Ideas for a mobile world

Fiscal 2004/2005 Annual Report

Ideas for a mobile world

Operating as an outsourced design department just a decade ago, Bertrandt today works closely yet with a high degree of independence with automobile and aircraft manufacturers as well as their suppliers to engineer next-generation models. Efforts to occupy an increasing number of new niches and the related receipt of major projects are key growth drivers for Bertrandt.

Product individualisation is requiring more and more engineering resources. To meet these requirements, producers select strategic partners, who assume overarching responsibility for components, modules as well as complete derivatives, additionally acting as project managers as well as providers of new ideas. And this report is all about these ideas. Ideas with which we are already creating links to tomorrow's mobility.

Fiscal 2004/2005 at a glance >>>

Fiscal 2004/2005 at a glance

Engineering services are a dynamic market offering favourable business opportunities. Today's wide model diversity forms the basis for outsourcing activities. Multinational automobile manufactures and suppliers of automotive components are still very eager to assign development projects to companies such as Bertrandt, in spite of the tight market situation and the cost-cutting efforts that some manufacturers are making.

Bertrandt has systematically implemented a restructuring programme. The main milestones entailed the realignment of loss-making foreign subsidiaries, the leasing out of ZR-Zapadtka + Ritter GmbH & Co. KG as well as downsizing of the Management Board. These exceptionals have dragged down earnings by around EUR 4 million.

With an equity ratio of 41 percent, Bertrandt is a company with high inherent value. For the fourth consecutive year, a net free cash inflow could be achieved, which was used to discharge debt.

The strategic adjustments to our range of services with the establishment of the Groupwide, "Electronics", "Supporting Services", "Powertrain" and "Testing" competence centres as well as the focus on the growth of the "Aviation" business segment have met with a very favourable response on the part of our customers.

With 3,061 employees, we have a slightly larger workforce than in the previous year. Personnel development is focusing on the specific recruitment of specialist engineers and developers, particularly in the competence centres.

Based on the measures taken connected with targeted cost and capacity management as well as favourable underlying business conditions, we expect to see new opportunities for growth in the coming fiscal year and thus an appreciable improvement in earnings.

EUR million	FY 04/05	FY 03/04
Total consolidated revenues	217.425	221.285
Sales	220.088	214.454
Operating profit	1.819	5.910
Operating profit (adjusted for exceptionals)	5.819	8.910
Profit from ordinary activities	382	4.200
Net profit	72	2.022
Cash flow from operating activities	12.770	16.475
Cash flow from investing activities	-7.143	-7.969
Free cash flow	5.627	8.506
Cash flow	9.536	12.665
Cash flow / sales (%)	4.3	5.9
Capital spending (including leasing)	8.497	10.773
Capital and reserves	49.817	51.420
Equity ratio (%)	41.0	40.2
Total assets	121.646	127.975
Earnings per share (EUR)	0.01	0.23
Free cash flow per share (EUR)	0.56	0.84
Cash dividend per share (EUR)	0	0.15
Share price on 30 September (EUR)	9.54	12.75
Share price, high (EUR)	12.70	15.34
Share price, low (EUR)	8.65	11.95
Shares outstanding on 30 September	10,081,200	10,069,200
Free float (%)	36.29	31.35
Market capitalisation on 30 September (EUR million)	96.2	128.4
Number of employees at Bertrandt Group on 30 September	3.061	3.009

bertrandt

Contents

Letter to the shareholders

The Bertrandt Engineering Network can look back on an eventful year. Although earnings reflect the current heterogeneous state of the automobile industry, we were able to lay the foundations for a successful future by making a number of key strategic decisions. The preliminary results are strengthening us in our resolve to face the future with confidence.

Dietmar Bichler
Chairman of the Management Board
of Bertrandt AG

Management Board Report

Dear shareholders,

In the year we have left behind us, the Bertrandt Engineering Network asserted itself a further time in a heterogeneous and partially difficult market. In the automotive industry, persistently weak domestic demand again took its toll in the form of corresponding cost-cutting efforts on the part of automobile manufactures and their partners. On the other hand, growing demand was registered in the business segments that we had identified as growth areas and strategically strengthened in the previous year.

So, is the glass – or, in our case, the tank – half empty or half full?

Arguably, no other sector has undergone such radical structural change as the automobile industry over the past few years. In spite of hotly contested markets, model diversity has risen dramatically. At the same time, model lifecycles are increasingly becoming shorter. In other words, the cake has not become any larger but now comprises far more and considerably of smaller pieces. This is resulting in mounting pressure to ensure a reasonable return on vehicle engineering, with automobile manufactures demanding that rationalisation potential be utilised in this area.

Outsourcing trend intact

In spite of evidence of insourcing on the part of some customers, there are signs of a different trend emerging in the industry as a whole. Many companies are increasingly concentrating on their core expertise and offloading part of their value chain to partner companies. As a result, external development projects are growing in volume and complexity. At the same time, however, customers expect swifter turnaround times and turnkey results.

Efficiency raised

Bertrandt utilised this development to make strategic adjustments and was able to achieve efficiency gains with its own ambitious consolidation programme. In the previous year we had already started networking our existing personnel resources in the interests of boosting efficiency. Today, the Bertrandt Engineering Network is a matrix of regional competence centres working together on a project-by-project basis.

These restructuring activities were followed in the year under review by a comprehensive downsizing programme, which included virtually all parts of the Group on a top-down basis. In an effort to achieve leaner management structures, the Management Board was downsized from five to two members on 1 July, 2005. These adjustments were made to streamline and pool management resources within the Group in the interests of greater market and customer orientation.

In addition, Bertrandt leased out the business operations of its subsidiary ZR-Zapadtka + Ritter GmbH & Co. KG in Bretzfeld to a member of the Wolpert Group. This put an end to the ongoing loss situation while a partnership agreement entered into with the lessee ensured continued access to the full range of sheet-metal processing and tooling services.

Members of the Management Board (from left)

Dietmar Bichler
Chairman of the Management Board
of Bertrandt AG

Ulrich Subklew
Member of the Management Board
of Bertrandt AG

Two new facilities

In response to the weakness afflicting some of our foreign markets, we have revamped our international network in the light of expected future requirements. This was done by reducing the number of branches in France, the UK and Sweden from seven to four without sacrificing regional competence or customer proximity. At the same time, two new facilities were opened in Germany: one in Altenburg, Thuringia, where we offer engineering services for local customers in the automotive industry, and the other in Bremen, which is primarily focusing on development projects for the aviation industry.

Value creation optimised

Across the entire Bertrandt Group, we shifted the focus in terms of both content and personnel towards the growth "Electronics", "Supporting Services", "Powertrain" and "Testing" competence centres, while strategically extending our successful involvement in the aviation industry. Following these restructuring activities, which were accompanied by an extensive personnel development programme, roughly 300 employees are deployed in new and attractive pursuits. With these targeted extensions to our competence in tandem with our non-centralised structures, we have been able to optimise the company's value creation and to ensure that the Bertrand Engineering Network is poised to meet the challenges of tomorrow. I am therefore particularly grateful to the Bertrandt staff, who have embraced the necessary changes flexibly, creatively and on a results-oriented basis.

Innovative solutions for our customers

In addition to consolidation activities aimed at boosting our efficiency, we have extended our range of services. In this connection, Bertrandt established "aucip. automotive cluster investment platform GmbH & Co. KG" in conjunction with three leading banks. Via this company, we plan to offer our customers financial engineering expertise for cost-intensive development projects.

We are already beginning to reap the benefits of our extensive restructuring activities. Thus, we have been able to generate additional revenues in our growth areas of business, with our widening share of the market for aviation engineering services having a positive effect here.

Solid capital structure

Even though on balance the earnings reported for the year under review fell short of expectations, we face the future with confidence and optimism. A solid capital structure and sustained deployment of financial resources form a key basis for Bertrandt's continued ability to assert itself as a robust company in a difficult market characterised by intense competition. Thus, we systematically continued to reduce our debt this year to strengthen our foundations. It is for this very reason that the Supervisory Board and the Management Board consider it appropriate and prudent to omit a dividend payout for fiscal 2004/2005. We trust that our shareholders will understand this decision.

We have laid the foundations for the future with our Group-wide consolidation and repositioning programme. This programme reflects our willingness to react quickly and resolutely to changes in the markets and to be guided solely by the interests of our customers and shareholders. It is with this in mind that we will continue to develop "ideas for a mobile world".

Yours sincerely

Dietmar Bichler
Chairman of the Management Board of Bertrandt AG

Searching for the Hercules principle:
Industrial design competition at the Heilbronn University of Applied Sciences

Bertrandt supporting kindergartens:
“Move-it” boxes for greater road safety Highlights of the year

Kalendarium

September 2004

Project management award. Bertrandt gains second prize with its presentation of a “development of derivatives for an automobile manufacture”. The award acknowledges professional management as a means of gaining top project results.

October 2004

Design Center Stuttgart announces awards for top design quality. At the 2004 International Baden-Württemberg Design Awards, Bertrandt AG receives the “Focus in silver” for the design and development of the Binz H211/2 hearse. The competition highlights human/product interaction and thus the straightforward utilisation and ease of use of modern vehicles.

Best Practice Award. IIn October 2004, Bertrandt Technikum GmbH, a wholly-owned subsidiary of Bertrandt AG, receives the Best Practice Award from DaimlerChrysler AG Sindelfingen in the vibration technology segment.

November 2004

Pushing or tearing – searching for the Hercules principle. The Heilbronn University of Applied Sciences organises a design competition for all 1st semester students of the technical faculties in conjunction with Bertrandt AG.

December 2004

Consolidation of foreign facilities. As part of plans to boost earnings in the medium term, the Management Board of Bertrandt AG reduces the number of foreign subsidiaries in France, the UK and Sweden from seven to four without sacrificing local presence.

January 2005

Bertrandt supports road safety initiatives. Wonder and surprise prevail in numerous children’s nurseries in response to presentation of road safety wardens’ “move-it” boxes by representatives of Bertrandt branches. The “move-it” boxes are designed to improve nursery and preschool children’s mobility in the interests of lowering the risk of traffic accidents.

Aviation standard EN9100. Bertrandt Ingenieurbüro GmbH in Hamburg is certified pursuant to aviation standard EN 9100 on 4 January 2005. The standard is based on the requirements of DIN EN ISO 9001:2000 and is supplemented with aviation-specific factors such as airworthiness and uniform systems for manufacturing and maintaining aircraft.

February 2005

Annual General Meeting for 2005. The shareholders of Bertrandt AG approve a dividend of EUR 0.15 per share for fiscal 2003/2004.

Subsidiary in Altenburg established. Bertrandt AG opens a new facility in Altenburg (Thuringia) to offer local automobile manufacture and system suppliers supporting and production-related services.

March 2005

Zapadtka & Ritter leased out. ZR-Zapadtka + Ritter GmbH & Co. KG, Bretzfeld, a subsidiary of Bertrandt AG in Ehningen, leases part of its operations to the Wolpert Group on 24 March 2005.

April 2005

Bertrandt completes a monument. Working in conjunction with artist Karin Sander, Bertrandt AG mills the aluminium sculpture of the former minister Maximilian Joseph Graf von Montgelas. Weighing nine-and-a-half tons and with a height of over six metres, the monument is unveiled at Promenadenplatz in Munich in April 2005.

May 2005

New subsidiary in Bremen established. On 2 May 2005, Bertrandt AG opens a new subsidiary in Bremen to actively support regional manufacturers and system suppliers in the motorcar and aviation industries.

Analyst conference in Frankfurt. Bertrandt announces its first-half figures. Profitability and operating profits are on a par with a previous year, while financial result is further improved, with the equity ratio coming to 40 percent.

June 2005

Tenth anniversary in Munich. With engineering and testing services for manufacturers and component suppliers in southern Germany, Bertrandt has built up a solid basis for accepting further responsibility for complex development projects since 1995. Bertrandt celebrates its 10th anniversary by showcasing its capabilities at the BMW Group’s Research and Innovation Centre (FIZ).

Tenth anniversary in Tappenbeck. Bertrandt has been providing Volkswagen AG with engineering services in the graphic and design area since 1995. Today, some 300 employees work reliably on projects at differing planning and development levels.

July 2005

Changes to Management Board. As of 1 July 2005, Bertrandt AG’s Management Board comprises Dietmar Bichler (Chairman) and Ulrich Subklew. The decision to downsize the Management Board from five to two members is the logical continuation of a commitment towards market and customer orientation as well as shorter information and decision-making channels.

August 2005

ISO 9001 and VDA 6.2 standards confirmed. Bertrandt AG’s management system is successfully monitored and certified. Bertrandt has been facing up to these requirements for years and regularly arranges for external audits to be performed.

September 2005

IAA 2005 – Lead through vision. At the IAA 2005 Motor Show in Frankfurt, Bertrandt actively showcases its “Electronics”, “Supporting Services”, “Powertrain”, “Testing” and “Aviation” activities. Customer response is favourable.

Good design not only for cars: The Bertrandt stand at IAA 2005

IAA 2005: Forging visions

Extending services

Bertrandt wants to grow in the future by specifically extending its services along the automotive value chain. “We want to tap market potential beyond our previous core business and extend our range of services to include neighbouring areas”, said Dietmar Bichler, the Chairman of Bertrandt AG’s Management Board at IAA 2005 in Frankfurt. “With our integrated development skills, we know and understand the requirements of the automotive industry. We also want to actively contribute our knowledge to new areas to ease the burden on our customers”. Dietmar Bichler cited as examples quality management, financial engineering and production-related services, with the latter now also being offered by the facility in Altenburg, Thuringia, which was opened in January.

Putting customer orientation into practice

Bertrandt displayed continuity at the world’s largest motor show. For years, staff have been putting customer orientation into practice by forging close ties with customers and implementing decentralised structures. It is only logical for the company to have a stand in Hall 3.1 amongst the automobile manufacture, reflecting as this does its strategy of absolute customer proximity. The fair stand was designed to facilitate communication. Full of new impressions, interlocutors find a place to relax and to slow down – time for conversation. Bertrandt’s show stand has followed this pattern for years – with success. Within the stand, three subjects are showcased: “pedestrian safety”, “Supporting Services” and “Bertrandt’s 30-year history”.

Gaining a lead through vision

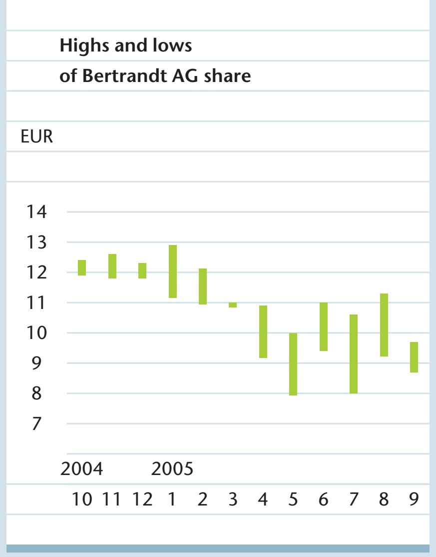
Spurred by close customer contact and ongoing market observation, Bertrandt turned its attention to pedestrian safety very early on and took action. Engineers developed virtual and real testing procedures. Today, specialists conduct tests in accordance with national specifications. This is because Japanese tests, for example, are designed for the local population while the “standard American” differs from the “standard European”. With its 200-strong testing staff, Bertrandt is one of the largest service providers in this area today.

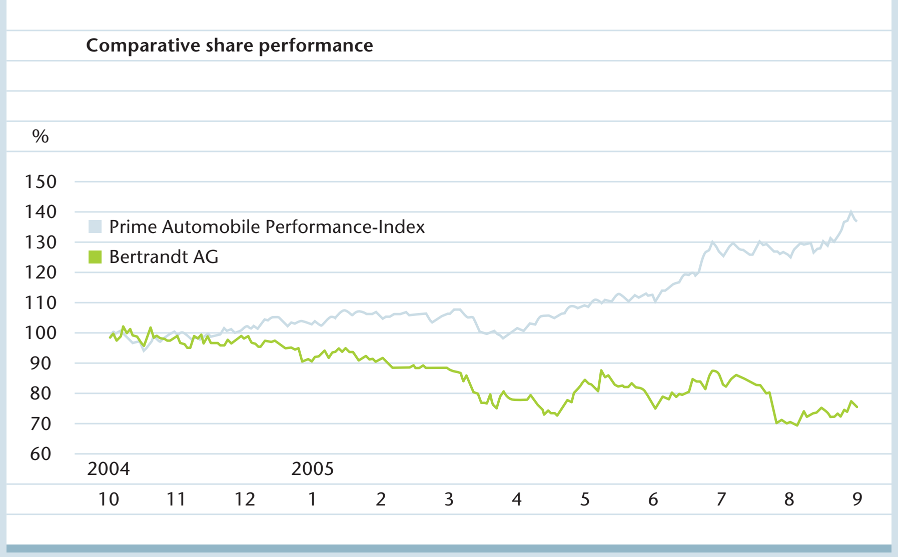
Different specialists for different tasks

Supporting services – this interface function is increasingly being used to manage processes at the seam between OEMs and suppliers. Bertrandt engineers handle this function along the automotive value chain up to series launch or even beyond. Sometimes the task force is required to perform unusual tasks and must be on call within a matter of hours. International visas are available immediately, allowing teams with special tools to set off without delay. They make use of sea transit times, for example, to implement conversions to make sure that the vehicles meet all necessary requirements.

Continuity in our vision

30 years Bertrandt: Our vision has barely changed in this period. The company defines itself as a provider of engineering services for mobility. Yet, this takes many different forms. The motorcar has been joined by aviation, and mechanical engineering by electronics. Today, Bertrandt is one of the largest electronics specialists in the car industry with over 300 developers on its staff. And to cater to its customers’ needs on an even more individual basis, the company set up competence centres in 2004, “Electronics” being one of these. The others are “Powertrain”, “Testing”, “Supporting Services” and “Aviation”.





The Bertrandt share

The stock markets in fiscal 2004/2005

In the second half of 2004, the European stock markets were buoyed by swifter growth in the global economy. Although domestic German demand edged up only marginally, market participants were encouraged by companies' earnings outlooks. This sentiment was also reflected in the German stock market, with many DAX companies benefiting from the international recovery.

In spite of the slower growth at the beginning of 2005, the fundamental uptrend remained intact, additionally fuelled by the favourable valuations of European stocks and the considerable depreciation of the euro against the US dollar. As a result, export-oriented German companies in particular were able to post gains. In September 2004, the DAX stood at just under 5,000 points, up from 3,995 points at the beginning of October 2004.

Performance of the Bertrandt share

The Bertrandt share is a rewarding proposition for investors with a long-term horizon. Since its flotation in 1996, the share has consistently traded above its issue price of EUR 6.65.

That said, we were not satisfied with the share's performance in fiscal 2004/2005. The Bertrandt share, too, was unable to shrug off the effects of the difficult market conditions. After trading at around EUR 12 at the beginning of the fiscal year, it retreated to EUR 8 in May 2005. In doing so, it tracked the C-Dax Automobile Index, which also hit a low for the year in May. On 30 September 2005, the share was trading at EUR 9.54. We are confident that, as the company's earnings rise, the price of Bertrand shares will improve.

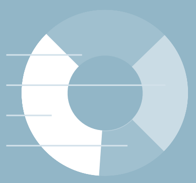
Strong partnerships with principal shareholders

Bertrandt has a broad shareholder base. Judging by the number of invitations sent out for the Annual General Meeting held in February 2005, we assume that we have a total of 5,000 free-float shareholders in Germany. In addition, international investors and renowned companies hold interests in Bertrandt.

ThyssenKrupp Automotive AG and ThyssenKrupp Stahl AG have held stakes of 15.12 percent and 10.08 percent, respectively, in Bertrandt since 25 August 2004. Porsche AG has held 25.01 percent of Bertrandt AG's capital since April 2001, with management and staff accounting for around 13.50 percent. The free float was about 36 percent as at 30 September 2005.

Shareholder structure

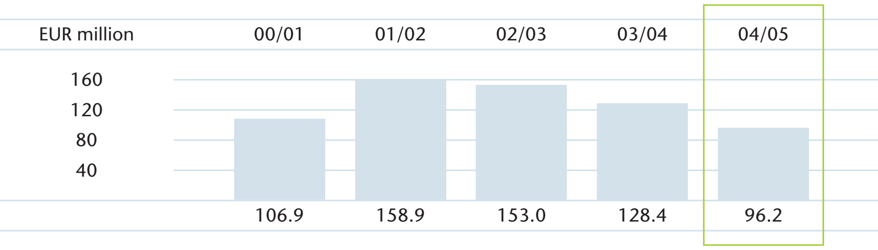
ThyssenKrupp	25.20%
Porsche	25.01%
Free float	36.29%
Management / staff	13.50%



In-depth coverage by the capital markets

Bertrandt AG is observed and analysed by investment companies and banks on an ongoing basis. The latest studies are available at www.bertrandt.com or from Bertrandt's Investor Relations department.

Market capitalisation



Share data

	04/05	03/04
Issued capital	10,081,200	10,069,200
Number of shares	10,081,200	10,069,200
Market capitalisation (on 30 September)	96,206,700	128,382,30
Earnings per share	0.01	0.23
Share price on 30 September (EUR)	9.54	12.75
High (EUR)	12.70	15.34
Low (EUR)	8.65	11.95
Equity per share (EUR)	4.9	5.11
Cash flow per share (EUR)	0.9	1.26

Key share data

IPO in 1996	Issue price	2.7 million shares at EUR 6.65 each
	First day of trading	1 October 1996
	Market segment of IPO	Regulated Market
	Underwriting syndicate	Bayerische Vereinsbank AG (lead manager), Dresdner Bank AG, Baden-Württembergische Bank AG, Südwestdeutsche Landesbank, Schwäbische Bank AG
2003 listing	Market segment	Prime Segment, Automobile
	First day of trading	24 March 2003
	Price on first day of trading	EUR 16.30
Listed for trading in		Xetra, Frankfurt, Stuttgart, Berlin, Bremen, Hamburg, Düsseldorf, Munich, Hanover
Designated Sponsors		Bayerische Hypo- und Vereinsbank AG, Landesbank Baden-Württemberg
WKN/ISIN		523280/DE0005232805 A0FAPN/DE000A0FAPN8

Contact
Marcus Loistl
Investor Relations

Telephone +49 7034 656-4082
Telefax +49 7034 656-4090
marcus.loistl@de.bertrandt.com

Close dialogue with the financial community

One key aspect of Bertrandt AG's corporate policy is to ensure comprehensive and immediate communication with institutional and private investors, analysts and the media. Aside from compliance with the stringent transparency requirements tied to inclusion in Deutsche Börse's Prime Standard and nearly all the recommendations of the German Corporate Governance Code, Bertrandt thus pursues the aim of positioning its share as a long-term investment. Communication focuses on describing the company's business model and strategic thrust as well as explaining its technical and economic background. These subjects are discussed and elaborated upon in numerous one-on-ones, interviews and presentations.

As in earlier years, members of the financial community were briefed in detail at numerous conferences last fiscal year. Bertrandt took part in four capital market conferences, two sector conferences and an overarching small and mid-cap conference. At the Annual Press Conference on 16 December 2004, numerous representatives of the business media received a rundown on the company's business performance and annual figures. The subjects dealt with at the Analyst Conferences on 19 January and 18 May 2005 revolved around the annual and interim financial reports as well as Group strategy. This was backed up by road shows in the UK, France, Switzerland, Austria as well as in Germany, which met with the interest of numerous institutional investors. In over 50 one-on-one conversations at the board level and during company presentations, we described Bertrandt AG's strategic orientation and briefed interested investors on subjects of current interest as well as the Group's expected future performance. The presentations used at the most important conferences are also available on our web site at www.bertrandt.com to make this information available to as wide an audience as possible.

At the Annual General Meeting on 16 February 2005, all shareholders were given comprehensive information on the company's business performance and outlook for the future.

www.bertrandt.com

In addition to these events, Bertrandt uses the Internet as a platform for keeping shareholders and other investors abreast of the latest developments and trends at the company. All annual and interim reports, ad hoc bulletins and press releases are available with minimum delay at www.bertrandt.com in both German and English. As well, the site contains information on the company's Supervisory Board and Management Board, its corporate structure and business model as well as current project references. The Investor Relations section sets out Bertrandt AG's performance ratios, details of corporate governance (see also page 100 in this report), directors' dealings reports and recent company presentations.

