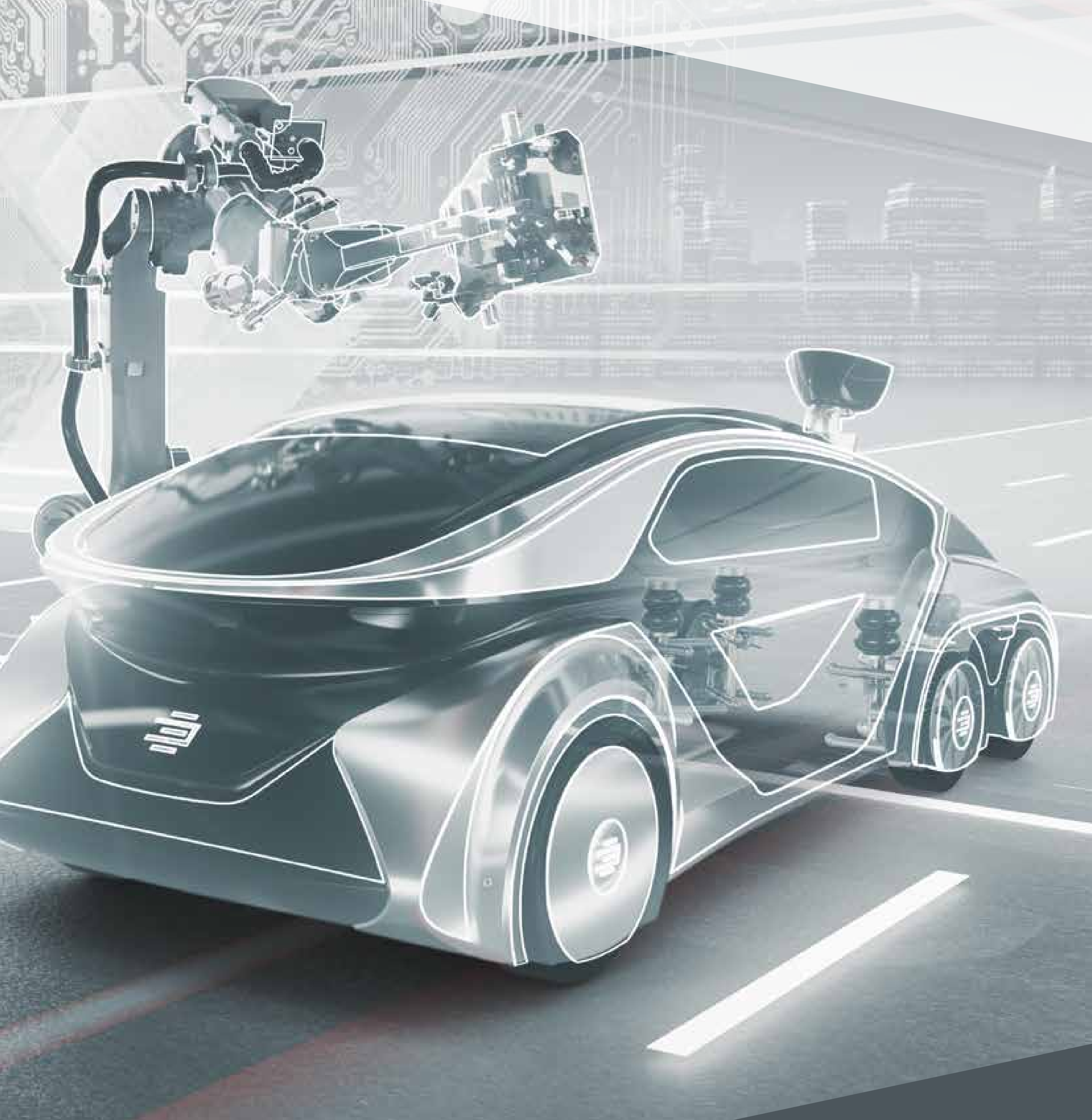
360° ENGINEERING FOR THE NEW MOBILITY ECOSYSTEM

EDAG ANNUAL REPORT 2019



EDAG

SELECTED **PERFORMANCE FIGURES** FROM CONSOLIDATED FINANCIAL STATEMENT

(in € million or %)	2019	2018 revised*
Vehicle Engineering	502.4	490.3
Production Solutions	114.5	159.2
Electrics/Electronics	172.8	155.5
Consolidation/Others	- 8.4	- 12.7
Total revenues[1]	**781.3**	**792.3**
Growth of core business:		
Vehicle Engineering	2.5%	8.4%
Production Solutions	- 28.1%	21.7%
Electrics/Electronics	11.1%	4.7%
Total revenues[1]	**- 1.4%**	**10.3%**
Vehicle Engineering	30.7	33.3
Production Solutions	- 10.8	11.3
Electrics/Electronics	13.1	8.9
Adjusted EBIT	**33.0**	**53.5**
Vehicle Engineering	6.1%	6.8%
Production Solutions	- 9.5%	7.1%
Electrics/Electronics	7.6%	5.7%
Adjusted EBIT-margin	**4.2%**	**6.8%**
Profit or loss	**7.0**	**23.7**
Earnings per share (€)	0.28	0.95

[1] The performance figure „revenues" is used in the sense of gross performance (sales revenues and changes in inventories) in the following.

* The previous year was adjusted due to the first-time adoption of the International Accounting Standard IFRS 16.

(in € million or %)	12/31/2019	12/31/2018 revised*
Fixed assets	331.6	335.7
Net working capital	83.6	91.3
Net financial debt (incl. leasing liabilities)	- 232.0	- 239.6
Provisions	- 55.3	- 43.4
Equity	**127.9**	**144.0**
Total assets	**644.6**	**633.9**
Net financial debt wo leasing liabilities	- 71.0	- 79.2
Equity / BS total	19.8%	22.7%
Net financial debt / Equity	181.4%	166.4%
Net financial debt wo leasing liabilities / Equity	55.6%	55.0%

(in million € or %)	2019	2018 revised*
Operating Cash-Flow	78.9	91.1
Investing Cash-Flow	- 23.8	- 21.5
Free Cash-Flow	55.1	69.6
Financing Cash-Flow	- 48.5	- 18.9
Adjusted Cash Conversion Rate[1]	67.7%	75.8%
CapEx	23.8	22.2
CapEx/Revenues and changes in inventories	**3.0%**	**2.8%**

[1] The key figure "adjusted cash conversion rate" is defined as the adjusted EBIT before depreciation, amortization and impairment less gross investments divided by the adjusted EBIT before depreciation, amortization and impairment. The adjusted EBIT before depreciation, amortization and impairment is calculated from the adjusted EBIT plus depreciation, amortization and impairment less expenses from the purchase price allocation.

	12/31/2019	12/31/2018
Headcount end of period	8,488	8,641
Trainees as %	**5.1%**	**6.2%**

CONTENT

von links: Georg Denoke (Verwaltungsratspräsident) und Cosimo De Carlo (CEO)

DEAR SHAREHOLDERS,

More than ever before, 2019 was shaped by the debate on climate change and the question of how mankind can – and will have to – modify its handling of the world's resources. Digitalization is now leaving its mark on virtually all areas of life, allowing the transformation of industrial processes and the creation of new, data-centric business models. Political tensions and uncertainties also had a major impact on the macroeconomic situation last year.

These conditions were felt keenly in the automobile industry, with a stricter regulatory environment turning the spotlight firmly onto CO2 compliance and the technical transition from the combustion engine to alternative drive systems. The automobile as a product is undergoing radical change; OEM business models are being questioned and re-calibrated along digital value-added chains. Meanwhile, consumers have become more reticent in their buying habits, with Generation Z, in particular, now displaying different usage behaviors when it comes to the question of mobility. Trends like these are prompting our customers to re-prioritize their investment decisions and introduce additional cost-cutting programs in order to meet the ensuing challenges.

Key financial developments

EDAG Engineering Group AG was not able to fully avoid the fallout from this general business setting during the 2019 financial year. While the Vehicle Engineering and Electrics/Electronics segments continued to grow, we were obliged to take restructuring steps in response to a significant downturn experienced by the Production Solutions segment. At around € 781 million, total revenue was approximately one percent down on the previous year. Adjusted EBIT stood at € 33 million, 2.6 percentage points below last year's level. This development was mainly due to a heterogeneous development in our three segments.
In our biggest segment, Vehicle Engineering, we succeeded in increasing output by 2.5 percent in 2019 thanks to robust growth in Germany and strong international business. At 6.1 percent, adjusted segment-EBIT was slightly below the previous year's level.

A new organization for the Electrics/Electronics segment was introduced, and all business activities were subsumed under a uniform market identity. This measure served to optimize performance and engender a much stronger sales presence. Posting revenue growth of around 11 percent, the segment performed exceedingly well in the year under review. The underlying drivers here are the trending topics of e-mobility, automated and autonomous driving, connectivity, and new forms of mobility services. As a result, the segment managed to increase adjusted EBIT to 7.6 percent, a significant rise on the figure for the previous year.

By contrast, our third segment, Production Solutions, experienced challenging times in the year under review. A cautious approach to investments by customers in the area of production facilities led to a decline in revenue of around 28 percent, and to an adjusted EBIT of -9.5 percent. In response, EDAG's management introduced a stabilization program with a raft of consistent measures on both the cost and revenue side. Thus, 2019 saw the launch of a new division "Industrial Services" aimed at developing new customer groups. In addition, significant investments were made in staff training in the areas of Smart Factory and Industry 4.0 in order to realign and future-proof the Production Solutions segment.

The above-mentioned economic backdrop coupled with downgrading of the business outlook in mid-2019 meant that the performance of our share was highly unsatisfactory overall. Indeed, the share shed around 36% percent of its value over the year, closing at € 10.10 on the final day of trading in 2019.

Key changes in personnel

The General Meeting on June 5, 2019 saw new members added to an expanded Board of Directors. With their proven expertise in digitalization and engineering of production facilities, the two new members – Clemens Prändl and Manfred Hahl – represent ideal additions to the board.

Dr. Michael Hammes, who had been a Member of the Board of Directors since the IPO in December 2015, left the company at his own request. We would like to take this opportunity to thank him for his commitment and dedication.

Following the AGM, Holger Merz took over the position of CFO from Jürgen Vogt, while retaining his current duties in Group Executive Management. Mr. Vogt left the company at the end of the year in order to enter retirement. We would like to extend our heartfelt thanks to him for many years of service as CFO.

Innovation – the core of our corporate DNA

The pursuit of technically innovative solutions is deeply rooted in our corporate culture. When it comes to working on new vehicles and production facilities, we seek a close and trusting partnership not only with our customers. Indeed, EDAG aspires to utilize its own concepts and innovations to craft holistic solutions that are capable of meeting tomorrow's challenges. At the International Motor Show in Frankfurt, our CityBot staged its world premiere. This concept vehicle represents a completely new approach to meeting inner-city needs and is the future of mobility, being autonomous, CO2-neutral, fully networked, and with 24/7 availability. The overwhelmingly positive feedback from customers, industry partners, associations, and the world of politics clearly shows that our ideas and solutions can make an important contribution when it comes to shaping carbon-neutral, sustainable economies.

Innovative, interdisciplinary and embracing all technologies – this philosophy is the core of our corporate DNA. It is also key to our successful positioning as one of the world's biggest providers of development services to the mobility industry. Our employees are an indispensable part of this success. In 2019, we invested some € 3.3 million in training projects for our engineers. Around 15,000 training days were expended on enhancing our competency profile. With the introduction of a specialist career path last year, it is now possible for staff to rise through the ranks outside of the conventional hierarchy levels. We also analyzed and reworded our Employer Value Proposition in order to stay focused and present EDAG as a modern employer capable of attracting the talent of tomorrow.

Innovation must not be a burden on future generations if it is to provide added value in the truest sense. For this reason, the notion of sustainability plays a significant role in all we do. EDAG has been contributing to progress for over 50 years by developing intelligent, eco-friendly products and production facilities. For the first time, this year's annual report features a much more comprehensive sustainability report and we hope this will significantly increase transparency with regard to the impact our actions have on the environment, the economy, and society at large.

The Corona pandemic and looking ahead

Since the start of the new business year, the SARS-CoV-2 pandemic with its current epicenter in Europe has dominated our thoughts and actions. In a first step, we devised plans to protect our employees at all locations around the globe and reorganize our work procedures, while maintaining an increasingly important dialog with our customers on all measures in the course of closely coordinated development projects and services. The original forecasts ventured by the various institutes with regard to economic growth in 2020, and our own company's plans and assumptions have been downgraded significantly. The consequences of the pandemic are as yet not fully foreseeable.

Due to these uncertainties, the Board of Directors is proposing to the General Meeting that a dividend should not be paid for the 2019 financial year.

How well our company fares in the 2020 business year will depend largely on the duration of shutdowns already implemented at production sites and, to some extent, also in development departments of our customers. We have already introduced or are in the process of preparing further countermeasures to address local issues as they arise. Given the global nature of our business, we review and report on all our activities more frequently. Managing cash flow and working capital is also the top priority for us. In Europe, orders are being delayed and, in some cases, projects are being canceled altogether. But there are also positive signs: for example, the return of automobile production in China. Regardless of production shutdowns at customer sites, we are all focused on sustaining development work at each and every EDAG location around the globe, and are ready to show the utmost flexibility when a resumption of development work is possible.

In this period of lasting, epochal change for the automobile industry and in the face of an unfolding crisis, we are maintaining our strategic focus. Our declared objective is to stand alongside our customers across the globe with a wealth of ideas and technical expertise. As well as reinforcing existing customer relations and forging new ones, we want to further strengthen our digitalization skills in all segments and functional areas.

While we are coping with the crisis, our aspiration remains to honor at all times the trust you have placed in us – through innovative solutions, sustainable corporate management, and economic success.

G. Denoke

Georg Denoke
Chairman of the Board of Directors

Cosimo De Carlo
CEO

Highlights 2019

January

EDAG starts internal qualification offensive „Automotive goes Scrum". We make in-house preparations to deal with the fact that our customers will require greater agility in the handling of projects in the future. This involves combining the expertise of over 50 years of automotive development with the agility of modern software start-ups.

With effect from January 1, Holger Merz is appointed member of the Group Executive Management of EDAG Engineering Group AG. As of June 6, he also assumes the function of CFO (Chief Financial Officer) while retaining his previous duties.

February

VW commissions EDAG to design, develop and build the assembly line for two motor homes based on the VW Crafter. The EDAG Production Solutions also developed and implemented the turnkey production line for the preparation, assembly and quality assurance of the vehicles at the Września site in Poland.

March

The EDAG Group once again received „Top Employer" award in the category „Engineers" in this year's competition. For the twelfth time in a row, the independent jury of the Top Employers Institute confirms the outstanding working conditions and recognizes employee orientation, and awards us with 1st place.

April

With the turf cutting ceremony, the EDAG Group begins construction of the new development center in Munich, creating space for 600 engineers. The future-oriented building, which is geared to EDAG and scheduled for completion in the summer of 2021, will concentrate the competencies at the Frankfurter Ring site.

Xiaopeng announced the new P7 electric sports sedan during the Shanghai Motor Show in April. With the support of EDAG Sindelfingen, the teams from EDAG China developed the entire BIW and closures.

May

For the British premium manufacturer McLaren, EDAG has, since 2017, been providing mechanical support in the development of an exclusive hyper sports car to meet rigorous customer requirements, with the focus on body-in-white, exterior and interior, including CAE at component level. Extremely innovative, top-quality materials and lightweight structures are used in this mini-series. The EDAG team is currently supervising the production start-up at the customer's plant.

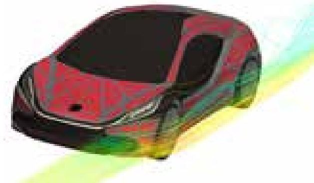
June

With effect from June 6, 2019, the Supervisory Board appointed Harald Keller to the Executive Management of EDAG Engineering GmbH. In his new function of COO (Chief Operating Officer), he will also be responsible for the global business operations of our Vehicle Engineering segment, including complete vehicle development.

In the context of further growth, EDAG China was commissioned by the new JV Renault Brilliance (RBJAC) to develop a lightweight commercial vehicle. With its first localization project, EDAG China is demonstrating its expertise and capacity in the areas of testing and validation, customer service and homologation. This is the largest project in the history of our Chinese subsidiary.

July

The F.A.S.T. tool was developed in 2019 in the course of a number of projects for accident sensor systems. With this tool, it is possible to create a crash algorithm on the basis of the signals recorded during the crash tests. This algorithm can very precisely reproduce that of the control unit supplier. Using F.A.S.T., the interrelationships and processes in the airbag control unit can then be very accurately simulated and predicted.



The EDAG Group and simulation specialist MERKLE & PARTNER (Heidenheim) are starting a cooperation in the field of CFD simulation technology, in order to be able to provide their customers with all-round, state-of-the-art integrated solutions.

August

With 53 new apprentices and dual students, the EDAG Group continues its commitment to junior staff development in Germany. In the year that the EDAG Group celebrated its 50th anniversary, the company welcomed its 46th intake of new apprentices, which shows that the engineering service provider has along tradition of training young people. The company is attractive to young talents in the fields of electrical engineering and engineering.

For the first time ever, EDAG took on the development of the complete upper body for one of Volkswagen AG's Chinese joint ventures. The development volume of the electric SUV for the Chinese market includes the body structure, the interior and all CAE load cases.

September

At the IAA 2019 in Frankfurt, the EDAG Group hosted the world premiere of its EDAG CityBot mobility concept: a multi-functional, fully autonomous robot vehicle with swarm intelligence, which, thanks to its modularity and multi-functionality, can be operated around the clock and, depending on requirements, configured as a passenger cell, cargo carrier or city cleaning device by fitting add-on modules As an example of digitalization competence, EDAG, in cooperation with IOTA, showed how future transactions in the parking sector can be provided at low cost.

EDAG also presented was a proof of concept for securing transactions using crypto-technology at the IAA.

October

EDAG was commissioned by HYDRO Systems KG to design and develop, and then manufacture the prototype of the the cabin and body of the „emover", an electrically powered aircraft pushback tractor. HYDRO Systems KG is a leading manufacturer of equipment for the construction, maintenance and movement of aircraft.

Equipped with state-of-the-art sensor technology, the „emover" is the first 100% electrically driven tractor in this performance class. It was first presented at inter airport, the international exhibition for airport equipment in Munich, on October 8, 2019.

For the staging of the vehicles through a Web-Car- Configurator for AUDI and Porsche, Feynsinn creates a part of the virtual Marketing master models until 2023.

November

The EDAG Group received the German Design Award 2020 in Gold from the top-class jury of leading experts in the category „Excellent Product Design" for its mobility concept „EDAG CityBot". The „EDAG CityBot" also symbolizes the agile development of the company from a design office into a globally active visionary for the mobility of the future.

December

Parkmotive GmbH, a Fulda-based mobility startup for the „trive.park" park app which was developed in-house, was founded by the EDAG Group. For some months now, customers have been using the trive.park app to quickly and easily book and pay for parking spaces in advance. The unique technology enables users to open the barrier with their smartphone via Bluetooth, and also offers the prospect of this service being fully integrated in the car in the future.

A TRENDSETTING MOBILITY CONCEPT **EDAG CITYBOT**

„Our city of the future is clean, safe, worth living in, friendly, quiet and smart,"
Cosimo De Carlo, CEO of EDAG Engineering Group AG

It is hard to conceive of a term that is used more frequently in the automotive industry today than „the mobility of tomorrow". An entire industrial sector is currently on the move, reinventing itself and paving the way for new business models that will provide long-term success. The digitalization of vehicles, the promotion of autonomous driving and the switch to alternative drive concepts seem to have become firmly established. In the final analysis, however, the important thing is to tackle the current challenges of noise, pollution and congestion in cities. At the same time, social and political pressure for a sustainable mobility solution is increasing. Just doing more of the same old thing is not a strategic option. The industry is therefore called upon not only to reinvent the automobile as a product, but also to take a holistic view of the mobility system of tomorrow in its entirety.

