	10.906	19.229	19.415	4.115	3.543	33.022	33.864

Revenues with customers accounting for more than ten percent of total revenues break down by segment as follows: Digital Engineering EUR 176.781 million (previous year EUR 182.652 million) and EUR 131.808 million (previous year EUR 125.401 million) respectively, Physical Engineering EUR 86.200 million (previous year EUR 64.243 million) and EUR 47.115 million (previous year EUR 47.351 million) respectively and Electrical Systems/Electronics EUR 78.582 million (previous year EUR 94.244 million) and EUR 54.015 million (previous year EUR 48.056 million) respectively. There are no control relationships.

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

OTHER DISCLOSURES

[40] COLLATERAL PROVIDED

As of the balance sheet date, the Company reported mortgages of EUR 15.179 million (previous year EUR 16.711 million).

[41] CONTINGENT LIABILITIES

As of the balance sheet date, the Company recorded contingent liabilities of EUR 0.716 million (previous year EUR 0.725 million) resulting from a pending administrative appeal brought against a non-domestic tax authority.

[42] OTHER FINANCIAL OBLIGATIONS

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

OTHER FINANCIAL OBLIGATIONS

TABLE 59

EUR million	30/09/2018	30/09/2017
< 1 year	91.901	70.246
1 - 5 years	42.541	43.944
> 5 years	12.947	12.719
Total	**147.389**	**126.909**

The Bertrandt Group leases certain items of property, plant and equipment. Under these leases, the risks and rewards incidental to ownership remain, to a large extent, exclusively with the lessor (operating lease). Of the other financial obligations, EUR 72.010 million (previous year EUR 61.819 million) arise from real estate rental contracts. In addition, financial obligations from leases for other items of property, plant and equipment arise in the amount of EUR 2.392 million (previous year EUR 2.715 million) for leases with terms of up to one year, in the amount of EUR 1.901 million (previous year EUR 2.085 million) for leases with terms of one to five years and in the amount of EUR 0.068 million (previous year EUR 0.107 million) for leases with terms of more than five years. Furthermore, there are other financial obligations under supplier contracts for intangible assets of EUR 1.242 million (previous year EUR 0.565 million) and items of property, plant and equipment in the amount of EUR 36.650 million (previous year EUR 26.241 million).

[43] FURTHER NOTES ON THE EFFECTS OF FINANCIAL INSTRUMENTS ON THE BALANCE

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 60

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 30/09/2018**
	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets					
Investments accounted for using the equity method				5.874	**5.874**
Other financial assets		1.221	1.221		**1.221**
Receivables and other assets		2.364	2.364	8.895	**11.259**
Current assets					
Receivable from construction contracts		121.100	121.100		**121.100**
Receivables and other assets		240.384	240.384	14.515	**254.899**
Cash and cash equivalents		88.405	88.405		**88.405**
Non-current liabilities					
Borrowings		199.810	207.749		**199.810**
Other liabilities				0.447	**0.447**
Current liabilities					
Borrowings		18.339	18.451		**18.339**
Trade payables		17.849	17.849		**17.849**
Other liabilities		28.871	28.871	64.648	**93.519**

Vorjahr	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 30/09/2017**
	Carrying amount	Carrying amount	Fair Value	Carrying amount	
Non-current assets					
Investments accounted for using the equity method				5.488	**5.488**
Other financial assets		1.685	1.685		**1.685**
Receivables and other assets		2.017	2.017	6.693	**8.710**
Current assets					
Receivable from construction contracts		119.607	119.607		**119.607**
Receivables and other assets		199.043	199.043	15.047	**214.090**
Cash and cash equivalents		139.266	139.266		**139.266**
Non-current liabilities					
Borrowings		215.737	228.787		**215.737**
Other liabilities				0.215	**0.215**
Current liabilities					
Borrowings		5.202	5.202		**5.202**
Trade payables		18.257	18.257		**18.257**
Other liabilities		22.321	22.321	65.352	**87.673**

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

The fair values of the derivatives are determined applying methods normally used in the market. Because of short maturities of the current financial instruments, it is assumed that the fair values obtained by measuring them at amortised cost are 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.