Gate-M listing

Bertrandt AG is continuing to actively use the "Gate-M" trading, service and information platform operated by the Stuttgart stock exchange. This platform is specially tailored to meet the needs of small to mid-size listed companies and their potential investors. The aim of the new trading segment is to draw greater investor attention to these companies and to ensure reliable tradability with high-quality price fixing. Bertrandt AG is one of the first companies to use "Gate-M" as an additional platform as it also provides a further opportunity of providing private investors with a suitable communications and trading channel.

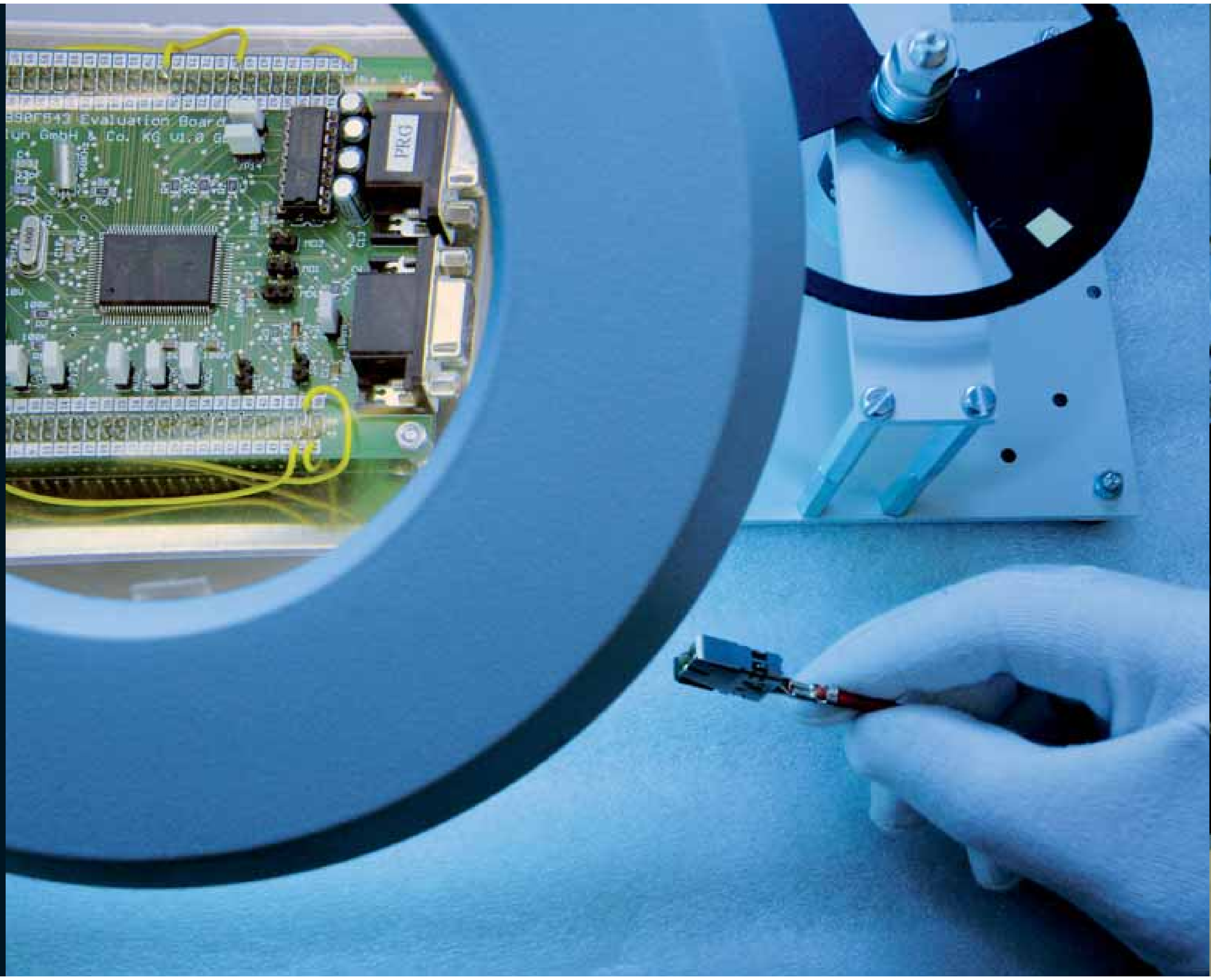




Ideas for a mobile world

How will we be travelling in the future? Will we still be seated at the steering wheel or will we be automatically transported from A to B? Will engines still use fossil fuels or be driven by other sources of energy? Will the large aircraft of the future be fitted out with restaurants and casinos like ferries? Regardless of the direction taken by the adventure that is mobility, even the most daring visions are only a stone's throw away from reality given the rapid rate of innovation today.

Looking back, the route from the earliest self-propelling carriages to today's multifunctional vehicle fleets or from the double-decker to the Airbus is strewn with the creative feats of technology-obsessed tinkerers. Regardless of what develop-ments ultimately prevail in the future, one thing is certain: the ideas thought up by Bertrandt engineers will play a leading role.



Electronics: Sophisticated solutions for vehicle function control

The memory requirements of the electronic controlling devices fitted to motor vehicles testify to the magnitude of the role that electronic systems play in automotive technology. In the space of only ten years, capacity has risen from 1 to 90 megabytes per vehicle in tandem with matching growth in power demand and corresponding extensions to on-board networks. Between 40 and 80 mini-computers the size of a box of cigarettes are concealed in the engine bay, behind the dashboard or beneath the centre console, where they operate the on-board electronic systems fitted to a luxury-class vehicle, e.g. the electric seat adjustment based on the preferences stored by the driver.

Saving development costs with control unit platforms

Bertrandt pursues solutions allowing costs and development times to be reduced without sacrificing high reliability and product quality. One example is the control unit platform, which we have developed and that can be fitted with an individual application in line with the customer's preferences. As several controlling functions can be implemented on a parallel basis using the same model of control unit, the expensive development of dedicated hardware solutions for each individual function can be dispensed with.

Bertrandt can use this control unit platform, for example, in the development of special commercial vehicles or for retrofit solutions – e.g. hearses with a hydraulic load floor or public authority vehicles with all-round lights. As these vehicles are built in very small series, the development of individual control units for each separate function would result in unreasonably high production costs. With the universal control unit platform and the resultant multiple use of software and hardware components, Bertrandt is able to make a key contribution to reducing development costs. This innovative electronic system is already being deployed in prototypes of special-purpose vehicles.

Supporting Services: At the cutting edge

Profile of requirements changing

The heavy pressure to innovate in the automotive, aviation and components industries is reflected, among other things, in the rapidly changing profiles of requirements of our customers. Manufacturers are outsourcing more and more tasks peripheral to the actual development process. This is reason enough for Bertrandt to adjust its range of services to meet customer requirements. It is only possible to appreciate how dynamically our portfolio has changed over the course of time by going back to our roots.

New tasks – new responsibility

Back in the seventies, the Bertrandt engineering offices were initially the "extended workbench" of automobile manufactures. In other words, we produced or assembled prototypes of body parts or "lent" engineers to customers. The range of services that we provide widened in the eighties with the emergence of the phenomenon of "outsourcing". As a result, manufacturers now started to assign entire development projects to partners, who were able to extend their own skills and capacity in the wake of this trend. Bertrandt increasingly established facilities of its own in close geographic proximity to its customers.

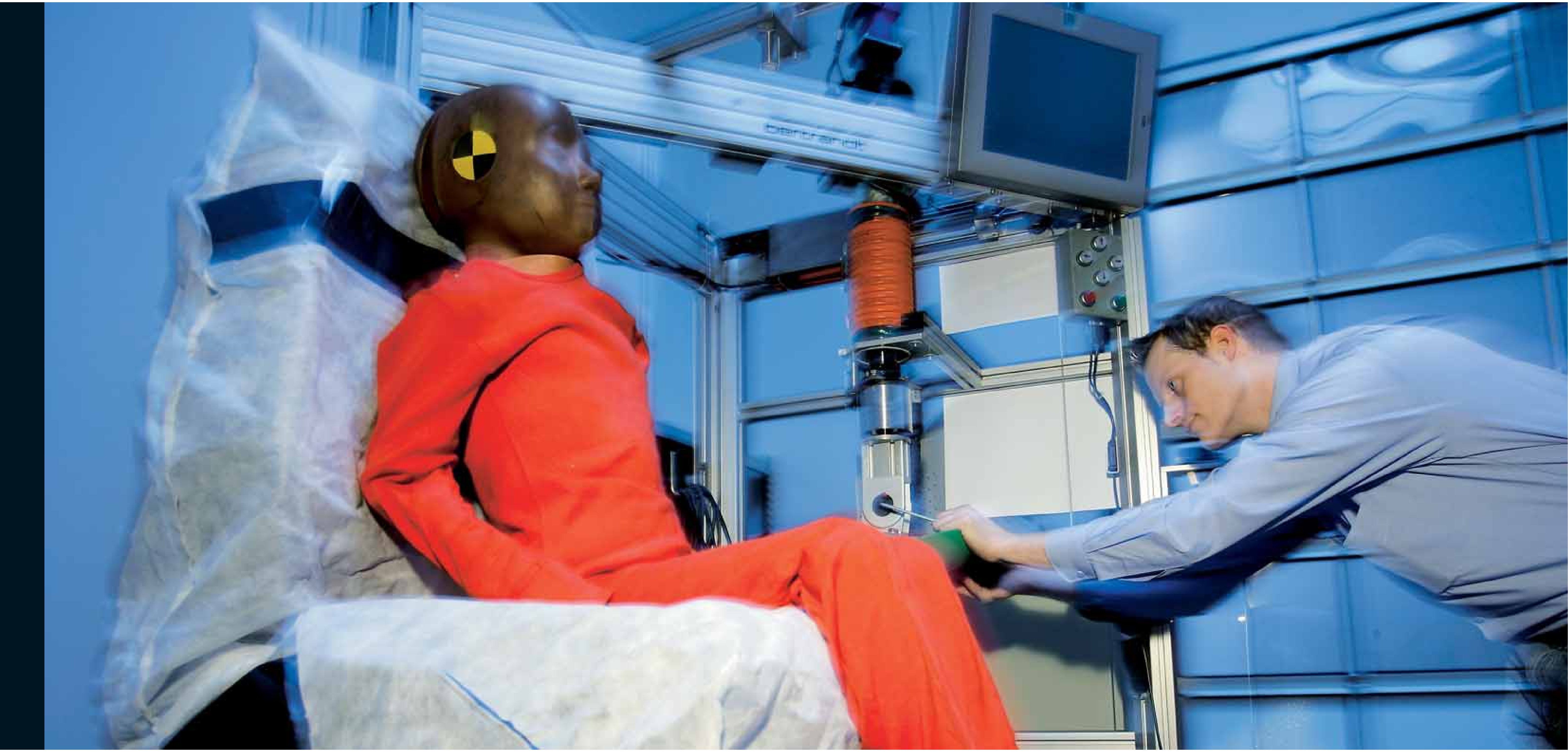
As development and production processes increasingly grew in complexity, new tasks and responsibilities – such as project management or logistics planning – arose.

Experienced engineers as consultants

Today, manufacturers need partners with an eye on the entire product development process and able to handle key overarching engineering and production functions. Bertrandt's services range from project and quality management to documentation as well as verifying digital product data and overseeing series ramp-ups. The experts of the Bertrandt Engineering Network act as consultants, analysing logistic processes between system suppliers and the production plant, for example, scrutinising production processes and working on solutions aimed at optimising processes, cost-structures and schedules.

Financial engineering

Handling overarching functions along the development and production chain not only involves engineering services but also calls for competent business support. For this reason, Bertrandt attaches importance to training its project and department heads in management and business administration. With large contracts, liquidity and financial aspects generally also play a role. Via a joint venture, Bertrand offers financial engineering for project investments. In this way, we are able to assist with promising projects on a partnership basis.



Testing: Where quality must prove itself




Passenger and pedestrian safety as well as environmental protection

Before a motor vehicle or aircraft goes into series production and is allowed to be used on roads or in the air, the manufacturer must check newly developed components with painstaking care. It is not enough merely to comply with passenger safety and environmental protection legislation. On top of this, the quality expectations of the manufacturer and its customers must be met. Does the folding mechanism of the exterior mirror work properly, is the insulation sufficient to deaden engine noise, are exhaust emission standards complied with, is the composite material able to hold up to extreme temperature fluctuations?

Years ago, Bertrandt began setting up extensive testing equipment at several facilities, ranging from impact sledges to climatic chambers so as to offer its customers suitable testbeds close to their plants. Today, the “Testing” competence centre has facilities all over Germany, specifically in Munich, Ingolstadt, Ehningen, Wolfsburg and Rüsselsheim. As Bertrandt not only checks internal systems but also offers ideal conditions for testing external developments, the “Testing” competence centre has evolved into a separate and successful business segment. Our vehicle safety competence center examines individual components and modules or even entire vehicles for their roadworthiness.

Updated legislation

European and US passive safety legislation is regularly adjusted to incorporate the latest research results. Thus, vehicle airbag systems, which can only protect lives if the passenger is wearing a seatbelt and sitting in an upright position, attracted considerable attention a few years ago. By contrast, airbags can do little to protect sleeping and slumped passengers, while postures in which the legs or chest are placed over the airbag covers block the system completely.

For this reason, Bertrandt has added “out-of-position” simulations to its vehicle safety testing facilities. Here, engineers work with special dummies to examine the way in which airbags inflate if their cover is blocked by passengers.

After decades in which the focus of safety efforts laid squarely on the people sitting inside the car, legislation is now shifting its attention to pedestrians. This has given rise to a series of new requirements to which automobile manufactures have responded with new developments ranging from yielding vehicle front ends made from flexible materials and self-lifting bonnets to exterior airbags and runover protection systems.

Tests for head, hip and leg impact

In order to offer the prescribed crash and testing systems, Bertrandt has specifically developed a leg and hip impact test bed to supplement head impact testing.
The testing arrays permit virtually all conceivable impact situations to be simulated.
In addition, our prototype centre permits plastic prototypes – e.g. of impact energy absorbers – to be produced with minimum delay and then tested. In this way, Bertrandt engineers can identify weaknesses in early stage of development and remedy them in further optimisation steps.

Aviation: New business segment in ascent

Aviation obeys its own laws

Aviation is our latest business pursuit. In this area, our company has been supporting digital design processes backed up by supporting services for around five years. These have arisen from the specific requirements of aircraft manufacturers, which are required to provide seamless documentation on the manufacture of each and every aircraft. For this reason, a larger part of our development support entails extensive data management, static calculations and structural analyses.

Structural development of vertical tailplane

In this way, Bertrandt's Hamburg branch was involved in the structural development of a vertical tailplane made from carbon reinforced composite. As well as this, Bertrandt is assisting the aircraft industry with the fitting-out of cabins by means of interface management between the parties responsible for the processes and the system suppliers. The company is also involved in the development of on-board cable network architecture and assembly clips for lines and panelling. Our engineers developed various panelling parts for the construction of a dissected model fuselage for a fair presentation.

As well as this, Bertrandt works for system suppliers to the aviation industry, e.g. in the form of the tools for making wing edges. Moreover, our branch in Bièvres, France has developed and built a test bed for one of the largest makers of aviation and aerospace jet engines for examining vibration-induced material fatigue in turbine vanes. This has made it possible to substantially reduce time requirements for such tests.

Bertrandt stepping up aviation activities

This new area of business is growing at an impressive pace. The upbeat outlook and the good reputation that Bertrandt has earned in this area within a short period of time have prompted a decision to place this segment on a broader base. Our Bremen branch, which was newly opened in the fiscal year under review, will be primarily be engaged in providing supporting services for the aviation industry.

Powertrain:
Generating power in confined spaces

Environmental protection as a driver of innovation

The desire for more comfort and driving pleasure, the safety debate and environmental protection are the factors currently urging innovation in engine development forward. In addition to emissions of noise, emissions of harmful substances have also been sharply reduced in recent years. In order to reduce emission of carbon dioxide (CO^2) even further, developers must raise the energy efficiency of combustion engines so that they consume less fuel.

Energy efficient engines

The general principle is to extract more power from less engine capacity. At the same time, engines must require less installation space so that safety-related deformation zones, complex powertrains – such as hybrid power – and additional components like turbochargers and charge air coolers can also be accommodated under the bonnet.

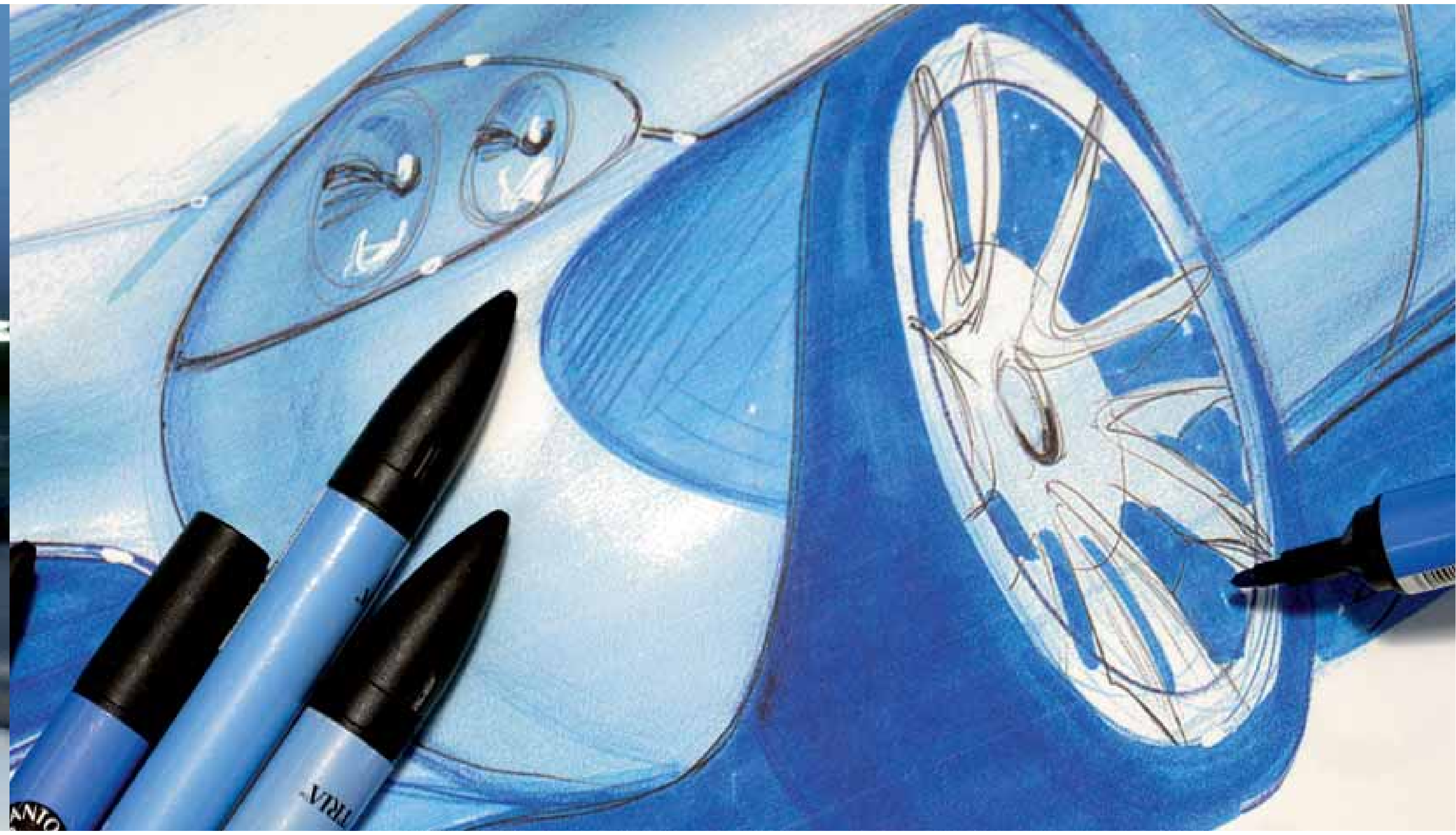
Installation space optimisation

The Bertrandt Engineering Network, which has a wealth of experience in developing modules for compact engines and powertrains, is engaged above all in the area of optimising installation space. There is, for instance, potential for saving space when installing ancillary components, which the engine must also drive in addition to the vehicle: air-conditioning compressors, alternators and power pumps of all kinds. The solution that Bertrandt pursues consists of combining more functions in fewer components. When developing such special components and modules, Bertrandt aims among other things to make sensible use of the limited installation space.

Interior: Development aimed at comfort

Interior trim is a key factor in reaching the decision to purchase a given car. Pleasant and comfortable cabin designs are therefore no longer the preserve of luxury cars, but are increasingly used to support sales of compact and family cars as well. Interiors consequently assume a correspondingly large role in vehicle development.

Fitting the interior nowadays accounts for as much as one third of the manufacturing costs. In the process, value creation is shifting from the manufacturers to the system suppliers. As an engineering service provider with many years of experience in developing interiors, Bertrandt is a welcome partner to manufacturers and their component suppliers.



Pleasant interiors appeal to buyers

The development of interior components imposes high demands in terms of visual design, surface properties and functionality. These are normally complex projects that require collaboration between several specialist areas: from the drawing to design and electronics, model and prototype construction through to testing and production start-up. Bertrandt has combined its expert knowledge to transcend its various locations and executes development tasks along the entire process chain through to readiness for mass production.

Bertrandt Interior Innovation Car

There are numerous examples of Bertrandt's expertise in interiors, such as the development and production of a special edition of the smart family – an open "fun car" without a windscreen and fitted with a water resistant interior, where both the floor and seats have water drainage openings. Or the "Bertrandt Interior Innovation Car", which is a concept study for a vehicle with interchangeable interior modules that can be transformed from a business saloon car to a "fun cruiser" or a family car in a few easy moves.

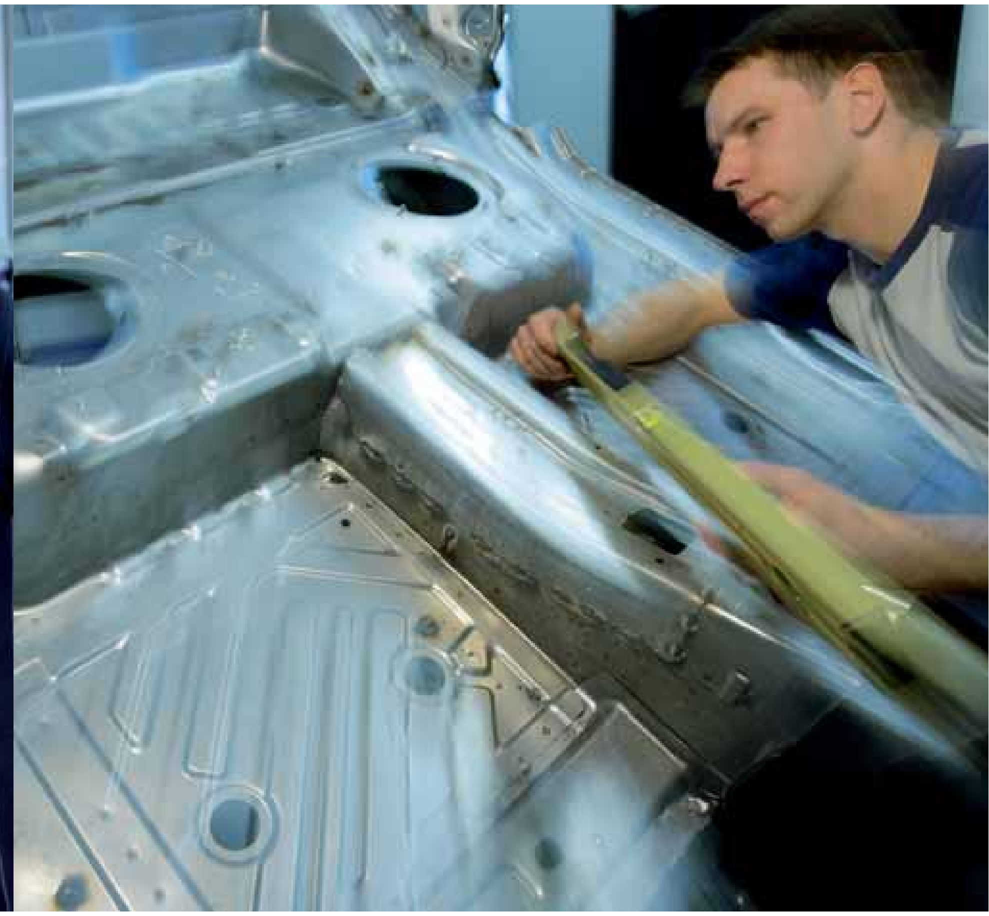
The intelligent car seat

The "Erogseat" concept, a car seat that automatically adjusts its backrest to the length of the driver's back and will thus suit both the "high & mighty" and the "pint-sized" equally, also showcases the innovative expertise of the Bertrandt Engineering Network. This development, which Bertrandt realised jointly with the product development laboratory of the Aachen technical college, benefits passive safety because the individually adjustable backrest substantially reduces the risk of whiplash injury in an accident. A control unit automatically selects the right setting. A pressure plate sensor integrated in the backrest measures the length of the upper body by registering the pressure distribution, triggering a control pulse that lengthens or shortens the backrest to the optimum height.