Motivated by this principle, the EDAG Group has developed a mobility system with swarm intelligence, which is made visible via the „CityBot" concept car: A networked robot-powered vehicle which, with its numerous trailer and rucksack modules, is capable of handling any transport and work situations in urban areas, and is also in motion 24/7. As a result, the EDAG CityBot is much more than just another design study: it is a game changer and a mobility system with its own ecosystem. The „EDAG CityBot" is aimed at all mobility actors in the new ecosystem: OEMs, city planners, infrastructure organizations, traffic, waste disposal and transport companies, municipal facilities and logistics specialists. The „CityBot" is an intelligent alternative to individual transport, and one that makes clever use of autonomous driving for various applications in urban mobility.

And that is what we expect of the mobility of the future. After all, if we only switch private transport to electric drive and AUTOPILOT, we have gained nothing. Because it is not just a matter of less noise and lower emissions in the cities. The factor „space" becomes the third and decisive factor. We need to create more space for living and housing! Today's transport system is not efficient. Ultimately, it is important to avoid the impending traffic gridlock. Here, a fleet of „CityBots" with their „Swiss knife qualities" can bring about the crucial breakthrough. **Permanently in motion. Efficiency instead of parking!**
What we are interested in is a needs-oriented, fully integrated transport system.

EDAG's 18th concept car was presented to the public for the first time during the IAA press conference in September 2019. During the very first days at the show, the „EDAG CityBot" was awarded the coveted prize in the category „New Mobility" in the Automotive Brand Contest „Best of the Best". This was followed in December by the German Design Award in Gold in the category „Excellent Product Design". The „EDAG CityBot" mobility concept ideally represents the competen-

From left to right: Harald Keller (COO), Cosimo De Carlo (CEO) and Holger Merz (CFO) at the world premiere of the „EDAG CityBot“ at the IAA 2019 in Frankfurt

cies of the EDAG Group in the areas of Vehicle Engineering, Electrics/Electronics and Production Solutions.

Multi-mode mobility concept

The „EDAG CityBot“ is a fully integrated mobility and transport concept, and one that makes clever use of autonomous driving for various applications in urban mobility. It offers not only new autonomous transport and working vehicles, but also possible new business models. In the future, city dwellers will enjoy stress-free, congestion-free mobility, and be able to live in a zero-emission city.

For this to be possible, a city will have to define a specific inner-city area for the operation of the „EDAG CityBots“. The mobility system can be implemented in existing cities, and complements both the existing rail transport network and existing Park & Ride zones. In addition to the classic design of the vehicle and its modules, the interaction with numerous software solutions inside and outside the vehicle played a crucial role in the development of the „EDAG CityBot“ system.

Multi-functional components of the EDAG CityBot

The various and and initially independent components of vehicle and machine technology can support the implementation of autonomously acting vehicle systems.

The all-wheel steering of the traction module allows maximum mobility and even a lateral driving movement. This has positive effects on energy consumption and wear and tear, but also enables curves for optimum obstacle avoidance when it is in use as a working machine performing mowing or road sweeping tasks.

The avatar is integrated with an sensor set for autonomous driving and working systems. Combined turning and tilt movements support the gesture functions. In the process, the detection range of the integrated camera and the speech input is extended to enable it to communicate and make eye contact.

The body components are additively manufactured. They guarantee a maximum integration of functions and just-in-time provision in production and maintenance.

In several respects, the coupling system of the EDAG CityBot is multifunctional. This ensures robust mechanical coupling with integrated data transmission, HV power supply and optional connections with additional hydrogen tanks. The connection with the traction module is also made via a coupling point in the module separation.

The range required in vehicle operation to perform purely transport tasks and transfer journeys to sites for use as working machines is not the only decisive factor. Power requirements vary greatly, depending on module configuration and intended use, and this is the predominant requirement for the energy supply selected for the „EDAG CityBot“. The fuel cell was identified as a suitable system for meeting productivity targets, as the basic tank can be refilled in 3 minutes. An optimum CO2 footprint with hydrogen generation from wind and solar power plants, a lower system weight than a purely battery-based power supply, and the rapid development of the required infrastructure were further criteria influencing the decision.

Data communication provides for the constant exchange of all data relevant to operation and the environment. This permits optimal traffic flow and resource planning, including necessary payments in cooperation with EDAG partner IOTA, who provide us with the desired platform for data exchange and payment transactions free of charge and in real time. The cooperation of the partners will enable scalability with all markets.

There are no limits to the modularity of the „EDAG CityBot“, thanks to autonomous, mechanical connectivity with the possible fields of application of the heroes and related business models. Just 100 CityBots for every 1,000 inhabitants could fully cover all inner city mobility and service requirements Conceivable business ideas of EDAG in this connection are emergency call, cleaning, group taxi, VIP lounge, supermarket, pizza, packing station, party, green care and relax pool heroes, to name but a few.

100 „CityBots“ for every 1,000 inhabitants could fully cover all inner city mobility and service requirements.

Outlook

The „EDAG CityBot“ ecosystem is at one and the same time a visionary and holistic outlook on sustainable mobility - especially in cities. Its implementation will call for the broad cooperation of all mobility actors. In the final analysis, it is people living in urban areas who will benefit: due to the reduction of today’s traffic flows and increase in their efficiency, they will be able to enjoy stress-free, congestion-free and emission-free mobility.

EDAG has been developing innovations for over 50 years. The implementation of the „EDAG CityBot“ creates the basis for a completely new interpretation of inner-city mobility and quality of life. The mobility concept has already aroused very positive reactions, both during the IAA 2019 and afterwards, and has met with great interest, especially among representatives of large cities/municipalities. The EDAG Group is currently involved in further discussions with potential customers and other partners, to take the mobility concept into the future. In 2020, EDAG will be presenting a technically advanced version of the „EDAG CityBot“ at the next IAA Commercial Vehicles in Hanover.

The „CityBot“ is not only a fascinating outlook on the mobility of tomorrow, but also documents the expertise of the EDAG Group in the future fields of autonomous driving, alternative drive systems, AI, digitalization and connectivity.

A GAME CHANGER FOR
THE CITY OF THE FUTURE

EDAG ON THE CAPITAL MARKET

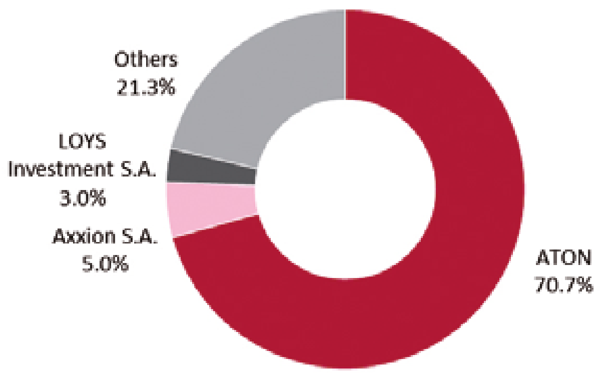
EDAG ON THE CAPITAL MARKET

1 Basic Share Information

ISIN	CH0303692047
Security code number	A143NB
Symbol	ED4
Subscribed capital	1,000,000 CHF
Number of shared issues	25,000,000
Market segment	Prime Standard
Exchanges	Xetra, Frankfurt, München, Düsseldorf, Berlin, Stuttgart

2 Shareholder Structure

The largest individual shareholder of EDAG Engineering Group AG is ATON Austria Holding GmbH, which holds 70.66 percent. Further shareholders with holdings of more than three percent are Axxion S.A. with 4.98 percent and LOYS Investment S.A. with 3.02 percent. This information is based on voting rights notifications as per §§ 33 et seq. of the WpHG (German Securities Trading Law), received by the company on or before January 15, 2020.

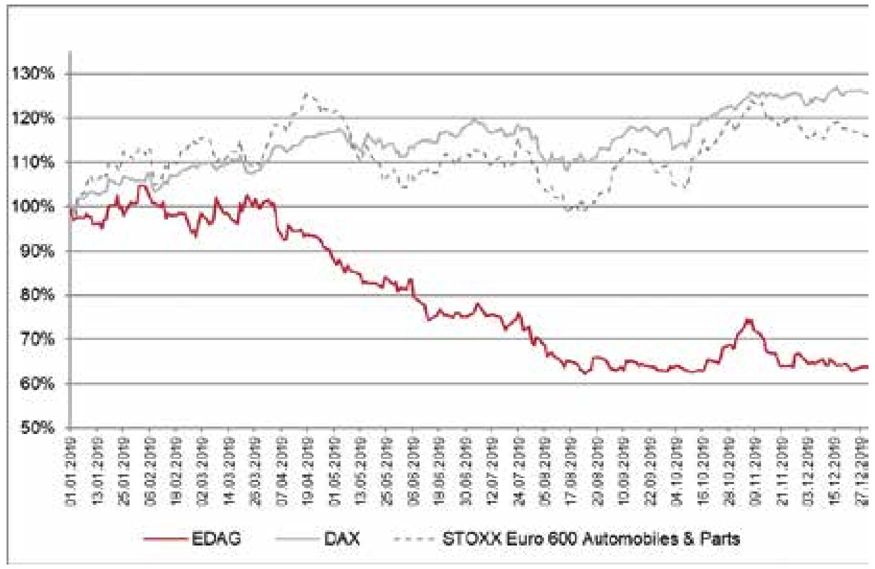


Ownership structure of EDAG Engineering Group AG. All information is based on notifications as per § 33 et seq. of the WpHG (German Securities Trading Law), received by the company on or before January 15, 2020.

3 Price Development

On January 2, 2019, the opening price of the EDAG share in XETRA trading was € 15.92. Following this, a positive trend was first observed in the development of the share. The highest closing price, € 16.62, was reached on February 1. The lower than expected results in the Production Solutions segment and the resulting adjustment of the annual forecast subsequently had a negative impact on share price development. The lowest closing price in the reporting period, € 9.87, was reached on August 23. The EDAG share price closed at € 10.10 on December 30, 2019. In 2019, the average XETRA trade volume was 12,115 shares a day.

The German Stock Index (DAX) exhibited almost 25.5 percent growth, while STOXX Euro 600 Automobiles & Parts rose by some 15.8 percent in the same period. The current EDAG share price is available on our homepage, on https://www.edag.com/en/edag-group/investor-relations.



Source: Comdirect

4 Key Share Data

	01/01/2019 – 12/31/2019
Prices and trading volume:	
Share price on 30 December (€)[1]	10.10
Share price, high (€)[1]	16.62
Share price, low (€)[1]	9.87
Average daily trading volume (number of shares)[2]	12,115
Performance per share:	
Earnings per share (€)	0.28
Dividend per share (€)[3]	-
Operating cash flow per share (€)	3.16
P/E ratio	35.95
Market capitalization on 30 December (Mio. €)	252.5

[1] Closing price on Xetra
[2] On Xetra
[3] Proposed by Management and the Board of Directors

5 Analysts' Recommendations

The following summary contains recommendations and price targets of financial analysts who regularly review EDAG.

Bank	Analyst	Recommendation	Target Price	Published	Source
Deutsche Bank	Christoph Laskawi	Hold	10 €	11 Nov 19	Research Report
COMMERZBANK	Yasmin Steilen	Hold	10 €	07 Nov 19	Research Report
Morgan Stanley	Harald Hendrikse	Hold	12 €	16 Dez 19	Research Report
M. M. WARBURG & CO	Marc-René Tonn	Buy	15 €	11 Nov 19	Research Report
HAUCK & AUFHÄUSER	Christian Glowa	Hold	11 €	31 Jul 19	Research Report
BERENBERG	Gerhard Orgonas	Hold	12 €	21 Nov 19	Research Report

The summary makes no claim to being complete, nor does it represent the opinions, estimates and forecasts of EDAG or the EDAG management. Likewise, the publishing of these recommendations and target prices does not indicate that EDAG or the EDAG management share the opinions, estimates and forecasts of the analysts. A current summary of the analysts' recommendations and target prices is available on our homepage, https://www.edag.com/en/edag-group/investor-relations.

6 Dividends

The Board of Directors will propose to the Annual General Meeting on June 24, 2020 that no dividend should be paid for the 2019 financial year.

7 Financial Calendar

Apr 2, 20	- Publication Annual Report 2019 - Analyst-Call for Annual Report 2019 - Annual press briefing
May 7, 20	Publication Interim Report Q1/2020
Jun 24, 20	General shareholder meeting
Aug 27, 20	- Publication Half Year Report 2020 - Analyst-Call H1/2020
Nov 12, 20	- Publication Interim Report Q3/2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

EDAG regards Corporate Governance as elementary importance to perform successfully in international business and to promote the company's long-term and sustainable profitability.

Corporate Governance Objectives

Neither the Swiss Code of Best Practice for Corporate Governance (Swiss Code) nor the German Corporate Governance Codex are directly applicable to EDAG Engineering Group AG (EDAG Group AG). Nonetheless, EDAG Group AG decided to essentially comply with the Swiss Code, unless actual circumstances require a deviation from it.

The principles and objectives of Corporate Governance are stated in the Swiss Code of Obligations, the Articles of Association, Organizational Group Regulations, and the EDAG Group Code of Conduct. Articles of Association, Organizational Group Regulations, and the EDAG Group Code of Conduct are regularly reviewed and revised accordingly.

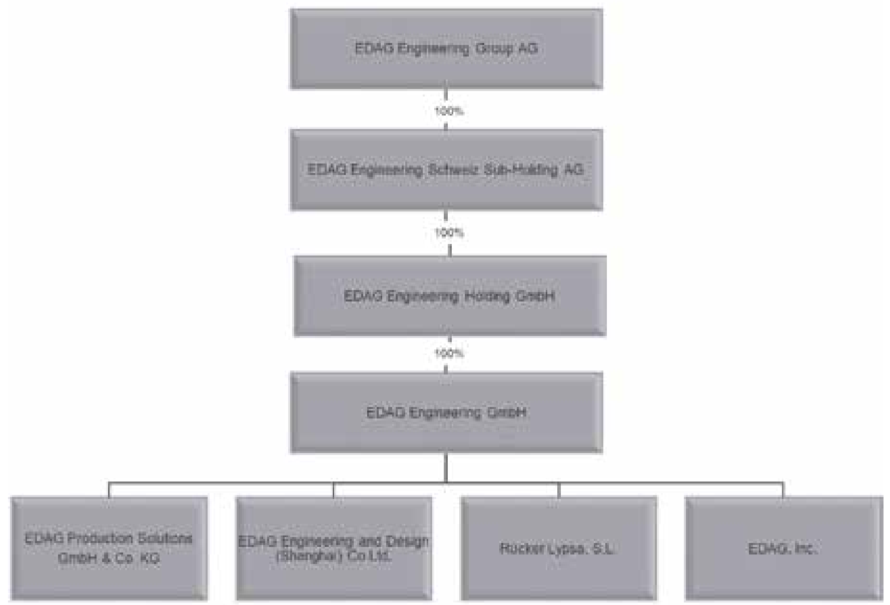
The Articles of Association can be downloaded at https://ir.edag.com/edag/pdf/satzung.pdf, and the Code of Conduct at https://www.edag.com/fileadmin/user_upload/Group/Unternehmen/Compliance/EDAG_Code_of_Conduct.pdf.

1 Group Structure and Shareholders

The Group is organized in three segments: Vehicle Engineering, Electrics/Electronics and Production Solutions.

1.1 Group Structure

EDAG Group AG is the responsible parent company of the group. The registered address is Schlossgasse 2 in 9320 Arbon, Switzerland. The company's business operations are conducted through EDAG Group companies. EDAG Group AG is a holding company organized under Swiss law, and directly or indirectly owns all EDAG Group companies worldwide. The main subsidiaries, each of which is wholly owned, and the simplified group structure can be shown as follows:



1.2 Stocklisted Companies

None of the subsidiaries is is publicly traded. The subsidiaries and affiliated companies are listed in "Shareholdings" in the notes.

1.3 Significant Shareholdings

The shareholder structure can be seen in the chapter "EDAG on the Capital Market". The shares of ATON Austria Holding GmbH ("ATON") are attributed to their shareholder, Dr. Lutz Helmig.

The notifications of major shareholdings received by EDAG Group AG in the 2019 financial year, each disclosed promptly pursuant to § 40 para. 1 WpHG (German Securities Trading Law), can be downloaded at subsidiaries, each under sole ownership.

The company does not hold shares in treasury itself.

1.4 Cross-Shareholdings

There are no cross-shareholdings.

2 Capital Structure

2.1 Capital

The share capital of the company on December 31, 2019 amounted to CHF 1,000,000, and was divided into 25,000,000 bearer shares (Inhaberaktien) with a nominal value of CHF 0.04 each. The share capital has been fully paid up. On November 2, 2015, the company was incorporated and was entered into the Commercial Register on November 3, 2015 as a stock corporation under Swiss law. The original share capital of CHF 1,000,000 CHF was procured by the selling shareholder via cash contribution. At the annual shareholders' meeting held on June 5, 2019, a resolution not to change the share capital was passed.

2.2 Authorized and Conditional Capital

The company has neither authorized nor conditional capital.

2.3 Transferability of Shares

Legal regulations apply without statutory restrictions.

The exception to the above is described under point 6. "Change of Control and Defensive Measures" of this Corporate Governance Report.

2.4 Nominee Registrations

Legal regulations apply without statutory restrictions.

2.5 Options

No options program exists.

3 Board of Directors

3.1 Members of the Board

All members of the Board of Directors may be reached at the company's offices at Schlossgasse 2, 9320 Arbon, Switzerland (Tel. +41 71 447 36 11).

Georg Denoke, German Citizen
Non-executive member
Born in: 1965
First elected: 2018

Georg Denoke is the President of the Board of Directors of EDAG Group AG, Arbon. He is the CEO and Managing Director of ATON GmbH, Munich. Between 2004 and

2017, Georg Denoke was employed by Linde AG, first serving as a member of the Divisional Management of Linde Gas and Engineering (2004 to 2006), and then for a decade as the group's CFO and Employment Director (2006 to 2016). Prior to this (2001 to 2004), he was CEO of Apollis AG, a venture capital and investment company of General Atlantic LLC and McKinsey & Company. From 1986 until 1990 and from 1993 until 2001, Georg Denoke worked for the Mannesmann Group, among other things as the Head of Group Controlling and Head of the Corporate Communications and Investor Relations division, and also, following acquisition of the company by Vodafone in 2000, as the Divisional Director of Vodafone TeleCommerce and IT, and as a member of the European Board of Vodafone Group Plc. He began his career in 1986, working for Mannesmann Kienzle GmbH, parallel to his first degree course in business administration and business information technology. He holds a degree in Business Administration (Diplom-Betriebswirt) from the Baden-Württemberg Cooperative State University (1989), and one in Information Science (Diplom-Informationswissenschaftler) from the University of Konstanz (1992).

