

Q3

Group Interim Report Q3 2022/2023

Fiscal 2022/2023

1st October 2022 until 30th June 2023

The first three quarters at a glance

	01/10/2022 - 30/06/2023	01/10/2021 - 30/06/2022	Q3 2022/2023	Q3 2021/2022
Consolidated Statements of Operations				
Total revenues (EUR million)	858.227	739.652	285.092	252.401
EBIT (EUR million)	32.688	25.850	8.690	5.004
Margin (%)	3.8%	3.5%	3.0%	2.0%
Segments				
Digital Engineering				
Total revenues (EUR million)	402.208	356.940	133.471	116.967
EBIT (EUR million)	20.885	21.215	6.112	4.786
Physical Engineering				
Total revenues (EUR million)	174.593	158.555	59.706	55.086
EBIT (EUR million)	-8.329	-9.885	-2.390	-3.948
Electrical Systems/Electronics				
Total revenues (EUR million)	281.426	224.158	91.915	80.349
EBIT (EUR million)	20.132	14.520	4.966	4.166
Cash flow				
Cash flow from operating activities (EUR million)	5.265	38.810	-17.921	-15.047
Cash flow from investing activities (EUR million)	-19.233	-39.495	-6.197	-6.793
Free cash flow (EUR million)	-13.968	-0.685	-24.118	-21.840
Balance sheet				
Balance sheet total (EUR million)	926.677	929.196		
Equity (EUR million)	442.618	422.327		
Equity ratio (%)	47.8%	45.5%		
Cash and cash equivalents (EUR million)	106.996	159.772		
Employees				
Number of employees at the end of the reporting period	13,949	12,991		

Market development and material events

Macroeconomic environment

The first nine months of fiscal 2022/2023 were mixed in economic terms. The geopolitical environment, high inflation rates, sharply rising interest rates and a possible energy crisis in Europe were negative factors for the economy. In its Spring Report 2023, however, the Joint Economic Forecast Project Group notes that the economic setback was less severe than feared in fall 2022. According to analyses by the economists at M.M.Warburg & CO, most global leading indicators have also stabilized or recovered somewhat recently. In particular, the US economy is more robust than previously expected, with the International Monetary Fund (IMF) forecasting full-year GDP growth of 1.6% in the USA in 2023. In China, on the other hand, economic data have recently disappointed, so that in addition to interest rate cuts, fiscal policy measures are also expected in order to achieve the 5.2% growth forecast for 2023 (IMF). For the eurozone, the IMF expects GDP to increase by 0.8% in the current year. At the same time, Germany is one of the economically weakest countries in Europe. Now that the country has already slipped into recession, the economists at M.M.Warburg & CO also expect GDP to decline by -0.3% in 2023 as a whole.

Situation in the automotive industry

According to statements by the German Association of the Automotive Industry (VDA), the global passenger car market has continued its recovery from the effects of the Covid pandemic in recent months. For the most part, international markets have seen new registrations grow, in some cases at double-digit rates, through June 2023, although this can be attributed to the low prior-year base and an easing of supply chain issues. As a result, the VDA has raised its forecast for growth in the global passenger car market from the previous 74.9 million units (+4%) to 75.7 million units (+6%). At the same time, the VDA warns that the current positive figures are deceptive. The coming quarters will be challenging, it says, as overall economic demand is declining in numerous regions. This assessment is confirmed by a survey conducted by the Ifo Institute at the beginning of July 2023. Although the German automotive industry assessed the current business situation in June 2023 as better than in the previous month, the business outlook was assessed more negatively than at any time since 2008.

Regardless of this, the German automotive industry is actively shaping the transformation of the sector. This is reflected in their budgets for research and development. According to a study by the VDA, German automakers and suppliers will invest more than 50 billion euros annually in research and

development between 2023 and 2027. Previously, the VDA had assumed annual investments of 44 billion euros. According to the VDA, the focus of these investments will be on the megatrends of electromobility, autonomous driving and digitalization, meaning that these fields of innovation will remain important growth areas for development service providers such as the Bertrandt Group. In the reporting period just ended, the EU agreed on a broad ban on new registrations of combustion vehicles from 2035 onwards and also further tightened the CO₂ limits. Whereas fleet emissions were previously to be reduced by 37.5% by 2030 compared with 2021, the new target is 55%.