Cooperating competence centres

Along with our outside partners, three Bertrandt branches were involved in the development work. Responsibility for design, construction, surface engineering, electronics and project management rested in Cologne. Our Tappenbeck facility handled the work on foam and fabric covers, while the statics and dynamics for prototype construction were calculated at Ehningen.

Body shells:
The classic engineering skill



Collaboration with sheet-metal specialists

Bertrandt's most extensive experience is in the area of body shells. Using initial scan data on models, Bertrandt engineers develop body structures and the exterior shell of the vehicle structure models. The company's expertise covers all manner of body construction from the classic monocoque to the space-frame and module as well as hybrid forms of construction. In the process, our staff have command of a wide range of materials: high-strength steel, aluminium, magnesium and various plastics.

The development work also entails setting benchmarks as well as preparing studies, concepts and analyses in order to match the components precisely with respect to production and assembly. As body shell development represents a mathematically precise picture of the chassis structure, verifying error-free digital data also plays an important role.

Body shell assembly at our Technikum in Ehningen

When it comes to making sheet-metal prototypes, Bertrandt shares the work in a practical way with other companies. Our engineers monitor the designs being developed for their suitability for manufacture with respect to later series production, subsequently design the tools for the pressing process and draw on partner businesses to make the components at their pressing plant. Following thorough examination, the parts are delivered to our Technikum in Ehningen, where Bertrandt vehicle manufacturing staff assemble them into complete body shells. Measuring the approved body shell and documenting the process rounds off the range of work done.

Controlling and documentation

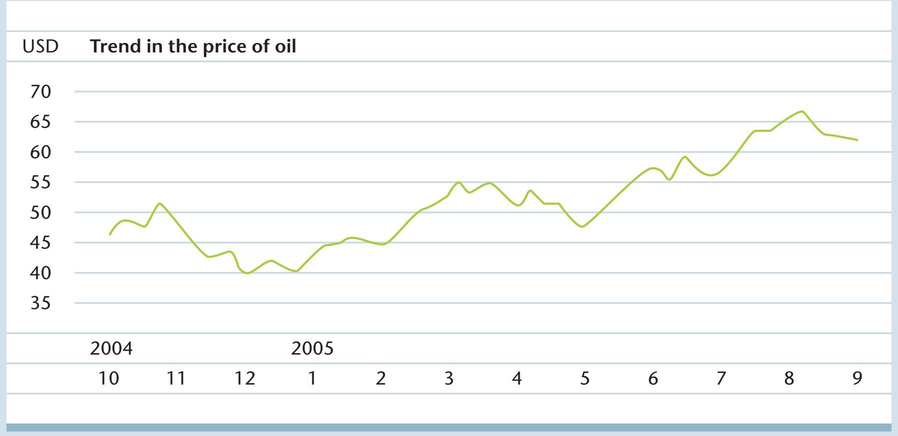
This close collaboration throughout the entire Bertrandt Engineering Network makes a key contribution to shortening development times. Thorough controlling and documentation across the entire duration of the project simultaneously ensure a high-quality process that culminates in the finished prototype.

Business figures are like a year-view mirror. They show where Bertrandt stood in the past fiscal year. Our company has meanwhile geared itself in a targeted way to our customers' requirements while strengthening its growth fields of business. Bertrandt AG stands on a solid foundation. Thanks to the measures we have taken to increase efficiency we project higher earnings and a rising earnings margin despite the divergent conditions that continue to prevail in the market.

Group management report

Underlying conditions

In contrast to the economic uptrend in 2004, the pace of the global economy waned again in the second and third quarters of 2005. The substantial increase in the price of oil and the week domestic demand proved to be perceptible factors weighing on the European economy.



The German automotive industry managed to do well despite the difficult underlying economic conditions: 3.3 million cars were sold in Germany in the period under report – an increase of about six percent on the previous year.

The underlying economic conditions nevertheless continue to be strained. The increasing time over which owners keep their vehicles, from 5.8 years in 1984 to 7.6 years in 2004, provides an indication of this situation.

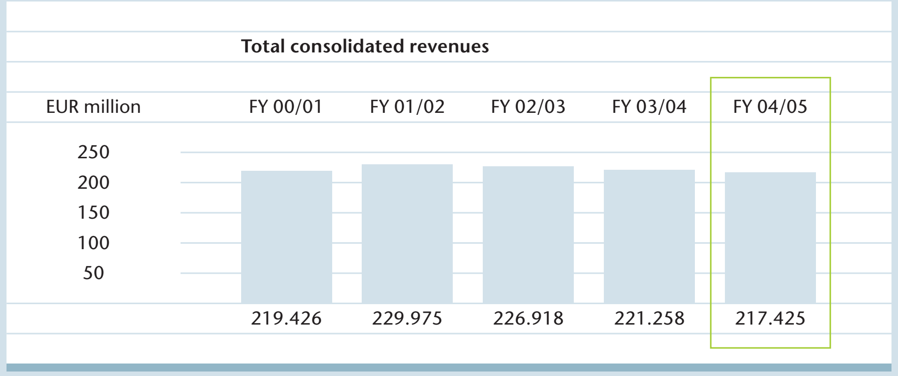
The state of the manufacturers' and component suppliers' business has a direct effect on the market for development services, which was again subject to consolidation in the 2004/2005 financial year. Various austerity programmes as well as structural and personnel changes among a range of automobile manufactures had an effect the number of development projects. The consequences of this trend in the market are reflected in the ongoing consolidation of competition in the development market. Bertrandt has been able to raise its market share due to this process of consolidation.

Business performance

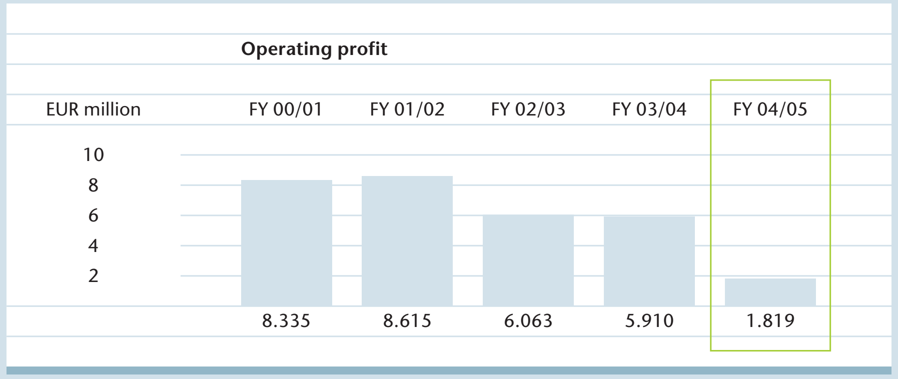
The aforementioned conditions underlying the market as well as non-recurring restructuring charges are reflected in the earnings of Bertrandt Group.

Total output and income

At EUR 217.425 million, total output was down slightly on the previous year's figure of EUR 221.285 million. Yet a look at net output (total output less the cost of materials) reveals a figure, of EUR 196.039 million, to match that of the previous year. What in particular should be taken into consideration here is that the additional growth generated in our "Testing", "Supporting Services", "Electronics" and "Powertrain" competence centres offset the loss of revenues resulting from the closure of facilities outside Germany and leasing out the ZR-Zapadtka + Ritter GmbH & Co. KG business.
At EUR 30.391 million, the foreign proportion of consolidated revenues was down on the previous year.



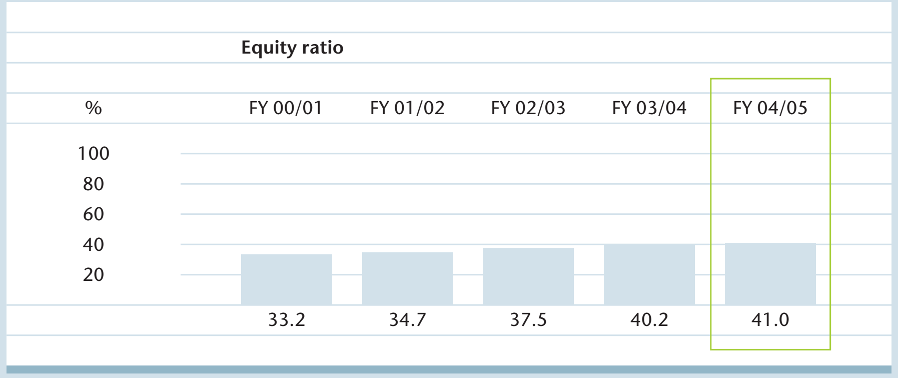
Non-recurring restructuring expenses of about EUR 4 million as well as the operating losses of our Bertrandt UK and ZR-Zapadtka + Ritter GmbH & Co. KG subsidiaries, in particular, exerted pressure on operating profit, which came to EUR 1.819 million. Adjusted for the non-recurring restructuring expenses, operating profit comes to EUR 5.819 million (EUR 8.91 million in the previous year).



There was a year-on-year improvement by about EUR 270,000 in net borrowing costs. The reasons for this were further reduction of debt as well as consistently favourable interest rates.
Earnings before tax (EBT) amounted to EUR 382,000 (EUR 4.2 million in the previous year. After taxes of EUR 310,000, the company recorded consolidated net profit of EUR 72,000.

Balance sheet structure

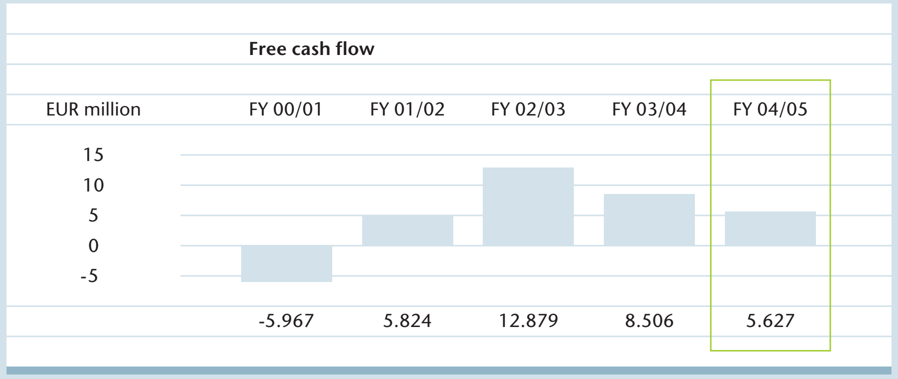
The Bertrandt Group has a balance sheet structure with matching maturities. With a 41 percent equity ratio, Bertrandt is among the well-funded companies in the automotive sector. Total assets/liabilities were down by EUR 6.329 million year-on-year to EUR 121.646 million in fiscal 2004/2005. Non-current assets contracted by EUR 2.082 million because we adjusted our capital spending to the market conditions.



Current assets were down by EUR 4.041 million due mainly to having reduced inventories. On the liabilities side, the company simultaneously reduced its debt by EUR 6.643 million.

Financial situation

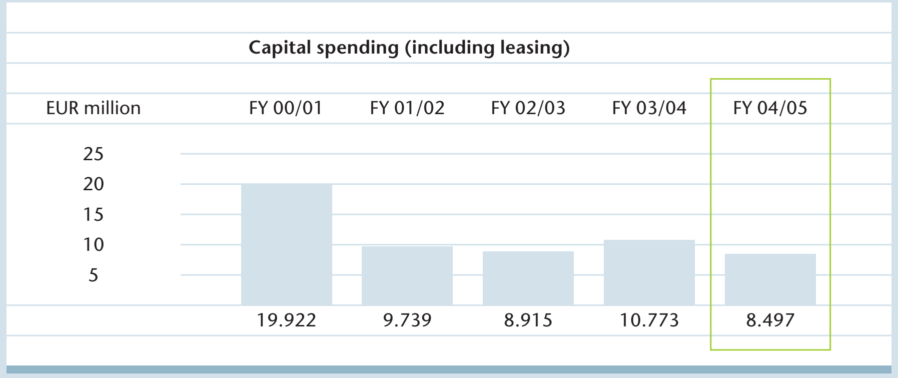
The cash flow statement shows the inflow and outflow of funds by type of business activity.
At EUR 12.77 million, cash flow from operating activities was positive but EUR 3.705 million less than in the previous year. Relative to sales the figure was 5.8 percent, down from 7.7 percent one year earlier. The factors described underthe balance sheet structure again resulted in positive free cash flow of EUR 5.627 million in fiscal 2004/2005.



The cash flow from current business operations was sufficient to cover capital spending in full. Cash flow from financing activities includes the dividend payment of EUR 1.506 million as well as a further reduction of EUR 6.688 million in net loan liabilities.

Capital expenditure

Our capital spending policy remains in tune with market conditions. The amount of capital spent was down EUR 8.497 million on the previous year. The main focus was on replacement spending and on extending our range of services geared especially to the newly defined high-potential areas.



Performance of the divisions

Bertrandt's core area of expertise still lies in its original "Digital Engineering" segment, which provides most of the Group's revenues and, as in previous years, made a positive contribution to earnings in the year under report.
The "Physical Engineering" segment, on the other hand, reported a loss due to the adverse market conditions. Non-recurring restructuring expenses, in particular, had a major impact on the earnings of both segments.
The "Electrical Systems/Electronics" segment again proved to be a successful and promising business with its positive contribution to earnings.

Performance outside Germany

The persistently difficult underlying conditions in Europe as a whole also took their toll on the business performance of some of our branches outside Germany.
Specifically, the business situation of the respective subsidiaries is as follows:

- Our French subsidiaries nearly broke even at the operating level in spite of the muted state of the market.
- The persistently loss-making performance of our subsidiary in England, Bertrandt UK Ltd., called for an extensive restructuring programme including closure of its facility in Leamington Spa. The operating losses incurred in the period under report as well as the costs of closing facilities made a crucial impact on the result in the United Kingdom.
- Following losses in the previous year, our Spanish subsidiary almost broke even in fiscal 2004/2005.
- Our Swedish subsidiary did break even, as it had already done in the previous year.
- In the United States, too, there was virtually a break-even result.

Restructuring

In response to the demanding underlying conditions, Bertrandt applied measures aimed at raising the Group's earnings over the medium term:

Combining facilities outside Germany
Bertrandt AG's strategy of internationalisation provides that automobile manufactures shall be looked after locally in foreign markets, too, with the aim of minimising overlap and of accelerating the product development process. In the past few years, however, foreign markets in particular were affected by reticence among customers to award projects. This is why we reduced our facilities in France from three to two. The French market will in the future be served from Bièvres and Etupes. In the United Kingdom, we abandoned our facility in Leamington Spa, with operations now run centrally from Dunton. In Sweden, we are still present in Trollhättan but have closed our facility in Gothenburg.

ZR-Zapadtka + Ritter GmbH & Co. KG leased out
Against the backdrop of a persistently weak market for sheet metal prototypes and tools, Bertrandt decided in March 2005 to lease out a sub-operation of ZR-Zapadtka + Ritter GmbH & Co. KG to the Wolpert Group. A joint venture agreement with the Wolpert Group gives Bertrandt AG the option of using the range of services of the leased business operation in project-specific circumstances, on the basis of which Bertrandt can still offer its customers the whole process chain involved in developing vehicles and aircraft.

Management Board Membership reduced
Pursuant to the Supervisory Board's decision of 14 June 2005, the membership of Bertrandt AG's Management Board was reduced from five to two. Dietmar Bichler (chairman) and Ulrich Subklew are charged with operational Management Board business. They were appointed for a further five years effective 1 July 2005. Responsibility for Finances and Human Resources was transferred to CEO Dietmar Bichler as a result of this organisational streamlining.

The former Management Board members Peter Dorling, Jürgen Michels and Ralph Jacoby resigned their offices effective 30 June 2005. To maintain continuity in terms of personnel, Peter Dorling and Jürgen Michels assumed senior jobs within the Bertrandt Group. Jürgen Michels will continue to carry out his duties as managing director of various subsidiaries. Peter Dorling will manage Group-relevant sales matters.

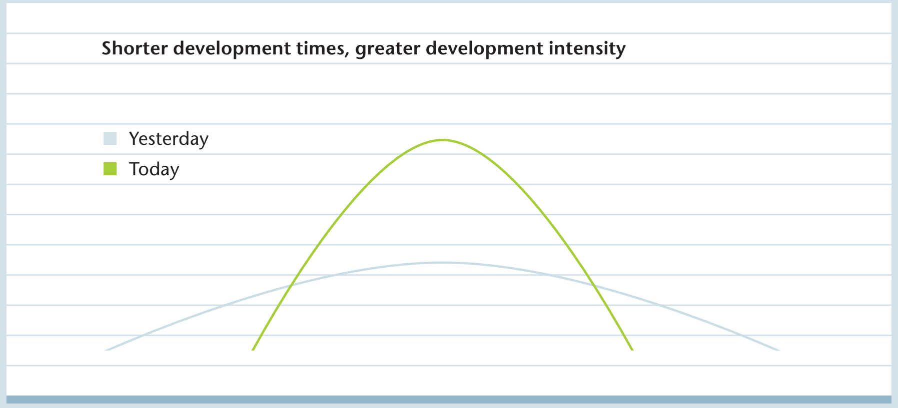
The objective behind this change is to streamline and pool management structures within the Group with a resolute focus on the market and customers. This organisational adjustment will render the flow of information and decision-making within the company more efficiently.

Business model

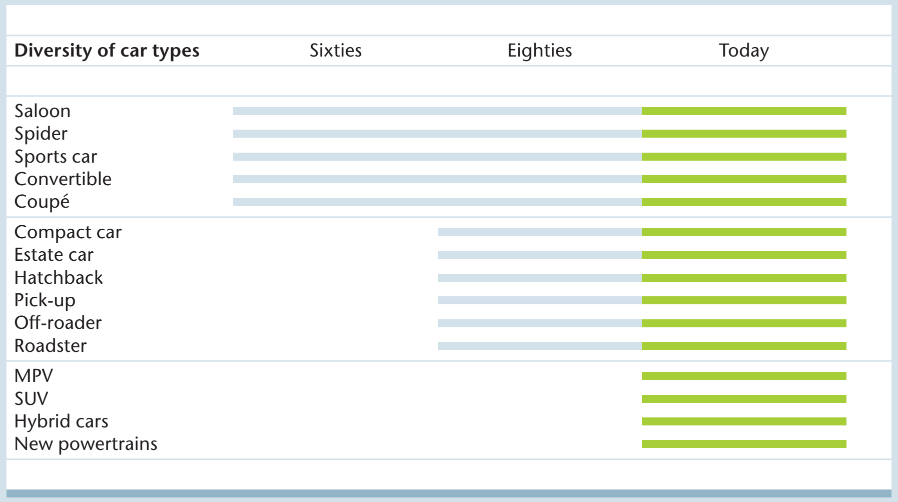
The basis of our business model

Notwithstanding the currently adverse market conditions, independent institutes still foresee growth potential for engineering service providers. Based on the trends set out below, we believe that the shift towards outsourcing will continue:

Ongoing reduction of development times
Model replacements trigger an increase in demand. Manufacturers take advantage of this factor by launching face-lifted and new models at ever shorter intervals. Whereas individual models used to have a lifespan of between eight and twelve years, these days they tend to be replaced after six or seven years.



Model variety continues to grow
Automobile manufactures are responding to flat markets and changed consumer demand by offering a wide range of different models. This means a large number of model series and broad range of variations. Whereas basic models – i.e. conventional four-door saloons – used to form the mainstays of model line-ups, nearly all automobile manufactures now offer a wide variety of derivatives such as estate cars, four-wheel drives and family MPVs.



Upsurge in technology means more engineering
Competitive and cost pressures as well as shorter supply of raw materials and mounting environmental regulations mean that innovation-driven impetus is being unleashed early. The stepped-up development of alternative forms of power is one example of this trend. Manufacturers will be fitting small production runs with fuel cell, hybrid as well as LPG and electric power and testing these vehicles extensively.

The proportion of electronics in cars continues to grow
More than 90 percent of all the innovations in motorcars involve electrical systems, electronics and software. The trend towards linking electronic components with the “conventional” vehicle modules will continue to pick up pace, and purely mechanical systems in cars will lose significance. We have responded to this trend by strategically strengthening our “Electronics” competence centre within the Bertrandt Engineering Network.

Concentration on core areas of expertise
Manufacturers will increasingly concentrate on areas where they have expertise that sets their brands apart, such as in engine development and the design of vehicles. For component suppliers and providers of development services this presents opportunities to provide the manufacturers with more support in the areas of development covered up to now.

Focus on the customer and specialist department structure

More than 3,000 staff at 19 facilities in Europe and the United States are working in the immediate vicinity of our customers in the automotive and aviations industries on tailor-made solutions for them: from single components to modules and through to complete model derivatives.

Our principal customers include manufacturers such as Airbus, Audi, BMW, Citroen, DaimlerChrysler, Ford, Hyundai, Jaguar, Opel, Peugeot, Porsche, Renault, Saab, Seat and Volkswagen as well as major system suppliers.

A key factor for a successful partnership is the close proximity of Bertrandt’s branches to the development centres of our customers.

Close ties with our customers are a response to the mounting complexity of development projects. Capacity can be made available quickly and overlap can be reduced on a sustained basis. Another competitive edge lies in Bertrandt’s international presence in the immediate proximity of foreign customers. Bertrandt has branches serving customers locally in France, the United Kingdom, Spain, Sweden and the United States.

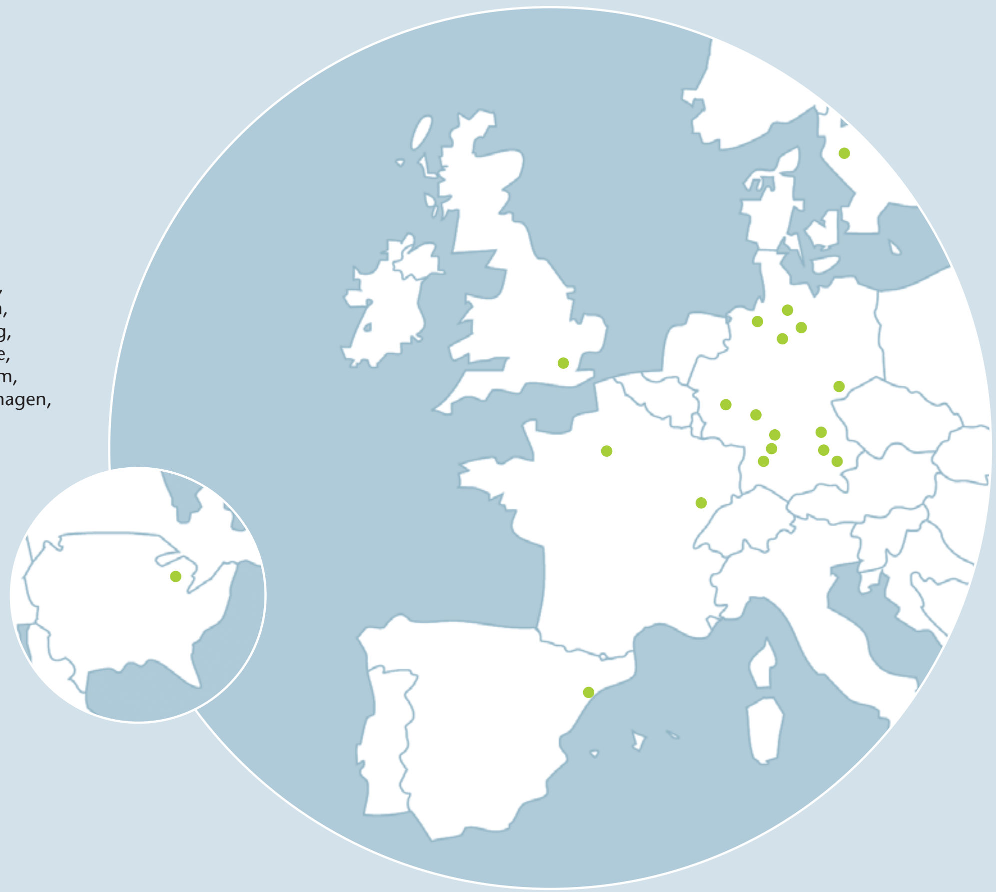
Our structure involving focused key account management by serving customers directly from separate branch offices is the result of the interrelationship of our local presence with Bertrandt-wide expertise in the following competence centres:

Testing
The mounting legal requirements and car buyers’ demands in terms of safety and quality continually present developers with new challenges. Bertrandt satisfies the resulting need for testing with five testing facilities in Germany as well as comprehensive testing methods with respect to the function and safety of a newly developed product.