[44] MANAGEMENT OF FINANCIAL RISKS

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

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

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

Liquidity risks can arise from deterioration in operating business or as a result of credit and market price risks. The Bertrandt Group manages liquidity risks by means of short- and long-term liquidity planning in the light of existing credit facilities. These plans are monitored and updated on an ongoing basis. To safeguard the Company's liquidity in the long term and finance its long-term investments, Bertrandt AG issued a bonded loan of EUR 200.000 million in the fiscal year 2015/2016. As a matter of principle, Bertrandt AG maintains cash pooling arrangements with most of its German subsidiaries via banks. The foreign subsidiaries are provided with funds by means of loans from banks or Group entities. Moreover, the Bertrandt Group has sufficient unused credit facilities and also has access to alternative financing instruments. A material part of the facilities agreements is secured on a medium-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 and, moreover, collateral is available for immediate liquidation, hence a net liability of close to EUR 0 is recorded, as in the previous year.

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

ORIGINATED FINANCIAL LIABILITIES

TABLE 61

EUR million	Carrying amount	Payment obligations		
	30/09/2018	2018/2019	2019/2020 until 2022/2023	2023/2024 ff.
Borrowings	218.149	18.854	143.067	69.260
Trade payables	17.849	17.849	0	0
Other liabilities	28.871	28.871	0	0
Previous year	30/09/2017	2017/2018	2018/2019 until 2021/2022	2022/2023 ff.
Borrowings	220.939	5.484	54.333	176.849
Trade payables	18.257	18.257	0	0
Other liabilities	22.321	22.321	0	0

Financial instruments for which payments have already been agreed as of the balance sheet date are included in the portfolio. Payment obligations und floating-rate and fixed-rate financial instruments were calculated using the interest rates last determined prior to the balance sheet date. These calculations do not include budgeted figures for future liabilities. Foreign-currency items were translated using the spot exchange rate prevailing on the balance sheet date. Financial liabilities repayable on demand were assigned to the latest 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 2017/2018 financial year. The risk of default in the future is also rated as minor thanks to the mainly good creditworthiness of our customers and our proactive receivables management. Individual risks are addressed by means of credit guarantee insurance cover as required in individual cases. The default risk of trade receivables reported as of the balance sheet date is covered by the provisions for impairment. The carrying amounts of the future receivables under construction contracts, the other receivables, other assets, and other loans recorded in the balance sheet in the amount of EUR 388.479 million (previous year EUR 344.092 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 62

EUR million	Neither overdue nor impaired	Overdue but not impaired	Impaired	**30/09/2018**
Other loans	1.221	0	0	**1.221**
Future receivables from construction contracts	121.100	0	0	**121.100**
Trade receivables	178.993	56.681	4.349	**240.023**
Other assets	6.541	0	0.152	**6.693**
	307.855	**56.681**	**4.501**	**369.037**
Previous year	Neither overdue nor impaired	Overdue but not impaired	Impaired	**30/09/2017**
Other loans	1.685	0	0	**1.685**
Future receivables from construction contracts	119.607	0	0	**119.607**
Trade receivables	153.827	38.578	4.080	**196.485**
Other assets	8.034	0	0.152	**8.186**
	283.153	**38.578**	**4.232**	**325.963**

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

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

TABLE 63

EUR million	until 30 days	31 to 90 day	more than 90 days	**30/09/2018**
Trade receivables	18.744	27.615	10.322	**56.681**
Previous year	until 30 days	31 to 90 day	more than 90 days	**30/09/2017**
Trade receivables	12.646	17.946	7.986	**38.578**

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

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

ADJUSTMENTS MADE TO FINANCIAL ASSETS

TABLE 64

EUR million	2017/2018	2016/2017
Value on 01/10	**3.611**	**3.218**
Addition	0.811	0.616
Utilisation	0.043	0
Reversal	0.411	0.223
Value on 30/09	**3.968**	**3.611**

In the year under review, expense from derecognised receivables came to EUR 0.043 million (previous year EUR 0 million) and income from derecognised receivables was EUR 0.027 million (previous year EUR 0.003 million).