He currently holds the following offices outside of the EDAG Group:

In accordance with Article 23 Paragraph 1.2 of the Articles of Association:
- SGL Carbon SE (listed, Wiesbaden, Germany) member of the supervisory board, vice-chairman of the supervisory board
- Redpath Mining Inc. (non-listed; North Bay, Canada), member of the board of directors

Manfred Hahl, German Citizen
Non-executive member
Born in: 1962
First elected: 2019

After graduating as a mechanical engineer, he joined the company as a planning engineer and, having served as Head of the Planning Department at EDAG from 1992 to 1996, accepted the position of Head of Sales and Project Management at FFT Flexible Fertigungstechnik GmbH & Co. KG, Mücke. He has been CEO of FFT GmbH & Co. KGaA since 2001, and a member of the Extended Executive Management of EDAG (Manufacturing Equipment segment) since 2006. In 2008 he was promoted to COO of EDAG, where he remained until the carve-out of the FFT Group from the EDAG Group (2012). Mr. Hahl continues to hold the position of CEO of the FFT Group.

Dr. Philippe Weber, Swiss Citizen
Non-executive member
Born in: 1965
First elected: 2015

He holds a degree in law and a doctoral degree in law from the University of Zürich and an LL.M. from the European University Institute (EUI) in Fiesole, Italy. He is admitted to the bar (Rechtsanwalt) in Zurich. From 1990 to 1992 he was a research assistant at the University of Zurich, before joining the foreign affairs committees of two chambers of the Swiss parliament as a legal clerk. In 1994, he joined the law firm Niederer, Kraft Frey AG, Zurich, where he became an associate in 1996. In 2002, he was made a partner at Niederer, Kraft Frey AG. In 2009, he was elected to the executive committee of Niederer, Kraft Frey AG, which he has chaired (Managing Partner) since 2015.

He currently holds the following offices outside of the EDAG Group:
In accordance with Article 23 Paragraph 1.1 of the Articles of Association:

- Medacta Group AG (listed; Castel San Pietro, Switzerland), member of the board of directors and chairman of the compensation committee
- Leonteq AG (listed; Zürich, Switzerland), vice chairman of the board of directors and member of the compensation committee (elected on 3/31/2020)

In accordance with Article 23 Paragraph 1.2 of the Articles of Association:

- Banca del Ceresio SA (non-listed, Lugano, Switzerland), member of the board of directors
- Niederer Kraft Frey AG (non-listed, Zurich, Switzerland), chairman of the board of directors
- NorthStar Holding AG (non-listed, Schindellegi, Switzerland, member of the board of directors

In accordance with Article 23 Paragraph 1.3 of the Articles of Association:

- Newron Suisse SA (non-listed, Zurich, Switzerland) member of the board of directors

Sylvia Schorr, German Citizen
Non-executive member
Born in: 1980
First elected: 2015

She holds a degree in Business Administration from the Furtwangen University (previously University of Applied Sciences), and was appointed as an auditor in 2010. From 2005 to 2010, she worked at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Eschborn, before joining PHOENIX Pharmahandel GmbH & Co. KG in Mannheim until 2011. From 2011 to 2013, Sylvia Schorr worked at Fresenius Medical Care AG & Co. KGaA in Bad Homburg before joining ATON GmbH, where, after holding managerial positions in Group Accounting and Treasury, she has been working as an investment manager since 2017.

Clemens Prändl, German Citizen
Non-executive member
First elected: 2019
Born in: 1964

Clemens Prändl has been employed as the Senior Vice President at SAP SE since 2011. He was the Senior Vice President and Global General Manager SAP Analytics until 2016, and Senior Vice President and Head of the Business Analytics Region EMEA Division between 2011 and 2014. From 1999 to 2011 he held various positions at MicroStrategy, most recently that of Senior Vice President and General Manager Region EMEA. He was Vice President Region EMEA until 2010, Managing Director Central Europe from 2001 to 2005, and Managing Director Germany from 1999 to 2001. Mr. Prändl worked as Head of the Data Warehouse Division at Oracle from 1996 to 1999, as Managing Director Central Europe at Planning Services Ltd. from 1995 to 1996, and in 1992, after graduating from the University of Konstanz with a degree in Information Science, he joined ISI Software as Head of Consulting. He also holds a degree in industrial engineering (Diplom Wirtschaftsingenieur) from the University of Applied Sciences in Esslingen.

Dr. Michael Hammes, German Citizen
Non-executive member from 2015 until June 2019
Born in: 1964

3.2 Cross- Involvements

There are no cross-involvements.

3.3 Composition, Election and Duration

The members of the Board of Directors were individually elected at the company's annual shareholders' meeting held on June 5, 2019; this also applies to the office of President of the Board of Directors and to the members of the Nomination and Compensation Committee. Only members of the board are eligible for election to these offices. Georg Denoke was elected to the offices of President and member of the Nomination and Compensation Committee at the extraordinary shareholders' meeting held on August 21, 2018, and so held these mandates throughout the whole of the 2019 financial year.

3.4 Internal Organizational Structure

The Board of Directors consists of one chairman and at least three other members, in accordance with Art. 15 of the Articles of Association. The President has the casting vote pursuant to Art. 18 of the Articles of Association. Any significant business relationships between non-executive members and the company are mentioned in "Related Parties" and "Compensation of the Members of the Board of Directors and the Group Executive Management" in chapter 5.7 "Other Notes" of the Consolidated Financial Statements, and reference is made here to these chapters of the annual report.

The Board of Directors meets at least six times a year. The members of the Executive Management or other guests may participate in the meetings of the Board of Directors at the discretion of the Chairman.

Committees
The members of the Board of Directors constitute the following committees:
- Audit Committee
- Nomination and Compensation Committee

Audit Committee (AC)
The AC consists of at least two members of the Board. The term of office of the members ends at the next ordinary annual shareholders' meeting. Re-election is possible. The AC meets as often as seems necessary, usually before a regular meeting of the Board of Directors. The AC supports the Board of Directors in its function to supervise, namely with respect to completeness of the financial statements, compliance with legal regulations, enabling the auditors and performance of the internal revision and the external auditors.

The AC assesses the expedience of the financial reporting, of the internal control system and the general supervision of business risks. It ensures the continuous communication to external auditors and internal revision concerning the financial situation and general course of business of the EDAG Group.

Nomination and Compensation Committee (NCC)
The NCC consists of two members of the Board. The term of office of the members ends at the next ordinary annual shareholders' meeting. Re-election is possible. The NCC meets as often as seems necessary, usually before a regular meeting of the Board of Directors.

The NCC reviews and proposes to the Board of Directors the compensation and benefits policies and programs, reviews the performance criteria relevant to compensation and defines the individual executive compensation and benefits of the members of the Board of Directors and the Executive Committee, subject to approval of the total compensations by the annual shareholders' meeting.

3.5 Authority and Responsibility

In accordance with the law and the Articles of Association, the Board of Directors is the ultimate decision-making authority for EDAG Group AG in all matters except those decisions reserved by law or the Articles of Association for the shareholders. The Board of Directors has sole authority particularly for the following, in accordance with and supplementary to article 716a of the Swiss Code of Obligations (non-transferable and inalienable duties of the Board of Directors) and Article 17 of the Articles of Association:
- to ultimately direct the company and issue the necessary directives
- to determine the organization
- to organize the accounting, the internal control system (ICS), the financial control and the financial planning, the approval of the annual budget and the business plans, and to perform a risk assessment
- to appoint and recall the persons entrusted with the management and representation of the company and to grant signatory power
- to ultimately supervise the persons entrusted with the management of the company, in particular with respect to compliance with the law, the Articles of Association, regulations and directives
- to prepare the business report and the annual shareholders' meeting, and to implement the latter's resolutions
- to prepare the compensation report
- to inform the judge in the event of over-indebtedness
- to pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares
- to pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby
- to examine compliance with legal requirements regarding the appointment, election and professional qualifications of the auditors
- to execute the agreements pursuant to Articles 12, 36 and 70 of the Merger Act

3.6 Working Method

The Board of Directors met on the following days in 2019:
January 23, 2019, February 27, 2019, April 24, 2019, May 6, 2019, June 5, 2019 (constituting session of the newly elected Board of Directors), June 25, 2019, July 24, 2019, August 27, 2019, October 8, 2019, November 6, 2019 and December 11, 2019. The members were either present in person or took part on the telephone.

In duly justified, exceptional cases, the Board of Directors also made circular resolutions.

The AC met in person on April 1, 2019 and December 11, 2019, and on the telephone on August 26, 2019 and November 5, 2019.

The NCC met on February 27, 2019.

3.7 Information and Control Instruments of the Board of Directors relating to Group Management

The Board of Directors ensures that it receives sufficient information from the Group Executive Management to perform its supervisory duties and make decisions that are reserved for the Board of Directors.

The Board of Directors obtains the information required to perform its duties in various ways:

- The CEO and CFO regularly inform all members of the Board of Directors about current developments
- The Group Executive Management and President of the Board of Directors hold informal meetings and teleconferences as required
- The members of the Group Executive Management are invited to attend meetings of the Board of Directors on a regular basis
- The members of the Board of Directors are entitled to request information from the members of the Group Executive Management or any other senior EDAG Group managers

Risk Management
The AC regularly informs itself about the group-wide risk management system. For details, please see chapter "Risk Management and Internal Control System" of the Group Management Report.

Internal Control System and Financial Reporting
The AC regularly informs itself about the group-wide internal control system (ICS) and financial reporting. For details, please see chapter "Internal Control System and Risk Management System in Relation to the Group Accounting Process" of the Group Management Report.

Compliance Management
The AC regularly informs itself about the group-wide compliance management system.

Internal Revision
The AC regularly informs itself about the results of group-wide internal revision assessments.

4 Group Executive Management

4.1 Members of the Group Executive Management

For any additional activities of the members of the Group Executive Management within the EDAG Group, please see chapter "Compensation Report" of the annual report.

Cosimo De Carlo, German and Italian citizen
Chief Executive Officer (CEO)
Born in: 1973

He holds Master's degrees in Business Engineering and Computer Science Engineering. Cosimo De Carlo began his career in the Research & Development department at Daimler AG in 1998, before serving as a Senior Consultant at RSI Sistemi S.p.A between 2001 and 2005. From 2005 to 2008, he was an authorized signatory und Business Unit Manager at Berata GmbH, and from 2009 to 2018 worked in various capacities for Altran, where his last assignment was that of Group Vice President Automotive at Altran Technologies SA.

Holger Merz, German citizen
Chief Operations Officer (COO) January 2019 - June 2019, and Chief Financial Officer (CFO) since June 2019
Born in: 1975

He holds a degree in Business Administration (Diplom-Betriebswirt) from the University of Fulda, after which he did a postgraduate course at the University of Koblenz, and gained an MBA at the FOM University for Economy and Management in Frankfurt am Main. Holger Merz has worked for EDAG since 2000: first as a divisional controller, then from 2001 as the Head of the Investments and Balance Sheet Accounting, following which he was Head of Group Accounting & Tax until 2014, and Divisional Manager of Group Accounting & Tax from May 2018 until the end of 2018. Since January 1, 2019, Holger Merz has been COO and Employment Director of EDAG Engineering GmbH, and a member of the Group Executive Management of EDAG Group AG.

Jürgen Vogt, German citizen
Chief Financial Officer (CFO) until June 2019
Born in: 1953

He ended his mandate at the end of the Annual General Meeting on June 5, 2019, but continued to serve the EDAG Group in an advisory capacity until the end of 2019.

4.2 Management Contracts

Management Contracts with Third Parties
The members of the Group Executive Management do not hold management contracts with third parties. Likewise, EDAG Group AG does not hold management contracts with third parties.

Contractual Arrangements with Members of the Group Executive Management
Each member of the Group Executive Management has a contract with EDAG Group AG in Switzerland and in accordance with Swiss law. As they also fulfill duties as managing directors of EDAG Engineering GmbH, they hold contracts with this Group company as well. However, care has been taken to ensure that their periods of notice do not exceed 12 months in either of these contracts, and that other mandatory requirements of Swiss law are are fulfilled by the contracts with EDAG Engineering GmbH.

Compensation, Shareholdings and Loans
Please refer to the "Compensation Report", and the chapters "Related Parties" and "Compensation of the Members of the Board of Directors and the Group Executive Management" in the notes.

5 Shareholders' Participation Rights

Each registered share entitles the shareholder to one vote at the annual shareholders' meeting. Shareholders have the right to receive dividends, and such other rights as are granted by the Swiss Code of Obligations.

Shareholders are required to provide evidence of their shareholdings in the company.

5.1 Voting Right Restrictions

At the present time, there are no restrictions on voting rights for the shareholders.

5.2 Proxy Voting

Pursuant to the Compensation Ordinance and the Articles of Association, the annual shareholders' meeting elects the independent proxy for a term ending at the conclusion of the next annual shareholders' meeting. Re-election is possible.

At the annual shareholders' meeting held on June 5, 2019, ADROIT Attorneys at-law, Kalchbühlstrasse 4, CH-8038 Zürich, Switzerland were elected as the independent proxy for the term ending at the conclusion of the next annual shareholders' meeting.

5.3 Statutory Quorums

In accordance with Art. 13 of the Articles of Association, a quorum of at least two thirds of the represented share votes and the absolute majority of the represented shares par value is mandatory for cases listed in Art. 704 Para. 1 CO and Art. 18 and 54 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act) or any change to the provisions of this Art. 13 of the Articles of Association.

5.4 Convocation of the Annual Shareholders' Meeting

The Articles of Association do not contain any rules that differ from the standard terms proposed by law.

5.5 Agenda

According to Art. 9 of the Articles of Association, shareholders individually or jointly representing at least three percent of the share capital of the company may demand that items be put on the agenda. Such demands have to be submitted to the President of the Board of Directors at least 45 days before the date of the annual shareholders' meeting and shall be in writing, specifying the item and the proposals.

6 Change of Control and Defensive Measures

There are no clauses on changes of control in agreements with members of the Board of Directors and the Group Executive Management, or with other management executives.

7 Information Policy

Pursuant to Article 31 of the Articles of Association, the publication instruments of the company are the Swiss Official Gazette of Commerce and the Electronic Federal Gazette of Germany during the period of admission of the shares on the Frankfurt Stock Exchange or any other German stock exchange. The Board of Directors may designate further means of publication. Notices by the company to the shareholders and other announcements shall be published in the Swiss Official Gazette of Commerce and the Electronic Federal Gazette for all notices and other announcements during the period of admission of the shares on the Frankfurt Stock Exchange or any other German stock exchange.

Currently, EDAG regularly informs its shareholders and the financial market about important business developments. This policy is implemented mainly via regular press releases, quarterly reportings and information published on the websites of the EDAG Group (www.edag.de and ir.edag.com respectively). In addition, there are regular discussions with financial analysts.

7.1 Financial Calendar

The financial calendar is reported in the chapter "EDAG on the Capital Market".

7.2 Annual Shareholders' Meeting

The next regular annual shareholders' meeting is scheduled for June 24, 2020.

7.3 Publications

All information pertaining to press releases or investor updates can be obtained online via https://www.edag.com/en/edag-group/investor-relations or from the following contact address:

EDAG Engineering Group AG
Schlossgasse 2
9320 Arbon
Switzerland
ir@edag-group.ag
Tel.: +41 71 54433 - 11
Fax: +41 71 54433 - 10

Voting rights announcements, ad hoc releases and directors' dealings are distributed Europe-wide via EQS /DGAP and are available at https://www.edag.com/en/edag-group/investor-relations/financial-notifications. It is possible to subscribe to new information via e-mail. To use this service, please fill out the order form at https://www.edag.com/en/edag-group/investor-relations/ir-newsletter.

8 Auditors

8.1 Duration of the Mandate and Term of Office

Deloitte AG has held the mandate since the annual shareholders' meeting on May 31, 2017. The auditors were elected for the 2019 fiscal year until the end of the annual shareholders' meeting on June 24, 2020.

The principle of rotation applies to the lead auditor, Roland Müller, who was appointed in 2017. The Audit Committee ensures that the position of lead auditor is changed regularly. The shareholders must confirm the appointment of the auditors on an annual basis at the annual shareholders' meeting.

8.2 Auditing Fees

The fee received by Deloitte AG for auditing the annual financial statements for 2019 is shown in the notes.

8.3 Additional Fees

All other fees for additional services performed by Deloitte AG are shown in the notes.

8.4 Supervisory and Control Instruments Regarding the Auditors

The AC of the Board of Directors is responsible for overseeing and evaluating the performance of the external auditors on behalf of the Board of Directors and recommends the Board of Directors whether Deloitte should be proposed for re-election at the annual shareholders' meeting.

Criteria applied for the performance assessment of Deloitte include technical and operational competence, independent and objective view, employment of sufficient resources, focus on areas of significant risk to EDAG, ability to provide effective and practical recommendations, and open and effective communication and coordination with the AC, Group Accounting, Internal Revision and the management.

One personal meeting was held with the representatives of Deloitte AG, the external auditors in the 2019 reporting year. This meeting was attended by members of the AC, partners and senior manager of Deloitte AG, the CFO and the COO. Telephone calls were also made between the representatives of the auditors Deloitte AG, the members of the AC, and the CFO.

The auditors communicate audit plans and findings to the AC, and issue reports to the Board of Directors in accordance with Article 728b of the Swiss Code of Obligations.

COMPENSATION REPORT

COMPENSATION REPORT

The compensation report explains the principles underlying the compensation policy, and provides information about the steering process and the compensation actually paid to the Board of Directors and Group Executive Management. It meets the requirements of Articles 14 to 16 of the Swiss Ordinance Against Excessive Remuneration at Publicly Listed Companies of November 20, 2013 (“VegüV”), the SIX Swiss Exchange’s Directive on Information relating to Corporate Governance, the principles of the economiesuisse Swiss Code of Best Practice, which came into effect on June 30, 2015, and is based on the Articles of Association of EDAG Engineering Group AG ("EDAG Group AG").

1 Compensation Principles of the Company

In accordance with the Compensation Ordinance (VegüV), Article 12 of the Articles of Association prescribes that each year the shareholders’ meeting must vote separately on the proposals by the Board of Directors regarding the aggregate amounts for:

- the **fixed compensation of the Board of Directors** for the period until the next ordinary annual shareholders' meeting and any possible additional reimbursement of the Board of Directors for the financial year just ended, as defined in article 25 paragraph 1 of the Articles of Association (i.e. at the 2019 ordinary annual shareholders' meeting, the shareholders decided on the compensation of the Board of Directors and on the period between the 2019 ordinary annual shareholders' meeting and the 2020 ordinary annual shareholders' meeting, and authorized this up to a maximum amount of € 1,000 thousand);
- the **fixed compensation of the Group Executive Management** for the subsequent financial year, as defined in article 26 paragraph 1 of the Articles of Association (i.e. at the 2019 ordinary annual shareholders' meeting, the shareholders decided on the fixed compensation of the Group Executive Management for the 2020 financial year, and authorized this up to a maximum amount of € 1,250 thousand), and
- the **variable compensation of the Group Executive Management**, based on the results and targets achieved in the previous year (in accordance with article 26 paragraph 2 f. of the Articles of Association), which is generally paid once it has been approved (i.e. at the 2019 ordinary annual shareholders' meeting, the shareholders decided on the variable compensation of the Group Executive Management for 2018, and authorized this to the amount of € 734 thousand).

If the annual shareholders’ meeting does not approve the amount of the proposed fixed and proposed variable compensation, the Board of Directors may either convene a new extraordinary shareholders’ meeting with new proposals for approval or submit the proposals regarding compensation for retrospective approval at the next annual shareholders’ meeting. Further, the Board of Directors can submit proposals to the annual shareholders' meeting with regard to (i) the total amounts and/or part of the compensation for other periods and/or (ii) additional amounts for certain elements of the compensation.

The aggregate compensation amounts are deemed to be inclusive of all social insurance and pension contributions by the members of the Board of Directors, the Group Executive Management and by the Company (i.e., contributions by employee and employer).