These and comparable regulations in other countries around the world are leading to a significant increase in the variety of models and variants of vehicles with electrified or alternative drive systems. For example, the manufacturer Mercedes-Benz confirmed in July 2023 that it will offer a massive product offensive based on the next E-platform from the end of 2024. The manufacturer Volkswagen is also planning to expand the share of battery-electric new vehicles in the volume segment to over 50% in 2030. In the premium segment, the share is to be around 75% to 80% at the same time.

Business performance, results of operations and financial position

Total revenues

Bertrandt benefited from increased demand for engineering services and successful project acquisition in the period under review (October 1, 2022 to June 30, 2023). Total output amounted to EUR 858.227 million after nine months in fiscal year 2022/2023 (prior-year period: EUR 739.652 million) and to EUR 285.092 million in the third quarter of 2022/2023 (Q3 2021/2022: EUR 252.401 million). After total operating performance had already increased by 17.2% in the prior-year period (October 2021 to June 2022), double-digit percentage growth of 16.0% was again achieved in the current reporting period. The growth rate in total operating performance was 20.3% in the first quarter of 2022/2023 (organically: 14.8%), 15.2% in the second quarter of 2022/2023 and 13.0% in the third quarter of 2022/2023. Correspondingly, the number of employees increased by 958 to 13,949 as of June 30, 2023 (June 30, 2022: 12,991). In addition, there were temporary project-related increases in external services and overall positive contributions from the management of inflationary effects. After nine months in fiscal 2022/2023, international business grew appreciably

by around 31% compared with the prior-year period, following a noticeable improvement in capacity utilization in France as well. In addition to these positive influencing factors, the challenges in the reporting period consisted of managing inflation and high sickness rates by historical standards. Since spring 2023, however, the sickness rate has shown a normalization to pre-pandemic levels. In addition, both the nine-month period of 2022/2023 and the third quarter of 2022/2023 each show approximately one fewer working day compared to the previous period.

Key expense ratios

The increase in personnel expense in the first nine months of fiscal 2022/2023 is mainly due to higher expenses for recruitment and employee retention measures, pleasing employee growth and wage/salary adjustments. In addition, the normalization of capacity utilization and the associated significant reduction in short-time working in France compared with the prior-year reporting period are having a noticeable impact. The personnel expense ratio nevertheless improved and amounted to 72.5% in the reporting period (prior-year period: 73.5%). The rising total output and a project-related increase in the use of external services led to a disproportionate rise in the cost of materials, particularly in the first and third quarters of 2022/2023. Depreciation and amortization decreased in the first nine months of 2022/2023 compared with the prior-year period as

a result of the recent reduction in investment activity. The increase in other operating expenses in the first nine months of 2022/2023 compared with the prior-year period is linked to the increased volume of business and relates, for example, to maintenance for buildings and machinery, dismantling obligations as a result of leases being terminated, sales and marketing initiatives, and effects of exchange rate differences. There was a noticeable reduction in energy costs, partly as a result of the energy price brake. Other operating income decreased in the reporting period as, among other things, there were no effects from reversals of provisions and proceeds from disposals comparable with the previous year.

Results

EBIT in the Bertrandt Group improved noticeably to EUR 32.688 million in the first nine months of fiscal 2022/2023 (prior-year period: EUR 25.850 million). The operating margin reached 3.8% in this period (prior-year period 2021/2022: 3.5%). In the third quarter of 2022/2023, both operating earnings increased from EUR 5.004 million in the previous year to EUR 8.690 million in the current reporting period and the operating margin increased from 2.0% to 3.0%. In each case, the operating result benefited from the increase in total output and from cost optimization measures initiated during the pandemic. At the same time, the earnings recovery was burdened by the working day effect, an increased

sickness rate in the first six months of the current fiscal year, and generally rising costs in the wake of persistently high inflation. The countermeasures introduced in this connection will only be able to compensate for these burdens with a time lag. With a financial result that changed only slightly after nine months and a normalized income tax rate of 27.6% in the nine-month period (prior-year period: 37.0%), earnings after income taxes reached EUR 18.672 million (prior-year period: EUR 12.035 million). This corresponds to earnings per share of EUR 1.85 in the current fiscal period (prior-year period: EUR 1.19). The number of outstanding shares increased slightly to just under 10,106.000 during the current reporting period following the execution of an employee stock option program and, conversely, the number of treasury shares decreased by this amount. The subscribed capital continues to be divided into 10,143.240 no-par value shares with a notional value of EUR 1.00 each.