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

In accordance with IFRS 7, sensitivity analyses are performed to present the interest risks to which the Company is exposed. These analyses show the effects of changes in market interest rates, interest payments as well as interest income and expense. If interest rates in the market had been 100 basis points higher, earnings would have been higher by EUR 0.774 million (in the previous year EUR 1.282 million higher). If interest rates in the market had been 100 basis points lower, earnings would have been lower by EUR 0.140 million (in the previous year, EUR 0.141 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. Accordingly, a change in the value of the euro against the foreign currency in question has only a minor influence on profit or loss. Underlying transactions not denominated in the functional currency (receivables under construction contracts) 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.

[45] DISCLOSURES ON CAPITAL MANAGEMENT

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

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

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

Its equity corresponds to the equity shown on the balance sheet. As of 30 September 2018, the ratio of equity to total assets (equity ratio) was 50.6 percent (previous year 48.3 percent).

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

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

The notifications of voting rights are included in the annual financial statements for the 2017/2018 financial year of Bertrandt AG, which are published in the electronic Federal Gazette.

[47] 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 “http://www.bertrandt.com/en/investor-relations/corperate-governance.html”.

[48] REPORT ON SUBSEQUENT EVENTS

Dr. Klaus Bleyer will resign from his position as Chairman of the Supervisory Board at the end of the annual general meeting on 20 February 2019. The Supervisory Board wishes to prepare the ground for a suitable successor. The Supervisory Board therefore intends, subject to sufficient support from the shareholders under Section 100 (2) no. 4 of the German Stock Corporation Act (AktG), to propose that the annual general meeting elects Dietmar Bichler to the Supervisory Board. The Chairman of the Supervisory Board, Dr. Klaus Bleyer, will recommend the election of Dietmar Bichler as his successor as Chairman of the Supervisory Board to the 2019 annual general meeting. Dietmar Bichler will therefore resign from his post as Chairman of the Management Board of Bertrandt Aktiengesellschaft with effect from the conclusion of the annual general meeting on 20 February 2019.

The Supervisory Board of Bertrandt Aktiengesellschaft subsequently agreed at its meeting on 5 November 2018 to accept Dietmar Bichler’s resignation and to appoint the remaining members of the Management Board, Michael Lücke, Markus Ruf and Hans-Gerd Claus, for a new period of office of five years to ensure long-term succession to the Board.

The Supervisory Board intends to reach a decision on its recommendations for election to the annual general meeting 2019 as part of its agenda for the ordinary meeting of the Supervisory Board on 10 December 2018.

[49] DISCLOSURE ON THE COMPANY’S CORPORATE GOVERNANCE BODIES

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

Management Board

Dietmar Bichler
Chairman of the Management Board
- President of the Board of Directors Bertrandt France S.A., Vélizy-Villacoublay
- Chairman of the Supervisory Board of b.invest AG, Ehningen
- Member of the Supervisory Board of MAHLE GmbH, Stuttgart
- Member of the Supervisory Board of Lindauer DORNIER GmbH, Lindau

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 France S.A., Vélizy-Villacoublay
- Member of the Board of Directors of Bertrandt UK Limited, Dunton
- Member of the Board of Directors of Bertrandt US Inc., Detroit

Markus Ruf
Member of the Management Board
Finance
- Member of the Board of Directors of Bertrandt France S.A., Vélizy-Villacoublay

The total remuneration for current members of the Management Board for fiscal 2017/2018 is EUR 5.915 million (previous year EUR 5.651 million) and includes a fixed amount and a performance-related component. The compensation paid to the members of the Management Board is disclosed for the individual members in the remuneration report section in the management report. The additions to provisions for pensions for Management Board members include service cost of EUR 0.103 million for the current fiscal year (previous year EUR 0.112 million). Furthermore, provisions amounting to EUR 1.296 million (previous year EUR 1.351 million) have been set aside to cover post-retirement benefits payable to a former member of the Management Board and pensions in the amount of EUR 0.058 million (previous year EUR 0.058 million) were paid.