Article 24 of the Articles of Association of EDAG Group AG covers the contracts governing the compensation for members of the Board of Directors and the Group Executive Management. Subject to resignations or recalls, the mandate agreements of the members of the Board of Directors contain a time limit ending at the conclusion of the next ordinary annual shareholders' meeting. As a rule, the employment contracts of the members of the Group Executive Management are open-ended. Should a fixed term contract be deemed appropriate by the Board of Directors, a term of no more than one year may be specified. The period of notice for open-ended employment contracts must not exceed 12 months.

With regard to the employment contracts of the Group Executive Management, Article 24 stipulates that the agreement of non-competition clauses for the time following termination of an employment contract is permissible. Article 24 of the Articles of Association also provides that, to counterbalance any such non-competition clause, compensation may be paid for a maximum period of one year, the amount of which shall not exceed the last annual compensation paid to the member prior to his or her leaving the company.

Article 28 of the Articles of Association provides that the Company shall not grant loans, credits or securities to the members of the Board of Directors or the Group Executive Management. Moreover the company or other Group companies may organize pension benefits other than occupational pensions for the members of the Board of Directors. For each member of the Executive Management concerned, the value of the pension benefits other than occupational benefits must not exceed ten times the fixed annual salary paid in the case of a one-off capital payment, or the last annual salary paid in the case of a pension.

Article 28 of the Articles of Association further provides that the Company shall not make any payments to pension funds or similar institutions for the members of the Board of Directors. In exceptional cases, however, such payments may be made upon request of the Nomination and Compensation Committee, subject to the approval by the annual shareholders’ meeting, if the members in question do not have other insurable income from paid employment, or if required by mandatory applicable law.

Article 29 of the Articles of Association of EDAG Group AG provides for a possible additional amount for compensation for new members of the Group Executive

Management. Should new members of the Group Executive Management be nominated, or members be promoted within the Group Executive Management, and take up their position after the annual shareholders' meeting has approved the maximum total compensation for members of the Group Executive Management for the coming financial year, then these new or promoted members may, for the period until the next ordinary annual shareholders' meeting, be paid a total compensation of a maximum of 50 percent of the total payment most recently approved for the Group Executive Management by the annual shareholders' meeting.

A further restriction imposed by Article 29 in this respect states that an additional amount of this type may only be applied if the total compensation for the Group Executive Management decided by the annual shareholders' meeting for the period until the next ordinary annual shareholders' meeting is not sufficient for the new or promoted members. The annual shareholders' meeting does not vote on the additional amount applied.

2 Compensation of the Board of Directors

In accordance with the requirements of the Compensation Ordinance, Article 25 of the Articles of Association sets out the principles for the compensation of the members of the Board of Directors.

The members of the Board of Directors receive a fixed compensation and additional fixed compensation for memberships in committees of the Board of Directors that is determined by the full Board of Directors based on the proposal of the Nomination and Compensation Committee and subject to and within the limits of the aggregate amounts approved by the shareholders’ meeting. Compensation is paid in cash. In exceptional cases and subject to and within the limits of the approval by the annual shareholders’ meeting, the members of the Board of Directors may be awarded an additional bonus. The annual fixed compensation of the members of the Board of Directors has been set at € 300 thousand for the Chairman and € 100 thousand for each other member, plus € 50 thousand for each committee membership. For the financial year ended December 31, 2019, the fixed compensation of the members of the Board of Directors amounted to € 350 thousand for the Chairman and € 150 thousand for each other member of the Board of Directors (plus Swiss social insurance contributions, if applicable). It also includes the compensation for each committee membership during that period. As far as members of the Board of Directors have not been in office for the entire business year, the value of fixed compensation is reported attributable (pro rata temporis).

At the annual shareholders’ meeting 2019, Manfred Hahl as well as Clemens Prändl were elected to the offices of members of the Board of Directors of EDAG Group AG. Whereas Dr. Michael Hammes resigned from office as a member of the Board of Directors of EDAG Group AG. In a shareholder resolution of EDAG Engineering GmbH of July 16, 2019 the decision was taken that Manfred Hahl as well as Clemens Prändl would also be made members of the Supervisory Board of EDAG Engineering GmbH. The decision also provided that Dr. Michael Hammes should leave the Supervisory Board of EDAG Engineering GmbH. In a shareholder resolution of EDAG Engineering Holding GmbH of July 16, 2019, the same was also decided for the Supervisory Board of EDAG Engineering Holding GmbH.

The President of the Board of Directors, Georg Denoke, is also the Chairman of the Supervisory Board of EDAG Engineering GmbH and of EDAG Engineering Holding GmbH. Sylvia Schorr and Dr. Michael Hammes, both members of the Board of Directors, are also members of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering GmbH. According to the Articles of Association, the members of the Supervisory Board of EDAG Engineering GmbH receive a fixed compensation. The amount of this fixed compensation was set by shareholder resolution to € 0 until further notice. Moreover the members of the Supervisory Board of EDAG Engineering GmbH receive an attendance fee in the amount of € 1 thousand per physical participation. In a shareholder resolution the decision was made to retain the fixed compensation of € 0 and the attendance fee of € 0.5 thousand per physical participation for the members of the Supervisory Board of EDAG Engineering Holding GmbH until further notice. For the period from January 1, 2019 until December 31, 2019, the total amount of the additional compensation paid to Sylvia Schorr, Manfred Hahl, Clemens Prändl and Dr. Michael Hammes for membership in the Supervisory Board of EDAG Engineering GmbH and of EDAG Engineering Holding GmbH amounted to € 14 thousand. Georg Denoke has renounced on any compensation for his membership in the Supervisory Board of EDAG Engineering GmbH and of EDAG Engineering Holding GmbH to be due to him since the beginning of his term of office and until further notice.

Based on the above, the total fixed compensation paid to the members of the Board of Directors for their term of office until December 31, 2019 amounted to € 912 thousand (plus Swiss social insurance contributions, where applicable), of which € 350 thousand was the highest fixed compensation paid to an individual member during that period (for further details, see the table “Compensation of Board of Directors” below). In accordance with the Articles of Association of EDAG Group AG, the compensation paid to the members of the Board of Directors for their term of office until the ordinary annual shareholders' meeting in 2020 was already approved by the shareholders’ meeting in 2019, and the annual shareholders’ meeting in 2020 will be asked to approve a maximum aggregate amount of fixed compensation of the members of the Board of Directors for the period from the annual shareholders’ meeting in 2020 until the annual shareholders’ meeting in 2021.

Members of the Board of Directors providing consulting services to the Company or other group companies in a function other than as members of the Board of Directors may be compensated in cash at standard market rates, subject to approval by the annual shareholder’s meeting. The Company may indemnify members of the Board of Directors for any damage or other losses they might incur in connection with any proceedings, disputes and settlements relating to their activity for the EDAG Group, and also make related advance payments and provide insurance cover.

3 Compensation of the Group Executive Management

Article 26 of the Articles of Association sets out the principles for the compensation of the members of the Group Executive Management. The compensation of the members of the Group Executive Management consists of a fixed compensation and a variable performance and success-based compensation ("**variable compensation**"), each payable in cash.

The variable compensation is based on the level of achievement of specific pre-defined targets for a one-year performance period. The targets can depend at least 50 percent (i) on financial performance indicators namely revenues, EBIT, distributable profit and up to another 50 percent (ii) on the achievement of special projects, other company-related and/or individual target values, and also on financial key figures. At the proposal of the Nomination and Compensation Committee, the Board of Directors is responsible for the selection and weighting of target categories.

The level of the variable compensation is determined by the Board of Directors for each member of the Group Executive Management as a percentage of the fixed compensation, and may not exceed an amount equal to 100 percent of such compensation. The targets for each member of the Group Executive Management are determined annually by the Board of Directors, at the request of the Nomination and Compensation Committee, at the beginning of the one-year performance period.

For the twelve-month period ended December 31, 2019, the fixed and variable compensation for services rendered by the members of the Group Executive Management for all entities of the EDAG Group amounts to an aggregate of € 1,440 thousand for the fixed part and € 217 thousand for the variable part, of which € 770 thousand (fixed) and € 128 thousand (variable) apply to Cosimo De Carlo, € 288 thousand (fixed) and € 62 thousand (variable) apply to Holger Merz, and € 382 thousand (fixed) and € 27 thousand (variable) apply to Jürgen Vogt (all amounts including social insurance contributions).

Holger Merz joined the Group Excutive Management of EDAG Group AG on January 1, 2019. In addition, he also joined the Group Excecutive Management of EDAG Engineering Gmbh on January 1, 2019. In the case of Cosimo de Carlo as well as of Holger Merz, the total amounts given above cover the compensation for services to EDAG Group AG and to other EDAG Group companies for the period from January 1, 2019 until December 31, 2019.

Jürgen Vogt left the Executive Management of EDAG Engineering GmbH on June 3, 2019. Furthermore he left the Group Executive Management of EDAG Group AG on June 5, 2019. In the case of Jürgen Vogt, the total amounts cover the compensation for services to EDAG Group AG and to other EDAG Group companies for the period from January 1, 2019 until he left the Group Executive Management as well as for consulting services until December 31, 2019.

The compensation of the Group Executive Management includes non-cash benefits (including non-cash benefits for company cars). It does not include the aggregated expenses for accident, legal protection and D&O insurance in the amount of € 144 thousand (2018: € 144 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As at December 31, 2019, the present value of current pension obligations for active members of the Group Executive Management totaled € 67 thousand (2018: € 3,186 thousand). For members of the Group Executive Management leaving the company that year, it totaled € 3,544 thousand as at December 31, 2019 (2018: € 60 thousand). For active members of the Group Executive Management and for members leaving that year, the current service cost for the pension obligations according to IFRS amounted to € 3 thousand in 2019 (2018: € 0 thousand).

No equity related securities or options are allocated, and no additional compensation is awarded for activities in the companies that are directly or indirectly controlled by the Company.

According to Article 12 of the Articles of Association, in 2020 the annual shareholders' meeting will be required to approve (i) the variable compensation of the Group Executive Management for the business year 2019; and (ii) the fixed compensation of the Group Executive Management to be paid for the business year 2021.

4 Relationships with Members of the Board of Directors

Dr. Philippe Weber is a member of the Board of Directors and the managing partner of the law firm Niederer Kraft Frey AG, Zurich, which provides certain corporate law advice to the Company.

The income realized in conjunction with these relationships with the Board of Directors is shown as "Additional income" in the following table and in the case of Dr. Philippe Weber in the 2019 financial year cover law advices in the amount of € 22 thousand (2018: € 44 thousand).

Compensation to the Board of Directors

in € thousand	Fixed compensation[1]		Employer social insurance contribution		Total fixed compensation		Additional income		Total compensation	
Board of Directors active on December 31st, 2019	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Georg Denoke (since August 21, 2018)	**350**	**131**	**-**	**-**	**350**	**131**	**-**	**-**	**350**	**131**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	350	131	-	-	350	131	-	-	350	131
Chair Supervisory Board of EDAG Engineering Holding GmbH (since September 25, 2018)	-	-	-	-	-	-	-	-	-	-
Chair Supervisory Board of EDAG Engineering GmbH (since August 20, 2018)	-	-	-	-	-	-	-	-	-	-
Sylvia Schorr	**155**	**156**	**-**	**-**	**155**	**156**	**-**	**-**	**155**	**156**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	150	150	-	-	150	150	-	-	150	150
Member Supervisory Board EDAG Engineering Holding GmbH	1	1	-	-	1	1	-	-	1	1
Member Supervisory Board EDAG Engineering GmbH	4	5	-	-	4	5	-	-	4	5
Dr. Philippe Weber	**150**	**167**	**10**	**11**	**160**	**178**	**22**	**44**	**182**	**222**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee] (from July 18, 2018 until August 21, 2018)	-	25	-	2	-	27	-	-	-	27
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	150	142	10	9	160	151	-	-	160	151
Legal Services via Niederer Kraft Frey AG	-	-	-	-	-	-	22	44	22	44
Manfred Hahl (since June 5, 2019)	**91**	**-**	**-**	**-**	**91**	**-**	**-**	**-**	**91**	**-**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	88	-	-	-	88	-	-	-	88	-
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	1	-	-	-	1	-	-	-	1	-
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	2	-	-	-	2	-	-	-	2	-
Clemens Prändl (since June 5, 2019)	**91**	**-**	**-**	**-**	**91**	**-**	**-**	**-**	**91**	**-**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	88	-	-	-	88	-	-	-	88	-
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	1	-	-	-	1	-	-	-	1	-
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	2	-	-	-	2	-	-	-	2	-
Subtotal	**837**	**454**	**10**	**11**	**847**	**465**	**22**	**44**	**869**	**509**
Members of Board of Directors who resigned from office during 2019										
Dr. Michael Hammes (until June 5, 2019)	**65**	**154**	**-**	**9**	**65**	**163**	**-**	**-**	**65**	**163**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	62	150	-	9	62	159	-	-	62	159
Member Supervisory Board EDAG Engineering Holding GmbH (until July 16, 2019)	1	1	-	-	1	1	-	-	1	1
Member Supervisory Board EDAG Engineering GmbH (until July 17, 2019)	2	3	-	-	2	3	-	-	2	3
Subtotal	**65**	**154**	**-**	**9**	**65**	**163**	**-**	**-**	**65**	**163**
Members of Board of Directors who resigned from office during 2018										
Thomas Eichelmann (until July 18, 2018)	**-**	**47**	**-**	**-**	**-**	**47**	**-**	**158**	**-**	**205**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	-	44	-	-	-	44	-	-	-	44
Chair Supervisory Board of EDAG Engineering Holding GmbH (until August 20, 2018)	-	1	-	-	-	1	-	-	-	1
Chair Supervisory Board of EDAG Engineering GmbH (until August 20, 2018)	-	2	-	-	-	2	-	-	-	2
House rent (pro rata)	-	-	-	-	-	-	-	158	-	158
Subtotal	**-**	**47**	**-**	**-**	**-**	**47**	**-**	**158**	**-**	**205**
Total	**902**	**655**	**10**	**20**	**912**	**675**	**22**	**202**	**934**	**877**

[1] In the case of Georg Denoke in the compensation report 2018 the fixed compensation for the financial year 2018 reflected the respective compensation for the period from August 21, 2018 until May 31, 2019 in the amount of € 277 thousand.

Table: Compensation Board of Directors

Compensation to the Group Executive Management

in € thousand	Fixed compensation[1]		Employer social insurance contribution		Non-cash benefit from company car		Total fixed compensation		Variable compensation[23]		Total compensation	
Group Executive Management Members active on December 31, 2019	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Cosimo De Carlo	**738**	**525**	**17**	**11**	**15**	**7**	**770**	**543**	**128**	**187**	**898**	**730**
CEO EDAG Engineering Group AG (since April 15, 2018)	111	79	8	5	-	-	119	84	19	28	138	112
CEO EDAG Engineering GmbH (since April 1, 2018)	627	446	9	6	15	7	651	459	109	159	760	618
Holger Merz (since January 1, 2019)	**250**	**-**	**16**	**-**	**22**	**-**	**288**	**-**	**62**	**-**	**350**	**-**
CFO EDAG Engineering Group AG	37	-	5	-	-	-	42	-	9	-	51	-
CFO EDAG Engineering GmbH	213	-	11	-	22	-	246	-	53	-	299	-
Subtotal	**988**	**525**	**33**	**11**	**37**	**7**	**1,058**	**543**	**190**	**187**	**1,248**	**730**
Group Executive Management Members who resigned from office during 2019												
Jürgen Vogt (until June 5, 2019)	**350**	**517**	**16**	**23**	**16**	**13**	**382**	**553**	**27**	**250**	**409**	**803**
EDAG Engineering Group AG	52	78	6	7	-	-	58	85	4	37	62	122
EDAG Engineering GmbH	298	439	10	16	16	13	324	468	23	213	347	681
Subtotal	**350**	**517**	**16**	**23**	**16**	**13**	**382**	**553**	**27**	**250**	**409**	**803**
Group Executive Management Members who resigned from office in previous years												
Harald Poeschke (until December 31, 2018)	**-**	**417**	**-**	**15**	**-**	**14**	**-**	**446**	**-**	**250**	**-**	**696**
EDAG Engineering Group AG	-	63	-	5	-	-	-	68	-	37	-	105
EDAG Engineering GmbH	-	354	-	10	-	14	-	378	-	213	-	591
Jörg Ohlsen (until September 6, 2017)	**-**	**-**	**-**	**13**	**-**	**14**	**-**	**27**	**-**	**94**	**-**	**121**
EDAG Engineering Group AG	-	-	-	6	-	-	-	6	-	14	-	20
EDAG Engineering GmbH	-	-	-	7	0	14	-	21	-	80	-	101
Subtotal	**-**	**417**	**-**	**28**	**-**	**28**	**-**	**473**	**-**	**344**	**-**	**817**
Total	**1,338**	**1,459**	**49**	**62**	**53**	**48**	**1,440**	**1,569**	**217**	**781**	**1,657**	**2,350**

1 Besides the fixed compensation specified in the employment contracts, in the case of Jürgen Vogt and Harald Poeschke, the amount in the previous year 2018 includes a one-off additional fixed compensation for the additional work arising from the change of CEO. The additional fixed compensation given here covers the period from January 1, 2018 until the arrival of the new CEO in April 2018.

2 In the case of Cosimo De Carlo, due to the fact that he joined the Executive Management in April 2018, the variable compensation shown for the previous year 2018 in the amount of € 187 thousand, as well as the variable compensation to be apportioned to the first three months of the year 2019 in the amount of € 63 thousand (period from April 2018 until March 2019) is, by way of exception, to be seen as guaranteed compensation.

3 The compensation shown here relates to the compensation for the financial year 2019, which was deferred as of the balance sheet date. The actual total amount of the variable compensation of the Group Executive Board will be decided separately by the annual shareholder meeting 2020 in accordance with Article 12 of the Articles of Association. In the case of Harald Poeschke the amount of € 203 thousand of the compensation which was deferred as of the balance sheet date of previous year 2018, was paid after the authorization of the annual shareholders meeting 2019.

Table: Compensation Group Excecutive Management

Shares held by Board of Directors and Group Executive Management

At the end of the financial year, the individual members of the Board of Directors and Group Executive Management held the following number of shares in EDAG Group AG.

Number of shares	12/31/2019	12/31/2018
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	7,462
Clemens Prändl	-	-
Total Board of Directors[1]	**13,162**	**7,462**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management[2]	**6,115**	**6,115**

[1] Dr. Michael Hammes left the Board of Directors in 2019. On the date on which he left the Board of Directors, Michael Hammes held, as well as on December 31, 2018, no shares in EDAG Engineering Group AG.

[2] Jürgen Vogt left the Group Executive Management in 2019. On the date on which he left the GEM, Jürgen Vogt held 3,631 shares (December 31, 2018: 3,631) in EDAG Engineering Group AG.

Table: Shares held

Report of the statutory auditor
(Compensation Report)

Report of the statutory auditor o the General Meeting of EDAG Engineering Group AG, Arbon

We have audited the remuneration report as of April 1st 2020 of EDAG Engineering Group AG for the year ended 31 December 2019. The audit is limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of the remuneration report on pages 50 to 53 as well as on the information regarding the remuneration of former board members or related parties and the information regarding loans on page 45.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of EDAG Engineering Group AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Ueli Sturzenegger
Accredited Audit expert

Zurich, April 1, 2020

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

Since December 2, 2015, EDAG Engineering Group AG, Arbon ("EDAG Group AG") has been listed for trading on the regulated market of the Frankfurt Stock Exchange with concurrent admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard): According to § 114 of the German Securities Trading Law (WpHG), there is an obligation to prepare a management report for the separate financial statement. According to § 315 Para. 5 of the German Commercial Code (HGB) in conjunction with § 298 Para. 2 of the German Commercial Code (HGB), a combined management report will be prepared for the individual and consolidated financial statements. With this management report, the requirements set out in §§ 298 and 315 of the German Commercial Code (HGB) have been met.