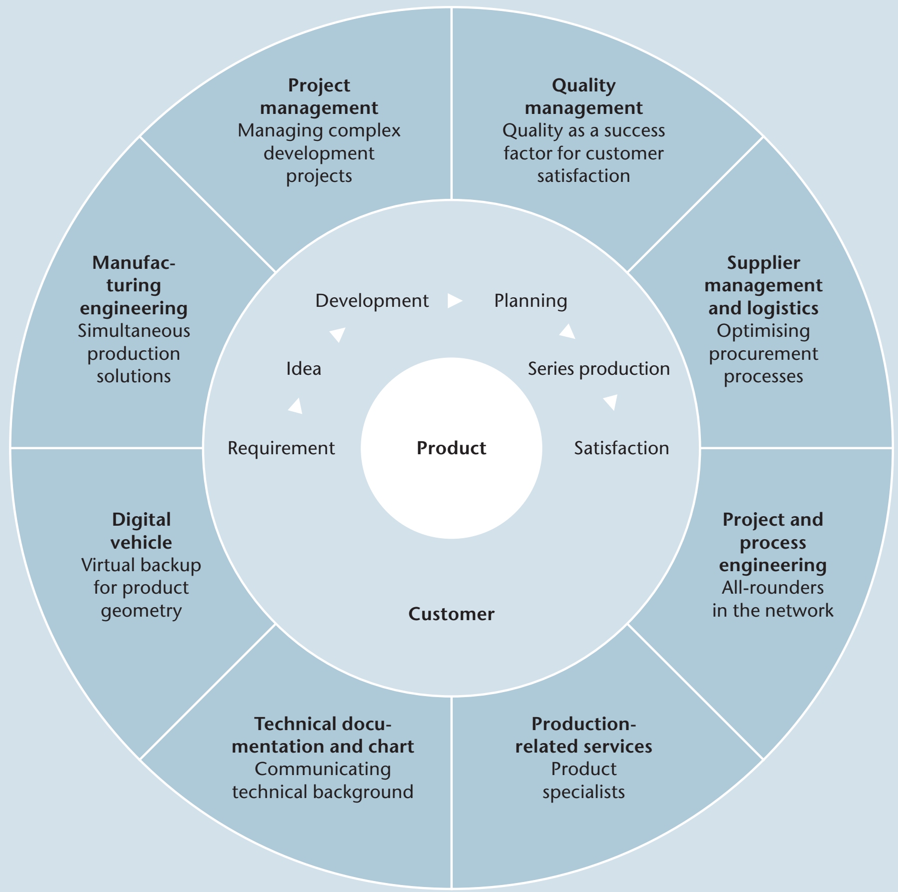
Supporting Services
Bertrandt supports its customers in the automotive and aviation industries in their cross-divisional tasks with the services associated with development work that it provides. These range from project and quality management to digital securing of products and through to overseeing the start-up of mass production. Tight control of the points of interface provides the customer with a key benefit: Bertrandt supports customers in managing and coordinating their processes.

Locations:

Germany	Altenburg, Bremen, Bretzfeld, Ehningen, Garching, Hamburg, Ingolstadt, Cologne, Munich, Neckarsulm, Rüsselsheim, Stadthagen, Wolfsburg
France	Paris, Sochaux
UK	Dunton
Sweden	Trollhättan
Spain	Barcelona
United States	Detroit



Supporting Services



Electronics
Bertrandt provides a comprehensive range of services in its innovation-driving, “Electronics” competence centre. Starting with the design of the solution to simulation, product development, integration and testing through to overseeing start-up and mass production, we offer our customers complete electronics solutions. Along with interlinking different systems, components and modules, project management that is focused on the vehicle as a whole is essential. We pay particularly close attention to development of software used to link the electronic components with one another.

Powertrain
Against the backdrop of steadily tightening environmental regulations, alternative forms of power as well as solutions to reduce consumption and harmful emissions will continue to gain significance. In its “Powertrain” competence centre, Bertrandt offers its customers a wide range of services from design through to testing. For instance, Bertrandt also handles projects such as integrating a complete powertrain in a vehicle. In some cases, joint ventures are agreed to cover more extensive projects and complement Bertrandt’s expertise.

Success factors in the engineering market

To be able to prevail under the persistently tough competitive setting, Bertrandt subjects its own organisational structures and process chains to ongoing monitoring and development management:

Working in networks
Business networks are increasingly gaining significance. Joint ventures with manufacturers or component suppliers make it possible to expand know-how in a targeted way and thus to safeguard as well as gain market share on a sustained basis. Bertrandt was timely in adapting to the demands of the market, making its IT and organisational structure network capable. Moreover, Bertrandt continually invests in the capabilities of its staff in terms of network, project and process management.

Efficient project and process management
Development service providers are increasingly taking on new responsibilities. With the collaboration between manufacturers and engineering firms becoming ever closer, project and process management is gaining greater importance and is increasingly emerging as a success factor. Project management requires overlapping thinking, customer-oriented process planning and use of the latest technologies. A clearly structured development process from the first sketch through to start of mass production, close contact with the customers as well as responsible commercial management are key preconditions for successful project management.

Active quality management
The strategic factors of quality, costs and time are of key significance to service providers in a competitive environment that is becoming tougher. Bertrandt introduced a QM system as long ago as the early nineties to maintain and further enhance its ability to compete by providing high quality services. Transparent processes and methods have enabled the company to respond more quickly to market requirements, to recognise ways to optimise and to work in cost-oriented manner. Bertrandt is ISO 9001 and VDA 6.2 certified. The rulebook of the German Car Manufacturers’ Association is currently world’s only set of automotive industry requirements tailored to development service providers.

Assessment is made under these rules whether quality management is successfully applied to provision of the service, which includes making commercial and organisational judgements. These aspects in turn include ongoing improvement in customer satisfaction, the level of performance and the effectiveness of the work, increase in productivity, expansion of market share and development of new services

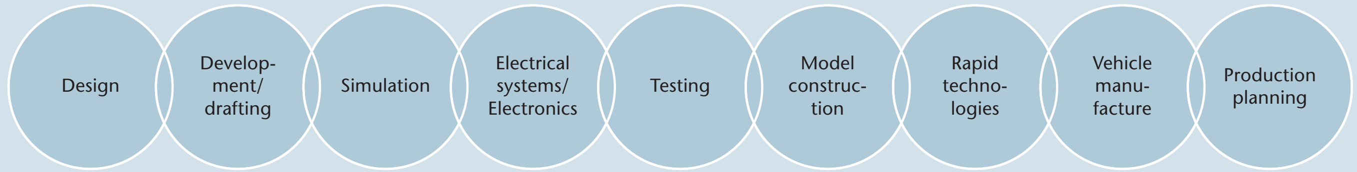
Range of services

The intensive culture of innovation in the working environment of development service providers requires a high degree of dynamism for change in the requirements profile. Whereas in the past Bertrandt worked mainly on areas such as body shells or interiors, we now provide the full scope of automotive engineering with our services and innovative ideas. Bertrandt has continually expanded its range of services, adapting it to customer requirements.

Bertrandt has command of the whole process chain of automotive development

Our customers expect us to be able to think in terms of complete processes, and never to lose sight of the whole vehicle or aircraft. In order to cover an end-to-end development process chain, Bertrandt has consistently expanded its range of services to cover comprehensive development skills over the past few years.

Process chain



Services

Bertrandt will continue in the future to position itself as a provider of strategic development services to the manufacturers. This is predicated on having the expertise and capacity to take responsibility for development jobs covering anything up to and include complete vehicles, and on being able to respond flexibly to new requirements. Bertrandt has recognised the demands of the future and will concentrate its development work in four key areas:

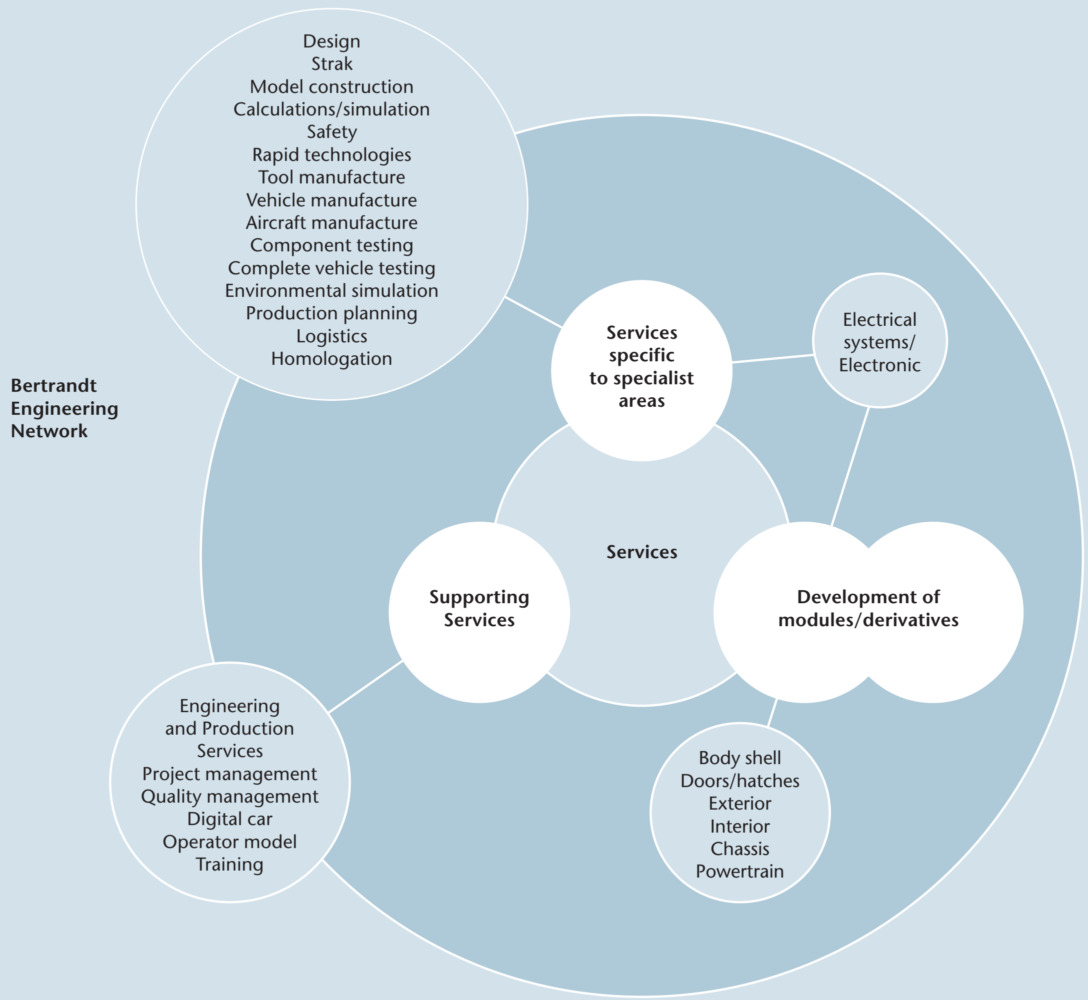
Module and derivative development
The company has in recent years resolutely adapted its skills in handling development jobs that range from components and modules through to complete derivatives to the changed profile of its customers’ requirements. In the case of development projects, we assume responsibility for coordination between customers, system suppliers and Bertrandt. The focus here is on controlling points of interface, process and project management as well as on monitoring quality, costs end deadlines.

Services specific to specialist areas
The full range of development tasks from design through to reaching readiness for mass productions constitutes a chain. We have a high degree of specialist knowledge and experience at each link in this chain. Our services can all be elements of a module development job, and are likewise available as individual services.

Supporting Services
On the path from the initial idea for a vehicle to the start of series production, there are many tasks along the value chain that must be performed parallel to the actual development process – from project management through to training courses, of which our employees and customers take advantage in equal measure. All these tasks are aimed at either supporting or easing the burden for the customer, and constitute the factors determining the success of development work.

Development services for the aviation industry
Bertrandt has for a number of years been supporting the international aircraft manufacturers with its engineering expertise. The focal points of this activity are preparing concepts, the design area as well as making prototype parts. We expect there to be a dynamic uptrend in the market for development work in the aviation sector and intend to continue expanding our position within it.

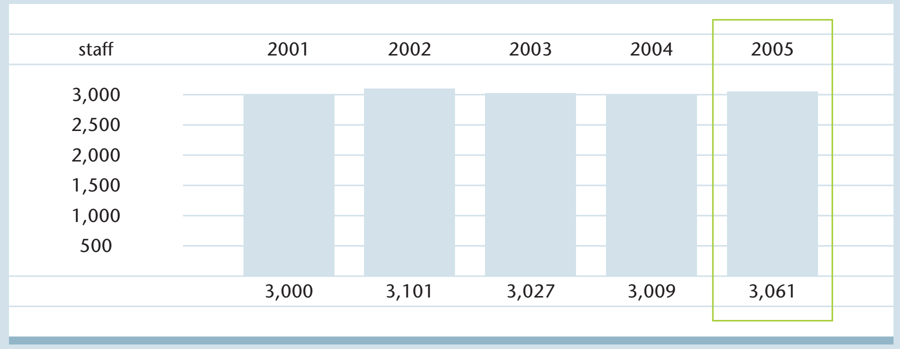
Bertrandt has adapted to the high demands of the aircraft industry. The special aspects of aviation must be taken into account when designing very strong and simultaneously lightweight structures. This is why more compound materials such as carbon fibre composites are used. We draw on many years of experience in the process of production management, in terms of acoustic properties and when building facilities or making prototypes.



Personnel management

Employee numbers

Worldwide, Bertrandt employed 3,061 people on 30 September 2005 (3,009 in the previous year), of whom 2,694 (2,581) worked in Germany and 367 (428) in other countries. The company created new jobs particularly in its “Electronics”, “Testing” and “Supporting Services” competence centres.



Ensuring a new generation of management through in-house training

More than 60 colleagues are currently training at our company. Bertrandt provides both technical and business apprenticeships as well as courses at the vocational academy. Optimising qualifications is a crucial element in providing cover to meet the demand for staff with next-generation managers.

Moreover, Bertrandt regularly participates in career and recruitment days to gain highly qualified specialists with career experience for a job at Bertrandt. We seek contact with students and graduates at an early stage. To this end, Bertrandt participated in about 20 college and university fairs in the 2004/2005 financial year.

Advanced training of staff and managers

For more than 30 years, the Group’s skilled and performance-driven workforce has been the main underpinning of our personnel-oriented business model. Bertrandt pursues the aim of maintaining and expanding the know-how of its staff for the long term by having systematic training schemes. The company spent EUR 2.05 million on advanced training in the past financial year.

With its “Innovative Management” programme, Bertrandt has for many years had a standardised process for developing senior management. We provide systematic support for senior staff especially in the key areas of technology and management. The training programme conveys content focusing on the subjects of team development, communication, ability to innovate as well as effectiveness.

Risk report

Risk management system

Bertrandt Group's risk management system identifies and documents risks to earnings or its viability as a going concern. All Bertrandt Group companies, both domestic and foreign, are covered by the system. Regular risk surveys measure all risks liable to influence our business performance to determine their significance. For this purpose, similar or identical risks at our foreign and domestic subsidiaries are aggregated to determine their significance for the Group as a whole. Depending on the results, suitable corrective measures are defined with top priority and carried out with minimum delay. Bertrandt's risk exposure was unchanged over the previous year and entailed the potential individual threats set out below. In addition, the plausibility of minor risks was determined. However, these are not shown separately because of the limited likelihood that they will occur and their limited material relevance.

Economic risks

Persisting political and economic uncertainty characterised the performance of the German economy in the 2004/2005 financial year. Sharply increased raw material prices and possible changes in interest rates could result in a protracted slowdown of the economy recovery. Drastic changes in the price of crude oil or the euro exchange rate could further impede the upswing in the automotive industry.

Financial risks

As a service provider operating on an international level, the Bertrandt Group is exposed to financial risks. These risks comprise the risk of default on receivables from customers, liquidity risks as well as risk of fluctuation in interest and exchange rates. The Group Treasury department handles all hedging of such risks. The risk of non-recoverable receivables is largely excluded by means of preventive creditworthiness checks and monitoring of adherence to payment terms. A liquidity preview covering a fixed future period, a credit facility available to the Bertrandt Group but not utilised as well as alternative finance instruments ensure ample liquidity at all times.
Interest rate caps and interest rate swaps are used to manage the individual fixed-interest period and currency segments.

Changes in outsourcing strategies

Given the growing variety of models and shorter model cycles, the automotive industry has increasingly been outsourcing engineering work over the past few years, a trend from which Bertrandt has benefited. However, in view of the current economic and market situation, the possibility that manufacturers might carry out more development work themselves in order to use their own resources and capacity cannot be ruled out. This would mean a short-term reduction of the potential and actual market for Bertrandt, with a correspondingly adverse impact on its business as well as assets, financial situation and earnings.

Postponement of development work orders at short notice

This may result in under-utilisation of capacity in individual divisions that cannot always be made up for. Management changes and changes in corporate structures among the automobile manufactures can lead to reviews of their model line-ups and thus to a changed project structure.

Human resource management

Only ongoing further training for staff in both technical and business matters ensures that the necessary skills are available. Insufficient training or fluctuation in qualified personnel may impair the successful completion of projects.

Major projects

Work on large-scale projects gives rise to a three-way relationship between the customer, the supplier and Bertrandt involving certain risks. Shortcomings in process and quality management as well as the failure to meet defined milestones may delay completion of the projection. Successful execution of the project hinges on milestones and quality gates being reached as well as the deployment of efficient project management.

Overall risk

Bertrandt's early-warning system allows management to detect risks at an early stage and to take suitable steps to avert them. As in the previous year, the system of early risk detection and management was subject to compulsory review as part of the audit of this year's annual financial statements.

To summarise, the risk analysis on the basis of information currently known to us produces a positive result. Accordingly, there is no evidence at the moment of any material risks to the Bertrandt Group's assets, financial condition and earnings.

Nor have there been any occurrences since the end of the 2004/2005 financial year of major significance to assessment of the Group' risk situation or that might lead to a changed assessment of the situation.

Outlook

Forecast of the underlying conditions

The Institute for Economic Research (ifo) forecast that the real-term gross domestic product would grow at a rate of 1.2 percent in 2006.
We believe that the automotive industry will recover despite difficult underlying conditions. However, macroeconomic performance will continue to be driven to a considerable extent by the trend of crude oil and raw material prices as well as the exchange rate to the US dollar.

Future sector situation

Increasing individualisation of consumer demand with respect to design, comfort and safety standards continues to characterise the car market. Moreover, tightened environmental and safety requirements as well as ongoing development of communication options in cars are among the challenges that automobile manufactures must face up to now and in the future. Against this backdrop, Bertrandt is confident that the market for development services will continue to grow dynamically and that the trend towards outsourcing will persist.

Potential

Given the large variety of different models and versions, we are highly motivated to continue proving ourselves as a faithful development partner to the international automotive industry. Bertrandt enjoys good opportunities due to its clear positioning as a partner both for all-in vehicle development and as a driver for innovation for example in electronics development.

Based on its decentralised structure with facilities in the immediate vicinity of customers, Bertrandt is able to respond to customer requirements directly and to realise them in projects without delay. Services can be offered internationally and provided within the Bertrandt network with the greatest possible benefit to the customer.
The same applies to our commitment to the aviation industry. Bertrandt anticipates above-average rates of growth especially in its “Electronics”, “Supporting Services”, “Powertrain” as well as “Testing” competence centres.

Future foreign operations

Bertrandt has responded to the in some areas very difficult underlying conditions with a restructuring programme, combining its foreign operations within the respective national boundaries. Based on close organisational link-up with our facilities in Germany, our full range of services is still promptly and comprehensively available to our customers outside Germany.

Future financial situation

Given the intact growth factors for our business as mentioned above and the projected recovery in cyclical market conditions, we expect our order situation to increasingly improve. We consequently anticipate an uptrend in revenues for the next financial year. Based on the efficiency enhancement programme run as part of the implemented restructuring programme, we also believe that earnings will improve and that our profit margin will widen.

A balance sheet structure still with matching maturities and a high equity ratio represent solid financial foundations for the future as well.

Human resource development

Bertrandt will increasingly create jobs in areas with strategic potential to benefit greater value creation. Staff are being trained for this new job profile, with targeted advanced training courses to provide the qualifications. The objective of our human resource management is to continue to integrate staff quickly and efficiently in customer projects within the Bertrandt network.

Medium-term outlook

Against the backdrop of the restructuring measures already applied and explained above as well as the newly implemented competence centre structure and the Group’s solid financial footing, we regard Bertrandt as well set up in the marketplace.

Based on continued, targeted cost and capacity management combined with favourable underlying economic conditions, we forecast growth opportunities for the next financial year and therefore an appreciably positive effect on earnings.

The Management Board

Ehningen, 18 November 2005

Dietmar Bichler
Chairman

Ulrich Subklew

Disclaimer:

This management report includes certain forward-looking statements about future performance that are based on management’s current estimates. Such statements are subject to some risk and uncertainty. Should one of these factors of uncertainty or other imponderables occur, or the assumptions on which the statements are based prove to be incorrect, actual results could deviate considerably from those described in these statements, either directly or implicitly. We neither intend nor do we commit to continually update foreword-looking statements because these are based purely on the circumstances prevailing on the day of their release.

So far as this management report refers to third party comments, namely analysts’ estimates, the company neither claims these to be its own, nor are these hereby evaluated or commented on any other way, and nor is there any claim that they are exhaustive.