The following table provides an overview of the holdings of Bertrandt shares of Management Board members during the 2017/2018 fiscal year:

SHARES OWNED BY MEMBERS OF THE MANAGEMENT BOARD

TABLE 65

number	Shares	Shares
	Balance at 30/09/2018	Balance at 30/09/2017
Dietmar Bichler	400,000	400,000
Hans-Gerd Claus	0	0
Michael Lücke	0	0
Markus Ruf	0	0
Total	**400,000**	**400,000**

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

Supervisory Board

Dr. Klaus Bleyer
Chairman of the Supervisory Board
— Chairman of the Supervisory Board of Lindauer DORNIER GmbH, Lindau

Maximilian Wölfle
Deputy Chairman of the Supervisory Board
— Chairman of the Advisory Board of J. WIZEMANN GmbH & Co. KG, Stuttgart
— Chairman of the Advisory Board of Heinrich von Wirth GmbH & Co. KG, Stuttgart
— Deputy Chairman of the Advisory Board of SÜDWESTBANK AG, Stuttgart
— Member of the Advisory Board of PAUL LANGE & Co. OHG, Stuttgart
— Member of the Supervisory Board of Schwabenverlag AG, Ostfildern

Horst Binnig
— Chairman of the Executive Board of Rheinmetall Automotive AG, Neckarsulm
— Member of the Executive Board of Rheinmetall AG, Düsseldorf
— Chairman of the Board of Directors of HASCO KSPG Nonferrous Components (Shanghai) Co. Ltd (formerly: Kolbenschmidt Pierburg Shanghai Nonferrous Components Co., Ltd., renamed with effect from 22/08/2018), Shanghai
— Vice Chairman of the Board of Directors of Kolbenschmidt HUAYU Piston Co., Ltd. (formerly: Shanghai Piston Co., renamed with effect from 15/01/2018), Shanghai
— Deputy Chairman of the Supervisory Board of KS HUAYU AluTech GmbH, Neckarsulm
— Chairman of the Supervisory Board of KS Kolbenschmidt GmbH, Neckarsulm
— Chairman of the Supervisory Board of KS Gleitlager GmbH, St.-Leon-Rot
— Chairman of the Supervisory Board of Pierburg GmbH, Neuss
— Vice Chairman of the Board of Directors of Pierburg HUAYU Pump Technology Co. Ltd., Shanghai
— Director of KSPG Holding USA, Inc., Marinette
— Chairman of the Supervisory Board of Pierburg Pump Technology GmbH, Neuss
— Chairman of the Board of Directors of KSPG (China) Investment Co., Ltd., Shanghai

Prof. Dr.-Ing. Wilfried Sihn
— Professor of Operating Engineering and System Planning at the Institute of Management Science of the Technical University of Vienna, Vienna
— Director of the Institute of Management Science (IMW) of the Technical University of Vienna, Vienna (until 31/12/2017)
— Managing Director of Fraunhofer Austria Research GmbH, Vienna
— Member of the Board of Directors of Glutz AG, Solothurn
— Member of the Advisory Board of Herrmann Ultraschall GmbH & Co. KG, Karlsbad Ittersbach
— Member of the Advisory Board of Karl Klink GmbH, Niefern-Öschelbronn (until 30/03/2018)
— Member of the Advisory Board of Wittenstein AG, Harthausen
— Member of the Advisory Board of EVN AG, Maria Enzersdorf

Stefanie Blumenauer
Employee representative
— Commercial clerk

Astrid Fleischer
Employee representative
— Technical draughtswoman

Fixed compensation of the Supervisory Board members for their activity amounted to EUR 0.320 million in total in fiscal 2017/2018 (previous year EUR 0.320 million).

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

SUPERVISORY BOARD COMPENSATION

TABLE 66

EUR	Fixes
	2017/2018
Dr Klaus Bleyer	112,000
Maximilian Wölfle	64,000
Horst Binnig	40,000
Prof. Dr.-Ing. Wilfried Sihn	40,000
Stefanie Blumenauer	32,000
Astrid Fleischer	32,000
Total	**320,000**

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 2017/2018 fiscal year for services provided in a personal capacity, in particular those involving consulting and brokerage services.