Personnel

The number of employees increased to a new record level of 13,949 as of June 30, 2023. Compared with June 30, 2022 (12,991), this represents an increase of 958 colleagues. Compared to the previous quarter (Q2 2022/2023: 13,715), the increase in the number of employees in Q3 2022/2023 amounted to 234 people. Bertrandt continues to have a large number of vacancies to fill, reflecting the capacity needs of the market. The number and details of current vacancies and further information on human resources management can be found on Bertrandt's website at www.bertrandt.com under the Career section. In the period under review, the Bertrandt Group continued to press ahead with its internationalization, thus creating the basis for a further successful expansion of its workforce. In addition to the opening of a third site in Romania, a site was opened in Morocco in March 2023. In Morocco's capital Rabat, work will be carried out for the local market in the future. The focus will be on software and electronics, product development and industrialization services. Morocco will also be expanded to become an important pillar in Bertrandt's transnational development network. In addition to the local proximity to the customer, the location offers further advantages for Bertrandt. Rabat has a wide range of universities with opportunities for collaboration. In addition, many skilled workers are trained there, including in the fields of mechanics, electrical engineering

and electronics. Over the next five years, well over 500 co-workers are expected to work on projects at the Rabat facility.

Forecast change report

As part of its reporting on the first half of 2022/2023, Bertrandt has essentially confirmed the statements made in the forecast for fiscal 2022/2023 as presented in the Forecast Report of the 2021/2022 Annual Report on pages 122 - 125. In deviation from this, Bertrandt has updated the forecast to a value of between EUR 100 and 150 million (previously EUR 60 to 100 million) in the reporting on the first half of 2022/2023 (p. 15f.) with regard to the expected growth in total revenues.

Financial calendar

Annual report 2022/2023
Annual press and analysts' conference
14 December 2023

Annual General Meeting FY 2022/2023
21 February 2024

Credits

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

Consolidated income statement and statement of comprehensive income

EUR million¹

01/10 to 30/06

	Q3 2022/2023	Q3 2021/2022	Q1-3 2022/2023	Q1-3 2021/2022
I. Income statement				
Revenues	284.978	252.221	857.825	739.147
Other internally generated assets	0.114	0.180	0.402	0.505
Total revenues	285.092	252.401	858.227	739.652
Other operating income	0.449	5.862	3.362	12.674
Raw materials and consumables used	-35.313	-28.540	-102.129	-79.288
Personnel expenses	-210.361	-188.106	-621.822	-543.320
Depreciation	-11.746	-13.684	-38.970	-42.047
Other operating expenses	-19.430	-22.929	-65.980	-61.822
EBIT	8.690	5.004	32.688	25.850
Share of profit in associates	0.159	0.149	0.434	0.413
Interest income	0.628	0.032	1.388	0.081
Financial expenses	-2.550	-1.619	-6.800	-5.262
Other financial result	-0.021	-0.013	-0.100	-0.090
Net finance income	-1.784	-1.451	-5.078	-4.859
Profit from ordinary activities	6.906	3.553	27.610	20.991
Other taxes	-0.612	-0.814	-1.823	-1.883
Earnings before tax	6.293	2.738	25.787	19.107
Income taxes	-1.584	-1.547	-7.115	-7.072
Post-tax earnings	4.709	1.191	18.672	12.035
– attributable to shareholders of Bertrandt AG	4.709	1.191	18.672	12.035
Number of shares (million) – diluted/basic, average weighting	10.106	10.099	10.106	10.099
Earnings per share (EUR) – diluted/basic	0.47	0.12	1.85	1.19
II. Statement of comprehensive income				
Post-tax earnings	4.709	1.191	18.672	12.035
Differences from currency translation and hedging reserve ²	-0.019	0.795	1.102	1.421
Tax effects on the hedging reserve ²	0.019	0.036	-0.620	0.036
Remeasurement of pension obligations and plan assets ³	0.088	2.073	-0.088	3.531
Tax effects on the remeasurement of pension obligations and plan assets ³	-0.025	-0.561	0.025	-0.983
Other comprehensive income after taxes	0.063	2.343	0.420	4.005
Total comprehensive income	4.772	3.534	19.092	16.041
of which total comprehensive income attributable to Bertrandt AG shareholders	4.772	3.534	19.092	16.041

¹Rounding differences of EUR 0.001 - 0.002 million may occur in the presentation of figures due the system used.

²Components of other comprehensive income which will be reclassified to the income statements of future periods.

³Components of other comprehensive income which will not be reclassified to the income statements of future periods.