(in EUR million or as otherwise stated)

Consolidated financial statements

Consolidated income statement

From 1.10.2004 to 30.09.2005	Notes	FY 04/05	FY 03/04
Sales	[6]	**220.088**	**214.454**
Changes in inventories of completed work and work in progress	[7]	-2.923	6.346
Work performed and capitalised	[8]	260	485
Total revenues		**217.425**	**221.285**
Other operating income	[9]	4.665	4.740
Raw materials and consumables used	[10]	-21.386	-24.602
Staff costs	[11]	-149.849	-145.598
Depreciation/amortisation	[12]	-9.336	-10.518
Other operating expenses	[13]	-39.700	-39.397
Operating profit		**1.819**	**5.910**
Net borrowing costs	[14]	-1.437	-1.710
Profit from ordinary activities		**382**	**4.200**
Other taxes	[15]	-405	-507
Profit before income tax		**-23**	**3.693**
Income taxes	[16]	95	-1.671
Consolidated net profit		**72**	**2.022**
Minority interests	[17]	0	249
Profit carried forward		2.374	2.913
Transfer to retained earnings		-2.446	-1.304
Consolidated distributable profit/loss		**0**	**3.880**
Earnings per share – basic	[18]	0.01	0.23
Earnings per share – diluted		0.01	0.22

(in EUR million or as otherwise stated)

Consolidated balance sheet

	Notes	30.09.2005	30.09.2004
Assets			
Non-current assets	[19]	**46.557**	**48.639**
Intangible assets	[20]	14.655	13.312
Property, plant and equipment	[21]	31.042	34.404
Financial assets	[22]	860	923
Current assets		**72.718**	**76.759**
Inventories	[23]	11.546	16.377
Receivables and other assets	[24]	53.920	50.168
Cash and cash equivalents	[25]	4.105	6.484
Deferred taxes	[26]	3.147	3.730
Prepayments	[27]	**2.371**	**2.577**
Total assets		**121.646**	**127.975**
Equity and liabilities			
Capital and reserves		**49.817**	**51.420**
Issued capital	[28]	10.081	10.069
Share premium	[29]	26.275	26.207
Retained earnings	[30]	13.461	11.264
Consolidated distributable profit		0	3.880
Minority interests	[31]	**3**	**129**
Provisions		**19.445**	**17.703**
Provisions for post-employment benefits	[32]	1.365	1.237
Tax provisions	[33]	1.413	1.565
Other provisions	[34]	16.667	14.901
Liabilities		**51.053**	**57.203**
Borrowings	[35]	29.585	36.228
Trade payables	[36]	4.368	5.313
Other liabilities	[37]	11.242	9.378
Deferred taxes	[26]	5.858	6.284
Deferred income	[38]	**1.328**	**1.520**
Total equity and liabilities		**121.646**	**127.975**

(in EUR million or as otherwise stated)

Consolidated statement of changes in equity

	Issued capital	Share premium	Retained earnings	Treasury shares	Distri-butable profit	Total
Value on 1 October 2004	**10.069**	**26.207**	**11.986**	**-722**	**3.880**	**51.420**
Equity issue	12	68				80
Dividend payment					-1.506	-1.506
Consolidated net profit					72	72
Other non-operative changes			2.368	149	-2.446	71
Fair value of cash flow hedges			-70			-70
Currency difference			-250			-250
Value on 30 September 2005	**10.081**	**26.275**	**14.034**	**-573**	**0**	**49.817**
previous year						
Value on 1 October 2003	**10.064**	**26.180**	**10.493**	**-820**	**4.418**	**50.335**
First-time application of IFRS 3			385			385
Value on 1 October 2003 (adjusted)	**10.064**	**26.180**	**10.878**	**-820**	**4.418**	**50.720**
Equity issue	5	27				32
Dividend payment					-1.504	-1.504
Consolidated net profit					2.022	2.022
Other non-operative changes			1.296	98	-1.056	338
Currency difference			-188			-188
Value on 30 September 2004	**10.069**	**26.207**	**11.986**	**-722**	**3.880**	**51.420**

(in EUR million or as otherwise stated)

Consolidated cash flow statement

From 1.10.2004 to 30.09.2005	FY 04/05	FY 03/04
1. Earnings for the period (including minority interests) before exceptional items	**72**	**2.022**
2. Writedowns on non-current assets	9.336	10.518
3. Change in provisions	1.742	155
4. Other non-cash expenses/income	-149	51
5. Gain/loss on disposal of non-current assets	-245	-258
6. Change in inventories, trade receivables and other assets not assigned to investing or financing activities	1.286	5.573
7. Change in trade payables and other liabilities not assigned to investing or financing activities	728	-1.586
8. Cash flows from operating activities (1-7)	**12.770**	**16.475**
9. Payments received from disposal of property, plant and equipment	911	571
10. Payments received from the disposal of financial assets	443	589
11. Payments made for investments in property, plant and equipment	-4.723	-6.262
12. Payments made for investments in intangible assets	-3.370	-2.344
13. Payments made for investments in financial assets	-404	-523
14. Cash flows from investing activities (9-13)	**-7.143**	**-7.969**
15. Payments received from issue of capital	188	171
16. Payments made to shareholders and minority shareholders	-1.506	-1.504
17. Payments received from issue of debt instruments and raising of loans	0	3.000
18. Payments made for discharging debt instruments and repaying loans	-6.688	-10.897
19. Cash flows from financing activities (15-18)	**-8.006**	**-9.230**
20. Changes in cash and cash equivalents (8 + 14 + 19)	-2.379	-724
21. Cash and cash equivalents at beginning of period	6.484	7.208
22. Cash and cash equivalents at end of period (20-22)	**4.105**	**6.484**

The consolidated cash flow statement is explained in the notes under [39]

Segment reporting

	Segment report by division							
	Digital Engineering		Physical Engineering		Electrical Systems/ Electronics		Total for all divisions	
From 1.10.2004 to 30.09.2005	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Sales	136.288	134.807	56.895	66.601	30.714	27.977	223.897	229.385
Transfers between segments	631	6.858	2.613	7.574	565	499	3.809	14.931
Consolidated sales	**135.657**	**127.949**	**54.282**	**59.027**	**30.149**	**27.478**	**220.088**	**214.454**
Operating profit	**1.344**	**1.826**	**-715**	**1.940**	**1.190**	**2.144**	**1.819**	**5.910**
Operating margin	1.0%	1.4%	-1.3%	3.3%	3.9%	7.8%	0.8%	2.8%
Non-current assets	21.208	21.943	20.915	21.110	3.574	4.663	45.697	47.716
Current assets including prepayments	41.008	38.673	11.247	17.206	11.973	9.934	64.228	65.813
Segment assets	**62.216**	**60.616**	**32.162**	**38.316**	**15.547**	**14.597**	**109.925**	**113.529**
Liabilities	9.466	9.251	4.121	4.410	2.023	1.030	15.610	14.691
Other provisions	9.312	9.317	4.735	4.250	2.620	1.334	16.667	14.901
Deferred income	1.071	1.021	175	442	82	57	1.328	1.520
Segment debt	**19.849**	**19.589**	**9.031**	**9.102**	**4.725**	**2.421**	**33.605**	**31.112**
Capital expenditure	**4.441**	**6.020**	**2.804**	**1.096**	**848**	**3.134**	**8.093**	**10.250**
Depreciation/amortisation	**5.048**	**5.491**	**3.368**	**4.043**	**920**	**984**	**9.336**	**10.518**
Non-cash expenses	**221**	**765**	**46**	**184**	**42**	**18**	**309**	**967**

	Segment report by region					
	Germany		Foreign operations		Total for regions	
From 1.10.2004 to 30.09.2005	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Sales	195.984	185.071	27.598	32.250	223.582	217.321
Transfers between segments	657	1.201	2.837	1.666	3.494	2.867
Consolidated sales	**195.327**	**183.870**	**24.761**	**30.584**	**220.088**	**214.454**
Operating profit	**5.440**	**8.914**	**-3.621**	**-3.004**	**1.819**	**5.910**
Operating margin (%)	2.8%	4.9%	-14.6%	-9.8%	0.8%	2.8%
Non-current assets	41.344	42.835	4.353	4.881	45.697	47.716
Current assets and prepayments	55.543	54.771	8.685	11.042	64.228	65.813
Segment assets	**96.887**	**97.606**	**13.038**	**15.923**	**109.925**	**113.529**
Segment debt	**28.071**	**25.145**	**5.534**	**5.967**	**33.605**	**31.112**
Capital expenditure	**7.083**	**9.696**	**1.010**	**554**	**8.093**	**10.250**
Depreciation/amortisation	**8.540**	**9.408**	**796**	**1.110**	**9.336**	**10.518**

Segment reporting is explained in the notes under [40]

Consolidated notes

[1] Accounting methods and principles

The consolidated financial statements of Bertrandt Aktiengesellschaft Ehningen (hereinafter referred to as Bertrandt AG) for the year ending 30 September 2005 were prepared using the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). All compulsory standards applicable in the 2004/2005 fiscal year were applied. The new standards adopted on 31 March 2004 IFRS 3 and IAS 36 (2004) as well IAS 38 (2004) were applied in fiscal 2003/2004 for the first time.
The company has met the requirements for exemption from the obligation to prepare consolidated financial statements pursuant to Section 292a of the German Commercial Code.
The consolidated financial statements were prepared in euros. Unless stated otherwise, all amounts are shown in millions of euros (EUR million).

The presentation of the balance sheet is based on Section 266 of the German Commercial Code. The income statement was prepared using the total-cost method.

These IFRS consolidated financial statements contain the following recognition and measurement methods that differ from requirements under German legislation:

- Profit from customer orders is recognised in accordance with the percentage-of-completion method (IAS 11).
- Treasury stock is charged to capital and reserves.
- Foreign-currency receivables and liabilities are converted at the rates prevailing on the balance sheet date and the resulting changes in value are charged to the income statement.
- Deferred taxes are recognised using the balance-sheet oriented liability method; deferred tax assets arising from loss carryforwards are recognised if it is likely that they can be realised.
- “Other provisions” are not set aside if the likelihood of their being utilised is less than 50%.
- Assets and residual liabilities under financial leases are placed on the books in accordance with the classification criteria set out in IAS 17.
- Provisions for post-employment benefits are recognised according to the projected-unit-credit method while taking account of the future trend in salaries and the corridor rule pursuant to IAS 19.
- Goodwill arising from acquisition accounting is capitalised and an annual impair ment test carried out pursuant to IFRS 3 and IAS 36.
- Internally generated intangible assets are capitalised.
- The depreciation periods for property, plant and equipment have been adjusted to match the period during which economic benefits are derived from them.
- Minority interests are not charged to capital and reserves but are carried as a separate liability.
- Derivative financial instruments are recognised at their fair value and hedging relationships described in accordance with IAS 39.

[2] Companies consolidated

In addition to Bertrandt AG, the companies that are consolidated comprise all the subsidiaries operating in the market in the company’s core automotive and aviation development-work business. This specifically entails the following German companies: the Bertrandt Ingenieurbüro GmbH companies in Gaimersheim, Hamburg, Neckarsulm, Cologne, Munich, Ginsheim-Gustavsburg, Tappenbeck, Bertrandt Technikum GmbH and Bertrandt Projektgesellschaft mbH in Ehningen, ZR-Zapadtka + Ritter GmbH & Co. KG and ZR-Zapadtka + Ritter Geschäftsführungs GmbH, which are all consolidated.
Also consolidated were the following foreign companies: Bertrandt France S.A. in Paris/Bièvres, Bertrandt S.A. in Paris/Bièvres, Bertrandt S.A. Sochaux, Bertrandt UK Ltd. in Dunton, Bertrandt Spain S.A. in Barcelona/Esparreguera, Bertrandt Sweden AB in Trollhättan and Bertrandt US Inc., Detroit.

Companies on which Bertrandt exercises material but not dominant influence are carried at equity in the consolidated financial statements as associated companies. These are Bertrandt Entwicklungen AG & Co. OHG, Bertrandt Automotive GmbH & Co. KG and, for the first time this year, aucip. automotive cluster-investment platform GmbH & Co. KG and aucip. automotive cluster investment platform Beteiligungs GmbH.

[3] Consolidation principles

Companies are consolidated using the acquisition method by netting the acquisition costs against the prorated equity and reserves attributable to the parent company as of the date of purchase. Any remaining difference between the purchase price and the equity is capitalised on the date of initial consolidation. A negative difference is taken directly to the income statement.
Fixed equity interests are carried at equity if it is possible for significant influence to be exercised (IAS 28). As a matter of principle this is the case with voting rights of between 20 and 50 percent. The carrying values of the fixed equity interests recognised at equity are adjusted annually in accordance with any change in the equity capital of the associated company attributable to the Bertrandt Group. The principles for full consolidation are also applied to the allocation and measurement of any difference in the acquisition costs of the fixed equity interest and the Group’s prorated share in its equity.
Receivables and liabilities as well as sales, expenses and income between consolidated companies are netted.
Deferred taxes due to temporary differences arising from consolidation pursuant to IAS 12 were not necessary.
The consolidation principles are unchanged over the previous year.

[4] Currency conversion

The single-entity financial statements compiled by foreign subsidiaries outside the European Monetary Union were converted on a functional currency basis pursuant to IAS 21. As the subsidiaries carry out their business independently for financial, commercial and organisational purposes, the functional currency is as a matter of principle identical to the currency of the country in which they are based.
Accordingly, these companies’ assets and liabilities are carried on the consolidated balance sheet at the mean exchange rate prevailing on the balance-sheet date, while expenses and income are converted using the average annual exchange rate.
Any currency differences as well as the conversion of amounts brought forward from the previous year are charged to equity. The goodwill on foreign subsidiaries arising from acquisition accounting is carried at historical cost.

		Mean exchange rate on balance sheet date		Average exchange rate for the year	
		30.09.2005	30.09.2004	FY 04/05	FY 03/04
United Kingdom	GBP	0.6800	0.6868	0.6878	0.6793
Sweden	SEK	9.3086	9.0588	9.1658	9.1238
Switzerland	CHF	1.5537	1.5524	1.5449	1.5493
United States	USD	1.1933	1.2409	1.2721	1.2166

[5] Recognition and measurementprinciples

The financial statements of Bertrandt AG and its domestic and foreign subsidiaries were compiled using uniform recognition and measurement methods pursuant to IAS 27.

Recognition of income and expenses
Sales and other operating income are recognised once the service in question is provided or the risk passes to the customer. In the case of specific customer orders, sales are recognised in accordance with the percentage-of-completion method, with due allowance made for threatened losses at the time these become public knowledge.
Operating expenses are charged to the income statement once the service in question is utilised or on the date on which such expenses are incurred. Provisions for guarantees are set aside at the time the corresponding sales are recognised. 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 taken to the income statement and charged to the periods in which the expenses which the grants are to cover are incurred. Interest income and expense are accrued. Income and expenses are recognised at the end of the fiscal year.

Intangible assets
Acquired or internally generated intangible assets are recognised pursuant to IAS 38 if future economic benefits are expected to flow from the asset and it is possible to measure the cost of the asset reliably. Production costs for internally generated intangible assets do not include borrowing costs.
Intangible assets are shown at cost less straight-line amortisation in accordance with their useful lives. This useful life is deemed to be 3-5 years with the exception of goodwill from consolidation.
As of 1 October 2003 goodwill is no longer written down on a straight-line basis. Instead, it is subjected to an annual impairment test pursuant to IAS 36 and IFRS 3. This test is carried out at least once a year and additionally always upon the occurrence of material events or changed circumstances. Impairment testing is based on detailed corporate forecasts covering a period of three years and an assumed growth rate of up to 1 percent (previous year 1 percent) for the following years. Depending on the assessment of the beta factors, a discount rate of between 9.8 percent (previous year 13 percent) and 11 percent (previous year 14 percent) is applied.
The corporate forecasts take account of both current knowledge as well as historical performance. The discounted cash flow method is used to calculate the value in use from the derived future cash flows of the cash generating units. If the value in use is less than the carrying value, the latter is written down accordingly. If, on the other hand, the value in use is greater than the carrying value, the value is recovered accordingly. This does not apply to goodwill.
With respect to the Digital Engineering, Physical Engineering and Electrical Systems/ Electronics segments, the main assumptions for the forecasts are based on the sector forecasts concerning the global automobile industry underlying marketing and capacity planning as well as specific contracts received from customers and specific internal adjustments, which also take account of planned savings.

Property, plant and equipment
Property, plant and equipment used in business operations for more than one year are carried at cost less scheduled depreciation. Production costs include all costs allocable to the production process as well as an appropriate part of the production-related overheads. Financing costs are not included. Scheduled depreciation is based on useful lives determined on a uniform basis within the Group.
Buildings are assumed to have useful lives of between 20 and 40 years and technical equipment and machinery of up to 13 years. Assuming normal use, plant and office equipment are written down over a period of between 3 and 10 years. Depreciation is calculated on the basis of actual use. New additions acquired after 1 October 2002 are generally written down pro rata temporis on a straight-line basis.

Non-scheduled depreciation/amortisation
Non-scheduled amortisation of intangible assets with the exception of goodwill and non-scheduled depreciation of property, plant and equipment is calculated in accordance with IAS 36 if the value in use or the net selling price of the asset in question has dropped below its carrying value. If the reasons for non-scheduled depreciation or amortisation calculated in earlier years cease to apply, the depreciation/amortisation charge taken is reversed.

Finance leases
IFRS stipulates that leases are to be classified on the basis of the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. If economic ownership is assumed to lie with the Bertrandt Group, the asset in question is capitalised at the present value of the lease payments on the date of addition It is written down on a straight-line basis over its expected useful life or the term of the lease, whichever is the shorter. Payment obligations arising from future lease payments are recognised as “borrowings”.

Financial assets
Loans are carried at amortised cost.

Inventories
Inventories comprise raw materials and manufacturing supplies, work purchased as well as completed work and work in progress. Raw materials and manufacturing supplies as well as goods purchased are recognised at cost or fair value, whichever is the lower. Completed work and work in progress are capitalised at their cost of production plus a profit margin in line with the degree of completion provided that the economic benefits from the completed work can be reliably measured. Advance payments received on services and work in progress are netted.

Original financial instruments
Loans granted, receivables and liabilities are carried at amortised cost.
This particularly comprises the following:
- Cash and cash equivalents
- Trade receivables and payables
- Other receivables, financial assets and liabilities
- Borrowings

Derivative financial instruments
As a service provider operating on an international level, the Bertrandt Group is exposed to interest and exchange-rate risks. Interest-rate risks are hedged by means of derivative financial instruments. Derivative financial instruments are recorded for the first time on their day of fulfilment.
Interest and currency swaps are used to hedge and optimise net interest result on the floating-rate debt of the Group and are classified pursuant to IAS 39 as financial instruments held for trading. Any changes in value are taken to the income statement. The follow-up valuation is made on a fair-value basis.
Interest caps are hedge instruments as defined in IAS 39 and are used to hedge future cash flows (cash flow hedges). They are measured at their fair value and the effective part of the change in value taken to equity.

(in EUR million or as otherwise stated)

Receivables and other assets
Receivables and other assets are carried at amortised cost, with due allowance made for all discernible risks.

Cash and cash equivalents
The bank balances and cash holdings included in this item are recognised at their nominal value and securities at their price on the balance sheet date.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are recognised in accordance with IAS 12 for all temporary differences between the carrying amount pursuant to IFRS and the corresponding tax base and for consolidation measures taken to the income tax statement. Deferred tax assets also include tax recovery claims arising from the expected use of loss carryforwards in future years provided that there is a reasonable likelihood of such use. Deferred taxes are calculated on the basis of the tax rates applicable or expected in the individual countries in accordance with prevailing law on the carrying date.

Provisions
Provisions for pensions are calculated using the projected-unit-credit method allowing for the corridor approach as defined in IAS 19.
Tax and other provisions are set aside if there is any present obligation towards a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reliable estimate can be made of the amount of this obligation.

Liabilities
Liabilities under finance leases are carried at the present value of the lease payments on the date on which the lease is signed. Other liabilities are shown at amortised cost.

Notes on items of the Income Statement

[6] Sales

Sales are recognised when it is likely that the economic benefit of a transaction will accrue to the Group and the amount of such sales can be measured. They are shown net of value added tax and all discounts and bonuses claimed.
Foreign business generated consolidated sales of EUR 30.391 million (previous year EUR 34.394 million).
Sales are broken down by segment and region in the segment report.

[7] Changes in inventories of completed work and work in progress

In connection with long-term construction contracts, sales are recognised using the percentage-of-completion method pursuant to IAS 18 (Revenue) and IAS 11 (Construction Contracts).

	FY 04/05	FY 03/04
Changes in inventories of completed work	-1.035	1.662
Changes in inventories of work in progress	-1.888	4.684
Total	**-2.923**	**6.346**

[8] Work performed and capitalised

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

[9] Other operating income

Other operating income breaks down as follows in fiscal 2004/2005:

	FY 04/05	FY 03/04
Work-related income	**2.943**	**2.653**
of which payments in kind to employees	1.367	1.533
of which rental income	1.576	1.120
Non-work-related income	**1.058**	**1.138**
of which income from exchange-rate differences	339	363
of which income from the reversal of provisions	341	330
of which income from the reversal of impairment charges	3	238
of which income from receipt of written-off receivables	25	0
of which income relating to a different accounting period	350	207
Miscellaneous other operating income	**664**	**949**
of which damage payments received	48	36
of which income from exchange-rate differences	167	100
of which income from difference carried as a liability	188	164
of which miscellaneous	261	649
Total	**4.665**	**4.740**

Future rental income equals EUR 1.098 million (previous year EUR 0.700 million) for up to one year and EUR 0.413 million (previous year EUR 0.867 million) for between one and five years on account of non-terminable basic terms.

[10] Raw materials and consumables used

This item includes expenditure on raw materials and manufacturing supplies of EUR 4.843 million (previous year EUR 3.878 million) as well as expenditure on work purchased of EUR 16.543 million (previous year EUR 20.724 million).

	FY 04/05	FY 03/04
Expenditure on raw materials and manufacturing supplies	**4.843**	**3.878**
Expenditure on work purchased	**16.543**	**20.724**
of which CAD costs	6.426	6.671
of which external work	9.434	13.168
of which external model construction work	630	820
of which incoming freight	53	65
Total	**21.386**	**24.602**

Expenditure on materials declined by EUR 3.216 million in the year under review for project-related reasons.

(in EUR million or as otherwise stated)

[11] Staff costs

The Bertrandt Group employed a total of 3,061 people on the balance-sheet date:

	30.09.2005	30.09.2004
Technical employees	221	236
Office employees	2,665	2,581
Trainees/undergraduates	59	64
Interns/post-graduates	60	59
Temporary staff	56	69
Total	**3,061**	**3,009**

This item includes expenditure on wages and salaries of EUR 122.842 million (previous year EUR 119.385 million) as well as expenditure on social security of EUR 27.007 million (previous year EUR 26.213 million) including the employer contribution to the statutory pension fund.

	FY 04/05	FY 03/04
Wages and salaries	**122.842**	**119.385**
Expenditure on social security	**27.007**	**26.213**
on which employer contribution to social security	26.902	26.132
on which expenditure on post-employment benefits	105	81
Total	**149.849**	**145.598**

[12] Depreciation/amortisation

Depreciation and amortisation expense breaks down as follows:

	FY 04/05	FY 03/04
Depreciation/amortisation		
Intangible assets	2.016	1.928
Property, plant and equipment	7.320	8.590
Total	**9.336**	**10.518**

A detailed breakdown of the depreciation/amortisation charges on individual items can be seen from the Statement of Asset Movements under the corresponding items of the notes.

[13] Other operating expenses

Other operating expenses break down as follows:

	FY 04/05	FY 03/04
Miscellaneous production expenses	2.284	2.609
Office premises, furnishings and fittings	12.119	11.766
Miscellaneous staff expenses	6.716	6.639
General administrative expenses	1.071	2.089
Distribution expenses	6.029	5.101
Expenditure on exchange-rate differences	129	64
Non-work-related expenses	3.252	2.313
Other expenses	8.100	8.816
Total	**39.700**	**39.397**

[14] Net borrowing costs

Net borrowing costs primarily comprise interest expenditure on bank and leasing liabilities.
From this is deducted interest income on short-term bank balances, while income and expenditure in connection with financial derivatives is added or deducted, as the case may be.
Interest expenditure on long-term bank loans stands at EUR 0.781 million (previous year EUR 0.950 million). Interest expenditure of EUR 0.058 million (previous year EUR 0.143 million) arose in connection with lease obligations in the year under review.
Net borrowing costs were reduced by around EUR 0.270 million over the previous year thanks to systematic Group-wide liquidity management, the substantial net free cash inflow and sustained low interest rates.

Net borrowing costs break down as follows:

	FY 04/05	FY 03/04
Interest income	**266**	**152**
Interest and similar expenses	-1.703	-1.859
Writedowns on securities carried as current assets	0	-3
Interest expenses	**-1.703**	**-1.862**
Net borrowing costs	**-1.437**	**-1.710**

[15] Other taxes

	FY 04/05	FY 03/04
Domestic tax expense	55	47
Foreign tax expense	350	460
Other taxes	**405**	**507**

Foreign tax expense primarily relates to the subsidiaries in France.

[16] Income taxes

Income taxes comprise corporate tax of 25.0 percent plus the solidarity surcharge of 5.5 percent as well as trade tax of 16.0 percent in Germany and comparable income taxes in other countries. In addition, this item includes deferred taxes on the temporary differences between the carrying values recognised pursuant to IFRS and corresponding tax bases as well as consolidation measures and, where applicable, usable loss carryforwards in accordance with IAS 12.
Income tax expense thus breaks down as follows:

	FY 04/05	FY 03/04
Actual domestic tax expense	-303	1.623
Actual foreign tax expense	-11	-11
Actual tax expense	**-314**	**1.612**
Deferred tax espense	219	59
Income taxes	**-95**	**1.671**

The tax recovery of EUR 0.095 million shown for fiscal 2004/2005 was EUR 0.086 million greater than the expected tax recovery of EUR 0.009 million that would have arisen had a tax rate of 38.0 percent (previous year 38.0 percent) been applied to consolidated pre-tax earnings.
Reconciliation of expected and actual income tax expense is as follows:

	FY 04/05	FY 03/04
Profit before income tax	-23	3.693
Expected tax rate	38.0%	38.0%
Expected income tax expense	**-9**	**1.403**
Tax differences outside Germany	-376	439
Tax effects of payouts and pre-year tax assessments	159	89
Tax effect of tax-free income	-45	-97
Tax effecht of non deductible operating expenses and other tax modifications	-446	-243
Group items with a neutral tax effect	-71	-62
Effects of changes in tax rates	321	-120
Differung tax treatment of legal forms of business organisation	376	138
Other effects	-4	124
Actual income tax expense	**-95**	**1.671**
Effective tax rate (%)	413.0%	45.2%

The items "differences in tax treatment outside Germany" and "differences in tax treatment of legal forms of business organisation" include tax resulting from adjusted loss carryforwards totalling EUR 0.424 million (previous year EUR 0.415 million).