The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. The separate financial statement of EDAG Group AG has been prepared in accordance with Swiss law.

1 Basic Information on the Group

1.1 Business Model

Three Segments

With the parent company, EDAG Engineering Group AG, Arbon (Switzerland) ("EDAG Group AG"), the EDAG Group is one of the largest independent engineering partners to the automotive industry, and specializes in the development of vehicles, derivatives, modules and production facilities. The entire group of companies will hereinafter be referred to as EDAG Group or EDAG.

SEGMENTATION

Business is divided up into a number of segments: Vehicle Engineering, Production Solutions and Electrics/Electronics. Our main focus is on the automobile and commercial vehicle industries.

The business is organized in the segments: Vehicle Engineering, Production Solutions and Electrics/Electronics. The principle we work on is that of production-optimized solutions. This means that we always ensure that development results are in line with current production requirements.

Our main focus is on the automotive and commercial vehicle industries. Our global network ensures our local presence for our customers.

Presentation of the Vehicle Engineering Segment

The Vehicle Engineering segment ("VE") consists of services along the vehicle development process as well as responsibility for modules, derivatives and complete vehicles. We serve our customers from the initial idea through to the finished prototype. The segment is divided into the following divisions:

VEHICLE ENGINEERING

Among other things, this division offers development in the fields of body in white, interior, exterior, flap systems and lamps.

Our **Body Engineering** department brings together all of our services such as package & ergonomics, body assembly, surface design and interior & exterior. This also includes the development of door, cover and lid systems. Further, the Body Engineering department is involved with new technologies and lightweight design, as well as commercial vehicle development and the development of car lights such as headlamps, rear and small lamps. In addition to dealing with computation and simulation, the Dimensional Management team works on the reproducibility and geometrical quality of the products. Interface management and the management of complex module developments are taking on an increasingly significant role in the projects. Our **Vehicle Integration** department is responsible for the complete functional integration and for vehicle validation. This department employs computer-aided engineering (CAE) to carry out the early validation of products and their properties. Functionality is validated and durability analyzed on the test equipment and facilities at our test laboratories, in readiness for start of production. This includes tests on individual components, modules, engines, motors, transmissions, and even complete vehicles. In the **Models & Vehicle Solutions** department, we offer a full range of styling, ideation and design services, and in our design studios we are able to implement the virtual design validation process and construct physical models for all phases of vehicle engineering. In the associated Testing and Vehicle department, we create complete test vehicles as well as sub-assemblies and vehicle bodies for the physical validation of these modules and systems. The development and production of individual vehicle conversions round off the portfolio of this department. This also includes the construction of classic cars, including custom-made spare parts. Complete vehicle development and interdisciplinary module packages, some of them calling for the involvement of our international subsidiaries, are managed by the **Project Management** department. The **Product Quality & Care** department provides assistance with consulting and support for quality-related matters, as well as services which explain a product and enable it to be used effectively.

Presentation of the Production Solutions Segment

The Production Solutions (PS) segment - operating through the independent company EDAG Production Solutions GmbH & Co. KG, Fulda, its international subsidiaries and profit centers - is an all-round engineering partner which accepts responsibility for the development and implementation of production processes at 12 sites in Germany and at international sites in India, the Czech Republic, Russia, Hungary, Sweden, Brazil, Mexico, China and the USA. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide realization support. The "Industrie 4.0" methods and tools serve as the basis for the networked engineering between the product development and plant construction processes.

PRODUCTION SOLUTIONS

This segments handles the development and implementation of production processes.

In the "**Painted Body**" department, Production Solutions offer their target customers in the automotive industry with an integral approach to painted body services. This means that Production Solutions provides companies with component validation, forming dies, body manufacturing and paint shop planning support – with both the implementation of new plans and with the conversion, expansion or optimization of existing systems while operation is in progress. In addition, digital factory methods are used in all production lines (digital, virtual and real-life) to guarantee that the functional requirements of body manufacturing and paint shop facilities are met. To meet customers' requirements, the engineers develop realistic 3D simulation cells in which the planning, design and technological concepts are implemented and validated, both mechanically and electrically, in line with process requirements. Early involvement during the engineering process makes it possible to systematically improve production processes.

In the "**Smart Factory**" department, holistic and independent production solutions are digitally secured and implemented. Starting with the analysis, planning and development of production plants through to their realization, support along the entire production development process is provided for customers in the automotive sector, and particularly in industry in general. In the Smart Factory, the focus is on the customer-oriented implementation of the following fields: smart building, smart production, smart logistics, digitalization and networking in production, production-oriented product design and smart assistants.

The Production Solution portfolio is also complemented by **Feynsinn**, a process consulting and CAx development department. IT-supported sequences and methods are developed here, as is software for product design, development, production and marketing. Feynsinn also offers consulting, conceptual and realization services in the field of visualization technologies. Our range of training opportunities completes the portfolio.

Presentation of the Electrics/Electronics Segment

ELECTRICS/ELECTRONICS

The focus of this segment is on the development of electric and electronic systems for the complete vehicle, including the future-oriented fields of eMobility, connectivity and autonomous driving.

The structures in the Electrics/Electronics segment were realigned in 2019, and all activities combined to produce a uniform market image. This is guaranteed by six programs that represent a complete E/E portfolio from the customer's point of view, and externally reflect the most important customer trends. These six programs are: Vehicle Electrics & Electronics, E-Drive & Battery, Comfort & Passive Safety, Autonomous Drive & Active Safety, Connectivity & User Experience (UX) and Mobility & Cloud Services. The Mobility & Cloud Services program also supports the trive.me incubator, which develops its own innovative software solutions and products for the networked mobility of tomorrow and offers them as products on the market. Systematic innovation management, adherence to new agile development processes and rapid customer-oriented development are the values that are also applied in customer projects in the digital transformation process.

Thanks to the competence organization in the growth domains, the range of services E/E offered by the segment provides all development services required for a complete vehicle.

Various different sites cooperate to provide the work results. This includes in particular the growth domains eMobility, autonomous driving, digital networking both inside and outside of the car, and solutions for mobility services. Also included in the range of services are developments relating to comfort and safety systems.

To accommodate the constantly increasing number of functions and the internal and external networking of vehicles, the **Architecture & Networks Development** division develops innovative domain or service-oriented architectures on the basis of a fully integrated tool-based EDAG E/E architecture development process. Starting with the initial feature list, through topology and the vehicle electrical system, to integration in the corresponding vehicle, EDAG provides support and development services for all development phases through to series production, using the company's own benchmark, feature and component databases.

The **Systems Engineering** division defines development processes and the demands relating to the electrical and electronic systems. The systems are divided into their individual elements: sensor technology, actuator technology and controls. The core competency centers on the management of the development process throughout the entire development, following either the OEM's or EDAG's process model. Whereas there is a tendency to perform specifying activities at the beginning, the focus of tasks shifts towards controlling system integration and system validation as the project progresses, concluding with support during the approval phase of the market-ready systems.

Advanced Engineering involves skills in key technological areas, to enable Group-wide progress for projects, products and services, therefore creating the basis for sustainable growth. The ongoing application of cutting edge technologies, both in electronics development and in the area of high performance computing, along with cloud and back-end development facilitate the development of highly complex and closely networked systems for future mobility solutions.

Embedded Systems develops hardware and software components. EDAG provides support along the entire development cycle from the concept phase to series production, and assumes responsibility for all development activities.. Development in line with the ASPICE model in highly automated tool chains and agile development teams is one of the daily challenges faced in the endeavor to ensure efficient processing with high-quality engineering in the projects.

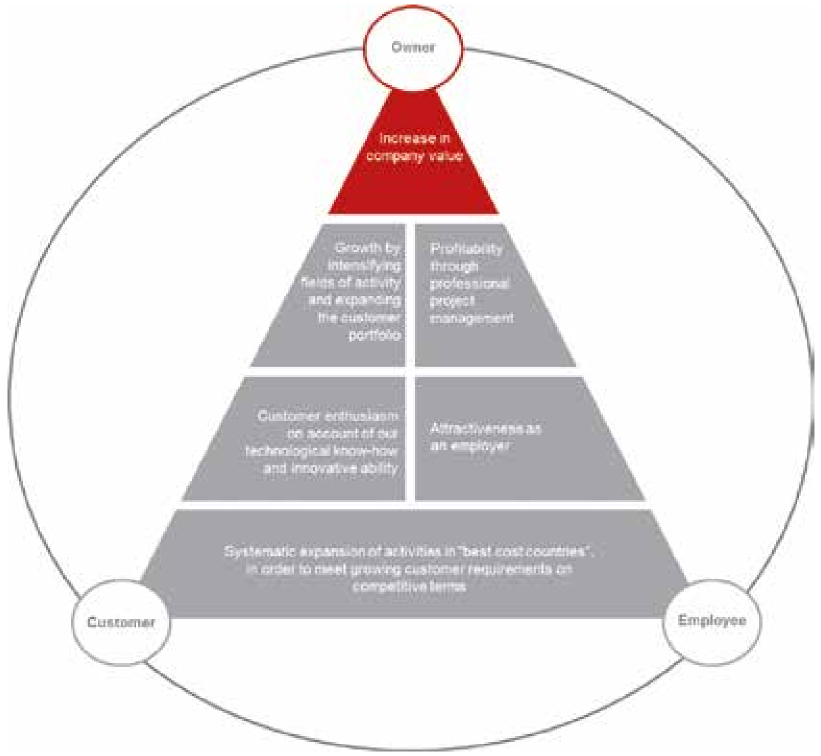
Information Technology complements the embedded systems software portfolio outside of the vehicle. Here, EDAG develops innovative services on behalf of customers. EDAG's service portfolio includes order-related UX, agile development processes and distinctive technological expertise in classic software development in the front-end and back-end and in special applications in the field of AI and data science.

The **Integration & Validation** division combines validation and testing skills. Apart from specific test stand construction, this also calls for knowledge of test strategies, test specifications and test performance. The tests are carried out in the laboratory, at the test site, on the road, or in virtual test environments in a variety of ways ranging from manual to highly automated. All E/E aspects relating to prototype and test vehicle construction are also included in this division.

In its generally applicable, interdisciplinary function, competence in the field of **Functional Safety & Cyber Security** in particular is gaining in significance. In society's endeavors to minimize risks (Vision Zero), comprehensive security concepts that also cover the infrastructure and monitoring elements such as vehicle guidance systems are being developed. The interaction of safety and security is only just being discovered by the market, and here too, EDAG intends to take a leading position. EDAG also attaches enormous importance to the training and qualification programme which will required by the IEC 61508 standard with effect from 2023.

A further addition to the service portfolio is **Process & Product Data Management** ("PPDM"), which attends to the cross-divisional management of all processes aimed at achieving milestones in the product creation process. The services range from process management, through certification, homologation and release management, to commissioning and digital mock-up.

1.2 Targets and Strategies



As a capital market-oriented company, our primary objective is to bring about a sustained increase in EDAG's company value (market value of equity), i.e. across the different industrial cycles. This is to be achieved by means of a strategy composed of the following five central areas, each with its own operationalizable objectives:

- Growth by intensifying and extending our global customer portfolio
- Customer enthusiasm on account of our technological know-how and innovative ability
- Attractiveness as an employer
- Profitability through professional project and resource management and by further optimizing our assets and infrastructure
- Systematic expansion of activities in "best cost countries", in order to meet customer requirements on competitive terms while guaranteeing sustainable growth

As interdependencies exist between these areas of activity and their objectives, all measures are applied analogously, and goals pursued simultaneously. We also see strategy as a continual process, and therefore subject any goals we have set to critical scrutiny, adjusting them wherever necessary.

Growth by intensifying and extending our global customer portfolio

Our intention is to continue our growth, and remain one of the world's leading engineering service providers for the mobility of the future. Our aim is to grow faster than the market. The following measures are being implemented to ensure that this does indeed happen:

- Development of electrics/electronics competencies: our E/E segment will be subject to the greatest changes in the automotive industry. EDAG is therefore continually developing its competencies and capacity in the fields of vehicle electrics/electronics, eDrive & battery, comfort & passive safety, autonomous driving & active safety, connectivity & user experience, and mobility & cloud services, in order to be able to meet market requirements and the increasing demands of our customers in this segment. Our aim is to achieve over-proportional growth rates in the Electrics/Electronics segment, compared to the Vehicle Engineering and Production Solutions segments.
- Strengthening existing customer relations: with some of the major German vehicle manufacturers and suppliers in particular, we enjoy working relationships that have already lasted for several decades. More than anything, it has been our flexibility and speed, as well as the quality of our work that have earned us our good reputation with our customers. At the same time, the long-standing cooperation with and close proximity to our customers at home and abroad have enabled us to gain a thorough understanding of future requirements. We intend to use this understanding and offer new, customized services. It is our declared intention to intensify customer relations and strategic partnerships, and offer our services worldwide.
- Establishing new customer relations: we make active use of our technical know-how, experience and reputation throughout the industry as well as our presence in the world's automobile development centers to constantly expand our customer portfolio and win new, ambitious, international technology companies and vehicle manufacturers as customers.
- Increasing our project scope: both the major vehicle manufacturers and new market entrants are tending more and more to award complete development packages spanning several fields of engineering to engineering service providers. Key requirements for being able to handle such large projects are the organizational setup, technical competence and adequate capacity to be able to develop complete vehicles and/or their modules and systems. As EDAG meets these requirements, we assume that we have what it takes when comprehensive major projects are being awarded.

REALIZATION OF GROWTH

We focus on four measures to realize this growth:
- Further development of electrics/electronics skills
- Expansion of existing customer relations
- Developing new customer relations
- Expansion of project volumes

Customer enthusiasm on account of our technological know-how and innovative ability

Alternative drive systems, digitalization, automated and autonomous driving, industrial 3D printing, new materials: these are just some of the driving forces behind the fundamental changes that the automobile and mobility are undergoing. Technological, ecological and sociopolitical changes will lead to a transition which EDAG, as one of the leading independent design engineering companies in the automotive industry, can help to shape and define. Our aim here is to proactively identify new trends, identify the effects they will have on the world of mobility, and develop restructuring concepts. Every year, EDAG presents work results at international trade fairs and conferences, thus demonstrating this innovative strength.

For a more detailed representation of our research and development activities, please see chapter 1.4 "Research and Development" of the Group Management Report.

Attractiveness as an employer

Our intention is to continue to be a sought-after employer in the future, because well educated, experienced and committed employees are our most important resource for providing our services. The following measures in particular are aimed at maintaining and increasing our attractiveness as an employer.

- Intensification of the recruiting process
- Continuation of own employee training
- Investment in staff training
- Optimization of the work environment
- Motivation through responsibility
- Motivation through diversity

EDAG AS AN ATTRACTIVE EMPLOYER

We apply various measures to guarantee our attractiveness:
- Intensification of multi-channel recruitment
- Staff training
- Staff development
- Optimum working environment
- Early assumption of responsibility
- Variety in project business

Profitability through professional project and resource management

Our strategic aim, namely growth, is inextricably linked with the premise that this will be done in a profitable way. Only if the company is profitable can we rise above our competitors and continue to offer our customers the services they require, guarantee our employees' jobs, and offer our owners an appropriate return on the capital they have invested. In 2019, our adjusted EBIT margin stood at 4.2 percent. Despite the decrease compared to 2018, we still aim to successively improve our profitability again in the years ahead. To this end, we intend to continually optimize the efficient handling of our projects, and we will be paying particular attention to the following aspects:

- Systematic capacity management: our time recording system provides us with an exact indication of the utilization levels of our engineering resources. Insufficient capacity can therefore quickly be compensated for by free capacity somewhere else, and under-utilization kept to a minimum. Our internal organization is particularly helpful in this respect, as it enables us to process a wide variety of projects across the various sites, making for greater efficiently.
- Operative flexibility: our IT hardware and software and high transfer capacity data networks – for transfers between our own branches and also with customers' offices – facilitate virtual cooperation, which significantly reduces traveling time and expenses.
- Our productive departments are supported by a number of overhead functions – in particular controlling, accounting, tax, treasury, quality management, purchasing, recruiting, HR and IT. This adds to the professionalism of our goods and services, and relieves our technical departments of the burden of administrative work. Growth results in economies of scale in these areas.

SAFEGUARDING PROFITABILTY

Several measures are employed to help us improve profitability:
- Systematic capacity management
- Operative flexibility through highperformance IT hardware and software
- Administrative support for the productive technical departments
- Continual process improvement

- Continual process improvement: in both our productive and our overhead areas, we draw on tried and tested processes. Nevertheless – in particular as a result of new developments in the IT world – we frequently find indicators for ways of improving processes, and thus increasing their efficiency. In the future, too, we will continue to make systematic use of such indicators.

Systematic expansion of activities in "best cost countries"

We intend to further strengthen our competitiveness, and therefore use our site network to break work orders down into packages and have these handled by the most suitable branch. The capacity at these best cost country (BCC) locations is becoming increasingly important. EDAG is therefore continually increasing its BCC resources, to be sure of having efficient cost structures in the future, and be able to sustain competitiveness on a long-term basis. For our existing BCC resources, for instance in Eastern Europe, India and Malaysia, we therefore pursue the following aims:

- Organic growth: each of our BCC locations has the clear objective of achieving organic growth. The basis for this is formed by qualified staff, the availability of resources, and strategically located branch offices. Proximity to universities plays a particularly important role here. In addition, foreign subsidiaries should also promote business with local customers and plan their locations strategically, keeping them in close proximity to customers.
- Building up software development competencies: apart from having the opportunity of transferring classic work packages to BCC regions, it will also in the future become increasingly important to provide software skills in the best cost countries. For this reason, our foreign subsidiaries are encouraged to strengthen their competencies in these fields.
- Operative integration: the key to successful, cross-border project cooperation is operative integration. Appropriate measures are in place to support the cooperation between the customers in Germany and the implementing companies in the best cost countries.

Further, we constantly investigate opportunities for market entry in other BCC locations.

1.3 Internal Management System

A responsible company management that has the aim of achieving a sustainable increase in the company's value calls for the use of a control system. The management of the individual companies is subject to the same principles as the Group, and is based on IFRS standards as applied in the EU.

To this end, EDAG has also drawn up group-internal regulations for the handling of compliance and risk management, and defined financial and non-financial performance figures which display the value system, performance and success of the company. In the following, first the management process is explained, and then the key performance figures of the EDAG Group.

The starting point for controlling the EDAG Group is the annually prepared budget and medium-term planning. This serves to illustrate and safeguard defined targets and long-term strategies from both a technical and an economical point of view. This involves identifying developments on the market and in the segment, i.e. in addition to the firmly contracted orders, anticipated new order volumes are assessed, then these are taken as the basis from which revenue and earnings development targets are derived top-down. Applying the top-down/bottom-up principle, the feasibility of these rough outline plans is first checked bottom-up, and then concretized in the form of partial plans (capacity, personnel, investment and cost planning).

The budget in the first year is planned across individual months, and is binding. Every month, this budget is compared with the actual figures realized, and any deviations are analyzed. If necessary, plans of action are drawn up to safeguard the budgeted targets. While taking the actual values that have already been realized, current estimates for the remainder of the year and any chances and risks reported into account, the projection for the current financial year is adjusted in a forecast. The validity and attainability of the operative targets for the current financial year are therefore at the center of ongoing controlling operations.