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

SHARES OWNED BY MEMBERS OF THE SUPERVISORY BOARD

TABLE 67

number	Shares	Shares
	Balance at 30/09/2018	Balance at 30/09/2017
Dr Klaus Bleyer	0	0
Maximilian Wölfle	0	0
Horst Binnig	0	0
Prof. Dr.-Ing. Wilfried Sihn	0	0
Stefanie Blumenauer	0	0
Astrid Fleischer	101	98
Total	**101**	**98**

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

[50] SHAREHOLDINGS OF BERTRANDT AG

SHARES OWNED BY BERTRANDT AG

TABLE 68

%	Share in equity capital
Germany	
Bertrandt Beteiligungen 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, Köln[1]	100.0
Bertrandt Ingenieurbüro GmbH, München[1]	100.0
Bertrandt Ingenieurbüro GmbH, Neckarsulm[1]	100.0
Bertrandt Ingenieurbüro GmbH, Tappenbeck[1]	100.0
Bertrandt Innovation GmbH, Ehningen	100.0
Bertrandt München GmbH, München	100.0
Bertrandt Projektgesellschaft mbH, Ehningen[1]	100.0
Bertrandt Services GmbH, Ehningen[1]	100.0
Bertrandt Simulations GmbH, Ehningen (ehemals Bertrandt Neo GmbH)[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, Sassenburg[1]	100.0
Bertrandt Verwaltungs GmbH, Mönsheim[1]	100.0
b.professional GmbH, Mannheim[1]	100.0
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 Liegenschaft GmbH & Co. KG, Pullach i. Isartal	70.0
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 GmbH & Co. KG, Pullach i. Isartal	24.9
aucip. automotive cluster investment platform Beteiligungs GmbH, 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
MCIP tool GmbH, Pullach i. Isartal	24.9
MOLLIS automotive GmbH, Pullach i. Isartal	24.9
NAMENU tool GmbH, Pullach i. Isartal	24.9

%	Share in equity capital
Non-Germany	
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., Vélizy-Villacoublay, France	100.0
Bertrandt Otomotiv Mühendislik Hizmetleri Ticaret Limited Sirketi, Istanbul, Turkey	100.0
Bertrandt S.A.S., Vélizy-Villacoublay, France	100.0
Bertrandt Technologie GmbH, Steyr, Austria	100.0
Bertrandt UK Limited, Dunton, United Kingdom	100.0
Bertrandt US Inc., Detroit, United States	100.0

[1]Pursuant to Section 264 (3) HGB and Section 264b HGB, the financial statements of the shareholdings as of 30 September are not disclosed, and no management report or notes are prepared.

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

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

NET ASSETS AND OPERATING RESULTS OF JOINT VENTURES

TABLE 69

EUR million			
30/09/2018	Bertrandt Campus GmbH	Other	**Total**
Assets	**38.946**	**10.293**	**49.239**
– of which non-current	38.597	9.853	48.450
– of which current	0.349	0.440	0.789
Liabilities	**27.426**	**10.276**	**37.702**
– of which non-current	26.980	10.004	36.984
– of which current	0.446	0.272	0.718
Revenues	2.472	0.136	2.608
Income taxes	0.149	0	0.149
Post-tax earnings	0.784	-0.042	0.742
Prevoius year			
Assets	**41.829**	**0.024**	**41.853**
– of which non-current	39.398	0	39.398
– of which current	2.431	0.024	2.455
Liabilities	**31.094**	**0**	**31.094**
– of which non-current	29.057	0	29.057
– of which current	2.037	0	2.037
Revenues	2.436	0	2.436
Income taxes	0.153	0	0.153
Post-tax earnings	0.815	-0.001	0.814

The carrying amount of the investments in joint ventures is EUR 5.759 million (previous year EUR 5.367 million). As in the previous year, it is fully attributable to Bertrandt Campus GmbH.

The operating results and financial positions of associates are as follows:

NET ASSETS AND OPERATING RESULTS OF ASSOCIATED COMPANIES

TABLE 70

EUR million	30/09/2018	30/09/2017
Assets	39.037	57.804
Liabilities	39.115	57.397
Revenues	12.934	19.585
Post-tax earnings/Total comprehensive income	-0.250	0.183

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

The companies aucip. automotive cluster investment platform GmbH & Co. KG, aucip. automotive cluster investment platform Beteiligungs GmbH, aucip GmbH & Co. KG, aucip Verwaltung GmbH, Lasono tool GmbH, NAMENU tool GmbH, MCIP tool GmbH, and MOLLIS automotive GmbH adopted the calendar year as their financial year. Bertrandt Entwicklungen AG & Co. OHG, Bertrandt Campus GmbH, Bertrandt Campus Grundbesitz GmbH and Bertrandt Campus Liegenschaft GmbH have the same balance sheet date as the Bertrandt Group.