[17] Minority interests

The net loss for the year attributable to other shareholders stands at EUR 0 (previous year EUR 0.249 million) as the capital account of the minority shareholder in ZR-Zapadtka + Ritter GmbH & Co. KG is negative. Accordingly, it is no longer assigned to the income statement but netted with the Group's equity capital.

[18] Earnings per share

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

	FY 04/05	FY 03/04
Consolidated net profit	72	2.022
Minority interests	0	249
Consolidated net profit after minority interests	**72**	**2.271**
Number of shares in thousands (basic, average weighting)	**10.073**	**10.065**
less number of treasury shares in thousands	-27	-36
plus potential number of shares from exercise of convertible bonds in thousands	63	92
Numer of shares in thousands (diluted, average weighting)	**10.109**	**10.121**
Earnings per share in EUR (basic)	**0.01**	**0.23**
Earnings per share in EUR (diluted)	**0.01**	**0.22**

The increase in the number of shares is due to the issue of new shares following the conversion of convertible bonds.

Notes on items in the Balance Sheet

[19] Non-current assets

	Intangible assets	Property, plant and equipment	Financial assets	Total non-current assets
Historical cost				
Value on 1 October 2004	26.399	84.836	923	112.158
Currency differences	9	20	0	29
Additions	3.370	4.723	404	8.497
Disposals	1.037	8.607	467	10.111
Reclassifications	-30	30	0	0
Value on 30 September 2005	28.711	81.002	860	110.573
Depreciation/amortisation				
Value on 1 October 2004	13.087	50.432	0	63.519
Currency differences	9	14	0	23
Additions	2.016	7.320	0	9.336
Disposals	1.033	7.829	0	8.862
Reclassifications	-23	23	0	0
Value on 30 September 2005	14.056	49.960	0	64.016
Residual book value on 30 September 2005	**14.655**	**31.042**	**860**	**46.557**
Residual book value on 30 September 2004	**13.312**	**34.404**	**923**	**48.639**
Previous year				
Historical cost				
Value on 1 October 2003	32.629	81.343	1.004	114.976
First-time application of IFRS 3	-8.581	0	0	-8.581
New value on 1 October 2003	24.048	81.343	1.004	106.395
Currency differences	17	31	0	48
Additions	2.679	7.571	523	10.773
Disposals	233	4.221	604	5.058
Reclassifications	-112	112	0	0
Value on 30 September 2004	26.399	84.836	923	112.158
Depreciation/amortisation				
Value on 1 October 2003	20.381	45.512	13	65.906
First-time application of IFRS 3	-8.966	0	0	-8.966
New value on 1 October 2003	11.415	45.512	13	56.940
Currency differences	13	18	0	31
Additions	1.928	8.590	0	10.518
Disposals	195	3.762	13	3.970
Reclassifications	-74	74	0	0
Value on 30 September 2004	13.087	50.432	0	63.519
Residual book value on 30 September 2004	**13.312**	**34.404**	**923**	**48.639**
Residual book value on 30 September 2003	**12.248**	**35.831**	**991**	**49.070**

(in EUR million or as otherwise stated)

[20] Intangible assets

Additions to intangible assets primarily comprise CAD software licenses.
In the period under review, expenses for internally generated intangible assets amounting to EUR 0 (previous year EUR 0.080 million), which did not meet the prerequisites for capitalisation, were charged to the income statement.

	Concessions and licenses	Internally generated software	Goodwill	Intangible assets under development	Intangible assets
Historical cost					
Value on 1 October 2004	14.736	1.310	8.262	2.091	26.399
Currency differences	9	0	0	0	9
Additions	2.264	12	711	383	3.370
Disposals	1.037	0	0	0	1.037
Reclassifications	-30	9	0	-9	-30
Value on 30 September 2005	15.942	1.331	8.973	2.465	28.711
Depreciation/amortisation					
Value on 1 October 2004	12.665	422	0	0	13.087
Currency differences	9	0	0	0	9
Additions	1.693	323	0	0	2.016
Disposals	1.033	0	0	0	1.033
Reclassifications	-23	0	0	0	-23
Value on 30 September 2005	13.311	745	0	0	14.056
Residual book value on 30 September 2005	**2.631**	**586**	**8.973**	**2.465**	**14.655**
Residual book value on 30 September 2004	**2.071**	**888**	**8.262**	**2.091**	**13.312**
Previous year					
Historical cost					
Value on 1 October 2003	13.470	989	16.670	1.500	32.629
First-time application of IFRS 3	0	0	-8.581	0	-8.581
New value on 1 October 2003	13.470	989	8.089	1.500	24.048
Currency differences	17	0	0	0	17
Additions	1.594	5	173	907	2.679
Disposals	233	0	0	0	233
Reclassifications	-112	316	0	-316	-112
Value on 30 September 2004	14.736	1.310	8.262	2.091	26.399
Depreciation/amortisation					
Value on 1 October 2003	11.312	103	8.966	0	20.381
First-time application of IFRS 3	0	0	-8.966	0	-8.966
New value on 1 October 2003	11.312	103	0	0	11.415
Currency differences	13	0	0	0	13
Additions	1.609	319	0	0	1.928
Disposals	195	0	0	0	195
Reclassifications	-74	0	0	0	-74
Value on 30 September 2004	12.665	422	0	0	13.087
Residual book value on 30 September 2004	**2.071**	**888**	**8.262**	**2.091**	**13.312**
Residual book value on 30 September 2003	**2.158**	**886**	**7.704**	**1.500**	**12.248**

[21] Property, plant and equipment

	Land and buildings	Technical equipment and machinery	Other facilities, factory and office equipment	Advance payments and work in progress	Total PPE
Historical cost					
Value on 1 October 2004	21.267	26.119	36.677	773	84.836
Currency differences	0	0	20	0	20
Additions	134	1.936	2.429	224	4.723
Disposals	763	1.034	6.810	0	8.607
Reclassifications	0	505	246	-721	30
Value on 30 September 2005	20.638	27.526	32.562	276	81.002
Depreciation/amortisation					
Value on 1 October 2004	3.694	20.314	26.424	0	50.432
Currency differences	0	0	14	0	14
Additions	651	2.224	4.445	0	7.320
Disposals	371	1.022	6.436	0	7.829
Reclassifications	0	17	6	0	23
Value on 30 September 2005	3.974	21.533	24.453	0	49.960
Residual book value on 30 September 2005	**16.664**	**5.993**	**8.109**	**276**	**31.042**
Residual book value on 30 September 2004	**17.573**	**5.805**	**10.253**	**773**	**34.404**
Previous year					
Historical cost					
Value on 1 October 2003	20.169	25.038	35.803	333	81.343
Currency differences	0	0	31	0	31
Additions	1.098	1.383	4.352	738	7.571
Disposals	0	658	3.563	0	4.221
Reclassifications	0	356	54	-298	112
Value on 30 September 2004	21.267	26.119	36.677	773	84.836
Depreciation/amortisation					
Value on 1 October 2003	3.026	17.780	24.706	0	45.512
Currency differences	0	0	18	0	18
Additions	668	2.942	4.980	0	8.590
Disposals	0	483	3.279	0	3.762
Reclassifications	0	75	-1	0	74
Value on 30 September 2004	3.694	20.314	26.424	0	50.432
Residual book value on 30 September 2004	**17.573**	**5.805**	**10.253**	**773**	**34.404**
Residual book value on 30 September 2003	**17.143**	**7.258**	**11.097**	**333**	**35.831**

(in EUR million or as otherwise stated)

Property, plant and equipment are carried at cost less scheduled depreciation in accordance with their respective useful lives.
Leased assets such as technical equipment and machinery as well as factory and office equipment are capitalised and written down over their useful lives provided that the conditions relating to finance leases set out in IAS 17 are met. As of 30 September 2005, these assets had a carrying value of EUR 0.720 million (previous year EUR 2.337 million).

Land and buildings are encumbered by mortgages in an amount of EUR 9.322 million (previous year EUR 10.584 million) pledged as security for long-term loans.

Technical equipment and machinery as well as other equipment, plant and office equipment primarily comprise CAD machines, prototype construction equipment as well as testing facilities.

[22] Financial assets

	Fixed equity interests	Long-term loans	Total financial assets
Historical cost			
Value on 1 October 2004	3	920	923
Additions	62	342	404
Disposals	24	443	467
Value on 30 September 2005	41	819	860
Depreciation/amortisation			
Value on 1 October 2004	0	0	0
Additions	0	0	0
Disposals	0	0	0
Value on 30 September 2005	0	0	0
Residual book value on 30 September 2005	**41**	**819**	**860**
Residual book value on 30 September 2004	**3**	**920**	**923**
Previous year			
Historical cost			
Value on 1 October 2003	14	990	1.004
Additions	3	520	523
Disposals	14	590	604
Value on 30 September 2004	3	920	923
Depreciation/amortisation			
Value on 1 October 2003	13	0	13
Additions	0	0	0
Disposals	13	0	13
Value on 30 September 2004	0	0	0
Residual book value on 30 September 2004	**3**	**920**	**923**
Residual book value on 30 September 2003	**1**	**990**	**991**

The Group holds investments in associated companies, which are not carried at equity. In the period under review, these companies generated losses of EUR 0.018 million (previous year loss of EUR 0.059 million). This resulted in a cumulative loss of EUR 0.090 million (previous year loss of EUR 0.072 million). The long-term loans granted comprise employer loans subject to an interest rate of 5.5%. The carrying values primarily match the fair values.

[23] Inventories

Work in progress as well as finished goods that have not yet been accepted by and delivered to the customer are always recognised in accordance with the percentage-of-completion method. The percentage of completion is calculated by determining the ratio of costs incurred as of the balance-sheet date to the total costs (cost-to-cost method).
Finished goods delivered to the customer but not yet invoiced are carried at the order value and classified as finished goods.
The Bertrandt Group's inventories were valued as follows on the balance-sheet date:

	30.09.2005	30.09.2004
Raw materials and manufacturing supplies	407	964
Work in progress	12.714	14.897
Completed work	7.270	8.010
Advance payments received on orders	-8.845	-7.494
Total	**11.546**	**16.377**

Of the total inventories, EUR 0.148 million (previous year EUR 0.224 million) is carried at the net selling value; impairment charges on the gross value came to EUR 0.050 million (previous year EUR 0.142 million).
Completed work and work in progress accounted for costs of EUR 13.738 million (previous year EUR 15.613 million) and profit earned of EUR 6.245 million (previous year EUR 7.294 million).

[24] Receivables and other assets

Receivables and other assets are carried at amortised cost, which largely matches their fair value. Due allowance has been made for all discernible individual risks.
This item breaks down as follows

	30.09.2005	< 1 year	1-5 years	> 5 years
Receivables	50.311	50.182	129	
Other assets	3.609	2.188	637	784
Total	**53.920**	**52.370**	**766**	**784**
	30.09.2004	< 1 year	1-5 years	> 5 years
Receivables	46.859	46.859	0	0
Other assets	3.309	2.011	642	656
Total	**50.168**	**48.870**	**642**	**656**

(in EUR million or as otherwise stated)

Other short-term assets include amounts receivable from employees and the fiscal authorities as well as other short-term receivables.
Other long-term assets include reinsurance claims of EUR 0.784 million (previous year EUR 0.559 million) and derivative financial instruments of EUR 0.166 million (previous year EUR 0). The carrying value represents the maximum default risk for the derivative financial instruments.
Adjustments of EUR 1.094 million (previous year EUR 0.613 million) were included.

[25] Cash and cash equivalents

Cash and cash equivalents primarily comprise cash at hand, bank balances and cheques. Foreign-currency balances were translated into the Group currency at the mean exchange rate prevailing on 30 September 2005.

[26] Deferred taxes

Deferred taxes result from temporary differences between the carrying values used for the IFRS balance sheet and the tax base, from IFRS-based valuation as well as from the loss carryforwards that are likely to be capable of being used. In Germany, there is no limit to the extent to which loss carryforwards may be utilised. In other countries, some local laws stipulate a period of ten years although normally no limits apply.
Deferred taxes were calculated in accordance with the rules laid down in IAS 12, according to which deferred taxes are calculated on the basis of the tax rates applicable or expected in the individual countries in accordance with prevailing law on the carrying date.
Deferred tax assets and liabilities break down as follows:

	30.09.2005		30.09.2004	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	189	2.837	145	2.976
Inventories	0	2.366	0	2.628
Pension provisions	0	77	0	86
Other provisions	47	110	62	152
Loss carryforwards	2.514	0	2.495	0
Liabilities	275	0	989	0
Other items	122	468	39	442
Total	**3.147**	**5.858**	**3.730**	**6.284**

Of the deferred tax assets, EUR 2.769 million (previous year EUR 2.909 million) have a residual maturity of more than one year. Of the deferred tax liabilities, EUR 2.650 million (previous year EUR 2.956 million) are short term and EUR 3.208 million (previous year EUR 3.328 million) are long term in nature. Deferred taxes of EUR 0.043 million (previous year EUR 0) were recognised under equity.
In addition to the deferred tax assets arising from loss carryforwards, there are loss carryforwards from both German and foreign business of EUR 9.592 million (previous year EUR 5.703 million).

[27] Prepayments

The prepayment items of EUR 2.371 million (previous year EUR 2.577 million) primarily comprise vacation money deferrals as well as prepayments for services, for which the corresponding expenditure is to be assigned to later periods.

[28] Issued capital

The issued capital of Bertrandt AG amounted to EUR 10,081,200 on 30 September 2005. This item has therefore increased by EUR 12,000 over the same date one year earlier as a result of the exercise of rights from convertible bonds. The issued capital is thus divided into 10,081,200 no-par-value shares with a notional value of EUR 1.00 each.

Authorised capital
The Management Board is authorised to increase the share capital with the Supervisory Board's approval by issuing new shares on a cash or non-cash basis once or multiple times up to a maximum amount of EUR 4 million by 31 January 2010.
The Management Board is authorised with the Supervisory Board's approval
a) to exclude the shareholders' subscription rights once or repeatedly, however only up to a total of EUR 1 million, if the issue amount of the new shares falls short by no more than 5 percent of the average price of Bertrandt AG stock for the five trading days preceding the date on which the Management Board passes the resolution to issue the new shares. For this purpose, the applicable price equals the closing price in XETRA trading (or a comparable replacement system) for Bertrandt AG stock;
b) to exclude the shareholders' subscription rights once or repeatedly, however only up to a total of EUR 3 million, if the non-cash equity issue is for the purpose of acquiring all or part of other companies;
c) to exclude the shareholders' subscription rights to fractional amounts.

Contingent capital
In addition, convertible bonds with a face value of EUR 0.271 million were issued as part of the 1996/2006 management bonus programme.
Outstanding convertible bonds were valued at EUR 0.054 million on 30 September 2005. This is a reduction of around EUR 0.024 million over the previous year on account of individual non-exercise of the conversion option and resultant repayments.

[29] Share premium

The share premium comprises solely the premium on the issue of new shares. This item increased by EUR 0.068 million in the year under review as a result of the exercise of rights from the convertible bonds.

[30] Retained earnings

The statutory reserves included in retained earnings amount to EUR 1.008 million (previous year EUR 1.007 million). The balance is constituted by other retained earnings. Currency differences arising from consolidation of subsidiaries' equity are not taken to the income statement but charged to retained earnings.
On the balance sheet date, the company held 26,632 treasury shares, which were charged to retained earnings at their acquisition cost of EUR 0.573 million.
These treasury shares account for 0.26 percent of the company's issued capital.

[31] Minority interests

Minority interests comprise the shares held by other shareholders. The share attributable to the minority shareholder in ZR-Zapadtka + Ritter GmbH & Co. KG is negative and has therefore been netted against consolidated equity.

(in EUR million or as otherwise stated)

[32] Provisions for post-employment benefits

Provisions for post-employment benefit obligations are calculated using the internationally standard projected-unit-credit method stipulated by IAS 19 in the light of foreseeable future developments on the basis of the following assumptions:

	30.09.2005	30.09.2004
Interest rate	4.25%	5.50%
Assumed rate of salary increase	2.50%	2.50%
Assumed rate of pension increase	2.50%	2.50%
Probably of mortality and invalidity according to Heubeck	2005	1998
Valuation of window (pension) entitlement	Collective	Collective
Retirement age	65 years	65 years
Average remanining live expectancy of persons with active entitlement	16 years	17 years

On 30 September 2004, provisions for post-employment benefits stood at EUR 1.237 million. Following an allocation of EUR 0.128 million in the year under review (previous year EUR 0.125 million), this item came to EUR 1.365 million on the balance-sheet date (previous year EUR 1.237 million).

Net expenditure on post-employment benefit plans in fiscal 2004/2005 breaks down as follows:

	FY 04/05	FY 03/04
Past service cost	40	38
Interest expense	82	78
Amortisation of actuarial gains/losses	6	9
Total	**128**	**125**

The financing of post-employment benefit obligations breaks down as follows as at 30 September 2005:

	FY 04/05	FY 03/04
Actuarial present value of benefit entitlement not financed by investment funds	2.186	1.489
Adjustment for actuarial losses not yt netted	-821	-252
Net post-employment benefit plan obligations pursuant to IAS 19	**1.365**	**1.237**

[33] Tax provisions

Tax provisions primarily involve income tax. Deferred taxes are shown as separate items in the balance sheet.

[34] Other provisions

Other provisions were formed whenever there was a current obligation towards a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reliable estimate can be made of the amount of this obligation. For this purpose it is assumed that the outflow will occur within a year. Other provisions break down as follows:

	Provisions for personnel/ social security obligations	Provisions for ongoing business operations	Miscellaneous provisions	Other provisions
Value on 1 October 2004	**9.691**	**1.068**	**4.142**	**14.901**
Currency difference	-2		1	-1
Utilisation	9.689	861	3.865	14.415
Writeback	0	131	210	341
Addition	10.496	978	5.049	16.523
Value on 30 September 2005	**10.496**	**1.054**	**5.117**	**16.667**

The provisions for personnel/social security obligations primarily comprise funds set aside for profit sharing arrangements and bonuses, holiday bonus payment provisions, flexible working time credits as well as handicapped employee levies and dues for industrial compensation societies.
Provisions for obligations resulting from ongoing business operations largely comprise guarantee obligations.
Miscellaneous provisions relate to a large number of smaller discernible risks.

[35] Borrowings

The bonds are liabilities resulting from convertible bonds issued to management staff under a management bonus programme.
The short-term liabilities towards banks comprise mainly euro loans with a term of up to three months as well as overnight money borrowed under existing overdraft facilities. In addition, capital spending on machinery, technical equipment, properties and fixed equity holdings was financed by way of longer-term bank loans with fixed, regular payments.
There was a significant year-on-year reduction in long-term liabilities towards banks. Current capital spending and dividend payments were funded chiefly from cash flow.

	30.09.2005	< 1 year	1-5 years	> 5 years
Bonds	54	54	0	0
Liabilities to banks	28.807	18.367	5.654	4.786
Liabilities under finance	724	551	173	0
Borrowings	**29.585**	**18.972**	**5.827**	**4.786**
	30.09.2004	< 1 year	1-5 years	> 5 years
Bonds	78	78	0	0
Liabilities to banks	33.523	19.432	8.673	5.418
Liabilities under finance	2.627	1.907	720	0
Borrowings	**36.228**	**21.417**	**9.393**	**5.418**

(in EUR million or as otherwise stated)

The interest rates are between 3.47 percent and 6.50 percent for long-term borrowings (domestic) and between 2.74 percent and 7.50 percent for short-term borrowings (domestic and foreign).
The carrying value largely matches the fair value due to ongoing monitoring and regular interest-adjustment dates.

The net carrying values of capitalised leased assets broke down as follows on the balance sheet date:

	30.09.2005	30.09.2004
Technical equipment	90	746
Hardware	630	1.589
Software	74	154
Total	**794**	**2.489**

All the leases for CAD equipment have a term of 36 months and those for machinery a term of between 48 and 72 months.
Contracts whose term exceeds most of the expected useful life of the asset in question are classified as finance leases.

Market interest rates, which differ depending on the date on which the contract was signed, are applied to each capitalised leasing contract. The table below shows which payments pertaining to finance leasing will come due in the next few years:

30.09.2005	until	until	after	Total
	30.09.2006	30.09.2010	1.10.2010	
Leasing payments	559	173	0	732
Amounts discounted	8	0	0	8
Present value	**551**	**173**	**0**	**724**
30.09.2004	until	until	after	Total
	30.09.2005	30.09.2009	1.10.20090	
Leasing payments	1.958	728	0	2.686
Amounts discounted	51	8	**0**	59
Present value	**1.907**	**720**		**2.627**

[36] Trade payables

	30.09.2005	< 1 year	1-5 years
Trade payables	4.368	4.368	0
	30.09.2004	< 1 year	1-5 years
Trade payables	**5.313**	**5.286**	**27**

The carrying values primarily match the fair values.

[37] Other liabilities

The carrying values of the other liabilities, all of which are short term in nature, largely match their fair values and break down as follows:

	30.09.2005	30.09.2004
Taxes	3.825	2.949
Payroll and church tax	1.850	1.736
Social security	3.814	3.875
Wages and salaries	100	93
Derivate financial instruments	113	139
Miscellaneous	1.540	586
Other liabilities	**11.242**	**9.378**

The sum total of the fair value of derivative financial instruments comprises interest swaps with a nominal value of EUR 5.336 million (previous year EUR 3.838 million). The fair values are calculated on the basis of standard market interest forward curves and came to EUR 0.113 million on the balance sheet (previous year EUR 0.139 million). A sum of EUR 0.025 million (previous year EUR 0.096 million) was taken to the income statement to allow for the change in the fair values of the derivatives. The fair value of the swaps is reported under other liabilities for the first time instead of other provisions in the previous year. The residual terms of the financial instruments are between one and five years.

[38] Deferred income

Deferred income primarily comprises a government investment grant, which is written back against the income statement over the useful lives of the respective assets pursuant to IAS 20. The government grant was received in connection with the Tappenbeck building project. A sum of EUR 0.041 million (previous year EUR 0.050 million) was recognised as income in the period under review.

	30.09.2005	< 1 year	1-5 years
Deferred income	**1.328**	632	696
	30.09.2004	< 1 year	1-5 years
Deferred income	**1.520**	786	734

(in EUR million or as otherwise stated)

[39] 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. In accordance with IAS 7, cash flows are distinguished according to operating, investing and financing activities.
The item "cash and cash equivalents" comprises the item of the same name in the consolidated balance sheet only. The changes in the individual items are derived from the consolidated balance sheet and income statement.
Using the net profit for the year as a basis, the cash flow statement was prepared in accordance with the indirect method. Thus, net profit was adjusted for non-cash expenses and income. Allowing for changes in working capital, this produces a cash flow from operating activities of EUR 12.770 million (previous year EUR 16.475 million). There was a cash outflow of EUR 7.143 million (previous year EUR 7.969 million) from investing activities and free net cash inflow of EUR 5.627 million (previous year EUR 8.506 million) for the year under review. This free cash flow was used to discharge liabilities and to pay the dividend.
The inflow and outflow of funds from operating activities includes interest income of EUR 0.155 million (previous year EUR 0.152 million) and interest expenses of EUR 1.502 million (previous year EUR 1.716 million) as well as tax payments of EUR 0.177 million (previous year: EUR 3.199 million).
Investments in connection with finance leases were disregarded as no cash transactions were involved.