To implement the control process at EDAG, the following central key performance figures have been defined on the basis of figures in accordance with IFRS:
- Sales revenues[1]
- (Adjusted) EBIT and (adjusted) EBIT margin[2]

Revenues are the financial reflection of our market success. The adjusted EBIT, i.e. earnings before tax and interest and adjusted for special effects, is indicative of the economic success of our company, and is the Group's central management parameter. The adjusted EBIT margin is calculated from the relationship between the operating profit (adjusted EBIT) and revenues, and helps to compare the performance of the segments, subsidiaries, technical divisions and profit centers.

Alongside the central key performance figures, the following performance figures are also analyzed:
- Incoming orders/orders on hand
- Number of employees
- Productivity/capacity utilization
- Investments

The incoming orders and orders on hand serve as early indicators for changing market requirements and demand patterns. They are indicative of the anticipated revenues for the following quarter. The number of employees is a measured variable for the achievement of growth targets. It is important here to keep a watch not only on the number of new appointments to the technical divisions and subsidiaries, but also on fluctuation. Productivity is defined as the quotient obtained when the hours worked on customer projects is divided by the available working hours of our employees. As it highlights utilization peaks and free capacity, it is an important element for managing our technical divisions and group-wide resources. It is

[1] "Revenues" is used in the sense of gross performance (sales revenues and changes in inventories) in the following.

[2] For definition see chapter "Reconciliation of the Adjusted Operating Profit (Adjusted EBIT) [9]" in the notes.

important that investments should be made in a targeted manner, to guarantee our innovative strength and capacity to compete. Every month, reports are presented comparing their development with the plans, and adherence to the budget is monitored.

1.4 Research and Development

AREAS OF IINNOVATION

We are continuing our innovation strategy by focusing on our competence centers "Lightweight Design, Materials and Technology CC", "eMobility CC" and "Integral Safety CC".

With the startup company trive. me, we promote new business models and products in the car IT field.

Research and development is per se a definition of the business activities of EDAG. Innovation management is therefore of great importance at EDAG. Our innovation management offers our customers and vehicle manufacturers', start ups' and system suppliers' development and production departments concrete ideas and opportunities for cooperation, with a view to providing support for the development of new products, technologies and concepts for the mobility of the future, and encouraging cooperation.

Alternative drive systems, digitalization, autonomous driving, industrial 3D printing, new materials - the automotive product is on the brink of total reinvention, to enable it to meet current ecological and sociopolitical challenges. As one of the world's largest independent engineering service provider in the automotive industry, EDAG will be playing an active role in shaping this transition.

Key factors in securing EDAG's competitiveness are the innovative focus, know-how and motivation of the EDAG employees who, working together in a virtual team, are involved in our research and development activities. There was no change in these activities in 2019, when we had more than 200 technical experts across the entire group actively involved in up 50 parallel innovation and pilot projects. Assisted by the competence centers ("CC") in innovation management, the EDAG divisions are able to strategically align their technology, competence and capacity portfolios to the changed market conditions, and, within the framework of the matrix organization, work together in interdisciplinary innovation projects. Future mobility, sustainability, digitalization and global networked engineering are the innovation drivers on which we focus our research and development.

LIGHTWEIGHT DESIGN

Only a very few independent engineering partners such as EDAG are able to assess the cost and usefulness of innovative lightweight solutions in accordance with the interests of the vehicle manufacturers.

We are working on issues that will be important to the industry in the future. To this end, we have established four competence centers in innovation management:
- Lightweight Design, Materials and Technologies
- Electric Mobility
- Integral Safety
- Digitalization

Working in interdisciplinary teams with our colleagues from the various departments, we develop solutions, concepts and strategies, and add to our technical skills. With the aid of the Heads of the CCs (the innovation management budget owners), developers and technical experts within the divisions, it is possible to systematically identify new innovation enablers in the matrix organization, create areas of activity, and initiate and realize innovation projects. The CCs identify our customers' future requirements, and then work out concepts, possible solutions and engineering proposals for the automobile of the future. The know-how relating to innovative matters is structured across all departments and divisions by our CCs. The constant exchange of information means that they have access to and can interact with all EDAG departments. And in this way, we strengthen the acquisition and exchange of knowledge. At the same time, we make it possible to access internal and external know-how.

To achieve the ambitious targets we have set ourselves, research and development activities are carried out for our own purposes under the guidance of the CCs and with the involvement of the matrix organization. In addition to our internal network, we also work in close cooperation with leading German and international research institutes and partners.

EDAG's ability to define, specify and develop vehicle and system technologies is the basis of our technological competence and our reputation on the market. The highly qualified, group-wide and interdisciplinary cooperation throughout the EDAG Group is the engine for innovation.

In the reporting year, research and development expenses amounted to € 6,847 thousand (2018: € 6,272 thousand). No additional development costs were activated in the reporting year (2018: € 657 thousand).

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the forecast made by the International Monetary Fund (IMF) in January 2020, the world economy exhibited 2.9 percent growth in 2019 (2018: 3.6 percent). As can be seen from the regional distribution of sales revenues by continent in the chapter "Segment Reporting and Notes" in the Notes, the development of the following markets is of particular relevance to EDAG:

MACROECONOMIC DATA FOR 2019

Global economic growth: 2.9 percent
Euro area growth: 1.2 percent
German growth: 0.5 percent

The IMF's economic experts registered a growth rate in Germany that was below the average for the eurozone as a whole last year (2019). According to the most recent IMF analysis, the economic performance in Germany increased by 0.5 percent in 2019 (2018: 1.5 percent), The IMF registered a 1.2 percent increase in economic growth in all countries in the Euro Area for last year (2018: 1.9 percent).

The US economy expanded by 2.3 percent in 2019 (2018: 2.9 percent). This reflects, among other things, the geopolitical tensions with Iran and the trade dispute between the USA and China.

The IMF is still relatively optimistic about China's growth in 2019. Last year saw an increase of 6.1 percent in the second largest national economy in the world (2018: 6.6 percent).

Please see 4.2 "Forecast" in the Group Management Report for the forecasts for the current year, 2020.

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), an increase in sales of new vehicles is anticipated in Germany in 2019. At 3.6 million units, this figure was almost five percent up on in the previous year (3.4 million units). According to the VDA, there was a decline of about five percent to just under 80 million vehicles on the world market for passenger cars in 2019.

The European market (EU-28 + EFTA) recorded slight growth in 2019. The number of new registrations rose by 1.2 percent from 15.6 million to 15.8 million units. Of the major European volume markets, only Germany (5.0 percent), France (1.9 percent) and Italy (0.3 percent) reported increases in 2019. On the other hand, the number of new vehicles registered in Great Britain (-2.4 percent) and Spain (-4.8 percent) decreased.

In Germany, the dynamic growth in electric passenger cars increased further in 2019 (+61 percent) compared to the same period of the previous year (+24 percent). BEVs (Battery Electric Vehicles), sales of which grew by 44 percent in 2018 and have now increased to 76 percent, accounted for a significant share of sales growth. Despite the high growth rates registered, 108,629 electric-powered vehicles were sold in 2019, which accounts for just 3.0 percent of all vehicles (previous year: 2.0 percent). At 59.2 percent, the proportion of gasoline-fueled passenger cars was slightly below the previous year's level (62.4 percent); the proportion of diesel-fueled passenger cars was 32.0 percent in the annual assessment (previous year: 32.3 percent).

In the USA, the volume on the light vehicle market (passenger cars and light trucks) decreased by 1.4 percent to slightly below 17 million vehicles in the course of 2019, compared to the previous year. This meant that, for the first time ever, the US market failed to exceed the 17 million mark. Sales of passenger cars fell by 11 percent, while sales in the light truck segment, which meanwhile accounts for 72 percent of the market, rose by 3 percent. In China, the volume on the passenger car market fell by almost 10 percent to 21.0 million new vehicles in 2019. Following on from 2018, this was the second decline in two consecutive years. The Indian passenger car market declined by 13 percent in 2019, following the slowdown in the growth process already recorded in 2018. The same is true of the Japanese market for new vehicles (-2 percent) and the Russian light vehicle market (-2 percent). The country with the greatest gains was again Brazil, with its third growth year in a row (+8 percent).

Development of the Engineering Market

The automotive market is in a period of transition, and undergoing major structural changes. Innovation drivers such as autonomous and connected driving, digitalization, eMobility and new mobility services are having a worldwide impact, and are also affecting the market for engineering services. At the same time, changes in customer requirements (including the declining relevance of "automotive status"), a downward trend in demand for cars, and political uncertainties are also having their effect. These trends are creating great momentum, and consequently both opportunities and risks for the engineering service market. In the short term, budget shifts and the reprioritization of investment decisions on the part of customers will result in a very volatile market environment characterized by delays in the awarding of contracts and the re-scheduling of projects. In the medium to long term, an increase in development expenses (primarily in software and electrification) is expected.

2.2 Financial Performance, Cash Flows and Financial Position of the EDAG Group

Financial Performance

Development of the EDAG Group[3]

The revenues fell by € 11.0 million or 1.4 percent to € 781.3 million compared to the same period in the previous year (2018: € 792.3 million) due to developments in the Production Solutions segment. The Vehicle Engineering segment posted year-on-year growth while the Electrics / Electronics segment recorded even stronger gains.

For the financial year 2019, the EDAG Group generated incoming orders amounting to € 797.9 million, which compared to the previous year (€ 753.1 million), represents an increase of € 44.8 million. As of December 31, 2019, orders on hand amounted to € 294.4 million, compared to € 298.5 million as of December 31, 2018. Neither potential call-offs relating to general agreements nor call-offs relating to production orders are included in the orders on hand.

Overall, the materials and services expenses increased by 12.3 percent to € 135.3 million. At 17.3 percent, the materials and services expenses ratio was above the level of the same period of the previous year (2018: 15.2 percent). This effect was largely due to an increased volume of materials purchased for production orders. At 8.6 percent, the materials expenses ratio was also above the level of the same period in the previous year (2018: 5.1 percent). At 8.7 percent, the ratio of service expenses in relation to the revenues is below the level of the same period in the previous year (2018: 10.1 percent).

DATA ON THE RESULTS OF THE EDAG GROUP

Incoming orders: € 797.9 million
Revenues: € 781.3 million
Orders on hand: € 294.4 million
Adjusted EBIT margin: 4.2 percent

[3] In the following, the (revised) figures from the previous year are taken as the basis of comparison for the analysis of the EDAG Group's financial performance, Cash Flows and Financial Position.

The EDAG Group's personnel expenses decreased by € 6.4 million or 1.3 percent to € 491.1 million compared to the same period in the previous year. The personnel expenses include income relating to other periods in the amount of € 6.4 million and severance pay in the amount of € 1.6 million. Further severance payments amounting to € 8.0 million made within the context of restructuring are shown in other expenses. In the 2019 reporting year just ended, the company had a workforce of 8,625 employees on average, including apprentices (2018: 8,479 employees). At 62.9 percent, the ratio of personnel expenses in relation to revenues remained virtually unchanged compared to the previous year (2018: 62.8 percent).

Depreciation, amortization and impairments totaled € 45.9 million (2018: € 43.6 million). Due to the expenses from restructuring, the ratio for other expenses in relation to revenues was 13.2 percent and thus above last year's level (2018: 12.4 percent).

Compared to the previous year, the EBIT decreased by € 27.9 million to € 20,3 million (2018: € 48.2 million). This means that an EBIT margin of 2.6 percent was achieved (2018: 6.1 percent). The main reason for the fall in earnings is under utilization in the Production Solutions segment and the action plan associated with this, which has a volume of some € 8.0 million and is shown in other expenses.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations and the expenses from restructuring in Production Solutions and Electrics/Electronics that were recorded in the reporting period in 2019, the adjusted EBIT figure was € 33.0 million (2018: € 53.5 million), which is equivalent to an adjusted EBIT margin of 4.2 percent (2018: 6.8 percent).

In 2019 reporting year just ended, the financial result was € -9.6 million (2018: € -12.6 million), an improvement of € 2.9 million compared with the same period in the previous year. The primary cause is a reduction in the interest expense compared to the pervious years as a result of improved interest conditions of a promissory note loan that was issued in July 2018.

Overall, with a result of € 7.0 million (2018: € 23.7 million), business development was unsatisfactory in the financial year just ended. Due to the decline in revenues and earnings in the financial year, the Executive Management revised the increase of up to 5 percent in revenues that had been forecast the year before in July 2019. At -1.4 percent, the most recent forecast predicting that revenues would remain at the level of the previous year +/- about 1 percent was proved right. The most recent forecast of between 4 and 5 percent for adjusted EBIT margin was likewise achieved.

Development of the Vehicle Engineering Segment

With a value of € 526.9 million, incoming orders in the past financial year were significantly above the previous year's level (2018: € 434.8 million). Revenues increased by 2.5 percent to € 502.4 million (2018: € 490.3 million). The predicted growth of up to 5 percent in sales revenues was therefore achieved. € 50.7 million from a production order is included in the revenues (2018: € 11.3 million). The proportion for materials and services expenses here stood at € 41.6 million (2018: € 9.5 million). This production order, which came to an end in March 2020, involved a high proportion of purchased materials and low added value. All in all, an EBIT of € 27.9 million was achieved for the Vehicle Engineering segment in 2019 (2018: € 30.0 million). The EBIT margin amounted to 5.6 percent (2018: 6.1 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 6.1 percent (2018: 6.8 percent). This means that the updated forecast of 5 to 7 percent for the adjusted EBIT margin was achieved.

VEHICLE ENGINEERING DATA

Revenues: € 502.4 million
EBIT: € 27.9 million

Development of the Production Solutions Segment

In this segment, incoming orders decreased by € 55.9 million to € 111.5 million compared to the previous year (2018: € 167.4 million), which represents a reduction of 33.4 percent. Revenues decreased by 28.1 percent to € 114.5 million (2018: € 159.2 million). This means that the very marked decline in revenues predicted did indeed occur. Overall, an EBIT of € -16.8 million was recorded for the Production Solutions segment in 2019 (2018: € 10.9 million). The sharp decline in the revenues and EBIT is attributable to continuing difficult market conditions in the reporting period just ended and the resulting under-utilization of resources. In view of this situation, the Executive Management of EDAG Engineering Group AG already adopted an action plan in the second quarter. The measures have a cumulative volume of some € 5.6 million at the end of the fourth quarter of 2019, and include the closure of smaller Production Solutions facilities. The aim is to bring about a sustainable improvement in the performance of the Production Solutions segment, so that, in the medium term, profitable growth can again be achieved. The adjusted EBIT margin was -9.5 percent and therefore well below the previous year's level (2018: 7.1 percent). Thus, the forecast, which had been adjusted during the year, that the adjusted EBIT margin would be in the negative single-digit percentage range was realized.

PRODUCTION SOLUTIONS DATA

Revenues: € 114.5 million
EBIT: € -16.8 million

Development of the Electrics/Electronics Segment

Incoming orders decreased by € 2.7 million to € 165.6 million compared to the same period in the previous year (2018: € 168.4 million). Revenues increased by € 17.3 million or 11.1 percent to € 172.8 million (2018: € 155.5 million). The predicted significant growth in sales revenues for the segment was therefore achieved. The EBIT stood at € 9.2 million (2018: € 7.3 million). At 5.3 percent, the EBIT margin is above the previous year's level (2018: 4.7 percent). Without the effects from the purchase price allocations and restructuring, this resulted in an adjusted EBIT margin of 7.6 percent (2018: 5.7 percent). This means that the adjusted EBIT margin forecast was exceeded.

ELECTRICS/ELECTRONICS DATA

Revenues: € 172.8 million
EBIT: € 9.2 million

DATA ON THE FINANCIAL POSITION OF THE EDAG GROUP

Total assets: € 644.6 million
Equity: €127.9 million
Equity ratio: 19.8 percent

Cash Flows and Financial Position

Compared to December 31, 2018, the EDAG Group's total assets increased by € 10.7 million or 1.7 percent to € 644.6 million. The non-current assets increased by € 3.1 million to € 345.5 million (12/31/2018: € 342.4 million), primarily as a result of the increase in the deferred tax assets. In the current assets, the increase of € 16.4 million in current accounts receivable is countered by a reduction of € 14.9 million in contract assets and of € 0.6 million in inventories. Accounts receivable increased mainly due to individual cases where negotiations on the concrete handling of payments are still being held. Cash and cash-equivalents increased by € 6.8 million to € 70.6 million.

On the equity, liabilities and provisions side, equity decreased by € 16.1 million to € 127.9 million, and the quota is now approximately 19.8 percent (12/31/2018: 22.7 percent). The decrease in equity is primarily due to the dividend payout to the shareholders in the amount of € 18.8 million, and to the decrease in the profits and losses in the amount of € 4.5 million recognized directly in equity resulting from a decrease in the actuarial interest rate for the valuation of the pension provisions. The opposite effect was had by current profits in particular, which totaled € 7.0 million.

Non-current liabilities and provisions increased by € 3.6 million to € 303.9 million, (12/31/2018: € 300.3 million). An increase of € 7.9 million in the provisions for pensions and similar obligations was countered by a reduction of € 1.4 million in the non-current lease liabilities and of € 1.2 million in the non-current financial liabilities.

Current liabilities and provisions increased by € 23.3 million to € 212.9 million. The main effect on current liabilities and provisions was an increase of € 25.3 million in accounts payable, mainly due to an increase in purchases for a production order compared to the previous year. Contract liabilities increased by € 4.0 million, and the current provisions by € 4.1 million. The opposite effect was seen primarily in the reduction of € 8.3 million in the other non-financial liabilities, and of € 2.5 million in the current income tax liabilities.

A positive operating cash flow of € 78.9 million was achieved in the reporting year, and was thus below the level of the same period in the previous year ´(€ 91.1 million). The reduction was primarily due to the decrease in consolidated profit.

The investing cash flow was € -23.8 million (2018: € -21.5 million). At € 23.8 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 7.2 percent above the previous year's level (2018: € 22.2 million). The ratio of gross investments in relation to revenues was 3.0 percent (2018: 2.8 percent), and thus within the forecast range of 2.8 to 4.0 percent.

The financing cash flow totaled € -48.5 million (2018: € -18.9 million). This primarily includes dividends in the amount of € 18.8 million paid to the shareholders, and principal payments for lease liabilities totaling € 18.2 million.

On the reporting date, unused lines of credit in the amount of € 101.8 million exist in the Group. The Executive Management regards the overall economic situation of the EDAG Group as good. The company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 Financial Performance, Cash Flows and Financial Position of EDAG Engineering Group AG in accordance with the Swiss Code of Obligations (OR)

Financial Performance

According to the company's statutes, the company's objective is the holding and administration of domestic and foreign investments. The company performs no operative business activities, and thus generates no sales revenues from operative business (holding privilege).

The salaries of the Executive Management, Board of Directors and administrative employees, which total € 1.4 million (2018: € 1.3 million), are listed under the personnel expenses of EDAG Group AG.

The other operating expenses in the amount of € 0.6 million (2018: € 0.7 million) refer primarily to expenses for consulting and auditing.

An annual loss of € 2.2 million (2018: € 2.2 million) was realized in the reporting year.

Cash Flows and Financial Position

The total assets of EDAG Group AG amounts to € 409.2 million (2018: € 420.9 million). On the assets side, the key asset is the investment in EDAG Engineering Schweiz Sub-Holding AG, which stands at € 408.9 million (2018: € 420.6 million).

With the establishment of the price on December 1, 2015, ATON GmbH, by way of the non-cash contribution, placed all shares of EDAG Engineering Schweiz Sub-Holding AG in the capital reserves of the company, although no new shares were issued. EDAG Engineering Schweiz Sub-Holding AG indirectly holds all the shares in EDAG Engineering GmbH, Wiesbaden, through EDAG Engineering Holding GmbH, a German intermediate holding company based in Munich. In principle, this company, with its subsidiaries, manages the entire operative business of the corporate group.