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 0.082 million (previous year EUR 0.013 million) and payables were at EUR 0.012 million (previous year EUR 0.013 million). The revenues amounted to EUR 0.312 million in the period under review (previous year EUR 0.075 million).

On 2 July 2014, Dr. Ing. h.c. F. Porsche AG, Stuttgart, increased its shareholding in Bertrandt AG by nearly four percentage points. After the share purchase, Volkswagen now indirectly holds around 29 percent of voting shares in Bertrandt. As in the past it is not the intention of Volkswagen to exercise influence on the Supervisory Board or the Management Board. From the date of the purchase of the shares, Bertrandt AG will be accounted for as an associate in the consolidated financial statements of the Volkswagen group under the equity method. Accordingly, the Volkswagen group has to be classified as a related party pursuant to IAS 24. All supplier relationships between Bertrandt AG and the Volkswagen group were based on arm's length prices. The revenues arising from transactions with all Volkswagen group companies amounted to EUR 341.563 million in the period under review (previous year EUR 341.139 million). In addition, other operating income of EUR 0.071 million (previous year EUR 0.024 million) and expenses of EUR 1.327 million (previous year EUR 3.174 million) have been recognised. As of the balance sheet date, receivables amounted to EUR 92.978 million (previous year EUR 71.638 million) and payables to EUR 0.047 million (previous year EUR 0.049 million). No provisions for impairment of trade receivables were made in the 2017/2018 financial year (previous year EUR 0 million).

[51] 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 71

EUR million	2017/2018	2016/2017
Audit of financial statements	0.297	0.281
Tax consulting services	0.073	0.012
Other services	0.013	0.171
Total	**0.383**	**0.464**

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. Fees paid for tax consultancy services are mainly related to enquiries in the context of legislative changes and international employee assignments. Non-audit services primarily include enquiries regarding changes in accounting standards under the German Commercial Code (HFB) or IFRS, and consolidation matters.

[52] PROFIT ALLOCATION PROPOSAL

In accordance with Section 58 (2) of the German Stock Corporation Act, the dividend distributed by Bertrandt Aktiengesellschaft is based on the distributable profit as shown in the financial statements prepared according to German commercial law for the year ending 30 September 2018

The Management Board proposes using Bertrandt AG's distributable profit of EUR 39,764,021.62 for fiscal 2017/2018 to pay a dividend of EUR 2.00 per qualified share, and carry forward the remaining amount of EUR 19,477,541.62 to the next financial year. In accordance with Section 58 (4) sent. 2 of the German Stock Corporation Act (AktG), the entitlement to a dividend becomes due on the third business day after adoption of the dividend proposal by the annual general meeting, which will be on 25 February 2019. Any treasury shares held by Bertrandt Aktiengesellschaft at the time the proposal is adopted by the annual general meeting are not entitled to a dividend according to the law. The amount applicable to such shares is also carried forward.

[53] DIVIDEND FOR THE FISCAL YEAR 2016/2017

The Management Board's dividend proposal for the previous year of EUR 2.50 was adopted by the annual general meeting.

[54] 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 10 December 2018.

Ehningen, 29 November 2018

The Management Board

DIETMAR BICHLER
Chairman of 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 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 2018, 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 2017 to 30 September 2018, 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 2017 to 30 September 2018. We have not audited the content of the components of the group management report mentioned in the "other information" section of our auditors' report in accordance with German legal requirements.

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 2018, as well as the earnings situation for the financial year from 1 October 2017 to 30 September 2018, in accordance with these requirements, and
– the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with the German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group management report mentioned in the "other information" section mentioned above.