[40] Notes on segment reporting

The primary segment report is broken down into the "Digital Engineering", "Physical Engineering" and "Electrical Systems/Electronics" segment.
The "Digital Engineering" segment comprises the design of vehicle components such as drive systems, chassis, body shells as well as the complete development of entire vehicles including technical calculations using standard design methods such as CAD.
The "Physical Engineering" segment is made up of activities related to model construction, trials, vehicle bodies, rapid prototyping and rapid tooling as well as the construction of steel-plate prototypes and plastics engineering.
The "Electrical Systems/Electronics" segment entails conventional automotive electrical systems together with modern automotive electronics, including the development of electronic modules such as onboard networks, software and simulated deployment.
Segment information is based on the same recognition and measurement methods as the consolidated financial statements. Receivables and liabilities, income and expenses as well as intra-group results have been eliminated for reconciliation purposes.
Internal sales are invoiced at normal market prices in compliance with the arm's-length principle.
The assets assigned to the individual segments comprise the assets, inventories, receivables and prepayments required to operate the segment. Segment liabilities include other provisions, trade payables and other liabilities as well as deferred items.
Good-will breaks down as follows: Digital Engineering EUR 6.064 million (previous year EUR 5.381 million) and Physical Engineering EUR 2.909 million (previous year EUR 2.881 million).

The following tables reconcile the segment report by division and region on the one hand and the figures carried in the income statement and the balance sheet on the other:

	Total for all divisions		Reconciliation		Group	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Current assets and prepayments	64.228	65.813	10.861	13.523	75.089	79.336
Non-current assets	45.697	47.716	860	923	46.557	48.639
Liabilities	15.610	14.691	35.443	42.512	51.053	57.203
Other provisions	16.667	14.901	0	0	16.667	14.901

	Total for all regions		Reconciliation		Group	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Current assets and prepayments	64.228	65.813	10.861	13.523	75.089	79.336
Non-current assets	45.697	47.716	860	923	46.557	48.639
Liabilities	33.605	31.112	17.448	26.091	51.053	57.203

Other disclosures

[41] Contingent liabilities

Consolidated contingent liabilities came to EUR 9.561 million (previous year EUR 10.926 million) on 30 September 2005.

	30.09.2005	30.09.2004
Land charges	9.322	10.584
Collateral pledges	239	342
Total	**9.561**	**10.926**

These are solely the result of collateral pledged to banks.

[42] Other financial obligations

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

	30.09.2005	30.09.2004
< 1 year	17.130	16.010
1-5 years	23.672	24.187
> 5 years	21.040	25.871
Total	**61.842**	**66.068**

The obligations under leases of EUR 32.395 million (previous year EUR 35.726 million) included here are derived from operating leases which are carried on the lessor's balance sheet. Theses assets involve mostly leased vehicles and software as well as office and business equipment.

(in EUR million or as otherwise stated)

[43] Hedging policies and financial derivatives

As a service provider operating on an international level, the Bertrandt Group is exposed to financial risks including the risk of customer default, liquidity risks as well as interest and exchange rate fluctuation. These risks are managed centrally by Group Treasury.
The risk of customer default is very largely averted by means of preventive credit rating checks and ongoing monitoring of accounts receivable.
A liquidity preview covering a fixed future period, a credit facility available to the Bertrandt Group but not utilised as well as alternative finance instruments ensure ample liquidity at all times.
Interest caps and swaps are used to manage the individual fixed-interest and currency segments. Interest caps are employed to hedge short-term financing and are carried as cash flow hedges. The following financial derivatives were in use as of the balance sheet date to hedge currency and interest fluctuation:

	Duration	Nominal volume		Fair value	
		30.09.2005	30.09.2004	30.09.2005	30.09.2004
Swaps	1 - 5 years	5.336	3.838	-113	-139
Caps	2 - 10 years	13.000	0	166	0
Total		**18.336**	**3.838**	**53**	**-139**

Derivative instruments are recognised as other assets or other liabilities, as the case may be, at their fair value. The fair value of the interest derivatives shown is the price at which third parties would acquire the rights and/or obligations under this financial instrument. Fair values are calculated on the basis of the market information available on the balance sheet date. Interest derivatives are predominantly denominated in euro.

[44] Disclosures pursuant to Section 21

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
In a letter dated 25 April 2002, Dr. Ing. h.c. F. Porsche Aktiengesellschaft of Porscheplatz 1, 70435 Stuttgart notified us of the following:
In accordance with Section 41, (2) of the German Securities Trading Act, we hereby declare that we are entitled to exercise 25.01 percent of the voting rights in Bertrandt Aktiengesellschaft, Ehningen.

Disclosure pursuant to Sections 21 (1), 22 (1) Number 1 of the German Securities Trading Act
In a letter dated 1 September 2004, ThyssenKrupp AG notified us of the following:
1. ThyssenKrupp Automotive AG, Alleestraße 165 65, 44793 Bochum informed us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft, Birkensee 1, 71139 Ehningen had exceeded the threshold of 5 percent on 25 August 2004 as a result of a purchase of shares. The share of voting rights now stands at 25.20 percent, equivalent to 2,536,852 shares/votes.
2. However, ThyssenKrupp Automotive AG then sold a share of 10.08 percent in the voting rights of Bertrandt Aktiengesellschaft, equivalent to 1,014,740 shares/votes, to ThyssenKrupp Stahl AG on 25 August 2004, as a result of which it dropped back below the threshold of 25 percent. It now holds 15.12 percent of the voting rights in Bertrandt Aktiengesellschaft, equivalent to 1,522,112 shares/votes.
3. ThyssenKrupp Stahl AG, Kaiser-Wilhelm-Straße 100, 47166 Duisburg informed us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft, had exceeded the threshold of 5 percent on 25 August 2004 as a result of the purchase of shares from ThyssenKrupp Automotive AG. The share of voting rights now stands at 10.08 percent, equivalent to 1,014,740 shares/votes.
4. ThyssenKrupp Steel AG, Kaiser-Wilhelm-Straße 100, 47166 Duisburg informed us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 25 August 2004 as a result of a purchase of shares. The share of voting rights now stands at 10.08 percent, equivalent to 1,014,740 shares/votes. Of these, 10.08 percent of the voting rights, equivalent to 1,014,740 shares/votes, are attributable to ThyssenKrupp AG pursuant to Section 22 (1) Number 1 of the German Securities Trading Act.
5. Thyssen Stahl GmbH, August-Thyssen-Straße 1, 40211 Düsseldorf informed us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 25 August 2004 as a result of a purchase of shares. The share of voting rights now stands at 10.08 percent, equivalent to 1,014,740 shares/votes. Of these, 10.08 percent of the voting rights, equivalent to 1,014,740 shares/votes, are attributable to Thyssen Stahl GmbH pursuant to Section 22 (1) Number 1 of the German Securities Trading Act.
6. ThyssenKrupp AG, August-Thyssen-Straße 1, 40211 Düsseldorf informed us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 25 August 2004 as a result of a purchase of shares. The share of voting rights now stands at 25.20 percent, equivalent to 2,536,852 shares/votes. Of these, 25.20 percent, equivalent to 2,536,852 shares/votes, are attributable to us pursuant to Section 22 (1) Number 1 of the Securities Trading Act.

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
In a letter dated 20 September 2004, we were informed by FM Fund Management Limited, George Town, Grand Cayman, Cayman Islands as well as the Absolute Return Europe Fund, George Town, Grand Cayman, Cayman Islands, which is managed by the former, that these two entities exceeded the threshold of 5 percent of the voting rights in Bertrandt AG (ISIN DE0005232805) on 13 September 2004.
The size of the share in the voting rights held by FM Fund Management Limited stands at 6.55776797424586 percent, equivalent to 660,000 votes. This includes 530,000 voting rights (5.26608640356107 percent) attributable to FM Fund Management Limited pursuant to Section 22 (1) Number 6 of the German Securities Trading Act via the Absolute Return Europe Fund, which in turn has exceeded the threshold of 5 percent of the voting rights in Bertrandt AG (ISIN DE0005232805), and 130,000 voting rights (1.29168157068479 percent) attributable to the FM Fund Management Limited pursuant to Section 22 (1) Number 6 of the German Securities Trading Act via the European Catalyst Fund.

Disclosures after 30 September 2005:

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
In a letter dated 4 October 2005, Absolute Return Europe Fund, George Town, Grand Cayman, Cayman Islands, notified us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 13 September 2004 and now stood at 6.56 percent.

Disclosure pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 and Number 6 of the German Securities Trading Act
In a letter dated 4 October 2005, Absolute Return Europe Fund, George Town, Grand Cayman, Cayman Islands, notified us pursuant to Section 21 (1) in connection with Section 22 (1) Number 1 and Number 6 of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 13 September 2004 and now stood at 6.56 percent. Of this, 6.56 percent of the voting rights are attributable to FM Fund Management Limited pursuant to Section 22 (1) Number 1 and Number 6 of the German Securities Trading Act.

(in EUR million or as otherwise stated)

Disclosure pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 and Number 6, Sentence 2 of the German Securities Trading Act
In a letter dated 4 October 2005, CSI Asset Management Establishment, Vaduz, Liechten-stein notified us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had exceeded the threshold of 5 percent on 13 September 2004 and now stood at 6.56 percent. Of this, 6.56 percent of the voting rights are attributable to CSI Asset Management Establishment pursuant to Section 22 (1) Number 1 and Number 6 in connection with Sentence 2 of the German Securities Trading Act.

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
In a letter dated 4 October 2005, Absolute Return Europe Fund, George Town, Grand Cayman, Cayman Islands, notified us pursuant to Section 21 (1) of the German Securities Trading Act that its share of the voting rights in Bertrandt Aktiengesellschaft had dropped below the threshold of 5 percent on 31 August 2005 and now stood at 2.89 percent.

[45] Exemption from the obligation to compile financial statements pursuant to the rules applicable to corporations

Pursuant to Section 264b of the German Commercial Code, ZR-Zapadtka + Ritter GmbH & Co. KG is exempt from the obligation to compile notes and a management report of its own.

[46] Declaration of compliance with the Corporate Governance Code

The Management Board and Supervisory Board of Bertrandt AG have issued a declaration of compliance with the Corporate Governance Code pursuant to Section 161 of the German Joint Stock Corporations Act and have made this available to shareholders on the internet at (www.bertrandt.com).

[47] Disclosure on the company's Management Board and Supervisory Board

Management Board

Dietmar Bichler Chairman of the Management Board
Ulrich Subklew Member of the Management Board; Market and Customer
Peter Dorling Member of the Management Board; Market and Customer, 1 January 2001 – 30 June 2005
Ralph Jacoby Member of the Management Board; Finance and Human Resources, 1 January 2001 – 30 June 2005
Jürgen Michels Member of the Management Board; Market and Customer, 1 January 2001 – 30 June 2005

Total compensation paid to the members of the Management Board in fiscal 2004/2005 came to EUR 2.378 million (previous year EUR 1.431 million) and comprises a fixed and a performance-tied component.
Provisions amounting to EUR 0.951 million (previous year EUR 0.702 million) were set aside to cover post-retirement benefits payable to former members of the Management Board.
Changes in the holdings of Bertrandt shares, options and convertible bonds (c. bonds) owned by members of the Management Board during fiscal 2004/2005 are shown in the following table:

	Balance at 30.09.2005			Balance at 30.09.2004		
Number	Shares	Options	C. bonds	Shares	Options	C. bonds
Dietmar Bichler	801,094	0	0	786,094	0	0
Ulrich Subklew	74,249	0	12,000	0	0	12,000
Peter Dorling	*	*	*	2,710	0	12,000
Ralph Jacoby	*	*	*	6,300	0	28,000
Jürgen Michels	*	*	*	0	0	12,000
Total	**875,343**	**0**	**12,000**	**795,104**	**0**	**64,000**

* withdrawal from Management Board on 30 June 2005. Shares and c.bond holdings no longer included

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
Vermögensverwaltungsgesellschaft Familie Bichler bR, Iptingen represented by its shareholder/managing director Dietmar Bichlar, Germany, notified us pursuant to Section 21 (1) Sentence 1 of the German Securities Trading Act that it had dropped below the threshold of 10 percent of the voting rights in Bertrandt Aktiengesellschaft, Ehningen on 25 August 2004. As of 25 August 2004, it holds 6.82 percent of the voting rights.

Disclosure pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 of the German Securities Trading Act
Mr Dietmar Bichler, Germany, notified us pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 of the German Securities Trading Act that his share of the voting rights in Bertrandt Aktiengesellschaft, Ehningen had dropped below the threshold of 10 percent on 25 August 2004. As of 25 August 2004, he holds 7.81 percent of the voting rights. Of this share, a total of 6.82 percent of the voting rights are attributable to him via Vermögensverwaltungsgesellschaft Familie Bichler bR, Iptingen pursuant to Section 22 (1) Sentence 1 Number 1 of the German Securities Trading Act.

Supervisory Board

Dr. Klaus Bleyer Chairman of the Supervisory Board
- Chairman of the Supervisory Board of Mahle GmbH, Stuttgart
- Chairman of the Supervisory Board of Klöckner Pentaplast S.a.r.l., Luxembourg
- Chairman of the Supervisory Board of TCG Unitech GmbH, Kirchdorf/Krems (Austria)
- Chairman of the Supervisory Board of Faurecia Automotive GmbH, Frankfurt (formerly SAI)
- Deputy Chairman of the Supervisory Board of Lindauer Dornier GmbH, Lindau
- Chairman of the Supervisory Board of Ravensburger AG, Ravensburg (since 22 July 2005)
- Member of the Supervisory Board of Behr GmbH & Co., Stuttgart
- Chairman of the University Council of the University of Ulm

Maximilian Wölfle Deputy Chairman
- Member of the Administrative Board of Westiform Holding AG, Bern-Niederwangen
- Chairman of the Advisory Committee of J. Wizemann GmbH & Co., Stuttgart
- Member of the Advisory Committee of Heinrich von Wirth GmbH & Co., Stuttgart
- Member of the Advisory Committee of Kaiser-Brauerei W. Kumpf GmbH & Co. KG, Geislingen/Steige
- Member of the Advisory Committee of Südwestbank AG, Stuttgart (since 21 April 2005)

Heinz Kenkmann
- Managing Director of Traumfabrik GmbH, Wildberg

Prof. Dr.-Ing. Wilfried Sihn
- Professor of operating engineering and system planning at the Institute of Management Science of the Technical University of Vienna, Austria
- Head of the Fraunhofer Project Group for Production Management and Logistics in Vienna, Austria
- Deputy Chairman of the Supervisory Board of Rohwedder AG, Bermatingen
- Deputy Chairman of the Supervisory Board of flexis AG, Stuttgart
- Deputy Chairman of the Supervisory Board of WITTENSTEIN AG, Harthausen
- Member of the Supervisory Board of ITAC AG, Dernbach (until 30 April 2005)

Martin Pfuhler Staff Representative
- Team Leader

Daniela Brei Staff Representative
- Commercial Clerk

(in EUR million or as otherwise stated)

The total compensation paid to the members of the Supervisory Board in fiscal 2004/2005 came to EUR 0.103 million (previous year: EUR 0.103 million) and breaks down as follows:

	FY 04/05		
in EUR	Fixed component	Variable component	Total
Dr. Klaus Bleyer	27,500	1,000	28,500
Maximilian Wölfle	22,000	750	22,750
Heinz Kenkmann	16,500	500	17,000
Prof. Dr.-Ing. Wilfried Sihn	11,000	500	11,500
Martin Pfuhler	11,000	500	11,500
Daniela Brei	11,000	500	11,500
Total	**99,000**	**3,750**	**102,750**

The share, options and convertible bonds (c. bonds) issued by Bertrandt and held by members of the Supervisory Board break down as follows:

	Balance at 30.09.2005			Balance at 30.09.2004		
Number	Shares	Options	C. bonds	Shares	Options	C. bonds
Dr. Klaus Bleyer	0	0	0	0	0	0
Maximilian Wölfle	0	0	0	0	0	0
Heinz Kenkmann	238	0	0	238	0	0
Prof. Dr.-Ing. Wilfried Sihn	0	0	0	0	0	0
Martin Pfuhler	480	0	0	480	0	0
Daniela Brei	142	0	0	117	0	0
Total	**860**	**0**	**0**	**835**	**0**	**0**

Disclosure pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 of the German Securities Trading Act
In a letter dated 15 September 2004, Mr Heinz Kenkmann, Germany, notified us pursuant to Sections 21 (1), 22 (1) Sentence 1, Number 1 of the German Securities Trading Act that his share of the voting rights in Bertrandt Aktiengesellschaft, Ehningen had dropped below the threshold of 5 percent on 13 September 2004. As of 13 September 2004, he holds 0.002 percent of the voting rights. These voting rights are attributable to him via Beteiligungsgesellschaft Familie Kenkmann bR, Wildberg pursuant to Section 22 (1) Sentence 1 Number 1 of the German Securities Trading Act.

Disclosure pursuant to Section 21 (1) of the German Securities Trading Act
In a letter dated 15 September 2004, Beteiligungsgesellschaft Familie Kenkmann bR, Wildberg represented by its shareholder/managing director Heinz Kenkmann, Germany, notified us pursuant to Section 21 (1) Sentence 1 of the German Securities Trading Act that it had dropped below the threshold of 5 percent of the voting rights in Bertrandt Aktiengesellschaft, Ehningen on 13 September 2004. It has been entitled to 0.002% of the voting rights since 13 September 2002.

[48] Shares owned by Bertrandt AG

In %	Share in equity
Germany	
Bertrandt Ingenieurbüro GmbH, Neckarsulm	100.00
Bertrandt Ingenieurbüro GmbH, Gaimersheim	100.00
Bertrandt Ingenieurbüro GmbH, Cologne	100.00
Bertrandt Ingenieurbüro GmbH, Munich	100.00
Bertrandt Ingenieurbüro GmbH, Ginsheim-Gustavsburg	100.00
Bertrandt Ingenieurbüro GmbH, Hamburg	100.00
Bertrandt Ingenieurbüro GmbH, Tappenbeck	100.00
Bertrandt Technikum GmbH, Ehningen	100.00
Bertrandt Projektgesellschaft mbH, Ehningen	100.00
ZR-Zapadtka + Ritter GmbH & Co. KG, Bretzfeld	95.40
ZR-Zapadtka + Ritter Geschäftsführungs GmbH, Bretzfeld	95.40
Bertrandt Automotive GmbH & Co. KG, Eschborn	15.00
Bertrandt Entwicklungen AG & Co. OHG, Sindelfingen	30.00
aucip. automotive cluster investment platform GmbH & Co. KG, Eschborn	24.80
aucip. automotive cluster investment platform Beteiligungs GmbH, Eschborn	24.80
Rest of the world	
Bertrandt France S.A., Bièvres, France	100.00
Bertrandt S.A., Bièvres, France	99.97
Bertrandt S.A., Sochaux, France	99.87
Bertrandt UK Limited, Dunton, UK	100.00
Bertrandt Spain S.A., Barcelona/Esparreguera, Spain	100.00
Bertrandt Sweden AB, Trollhättan, Sweden	100.00
Bertrandt US Inc., Detroit, Michigan, United States	100.00

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

The supply/delivery and business relationships between Bertrandt AG and these companies were based on arm's-length prices. The net sales volume of these companies in the period under review was EUR 7.235 million (previous year EUR 23.610 million) in the case of Bertrandt Automotive GmbH & Co. KG and EUR 5.337 million (previous year EUR 9.654 million) in the case of Bertrandt Entwicklungen AG & Co. OHG. Both companies were included in the consolidated financial statements at equity.

Ehningen, 18 November 2005

The Management Board

(in EUR million or as otherwise stated)

Auditor's report

We have audited the consolidated financial statements compiled by Bertrandt Aktiengesellschaft, Ehningen comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes for the financial year commencing 1 October 2004 and ending 30 September 2005. The Management Board of the company is responsible for compilation and content of the consolidated financial statements in accordance with the International Financial Reporting Standards of the IASB (IFRS). Our task is to assess on the basis of our audit whether the financial statements comply with IFRS.
We audited the consolidated financial statements in accordance with German auditing rules and pursuant to the German principles for the proper auditing of financial statements laid down by the Institut der Wirtschaftsprüfer (IDW = Institute of Auditors). These standards require that we plan and carry out the audit in a manner that enables us to assess with adequate certainty that the consolidated financial statements are free of any material misstatement. When the parameters of the audit are determined, account is taken of knowledge of the Group's business operations and the underlying economic and legal conditions as well as expectations of possible errors. The audit involves examining on a random-sample basis evidence to corroborate the amounts and disclosures contained in the consolidated financial statements. The audit includes an appraisal of the accounting principles applied and of material assessments made by the Management Board as well as an evaluation of the overall presentation of the consolidated financial statements. We are of the opinion that our audit provides an adequately reliable basis for our assessment.
We are convinced that the consolidated financial statements present a true and fair picture of the assets, financial and earnings situation as well as the payment flows of the Group in the financial year under report in accordance with IFRS. Our audit, which also included the Group management report prepared by the Management Board for the fiscal year commencing 1 October 2004 and ending 30 September 2005, did not give rise to any objections. All in all, we are convinced that the Group management report in conjunction with the other disclosures contained in the consolidated financial statements provide an accurate reflection of Group's situation and of the risks to its future development.
In addition, we confirm that the consolidated financial statements and the Group management report for the fiscal year commencing 1 October 2004 and ending 30 September 2005 comply with the conditions for exemption from the duty to compile consolidated financial statements pursuant to German law.

Stuttgart, 18 November 2005

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Bäder)	(ppa. Rundag)
Certified Public	Certified Public
Accountant	Accountant

Corporate governance and Supervisory Board

Corporate governance at Bertrandt

Declaration of conformity with the Corporate Governance Code pursuant to Section 161 of the German Public Companies Act

The Management Board and the Supervisory Board of Bertrandt Aktiengesellschaft hereby declare pursuant to Section 161 of the German Public Companies Act that the company conforms to the recommendations issued by the government commission on the German Corporate Governance Code in the version dated 21 May 2003 – and published in the electronic Bundesanzeiger on 4 July 2003 – for the period ending with the issue of the revised version of the German Corporate Governance Code dated 20 July 2005. It did not comply with the recommendations contained in Sections 3.8, 3.10 Paragraph 2, 4.2.4, 5.5.2, 5.5.3 Sentence 1 and 6.6 Paragraph 2 Sentence 1 of the German Corporate Governance Code.
Since 20 July 2005, the company has as a matter of principle conformed to the recommendations issued by the government commission on the German Corporate Governance Code in the version dated 2 June 2005 and published in the electronic Bundesanzeiger on 20 July 2005. It has not and does not comply with the recommendations contained in Sections 3.8, 4.2.3 Paragraph 2, 4.2.4, 5.4.7 Paragraph 3 Sentence 1 and 5.5.2, 5.5.3 Sentence 1 of the German Corporate Governance Code.
As of the date on which the annual report for fiscal 2004/2005 went to press, the Bertrandt Group also conforms to Section 6.6 Paragraph 2 and 3.

Ehningen, 21 September 2005

The Management Board

Dietmar Bichler
Chairman of the Management Board

The Supervisory Board

Dr. Klaus P. Bleyer
Chairman of the Supervisory Board

Report pursuant to Section 3.10 of the German Corporate Governance Code

Pursuant to Section 161 of the German Public Companies Act, the Management Board and the Supervisory Board declare once a year whether the recommendations set out in the German Corporate Governance Code (hereinafter referred to as"GCGC") were and are still complied with and which recommendations were or are not applied. Bertrandt provided this declaration for the current year in September 2005.
It is reproduced in our Annual Report for fiscal 2004/2005 and on our website at www.bertrandt.com.
The basic structure of Bertrandt AG's corporate governance is determined by the mandatory assignment of duties as specified by the German Public Companies Act:

Management Board
The Management Board manages Bertrandt Aktiengesellschaft autonomously and is its statutory representative. Notwithstanding the overall responsibility of the Management Board as a whole, specific tasks are assigned to its members in accordance with a business allocation plan. The members of the Management Board are solely committed to furthering the Group's interests. Any significant outside business transactions require the approval of the Supervisory Board.

Supervisory Board
The Supervisory Board of Bertrandt Aktiengesellschaft monitors the Management Board and is responsible in this capacity for appointing the members of the Management Board. It has established a Personnel and an Audit Committee for ensuring effective and efficient performance of its duties. In-depth, ongoing communication takes place between the Management Board and the Supervisory Board, with the Management Board briefing the Supervisory Board on the Group's business performance, its situation (including risk exposure and risk management) as well as corporate planning and orientation regularly, comprehensively and without delay.

Annual General Meeting
The shareholders exercise their rights at the Annual General Meeting, where they exercise 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 on such matters as the exoneration of the members of the Management Board and the Supervisory Board, selection of the company auditors or election of members to the Supervisory Board.