On the equity, liabilities and provisions side, the capital reserves in the amount of € 399.6 million (2018: € 418.3 million) is the most important item. On December 1, 2015, these capital reserves were generated by the inclusion of EDAG

Engineering Schweiz Sub-Holding AG, Arbon, by way of the non-cash contribution by the previous shareholder ATON GmbH, Munich.

In the reporting year, an operating cash flow of € -2,110 thousand (2018: € -2,397 thousand) was realized. Gross investments in the investing cash flow stood at € 2 thousand (2018: € 0 thousand). Furthermore, an incoming payment from EDAG Engineering Schweiz Sub-Holding AG, Arbon in the amount of € 11,700 thousand was recorded (2018: € 31,450 thousand), reducing the investment book value. In the financing cash flow, dividend payments in the amount of € 18,750 thousand were made to shareholders (2018: € 18,750 thousand). There was an influx of liquid resources totaling € 9,150 thousand from further finance activities (2018: outflows in the amount of € 10,250 thousand).

The Executive Management regards the overall economic situation of EDAG Group AG as good. At 95.2 percent (12/31/2018: 97.5 percent), the equity ratio stands at a very high level, and the company was able to fulfil its payment obligations at all times throughout the reporting period.

2.4 Number of Employees in the EDAG Group

DATA ON THE PERSONNEL STRUCTURE OF THE EDAG GROUP

Employees, worldwide: 8,488
Apprentices/dual system students: 431

There was a slight drop in the number of employees in the EDAG Group, both at home and abroad. On December 31, 2019, the EDAG Group employed a worldwide workforce of 8,488 (12/31/2018: 8,641), including 431 trainees and work-study students (12/31/2018: 536).

At the end of the year, 6,010 employees were employed in Germany (12/31/2018: 6,119). 2,478 people were employed at our non-domestic companies (12/31/2018: 2,522).

2.5 Principles of the Compensation System for the Group Executive Management and Board of Directors

The compensation report of EDAG Group AG explains the principles of the company's compensation policy, and provides information on the procedure for establishing compensation and compensation actually paid to the Board of Directors and the Group Executive Management. It satisfies the requirements of articles 14 to 16 of the Swiss regulation to counter excessive compensation in listed companies (VegüV) of November 20, 2013, the SIX Swiss Exchange directive regarding information on corporate governance, the principles of the Swiss Code of Best Practice of Economiesuisse, which came into force on June 30, 2015, and is based on the articles of incorporation of EDAG Group AG.

The compensation report is a constituent part of the annual report, and is published on the following web site: https://www.edag.com/en/edag-group/investor-relations/financial-reports

2.6 Non-Financial Performance Indicators

For information relating to our most important non-financial performance indicators, please see chapter "Sustainability Report - Non-Financial Report and Corporate Social Responsibility (CSR)" of the Group Management Report, in particular the points "Age Structure and Continuous Employment".

3 Sustainability Report
Non-Financial Report and Corporate Social Responsibility (CSR)

At EDAG, particular importance is attached to sustainability. This involves both a long-term business policy and the integration of ecological and social aspects in the management system, and is part of our corporate culture which is built upon shared values such as trust, transparency, reliability and fairness in dealings with our business partners. We see sustainability as a contribution towards safeguarding the future of our company and towards long-term economical and social development.

It is our responsibility to ensure that our services are provided within a value chain that is consistent with international standards and principles governing corporate activity. For this reason, we have outlined our requirements with regard to working conditions, health and safety, the environment and business ethics in our EDAG Supplier Code of Conduct.

Any and all companies in our supply chain, and from which we purchase products or services, are expected to observe relevant national laws, the principles set out in the United Nations Global Compact and our EDAG Supplier Code of Conduct when carrying out their activities. We therefore regard adherence to these principles as an essential condition for a lasting business relationship with our suppliers.

By committing to the UN Global Compact, EDAG has undertaken to ensure that human rights and accepted standards are complied with.

EDAG gives an account of its economic, ecological and social responsibility in this integrated Sustainability and Corporate Social Responsibility (CSR) Report. The target groups of the report comprise our employees, our customers and suppliers, as well as investors and analysts, non-governmental organizations, politicians and authorities and interested members of the general public. It is our intention to inform these target groups about the impact of the activities we undertake in terms of corporate responsibility and sustainability.

This report was prepared for the first time with reference to the Global Reporting Initiative (GRI) standards, using the core option, in order to increase the transparency and comparability of our sustainability reporting for the benefit of our target groups. Within the scope of a materiality analysis as specified by GRI, we have identified the sustainability issues that are important to EDAG.

According to amendment §§ 289b et seq. of the CSR Guidelines Implementation Act in the German Commercial Code (HGB), capital market-oriented companies in Germany are obliged to publish a non-financial statement. EDAG meets this obligation within this report. The reporting period is the 2019 financial year (January 1 to December 31). The information relates to all material group companies of EDAG Engineering Group AG that are part of this annual report. Any deviations have been identified as such.

The sustainability report contains future-related statements about anticipated developments. These statements are based on current projections, which by their nature include risks and uncertainties. Actual results may differ from the statements provided here.

3.1 Corporate Governance, Business Model and Strategy

EDAG's corporate governance is described in detail in the chapter "Corporate Governance Report" in the annual report, to which reference is made at this point. For a detailed description of EDAG's business model, please see the chapter "Business Model" in the Group Management Report. For a detailed description of EDAG's strategy, please see the chapter "Targets and Strategies" in the Group Management Report.

3.2 Sustainability Management

Mankind is currently facing great challenges. Sustainable development is the only way of dealing successfully with problems such as climate change and the scarcity of resources. We are fully aware of this fact at EDAG. This is why sustainability has been an issue for us since the company was founded in 1969, and why EDAG has stood for the development of resource-saving, efficient and future-oriented mobility systems, components and vehicles for over 50 years. As we see it, sustainability also means accepting responsibility for our environment, our employees and our business partners. For us, responsible corporate management means reconciling economic activity with the concerns of ecology and society.

EDAG's sustainability management is part of our integrated management system. It is the task of our sustainability management to identify opportunities and risks at an early date, in order to develop and implement appropriate strategies and measures. Sustainability issues are regularly presented to the Group Executive Management in the course of management reviews, enabling us to keep a constant eye on targets and initiate appropriate measures where necessary. In August 2019, the Executive Management initiated the "Sustainability Expert Group", consisting of employees from various EDAG departments, including environmental management, quality management, investor relations and risk controlling. The Sustainability Report is prepared on behalf of the Group Executive Management, and approved at a meeting of the Executive Management.

3.3 Stakeholder Dialogue

EDAG is in regular and open dialogue with its stakeholders. In particular, this involves customers, suppliers, employees, investors and analysts, media representatives, and also associations and clubs.

The regular exchange with our stakeholders forms an important basis for our actions. This dialogue is a means of communicating the various positions, and helps us to constantly align our decisions with the different interest groups. We have regular exchange with our customers in the course of joint projects, and also at conferences and trade fairs. Our purchasing department is the point of contact for our suppliers. Our employees have the support of the personnel department and employees' representatives. We keep our staff informed by means of works meetings, our intranet and regular employee surveys, and also maintain a permanent exchange through an open culture. Our Investor Relations department is responsible for the dialog with the capital market. The press department is in continual contact with media representatives.

In addition, EDAG has a member in a number of associations and organizations, including the following:

- Verband der Automobilindustrie (VDA) [Association of the German Automotive Industry]
- Verein Deutscher Ingenieure (VDI) [Association of German Engineers]
- Engineering-High-Tech-Cluster Fulda e.V.
- Bundesarbeitgeberverband der Personaldienstleister e.V. (BAP) [Federal Employers' Association of Personnel Service Providers]
- Deutsches Institut für Normung e. V. (DIN) [German Institute for Standardisation]
- Commercial Vehicle Cluster (CVC)
- Automotive Nord e.V. – ITS mobility
- Forschungsvereinigung Automobiltechnik (FAT) [a research association]
- Agent-3D e.V.
- Carbon Components e.V.
- Bayern Innovativ GmbH
- Verband Deutscher Treasurer e.V. (VDT) [Association of German Treasurers]
- German-American Business and Cultural Association e.V.

3.4 Materiality Analysis

As part of the first-time reporting on the basis of the GRI Standards, core option, a materiality analysis was carried out in compliance with the GRI requirements. The "Sustainability Expert Group" first of all held an extensive meeting during which the "determination" process stage was dealt with. At this meeting, it was decided that all 33 specific standards of the Global Reporting Guidelines Version 4.0 (GRI G4) would be short-listed the first time the materiality analysis was drawn up, and their relevance examined afterwards. The relevance of the topics was determined during the "prioritization" process stage by looking at them from two angles. On the one hand, each of the possible topics identified at the determination stage was examined in detail, in terms of its internal and external impact. On the other hand, the topics relevant to stakeholder decisions were identified in the form of questionnaires and expert interviews. The following stakeholder groups were involved here: customers, employees, investors and analysts. The "suppliers" stakeholder group was not initially included, as, due to the business model of the engineering service provider, the materials expenses at EDAG amounted to only 8.6 percent in 2019 In the final stage of the process, "validation", the Sustainability Expert Group decided that the key aspects identified represented a meaningful and balanced compilation of the company's most important economic, ecological and social impacts.

As a result, 14 topics from the fields of economy, ecology and social issues were identified as being relevant, and these are listed in the following table:

Relevant topics according to GRI
Economy

Topic	GRI topic
1. Economic performance	GRI 201
2. Anti-corruption policy	GRI 205
3. Anti-competitive behavior	GRI 206

Ecology

Topic	GRI topic
1. Energy	GRI 302
2. Emissions	GRI 305
3. Environmental compliance	GRI 307

Social

Topic	GRI topic
1. Occupation	GRI 401
2. Occupational health and safety	GRI 403
3. Training and education	GRI 404
4. Diversity and equal opportunity	GRI 405
5. Human rights assessment	GRI 412
6. Customer health and safety	GRI 416
7. Customer privacy	GRI 418
8. Socioeconomic compliance	GRI 419

3.5 Economy

Economic performance (GRI 201)
As a listed company, EDAG regularly reports on its economic performance to all stakeholders at dates published in the financial calendar. The financial calendar is available at: https://www.edag.com/en/edag-group/investor-relations/financial-calendar. With this Annual Report, EDAG is providing a comprehensive report on all relevant economic performance factors in the reporting year. For the information on economic performance required by GRI 201-1, reference is therefore made to the audited consolidated financial statements for 2019.

Management does not currently foresee any risks and opportunities associated with climate change that would have the potential to cause significant changes in business operations, income or expenses. EDAG's business model consists primarily in the provision of engineering services. Material goods are produced only to a very small extent. Therefore, no significant quantities of raw materials or land are used, nor are the effects of business activities on the environment in the form of emissions, for example, regarded as significant. The trend towards emission-free mobility could at best create opportunities for EDAG, as there may be considerable development costs for alternatively-powered vehicles and new vehicle concepts. With its expertise in fields such as eMobility, lightweight design, new materials and networked and automated driving, EDAG has therefore positioned itself accordingly at an early stage.

EDAG has a company pension scheme for its employees, which takes the form of defined benefit and/or defined contribution plans. In this way, care is taken of virtually all employees for the period after their retirement. For the disclosures on defined benefit pension plans required by GRI 201-3, please see chapter "Pensions and Other Post-Employment Benefits [28]" in the notes to the consolidated financial statements.

EDAG receives public sector benefits for research and development activities and for the training of employees. For the disclosures on financial assistance received during the reporting period required by GRI 201-4, please see chapter "Other Income [3]" in the notes to the consolidated financial statements.

Anti-corruption and anti-competitive behavior (GRI 205, 206)
Compliance
Besides the wide variety of opportunities open to EDAG as one of the world's leading engineering companies in the automotive industry, we also face challenges that become more demanding every day, and take on ever-increasing responsibility. More than ever, therefore, one of the most important basic conditions for our success is to combine business activities with ethical principles and act with responsibility in all respects. For our company, unconditional compliance with legal requirements is imperative, and forms an integral part of the EDAG value system. These principles are anchored in the EDAG Code of Conduct. Our Code of Conduct is the binding basis outlining the rules for the proper behavior expected of all EDAG employees.

In order to be able to meet the increased demands, we have combined the the organizational measures in the company that guarantee the compliant conduct of EDAG's executive bodies and employees at all times in our EDAG Compliance Management System (EDAG CMS). The objective of the EDAG CMS is to guarantee compliant behavior at all times when carrying out our business activities, therefore avoiding any damage being caused to the company or any of its employees as a result of infringements of applicable law and in-house guidelines. Our main focus here is preventive, with our compliance organization offering employees advice and support with regard to their responsibilities, so as to avoid the occurrence of any such infringement. The EDAG CMS has been integrated into the EDAG risk management system, and is therefore an integral part of our risk-based reporting system. For compliance-specific risks, please see the risk report in section 4.1 "Risk and Reward Report" in the Group Management Report.

In addition, we also have an electronic notification system, giving all company employees and stakeholders the opportunity to use the link https://edag.integrityline.org to report possible infringements while preserving the anonymity of those involved.

No legal disputes arising from anti-competitive behavior or violations of antitrust and monopoly laws to which EDAG was a party were pending during the reporting period.

Anti-Corruption
EDAG focuses on performance, customer orientation and the quality of its products and services. EDAG's success is based on the reputation our company has established on its way to becoming one of the world's leading independent engineering service provider. We firmly reject services based on illegal or ethically questionable behavior. For us, influencing business decisions with either attempted or actual bribery constitutes unacceptable practice. EDAG therefore expects all employees and business partners to refrain from corrupt behavior in any form whatsoever. No provision is made in the EDAG CMS for the examination of individual operating sites for corruption risks. We prefer to focus on prevention and education by operating a global training program.

Our anti-corruption policy affirms our commitment to combining entrepreneurial activity with ethical principles. The aim of the policy is to prevent any cases of corruption arising at EDAG. Recommendations for action and concrete rules of conduct for practical application help to permanently establish anti-corruption behavior at EDAG. As well as explaining the various forms that corruption can take and its consequences, the policy draws attention to corruption risks, and defines what steps to take if corruption is suspected. This additional instrument in the EDAG CMS therefore plays a significant role in preventing and combating corruption at EDAG. Anti-corruption training sessions are held on a regular basis, to effectively communicate the contents of the policy and our guidelines for the prevention of corruption to our employees.

For a compliance management system to be effective, it is essential that the attention of the company's employees should be continually drawn to the subject of compliance, so as to develop an awareness of critical issues in the daily working environment. One effective way of engendering this sensitivity for compliance is to provide appropriate training programs. In the 2019 financial year, therefore, we again expanded the compliance training program, a central element of our CMS, and continued to offer our modular, web-based compliance training as an obligatory training activity for all employees. One module in this training program deals explicitly with gifts, invitations and other benefits. The module includes the examination of practical case studies, to ensure that our employees are always in a position to be able to assess which benefits are appropriate and consistent with standard business practice, and which are not.

There were no confirmed cases of corruption in the EDAG Group in the reporting year.

3.6 Environmental Issues

As part of our materiality analysis in accordance with the GRI standards, we have identified the relevant environmental issues. Energy (GRI 302), emissions (GRI 305) and environmental compliance (GRI 307) have been determined as relevant ecological issues for EDAG.

Energy (GRI 302)
One of the key objectives of our efforts to promote ecological sustainability is the efficient use of energy. As we carry out external certification programs, for instance our environmental management system in accordance with the DIN EN ISO 14001 standard and our corporate social responsibility by EcoVadis, and participate in the "Ökoprofit" program initiated by the city of Munich, regular checks are carried out by independent authorities to guarantee our internal improvement process on the one hand. While on the other hand, we look at energy consumption both inside and outside of the organization. The aim is to reduce energy consumption and increase energy efficiency. To identify potential energy savings, energy audits in accordance with the DIN EN 16247-1 standard were carried out at various German locations in 2019, on the basis of the Energy Services Act. During these energy audits, specially trained energy auditors assessed potential for improving energy efficiency. The aim of the energy audits was to analyze the company's energy consumption and determine the energy baseline.

The energy sources used by EDAG are electricity, natural gas, district heating and diesel. The most important energy users are heating, cooling units, lighting, machinery and IT technology. These were analyzed more closely during the energy audit. The efficient use of energy cuts costs for the company, and reduces greenhouse gas emissions.

EDAG's energy consumption mainly consists of electricity, gas and heat supplies. Across the group, the total energy consumption within the company amounted to about 45,777 MWh in the reporting year.

Emissions (GRI 305)
The Paris Agreement and "renewable energy" and "climate protection measures" as two of the 17 sustainable development goals (SDG) demonstrate the global relevance of the issue of emissions. EDAG fully supports these aims. The reduction of greenhouse gas (GHG) emissions is one of the strategies pursued by EDAG within the context of the management approach. In this context, we examine direct GHG emissions (scope 1), indirect energy-related GHG emissions (scope 2) and other indirect GHG emissions (scope 3) in accordance with the categories (scopes) into which the Greenhouse Gas Protocol classifies GHG emissions.

Direct greenhouse gas emissions (scope 1) comprise the gas consumed by the heating systems and some technical installations, and the company's vehicle fleet. Across the group, the gas consumption within the company amounted to about 15,592 MWh in the reporting year, which resulted in 3,430 t of CO2 emissions[4]. At the end of 2019, EDAG's vehicle fleet in Germany included a total of 680 vehicles with average CO2 emissions of 128 g/km per vehicle. Working on the basis of an average of 20,000 km per vehicle and year, the fleet produces 1,741 t of CO2 emissions. Group-wide, therefore, direct CO2 emissions (scope 1) amounted to about 5,171 t in the reporting year.

Indirect energy-related GHG emissions (scope 2) consist of electricity purchased for all company sites and district heating purchased for the Wolfsburg and EDAG Poland facilities. Across the group, the electricity consumption within the company amounted to about 28,703 MWh in the reporting year, which resulted in 15,126 t of CO2 emissions[5]. The purchase of district heating at the locations concerned amounted to approximately 3,671 MWh, resulting in 114 t of CO2 emissions[6]. The indirect energy-related CO2 emissions (scope 2) amounted to approximately 15,240 t.

Scope 3 emissions at EDAG mainly consist of emissions caused by employees' commuting and business travel, paper consumption, water consumption, waste water, and the volume of waste generated. GHG emissions are represented in the form of CO2 emissions. CO2 emissions caused by employees' commuting and business trips in the reporting year amounted to approximately 4,857 t[7]. CO2 emissions from paper consumption in the reporting year amounted to approximately 226 t[8] CO2 emissions from water consumption in the financial year amounted to approximately 16 t[9]. CO2 emissions due to wastewater generation amounted to approximately 25 t[10]. The volume of waste generated group-wide by the company in the reporting year amounted to 1,074 t, resulting in 23 t of CO2 emissions[11]. Group-wide, therefore, other indirect CO2 emissions (scope 3) amounted to about 5,147 t in the reporting year.

[4] Calculated at 0.22 kg of CO2 emissions per kWh of natural gas.
[5] Calculated at 0.527 kg of CO2 emissions per kWh of electricity.
[6] Calculated at 0.031 kg of CO2 emissions per kWh of district heating.
[7] Calculated on the basis of 8,625 employees x 220 working days x an average commute of 10 km x 2 x 0.128 kg of CO2 emissions plus an estimated 500 t of CO2 emissions from business travel (trips/flights and overnight stays)
[8] Calculated on the basis of 8,625 employees x an average of 28 kg paper a year x 0.939 kg of CO2 emissions (fresh fiber paper)
[9] Calculated on the basis of 8,625 employees x 220 working days x an average water consumption of 25 l a day x 0.344 kg CO2 emissions
[10] Calculated on the basis of 8,625 employees x 220 working days x an average of 18.75 l of waste water a day (equivalent to 75% of the water consumption) x 0.708 kg CO2 emissions
[11] Calculated at 0.021 kg of CO2 emissions per kg of waste.