According to Section 322 (3) sent. 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 of the German Commercial Code (HGB) and EU Audit Regulation (No 537/2014) under consideration of the German generally accepted standards 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 2017 to 30 September 2018. 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 future receivables from construction contracts

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 future receivables from construction contracts

1. Future receivables from construction contracts amounting to EUR 121.1 million are reported in the consolidated financial statements of Bertrandt Aktiengesellschaft, Ehningen, as of 30 September 2018. This is equivalent to approximately 15.4% of total assets. The item includes future receivables from services in progress as of the balance sheet date as well as from services which have been completed, but not yet accepted as of the balance sheet date. Future receivables are measured at cost plus a mark-up for profit proportionate to the percentage of completion, less any losses incurred, provided that the outcome of the contract can be estimated reliably. The percentage of completion is determined according to the ratio of costs incurred to total costs (cost-to-cost method).

   The calculation of the total costs and estimate of expected income and hence expected profit before the commencement of the contract are subject to uncertainties. 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, among other things, the methodology employed, the internal processes and controls used to determine the total costs and expected income. Furthermore, we evaluated the procedures and technical systems used to record actual costs incurred, examined the manual controls and those controls implemented in the system for the respective contracts, and evaluated the audit steps and controls established for the purpose of testing for any impairment.

   Taking into consideration the information available, we believe that the systems, procedures and controls established by the management are appropriate overall for properly and consistently measuring future receivables from construction contracts. 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 future receivables from construction contracts are contained in Notes 5 and 26 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information stated in the group management report mentioned in the "other information" section, that have been not audited.

- the corporate governance statement contained in the section "Corporate Governance Statement in accordance with sections 315d, 289f of the German Commercial Code (HGB)" in the group management report in accordance with section 289f HGB and section 315d HGB
- the separate non-financial report in accordance with section 289b (3) HGB and section 315b (3) HGB

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether

- the other information is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

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

Moreover, management is also responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. 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 the group management report"

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as group auditor by the Annual General Meeting on 21 February 2018. The Supervisory Board engaged us on18 August 2018. 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 audito's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (German long-form report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Jürgen Berghaus."

Stuttgart, 29 November 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

JÜRGEN BERGHAUS
German Public Auditor

ppa. DENIS ETZEL
German Public Auditor

Responsibility statement (affidavit)

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

Ehningen, 29 November 2018

Bertrandt AG

The Management Board

DIETMAR BICHLER
Chairman of the Management Board

HANS-GERD CLAUS
Member of the Management Board
Engineering

MICHAEL LÜCKE
Member of the Management Board
Sales

MARKUS RUF
Member of the Management Board
Finance

Further information

Glossary

A

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

AktG: German Stock CorporationAct

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

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

B

BilMoG: Act of the modernisation of accounting law.

Borrowings: Capital raised externally by taking on loans.

C

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

Capital gains tax: Tax on investment income.

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

Cash and cash equivalents: Cash at 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-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.