Shares or related financial instruments held by members of the Management Board and the Supervisory Board
Changes in the holdings of Bertrandt shares, options and convertible bonds (CB) owned by members of the Management Board during fiscal 2004/2005 are shown in the following table:

	Number on 30.09.05			Number on 30.09.04		
Number	Shares	Options	CB	Shares	Options	CB
Dietmar Bichler	801,094	0	0	786,094	0	0
Ulrich Subklew	74,249	0	12,000	0	0	12,000
Peter Dorling	*	*	*	2,710	0	12,000
Ralph Jacoby	*	*	*	6,300	0	28,000
Jürgen Michels	*	*	*	0	0	12,000
Total	**875,343**	**0**	**12,000**	**795,104**	**0**	**64,000**

*withdrawal from Management Board on 30 June 2005.
Shares and CB holdings are thus no longer included.

The shares, options and convertible bonds (CB) issued by Bertrandt and held by members of the Supervisory Board break down as follows:

	Number on 30.09.05			Number on 30.09.04		
Number	Shares	Options	CB	Shares	Options	CB
Dr. Klaus Bleyer	0	0	0	0	0	0
Maximilian Wölfle	0	0	0	0	0	0
Heinz Kenkmann	238	0	0	238	0	0
Prof. Dr.-Ing. Wilfried Sihn	0	0	0	0	0	0
Martin Pfuhler	480	0	0	480	0	0
Daniela Brei	142	0	0	117	0	0
Total	**860**	**0**	**0**	**835**	**0**	**0**

Purchases or sales of shares in the company or of financial instruments relating to shares by persons quoted in Section 6.6 of the GCGC.
The following purchase or sale transactions subject to mandatory disclosure under Section 6.6 of the GCGC took place in fiscal 2004/2005:

Date	Name	Transaction	Price	Amount
21.12.2004	Peter Dorling	Purchase of 74,222 shares (withdrawal of non-cash capital contribution)		
21.12.2004	Jürgen Michels	Purchase of 74,038 shares (withdrawal of non-cash capital contribution)		
21.12.2004	Ralph Jacoby	Purchase of 65,800 shares (withdrawal of non-cash capital contribution)		
21.12.2004	Ulrich Subklew	Purchase of 74,249 shares (withdrawal of non-cash capital contribution)		
04.01.2005	Peter Dorling	Sale of 1,835 shares	12 EUR	22,020 EUR
06.01.2005	Peter Dorling	Sale of 875 shares	12 EUR	10,500 EUR
22.04.2005	Peter Dorling	Sale of 74,222 shares	9,73 EUR	722,180.06 EUR
25.04.2005	Jürgen Michels	Sale of 77,038 shares	9,73 EUR	749,579.74 EUR
28.04.2005	Vermögensverwaltungsgesellschaft Fam. Bichler bR	Purchase of 15,000 shares	10 EUR	150,000 EUR

Disclosure on company share option programmes and similar security-based incentive schemes
Bertrandt AG does not have any share option programmes or similar security-based incentive schemes.

Explanation of individual deviations from the GCGC recommendations
The Management Board and the Supervisory Board of Bertrandt Aktiengesellschaft have deliberated at length on the GCGC recommendations. In the interests of the company, however, it was deemed necessary to deviate from individual recommendations:

Section 3.8 of the GCGC
Bertrandt Aktiengesellschaft has taken out directors and officers (D&O) insurance. Contrary to the provisions contained in Section 3.8 of the GCGC, however, this cover does not provide for any suitable excess because Bertrandt Aktiengesellschaft had already taken out this cover prior to the promulgation of the GCGC to protect its interests in a hypothetical risk event.

Section 4.2.3 and Section 4.2.4 of the GCGC
As a matter of principle, the overall compensation paid to the members of the Management Board complies with the recommendations contained in Section 4.2.3 of the GCGC and comprises fixed and variable components. The principles underlying compensation are described in greater detail on pages 94 and 105 of the annual report. However, the remuneration did not and does not contain any components with a long-term incentive effect containing risk elements as defined in Section 4.2.3 Paragraph 2 of the GCGC. However, there is no need for any share-based compensation as all members of the Management Board continue to hold shares and/or convertible bonds eligible for conversion into shares. This is disclosed on page 94 of the annual report. Notwithstanding the recommendation in Section 4.2.4, which calls for the disclosure of the compensation paid to the members of Management Board, this information is disclosed only to the extent required by statutory accounting rules for competition-related reasons. This is intended to reduce the risk of key employees being lured away from the company. The German Law on Disclosure of Executive Remunerations (VorstOG) of 3 August 2005 made it mandatory to disclose the remuneration of management board members individually, and must be applied for the first time to Bertrandt AG's consolidated financial statements for fiscal 2006/2007. The Annual General Meeting of Bertrandt AG will decide on 15 February 2006 whether to take the option of not making this disclosure on an individual basis in the future.

Section 5.4.7 Paragraph 3 Sentence 1 of the GCGC
The remuneration of the members of the Supervisory Board is not individually disclosed in the Corporate Governance report in order the avoid overlapping.
Bertrandt AG discloses – as in previous years – the remuneration of Supervisory Board members individually in the Notes (page 96 of the annual report).

Section 5.5.2 and Section 5.5.3 of the GCGC
In its byelaws, the Supervisory Board has specified how it treats any conflict of interest autonomously and at variance to the recommendations contained in Sections 5.5.2 and 5.5.3 Sentence 1 of the GCGC. The byelaws require each member of the Supervisory Board to disclose any conflict of interest to the Chairman of the Supervisory Board, who, himself, is required to disclose any such conflict to the Deputy Chairman of the Supervisory Board. These rules go beyond the scope provided for in Section 5.5.3 Sentence 1 of the GCGC and do not make any distinction on the basis of whether conflicts of interest are material or only temporary. Rather, all conflicts of interest must be disclosed. The public discussion of such disclosures may be waived to permit the members of the Supervisory Board to discuss with the Chairman even only apparent conflicts of interest on a confidential basis.

Section 6.6 of the GCGC
The purchase or sale of shares by members of the Management Board and Supervisory Board is disclosed pursuant to the provisions of Section 15a of the German Securities Trading Act. Prior to Section 15 a of the Securities Trading Act being revised as a result of the Investor Protection Improvement Act of 28 October 2004, Bertrandt observed the existing legislative decision to balance capital market interests with the justified data privacy interests of those concerned, and has not followed the recommendation in Section 6.6 Paragraph 2 Sentence 1 of the GCGC in its version dated 21 May 2003 to make permanent disclosure in its consolidated financial statements. The Bertrandt Group has been conforming to Section 6.6. Paragraph 2 and 3 of the GCGC in the version dated 2 June 2005 since its annual report for fiscal 2004/2005 has gone to press.

Ehningen, 6 December 2005

The Management Board The Supervisory Board

Basic elements of the Management Board remuneration system at Bertrandt Aktiengesellschaft

The total remuneration paid to the members of the Management Board in fiscal 2004/2005 came to EUR 2.378 million (previous year EUR 1.431 million).

The remuneration paid to all members of the Management Board comprises fixed and variable components pursuant to the individual employment contracts signed. The variable components are linked to the business success of the company.

At the moment, no share options have been issued to the members of the Management Board. Nor are any planned. As the shareholdings of all members of the Management Board are disclosed in the Annual Report, there is no need for any share-oriented remuneration.

For competitive reasons, the remuneration paid to members of the Management Board is disclosed only to the extent required by prevailing accounting law. This departure from the recommendations in Section 4.2.4 of the German Corporate Governance Code is disclosed in the declaration of conformity for 2005 pursuant to Section 161 of the German Public Companies Act and is explained in the corporate governance report in accordance with Section 3.10 of the German Corporate Governance Code.

Members of the Supervisory Board

Maximilian Wölfle
Deputy Chairman of the Supervisory Board

Daniela Brei
Member of the Supervisory Board,
Staff representative

Martin Pfuhler
Member of the Supervisory Board,
Staff representative

Dr. Klaus Bleyer
Chairman of the Supervisory Board

Prof. Dr.-Ing. Wilfried Sihn
Member of the Supervisory Board

Heinz Kenkmann
Member of the Supervisory Board

Supervisory Board Report

Ongoing dialogue

The Supervisory Board of Bertrandt AG monitored the Management Board and consulted with it regularly. Moreover, the Supervisory Board ensured that the applicable statutory provisions, the company's articles of association as well as the byelaws of the Supervisory Board and the Management Board were complied with. The Supervisory Board likewise sought updates on adherence to the declaration of conformity with respect to the recommendations of the German Corporate Governance Code and again examined the efficiency of its own activities.

The Supervisory Board was briefed regularly by the Management Board on the company's strategic direction, strategy and business performance as well as its profitability.

The Supervisory Board held five meetings in the year under review: on 8 December 2004, on 16 February 2005, on 9 May 2005, on 21 September 2005 as well as an extraordinary meeting on 14 June 2005. The Audit Committee met on 8 December 2004. The Personnel Committee also met on 8 December 2004, and held an extraordinary meeting on 14 June 2005.

During its meeting on 8 December 2004, the Management Board advised the Supervisory Board thoroughly on revisions to the Securities Trading Act associated with the Investor Protection Improvement Act, which came into effect on 30 October 2004. Key aspects involve insider trading law, directors' dealings and maintenance of insider directories.

Focal points of the Supervisory Board's deliberations

The business performance of Bertrandt AG against the backdrop of persistently difficult market conditions constituted a regular focal point of the Supervisory Board meetings. The associated restructuring programme comprised downsizing of the Management Board, which has had two members since 1 July 2005 rather than five. The contracts for Dietmar Bichler and Ulrich Subklew were both extended by five years. The reduction in the membership of the Management Board is aimed at streamlining and pooling the Group's management structures with a resolute focus on the market and customers.

The company's presence in foreign markets was also restructured. The third element of the restructuring programme was to lease out the business operation of ZR-Zapadtka + Ritter GmbH & Ko. KG.

As well as monitoring the business performance of Bertrandt Group and its branches, the Supervisory Board also examined Bertrandt Group's strategic focus. The attention here was on the performance of the core business divisions and the "Electronics", "Supporting Services", "Powertrain", "Testing" and "Engineering for the Aviation Industry" competence centres.

Audit of the financial statements

Bertrandt AG's accounts, annual financial statements, consolidated financial statements and combined management report as of 30 September 2005 were examined by the auditors, PwC Deutsche Revision AG Wirtschaftsprüfungsgesellschaft of Stuttgart, and were issued with an unqualified auditor's report. At its meeting of 6 December 2005, the Supervisory Board examined and accepted the annual financial statements and consolidated financial statements for fiscal 2004/2005 compiled by the Management Board and prepared by the Audit Committee. It approved the annual financial statements and adopted the consolidated financial statements.

The Supervisory Board wishes to thank the Management Board as well as all staff for their commitment and the work that they have done.

Ehningen, 6 December 2005

Dr. Klaus Bleyer
Chairman of the Supervisory Board

Additional information

Glossary

A

Ad hoc — Company reports that may influence the share price are published in the form of ad hoc announcements pursuant to Section 15 of the Securities Trading Act (WpHG). Ad hoc bulletins are intended to ensure equal availability of information to all market participants.

Ad hoc bulletins — The Securities Trading Act obliges companies to issue ad hoc bulletins without delay on important news concerning the company that might have a considerable effect on its share. This is intended to rule out the possibility that share-relevant news is known only to insiders, who might exploit their advantage in terms of knowledge.

Arm's length principle — Internal sales are invoiced at normal market prices and as a 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 timeframe.

B

Borrowings — Capital raised externally by taking on loans.

C

Capital and reserves — Funds made available to a company by its legal owners. Corresponds to the balance of the company's assets after deducting all debts.

Capital gains tax — Tax on investment income.

Capital increase — Issue of new shares.

Cash and cash equivalents — Cash at hand plus bank balances, cheques and securities carried as current assets.

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/amortisation and transfer to long-term provisions).

Cash flow from operating activities — See cash flow, plus changes in working capital.

Cash flow hedge — Hedges of future cash flows against the risk of changes in value that are highly likely to occur.

Convertible bonds — Bonds that are issued by a public company entitling the creditor to subscribe to shares by converting the bonds.

Corporate Governance Code — The Corporate Governance Code imposes major legal requirements on the managing and monitoring of listed German companies and contains both internationally and nationally recognised standards of good and responsible corporate governance. The rules that apply in Germany to corporate governance and monitoring are transparent to both national and international investors.

Cost of materials — Sum of all the expenses to purchase raw materials and supplies needed for the company's own processing, plus acquired services.

Current assets — Assets that are not intended to serve business operations on a long-term basis.

D

Deferred income/prepaid expenses Allocation of expenses and income to the respective financial year in which they arise.

Deferred taxes Income taxes that in future periods result from temporary differences between the IFRS balance sheet and the tax base.

Derivative financial instruments 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.).

Designated Sponsor Banks or financial service providers that look after smaller or medium-sized listed enterprises.

Distributable profit The surplus of net profit or net loss plus profit or loss carryforwards, less retained profit and minority interests.

Dividend The earnings for a period that are due to and paid out to 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.

EBT Earnings before taxes.

Equity method A method of accounting applied to associated businesses over which significant influence is exercised. Subsequent measurement of the carrying amounts of investments in the consolidated financial statements of the parent company by the pro-rata result for the period of the company in which the equity is held.

Equity ratio Ratio of shareholders' equity to total capital.

F

Free cash flow Cash flow from current business operations less cash flow to capital spending. The amount available to a company to discharge debt and to pay dividends.

Free float Shares 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.

Gross Domestic Product Income from the output of all production factors employed in a domestic market less depreciation/amortisation.

Gross National Product Sum of economic output that the inhabitants of a country generate in a given period.

I

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

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.

ISIN International Security Identification Number. This ten-digit number is prefixed with a country code (DE = Germany, CH = Switzerland) and serves to make securities internationally identifiable.

Issue price The price that investors must pay for new shares.

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

M

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

MPV Multi purpose vehicle.

N

Net borrowing costs Difference between interest income and interest expenses.

Non-current assets Assets that, because of their properties and/or operating purpose, are intended to serve business operations on an ongoing basis.

O

Operating profit cf. EBIT.

Ordinary share Unrestricted shareholder right to participate in, vote at and receive information during the annual general meeting, as well as dividend entitlement, right to subscribe to capital increases and share in liquidation proceeds.

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.

Projected-unit-credit method When the present value of future insurance benefits is in line with the actuarial present value of the future income (premiums) plus the funds already accumulated.

R

Research Analysis of a security with respect to its prospects or of a company with respect to its earnings power etc. The term research is used to describe systematic study of value and price-determining factors relating to a security.

S

SUV Sports utility vehicle.

T

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

Taxe Professionelle French trade tax.

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

W

WKN German abbreviation for security code number.

Working capital Current assets less short-term borrowings.

Multiyear overview

Income statement

	FY 00/01	FY 01/02	FY 02/03	FY 03/04	FY 04/05
Sales	**217.753**	**233.002**	**218.937**	**214.454**	**220.088**
Changes in inventories of completed work and work in progress	1.629	-3.149	6.779	6.346	-2.923
Work performed and capitalised	44	122	1.202	485	260
Total revenues	**219.426**	**229.975**	**226.918**	**221.285**	**217.425**
Other operating income	3.472	4.025	3.979	4.740	4.665
Raw materials, consumables and services used	-25.134	-36.280	-30.238	-24.602	-21.386
Staff costs	-132.517	-137.267	-144.389	-145.598	-149.849
Depreciation/amortisation	-18.297	-14.726	-12.196	-10.518	-9.336
Other operating expenses	-38.615	-37.112	-38.011	-39.397	-39.700
Operating profit	**8.335**	**8.615**	**6.063**	**5.910**	**1.819**
Net borrowing costs	-3.408	-2.819	-2.245	-1.710	-1.437
Profit from ordinary activities	4.927	5.796	3.818	4.200	382
Other taxes	-752	-607	-540	-507	-405
Profit before income tax	4.175	5.189	3.278	3.693	-23
Income taxes	-3.239	-3.109	-2.023	-1.671	95
Net profit	**936**	**2.080**	**1.255**	**2.022**	**72**
Minority interests	372	560	653	249	0
Net profit after minority interests	1.308	2.640	1.908	2.271	72
Number of shares in thousands (basic, average weighting)	9,989	10,050	10,056	10,065	10,073
Number of shares in thousands (diluted, average weighting)	10,119	10,103	10,109	10,121	10,109
Earnings per share (basic, in EUR)	0.13	0.26	0.19	0.23	0.01
Earnings per share (diluted, in EUR)	0.13	0.26	0.19	0.22	0.01

Balance sheet

	30.09.2001	30.09.2002	30.09.2003	30.09.2004	30.09.2005
Assets					
Non-current assets	**59.341**	**53.620**	**49.070**	**48.639**	**46.557**
Intangible assets	14.208	13.100	12.248	13.312	14.656
Property, plant and equipment	44.183	39.556	35.831	34.404	31.041
Financial assets	950	964	991	923	860
Current assets	**86.187**	**90.896**	**82.686**	**76.759**	**72.718**
Inventories	12.801	9.146	16.121	16.377	11.546
Receivables and other assets	64.780	71.665	56.196	50.168	53.920
Cash and cash equivalents	4.703	6.552	7.208	6.484	4.105
Deferred taxes	3.903	3.533	3.161	3.730	3.147
Prepayments	2.535	1.939	2.379	2.577	2.371
Total assets	**148.063**	**146.455**	**134.135**	**127.975**	**121.646**
Equity and liabilities					
Capital and reserves	**49.173**	**50.859**	**50.335**	**51.420**	**49.817**
Issued capital	9.989	10.056	10.064	10.069	10.081
Share premium	25.754	26.131	26.180	26.207	26.275
Retained earnings	10.696	10.976	9.673	11.264	13.461
Consolidated distributable profit	2.734	3.696	4.418	3.880	0
Minority interests	1.123	563	150	129	3
Provisions	17.933	17.127	17.548	17.703	19.445
Provisions for post-employment benefits	926	1.013	1.112	1.237	1.365
Tax provisions	2.112	2.729	3.036	1.565	1.413
Other provisions	14.895	13.385	13.400	14.901	16.667
Liabilities	**78.050**	**75.835**	**64.585**	**57.203**	**51.053**
Borrowings	56.378	53.298	42.644	36.228	29.585
Trade payables	7.227	7.626	5.346	5.313	4.368
Other liabilities	8.984	10.266	10.933	9.378	11.242
Deferred taxes	5.461	4.645	5.662	6.284	5.858
Deferred income	1.784	2.071	1.517	1.520	1.328
Total equity and liabilities	**148.063**	**146.455**	**134.135**	**127.975**	**121.646**

Where to find us

19 sites in Europe and USA

Germany:

Altenburg

Mühlpforte 2
D-04600 Altenburg

Telephone +49 3447 8900-00
Telefax +49 3447 8900-10
altenburg@de.bertrandt.com

Bremen

Flughafenallee 26
D-28199 Bremen

Telephone +49 421 460149-6
Telefax +49 421 460149-5
bremen@de.bertrandt.com

Bretzfeld

ZR Automotive
Karosserie- und Prototypenbau
Moosbachstrasse 8
D-74626 Bretzfeld-Schwabbach

Telephone +49 7946 9105-0
Telefax +49 7946 9105-120
bretzfeld@de.bertrandt.com

Ehningen

Bertrandt AG – Headquarters
Birkensee 1
D-71139 Ehningen

Telephone +49 7034 656-0
Telefax +49 7034 656-4100
info@bertrandt.com

Ehningen

Bertrandt Projektgesellschaft
Birkensee 1
D-71139 Ehningen

Telephone +49 7034 656-0
Telefax +49 7034 656-8700
bpg@de.bertrandt.com

Ehningen

Technikum
Birkensee 1
D-71139 Ehningen

Telephone +49 7034 656-5000
Telefax +49 7034 656-5100
ehningen@de.bertrandt.com

Garching

Dieselstrasse 16
D-85748 Garching-Hochbrück

Telephone +49 89 32706-0
Telefax +49 89 32706-101
garching@de.bertrandt.com

Hamburg

Harburger Schlossstrasse 22a
D-21079 Hamburg

Telephone +49 40 7975129-0
Telefax +49 40 7975129-2100
hamburg@de.bertrandt.com

Ingolstadt

Lilienthalstraße 50-52
D-85080 Gaimersheim

Telephone +49 8458 3407-0
Telefax +49 8458 3407-111
ingolstadt@de.bertrandt.com

Cologne

Oskar-Schindler-Strasse 10
D-50769 Köln-Feldkassel

Telephone +49 221 7022-0
Telefax +49 221 7022-100
koeln@de.bertrandt.com

Munich

Anton-Ditt-Bogen 16
D-80939 München

Telephone +49 89 316089-0
Telefax +49 89 316089-121
muenchen@de.bertrandt.com

Neckarsulm

Friedrich-Gauss-Strasse 5
D-74172 Neckarsulm

Telephone +49 7132 386-0
Telefax +49 7132 386-119
neckarsulm@de.bertrandt.com

Rüsselsheim

Im Weiherfeld 1
D-65462 Ginsheim-Gustavsburg

Telephone +49 6134 2566-0
Telefax +49 6134 2566-100
ruesselsheim@de.bertrandt.com

Stadthagen

Erlenweg 6
D-31715 Meerbeck

Telephone +49 5721 9274-50
Telefax +49 5721 9274-51
stadthagen@de.bertrandt.com

Wolfsburg

Krümke 1
D-38479 Tappenbeck

Telephone +49 5366 9611-0
Telefax +49 5366 9611-100
wolfsburg@de.bertrandt.com

France:

Paris

Burospace, Bâtiment 10
Route de Gisy, B.P. 35
F-91572 Bièvres

Telephone +33 1 69351505
Telefax +33 1 69351506
paris@fr.bertrandt.com

Sochaux

Technoland
364, rue Armand Japy
F-25461 Etupes Cedex

Telephone +33 3 81993500
Telefax +33 3 81993501
sochaux@fr.bertrandt.com

UK:

Dunton

Unit 34 Hornsby Square, Southfields
Industrial Park, Laindon Basildon
GB Essex SS 15 6SD

Telephone +44 1268 564 300
Telefax +44 1268 564 301
dunton@uk.bertrandt.com

Sweden:

Trollhättan

Nohabgatan 9-11
S-46153 Trollhättan

Telephone +46 520 4865-00
Telefax +46 520 4865-01
trollhattan@se.bertrandt.com

Spain:

Barcelona

Poligono Industrial Can Comelles Sud
C/Gresol,1 - Ap. Correos 183
ES 08292 Barcelona Esparreguera

Telephone +34 93 777 87-00
Telefax +34 93 777 87-13
barcelona@es.bertrandt.com

United States:

Detroit

17000 17 Mile Road Suite 200
Clinton Township
MI 48038 US

Telephone +1 586 226 5100
Telefax +1 586 226 9209
detroit@us.bertrandt.com

Financial Calendar

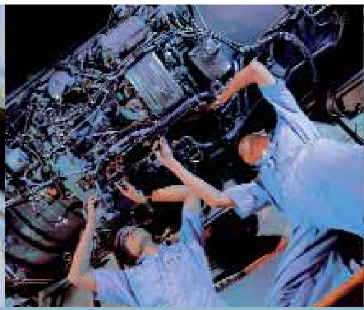



Analysts` Conference	18 January 2006 11:00 Frankfurt am Main
Report on the 1st quarter	February 2006
Annual General Meeting	15 February 2006 10:30 City Hall Sindelfingen
Report on the 2nd quarter	May 2006
Report on the 3rd quarter	August 2006
Annual press conference	15 December 2006 10:00 Stuttgart
Annual General Meeting	14 February 2007 10:30 City Hall Sindelfingen

Credits

Published and edited by	Bertrandt AG Birkensee 1, 71139 Ehningen Telephone +49 7034 656-0 Telefax +49 7034 656-4100 www.bertrandt.com info@de.bertrandt.com HRB 5259 Amtsgericht Böblingen
Contact	Marcus Loistl Investor Relations Telephone +49 7034 656-4082 Telefax +49 7034 656-4090 marcus.loistl@de.bertrandt.com Anja Schauser Corporate Communications Telephone +49 7034 656-4037 Telefax +49 7034 656-4090 anja.schauser@de.bertrandt.com
Design, layout and production	SAHARA Werbeagentur, Stuttgart www.sahara.de
Copy	Dr. Manfred Pietschmann, Hanover
Lithography and printing	Metzger Druck, Obrigheim
Photos	Thomas Ernsting, Bonn Andreas Körner, Stuttgart Bildarchiv Bertrandt Getty Images, Photofinder, Zefa






CI-305-12.05-A