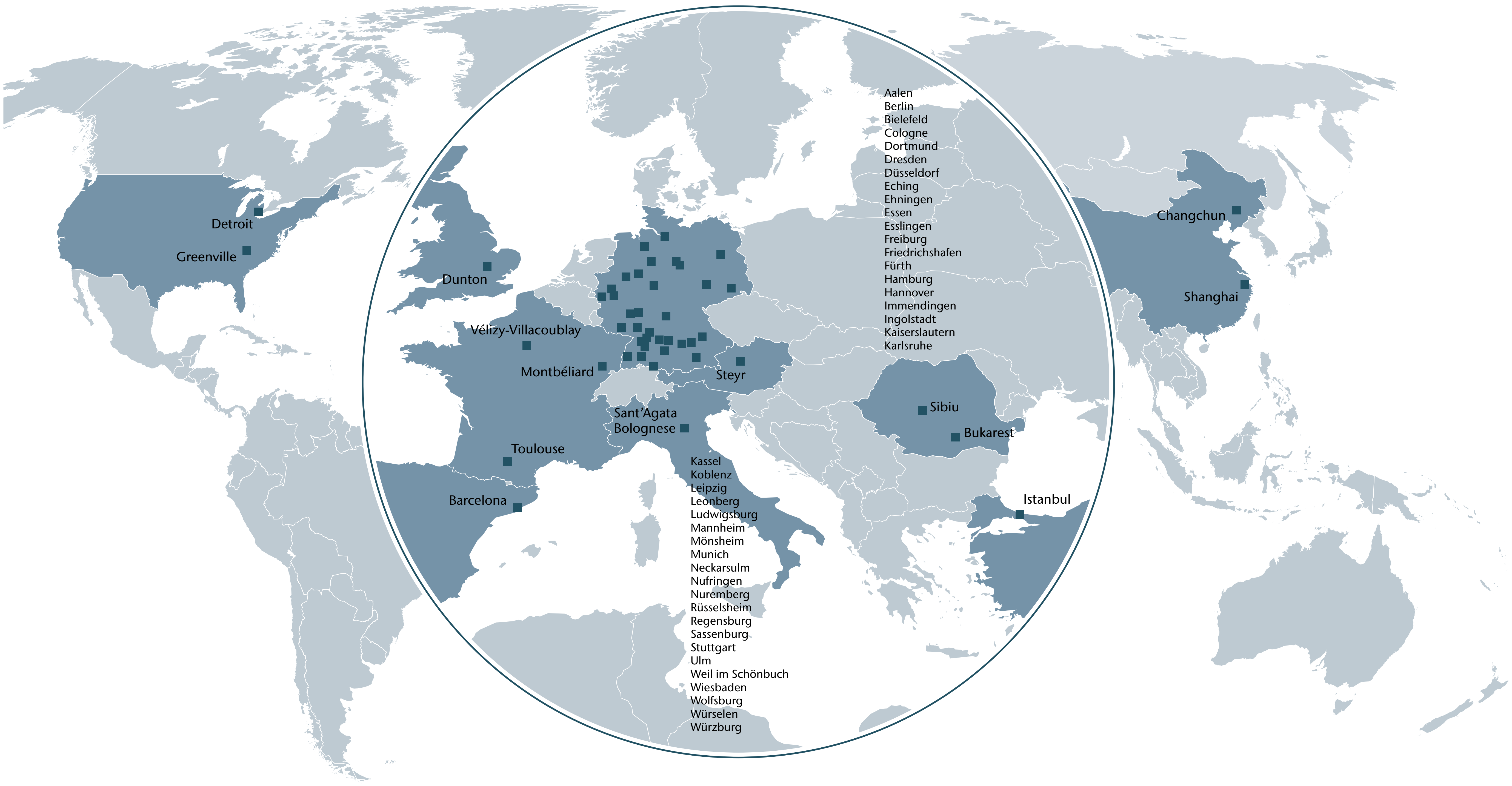
Working Capital: Current assets (trade receivables, future receivables from construction contracts, inventories and other current assets) less current liabilities (trade payables and other current liabilities not attributable to financing activity).

WpHG: German Securities Trading Act.

Locations

CUSTOMER ORIENTATION MEANS FOR US TO WORK CLOSELY WITH OUR CUSTOMERS

CHART 72



Further informations see:

→ LOCATIONS

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Financial calendar

Annual report 2017/2018
Annual press and analysts' conference
13 December 2018
Stuttgart/Frankfurt

Report on the 1st quarter 2018/2019
18 February 2019

Annual General Meeting
20 February 2019
10:30
City Hall Sindelfingen

Report on the 2nd quarter 2018/2019
6 June 2019

14th Capital Market Day
6 June 2019

Report on the 3rd quarter 2018/2019
28 August 2019

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

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

Corporate responsibility report

How does the implementation of sustainability and the non-financial reporting work at Bertrandt? In our separate digital corporate responsibility report we inform you about the economic, ecological and social impact of our business in the fiscal year 2017/2018. 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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This report contains inter alia certain foresighted statements about future developments, which are based on current estimates of management. Such statements are subjected to certain risks and uncertainties. If one of these factors of uncertainty or other imponderables should occur or the underlying accepted statements proved to be incorrect, the actual results could deviate substantially from or implicitly from the expressed results specified in these statements We have neither the intetion nor do we accept the obligation of updating foresighted statements constantly since these proceed exclusively from the circumstances on the day of their publication.

As far as this report refers to statements of third parties, in particular analyst estimations, the organisation neither adopts these, nor are these rated or commented thereby in other ways, nor is the claim laid to completeness in this respect.

CI-1328-11.18-A

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