Total CO2 emissions for EDAG (scopes 1, 2 and 3) amounted to 25,558 t in the reporting year.

An average of 8,625 employees were employed by EDAG in the 2019 financial year.

This means that CO2 emissions per employee amounted to:

- Scope 1 = 0.6 t
- Scope 1 and 2 = 2.36 t
- and scope 1, 2 and 3 = 2.96 t.

Our declared aim is to gradually reduce emissions and thus contribute to sustainable development in the economy. Our target for reducing CO2 emissions per employee in 2020 is 3 percent.

Environmental compliance (GRI 307)
GRI standard 307: Environmental Compliance represents one of our key environmental aspects. The EDAG Compliance Management System (EDAG CMS) ensures that all organs and employees behave in compliance with the rules at all times. The EDAG CMS has been integrated into the EDAG risk management system. In addition, people in various staff positions and functions ensure environmentally compliant operation by carrying out specific control and supervisory duties. These include the Environmental Management and Sustainability Officer, the Occupational Safety Management Officer, the Health and Safety Officers, the Hazardous Goods Officer, the Operations Officer for Waste, the Hydrogen Officer, the REACH and IMDS Officer and the Fire Protection Officers. No violations of the rules were identified during the reporting period. On account of our activities and our existing environmental management system, we rate environmental risks as low.

We also include our suppliers in our efforts to promote sustainability and our environmental management system. We formulate our expectations as to the behaviour of our suppliers and business partners with regard to working conditions, health and safety, the environment and business ethics with the help of the EDAG Supplier Code of Conduct (which can be downloaded at https://www.edag.com/en/edag-group/the-company-edag/corporate-governance. With regard to environmental issues, we expect our suppliers to comply with the national environmental laws, regulations and standards currently in force. We also expect our suppliers to set up and utilize an appropriate environmental management system (e.g. in accordance with ISO 14001), to minimize environmental pollution and hazards, and improve environmental protection in day-to-day business operations. Our suppliers are therefore specifically asked about environmentally relevant certification (e.g. ISO 14001 or 50001) in supplier's self-appraisals.

For EDAG, sustainability also means protecting natural resources and improving biodiversity by setting up its own sustainability projects, such as the wildflower meadow project in Wolfsburg.

In 2019, our principle ecological/sustainability activities were:

- Establishing the organizational structure "Occupational Safety and Environment", the appointment of the Environmental Management and Sustainability Officer and the establishment of the "Sustainability Expert Group"
- Maintaining, updating and further developing the environmental management system and self assessments in the sustainability portals
- Implementing the "wildflower meadow" sustainability project to improve biodiversity, insect protection and species diversity
- Updating, revising and upgrading the key environmental indicators
- Completion of the new CO2-neutral website with the focus on sustainability
- Introducing a charge on paper cups and the use of returnable containers with a refundable deposit in the canteens
- Developing the e-learning module "Environmental Protection & Sustainability" to inform and motivate our employees

Outlook and aims of our sustainability activities in 2020:

- Holding the »Green Day« sustainability event in Munich in January 2020 and further »Green Days« at major company sites
- Test phase of the e-learning module "Environmental Protection & Sustainability"
- The sustainability and health & safety project »Cool Clothing«, in which the health and safety officers will be testing cooling clothing in the summer months
- The introduction of a new company car directive with CO2 weighting with a bonus-malus regulation
- The continuation and realization of further wildflower meadow projects
- "Mobile working" pilot project to reduce CO2 emissions caused by staff travel
- The implementation of energy-saving measures from the energy audits in accordance with DIN EN 16247-1 (Energy Services Act)
- Revision of the waste management concepts of the sites by the waste management officer in cooperation with the external waste disposal company

3.7 Social

Occupation (GRI 401)
Human Resource Management is a critical success factor for EDAG's business model. For this reason, our personnel policy is systematically aimed at ensuring that, in order to be able to handle projects, execute orders and supply temporary staff, the employee qualifications and employee capacities required by our customers are available at all times.

The observation of shifts in demand on the part of our customers, constant monitoring of the labor markets relevant to EDAG, and anticipation of changes of attitude and expectations in employees, particularly among school leavers and university graduates, are all inducements to us to constantly examine and adapt our personnel policy strategies and activities. In order to successfully handle these challenges in the future, a new Human Resources department, Talent Management, was established in January 2019, with the future aim of recognizing the potential of employees at an early stage and providing target-oriented staff development.

An average of 8,625 employees (including apprentices) were employed by EDAG in the reporting period. Geographically, these are organized as follows:

	2019
Geographical breakdown	
Germany	6,080
Rest of Europe	1,412
North America	333
South America	196
Asia	604
Total	**8,625**

ATTRACTIVE WORK ENVIRONMENT AT EDAG

Strengthening the employer brand by using employees as brand ambassadors.
Increasing social media presence and building up our presence at networking events.

Outlook
In the current financial year, human resource activities will continue to focus on supporting company targets by continually and organically increasing the work force, improving and automating personnel processes and outstanding commitment in education and training. In addition, decisions were made in the respective corporate committees in the reporting year to further advance the digitalization of HR.

Recruiting, HR Marketing & Employer Branding
In 2019, EDAG offered apprentices, career entrants and people with work experience a wide range of jobs in their various intended professions, thus offering continual career opportunities.

Location-spanning harmonization and standardization in the form of a uniform recruiting process guarantee company-wide quality standards in our contact with applicants and potential candidates.

With the intention of presenting EDAG as an attractive employer with numerous career opportunities for people with work experience and career entrants, the company implemented a new approach to employer attractiveness in its HR marketing program. Within the context of employer branding, employees are taking on a more active role as brand ambassadors. The concept of a fully integrated employer brand (EVP) provides an elementary, company-wide basis for viability in our internal and external HR work.

A variety of different target group-oriented formats were used to address potential applicants. Importance continued to be placed on a goal-oriented presence at graduates' and specialist job fairs. Our target groups were addressed by means of outdoor advertising, involving for instance the radio, the railways and advertising columns, by placing advertisements in selected print and online media, and by making intensive use of social media platforms. In particular, candidates were actively and intensively addressed. In addition, cooperation projects with universities and careers days gave potential new employees an opportunity to find out more about the company.

EDAG once again supported Formula Student last year, a renowned design competition for students, where each team plans, designs and builds its own racing car, and also participates in racing events. Sponsoring the contest brings EDAG into direct contact with dedicated students and opens up new and valuable networks for recruiting future top performers.

Great emphasis is placed on recruiting women for technical and managerial positions at EDAG, and to this end, we have strengthened the social media presence of the subject and built up our presence at networking events.

Awards
Once again, our apprentices achieved good to outstanding results in their final examinations in the reporting year. These grades are the result of our training system. A number of awards presented to students were particularly gratifying: as best in the first semester, graduating with the best final grade and best graduate in the course. We also had one Regional Champion and 15 examinees who passed with distinction.

The company again won the "Top Engineering Employer 2019" award - a clear acknowledgement of the excellence of our human resource management, and EDAG was again able to document its appeal to the public and present itself as a competitive employer.

HR Development
In the reporting year, a two-year project was launched on 1/1/2019, with the aim of introducing an attractive career model within the EDAG Group. Under the project name "beEDAG", we implement various concepts to create prospects for our employees and the basis for a structured implementation of the EDAG Group's Talent and Performance Management, which is specifically tailored to the corporate group's needs. The results we aim to achieve are greater employee loyalty through transparency, and greater employer attractiveness in the highly competitive market for specialists and managers.

We will continue with our three tried and tested career paths - Line, Project and Sales - and add to these the Specialist career path. To this end, we will define future-oriented topics to sharpen EDAG's competitive edge in terms of know-how.

New instruments for the systematic advancement of talent within the company were developed in the reporting year, and, among other things, these will serve as a basis for systematic succession planning and individual staff development. The first instruments were tested in pilot operation during the reporting year. In addition, the reporting year also saw the introduction of uniform job descriptions for all management levels at EDAG.

HR Consulting
The HR departments of EDAG PS and the former BFFT Gesellschaft für Fahrzeugtechnik were merged with EDAG Engineering GmbH's HR department in the reporting year, so as to further professionalize HR work, and in particular to optimize HR consulting at the locations in the south of Germany.

We continued our company integration management in 2019. As part of this program, our HR business partners actively approach employees on long-term sick leave.

EDAG AS A TOP EMPLOYER

EDAG won the "Top Automotive Employer" award for outstanding human resource management.

Working Conditions & Corporate Culture

We very carefully monitor the segments of the labor market relevant to EDAG, and focus very closely on the changing expectations, particularly of career entrants and university graduates, with regard to company and management culture, work organization and non-monetary conditions of employment. From this market information, EDAG derives strategies and activities with the aim of remaining an attractive employer for qualified employees and university graduates.

With the early transfer of responsibility in small projects, we meet the expectations of our younger managers, and systematically promote their development.

We offer a wide variety of fitness-related activities, including coaching sessions for runners and participation in challenge runs and dragon boat races, with a view to promoting team spirit throughout the workforce.

As in previous years, we provided prevention and health promotion measures in 2019, in the form of health days held in cooperation with the health insurance companies, physiotherapy, relaxation classes, vitality analyses and numerous talks on health-related subjects.

Social Issues

EDAG does not at the present time pursue any concrete concepts relating to social issues.

Nevertheless, bearing in mind the great importance accorded to having well qualified employees at EDAG, we are also, in addition to the education and training offered in-house, actively involved in diverse educational projects for young people. For instance, as well as working on cooperation projects with diverse universities, EDAG is also a member of various support associations. In addition to this, as associates of the non-profit organization "Gemeinnützigen Perspektiva GmbH", we also assist teenagers and young adults in their search for work. The target group of this project are young people with handicaps, who cannot find jobs without help.

EDAG also donates to the employees association "Belegschaft e.V.", which primarily helps members of the EDAG workforce and their direct dependents who, through no fault of their own, find themselves in (economic) need. The association, which has its registered office in Fulda, also serves to support charitable and non-profit organizations. The association exclusively and directly pursues charitable purposes.

Donations totaling € 6,000 were made to non-profit-making associations in Fulda, Munich, Ingolstadt and Wolfsburg at the end of the financial year.

Occupational Health and Safety (GRI 403)

Occupational health and safety

Annual safety briefings, inspections by the health and safety officers, and internal audits are held to ensure that employees are consistently advised and encouraged to use the work materials and equipment provided in a responsible and safe manner, and instructions are issued to ensure the correct handling of the hazardous substances that need to be processed and used in our day-to-day business.

In addition to the actual inspection of business processes in connection with external standards, a check is also kept on the general working conditions by carrying out internal audits and holding occupational health and safety committee meetings in cooperation with the safety officers and the medical services. A certification program in accordance with ISO 45001 (occupational health and safety management) was carried out for the central functions (Fulda and Wiesbaden) and for the Munich offices in the reporting year.

In Germany, risk assessments are carried out at all sites, taking into account everybody potentially present at the site. The departments responsible have competence of the health and safety officers to support them during these assessments. The health and safety officers are also neutral contacts for employees with regard to hazards in their own work environment. During work committee meetings for the EDAG sites in Germany, the relevant managers and workers' representatives are informed on a quarterly basis of the 1,000-man quota (lost working time due to downtimes in excess of 3 days due to industrial accidents, per 1,000 employees). The accidents, their causes and the measures taken to prevent their recurrence are also reported in this committee.

The 1,000 man quota in the reporting year was 4.26 in Germany and 1.6 outside of Germany.

Training and education (GRI 404)

Training

Vocational training, which supports the future development of the company, is afforded high priority at EDAG. For nearly 50 years, EDAG has demonstrated particular responsibility in this area and group-wide, achieved a trainee quota of 5.1 percent in Germany in 2019 (2018: 6.2 percent). The fact that our apprentices repeatedly receive local and national-level awards for their excellent examination results is evidence of the high quality and continuity of EDAG's training scheme.

In the reporting year, the EDAG Group continued its high-level commitment to occupational training, and group-wide hired 122 young people as apprentices or work-study students. In 2019, school leavers were able to choose from a wide range of occupations requiring formal vocational training and dual study programs, to find their personal professional entry into the world of engineering. EDAG continually adjusts its training and study program to meet not only the industry's current technological requirements but also labor market requirements.

APPRENTICE/TRAINEE QUOTA

Our apprentice/trainee quota of 5.1 % in Germany is an excellent value compared with other companies in this sector.

A point of particular note is the company's commitment to encouraging girls to consider "MINT"-based professions (mathematics, IT, natural science, technology). This also includes Girls' Day events at various EDAG locations. Nationwide, this day is an integral part of the vocational training activities to showcase at an early stage the work areas in vehicle and production plant engineering for girls.

In 2019, the company also held the eighth "MINT Girls Camp" at its Fulda site. In cooperation with various educational institutions, the focus was on familiarizing young girls with professions in the fields of mathematics, computer science, natural sciences and technology (in German: MINT) as part of a project week. Together with trainers and trainees from the fields of electrics/electronics, model making, computer science, production and development, they spent a week designing a model car - the "EDAG MINT Car" - and thus were able to experience the various phases of the vehicle development process in an interactive, condensed format.

Advanced Training

As part of the "beEDAG" project, we began to take a fresh look at all HR development instruments and measures in the reporting year, and gear them to future requirements. Within the framework of the merger with the former BFFT, we have integrated systems, workshops and processes, and begun exhaustive preparations for the introduction of the new HR software. In the future, all of our measures are to be geared even more closely to the needs of the company. In addition, it is our intention to support individual career planning not only with our portfolio, but also to give our employees more responsibility in this area. 2019 was therefore used for analysis, so that we can evaluate the findings and start planning implementation from 2020.

In the reporting year, we trained a total of 3,458 employees in 1,078 training programs in Germany. Group-wide, investments in training amounted to € 3,343 thousand (2018: € € 3,247 thousand).

The "beEDAG" project already mentioned created the basis for four different career paths in the reporting year. Training programs will in the future be geared to the relevant career model, and development measures established. This will increase the effectiveness of our HR development.

The insights analysis, our tool for staffing managerial positions, was also well used and received in the reporting year. This increases the quality during the selection process, but above all the systematic support and development of new managers.

Diversity and equal opportunity (GRI 405)

Age Structure and Continuous Employment

Besides pursuing the target of employee qualification, EDAG also strives to maintain a diversified workforce. Having a mix of experienced and young employees is an integral part of our personnel strategy. The average age of the employees at our key German companies is 36.7 years, which is representative of a young, dynamic team. 30 percent of the workforce are younger than 29.6 years old, and have been working for the EDAG Group for an average of 2.6 years. The high level of the average length of service of employees (6.9 years) is an indication of employee satisfaction and identification with the company.

EMPLOYEES@EDAG

Average age: 36.7 years
Average length of service: 6.9 years

The voluntary fluctuation rate in 2019 was 9.6 percent in Germany, and 11.5 percent in the rest of the world.

The proportion of female employees throughout the Group was about 20.7 percent.

Human rights assessment (GRI 412)

As an internationally active company, ensuring that human rights are complied with and that accepted standards are observed at our many facilities worldwide is an essential element of EDAG's value system.

With the EDAG Code of Ethics, EDAG commits to the long-term support of the ten UN Global Compact principles and to continual improvement in their implementation. The EDAG Code of Ethics can be accessed via: https://www.edag.com/fileadmin/user_upload/Group/Unternehmen/Compliance/EDAG_Code_of_Conduct.pdf. One of the principles established by the code is that EDAG supports and respects the protection of internationally proclaimed human rights within its sphere of influence, and ensures that EDAG is not complicit in human rights abuses.

EDAG CODE OF ETHICS

EDAG supports the ten UN Global Compact principles.

Apart from this, EDAG does not currently pursue any concrete concepts for the prevention of human rights abuses. The reason for this is that, on the strength of a risk analysis which has been carried out, we are at present unable to identify any direct effects on or abuse of human rights in relation to our business activities, so there is currently no need to take concrete steps to prevent any negative impact.

Customer health and safety (GRI 416)

As an engineering service provider, EDAG has an influence on the health and safety of customers through its activities insofar as the interests of functional safety and compliance with the relevant rules for machine safety must be observed.

To this end, EDAG has built up the relevant expertise, and supports its customers in the development of safe products and the operation of production plants in which any risks to the health of the plant operators have been analyzed and constructively minimized.

There were no incidents in this connection in the reporting year, nor were any violations identified.

Customer privacy (GRI 418)
As an engineering service provider, EDAG handles particularly confidential and sensitive customer data. Both personal data and order-relevant data is processed. The loss of confidentiality of customer data has the potential to cause enormous damage to the customer's business, and would also undermine our customers' trust in EDAG. For this reason, great importance is attached to information and data protection at EDAG.

A systematic information protection management system was implemented at EDAG over 20 years ago. EDAG today maintains high standards in this area, a fact which is borne out by certification in accordance with ISO/IEC 27001 and the VDA information protection standard, the TISAX standard.

Information protection-related incidents are also recorded and processed within the framework of of this information protection management system. In 2019, two data protection incidents involving personal data were reported to the Hessian supervisory authority. Both incidents were examined by the supervisory authority, and the measures recommended to avoid a repetition were accepted. Further, there was no evidence of any relevant cases of breach of customer data confidentiality in 2019 (data leaks, data theft or data loss). All audits carried out by external, neutral certification authorities in 2019 were successfully completed

Socioeconomic compliance (GRI 419)
No substantial fines or non-monetary sanctions for non-compliance with laws and/ or regulations in the social and economic field were imposed on EDAG during the reporting period.

4 Forecast, Risk and Reward Report

4.1 Risk and Reward Report

Risk Policy
EDAG Engineering Group AG is a globally positioned and internationally operating company. Any form of entrepreneurial activity opens up not only new business opportunities, but also numerous risks. In order to be able to achieve growth, profitability, efficiency and sustainable behavior in the future, the risk policy of the EDAG Group is aimed at securing the existence of the company, and at increasing the long-term company value.

Commercial success is conditional on opportunities being taken and put to optimum use. Risks must be spotted at an early date, evaluated and proactively managed, provided this will bring about a reasonable enhancement in value. Risks that might jeopardize the existence of the company must be avoided.

We define risks as any events and possible developments, both inside and outside the company, which may have a negative effect on the planned economic success of the company. Risks which cannot be directly measured in figures, e.g. risks to our reputation, also fall under this definition.

We see opportunities as possibilities to realize planned targets as a result of events, developments or activities.

Risk Management and Internal Control System
The sustained success of our company depends on how early we identify risks and opportunities in our operating activities, and how much foresight we employ in managing them. In the EDAG Group, the responsible handling of risks and opportunities is supported by an internal control system and an extensive risk management system.

Internal Control System
The internal control system ("ICS") is the sum total of all systematically defined controls and monitoring activities aimed at guaranteeing accounting accuracy, and ensuring correctness and effectiveness.

The accounting tasks are for the most part carried out independently by the consolidated companies. In Germany, there is a central shared service centre for all the German companies within EDAG GmbH. Content-wise, it depicts information that includes accounting-related data as well as key performance indicators and risks and rewards. The system is organized in such a way that the subsidiaries are requested to provide relevant and up-to-date information each month, and this information is then verified, summarized and presented to the Group Executive Management by the corporation's specialist departments.

The accounting-related part primarily consists of the single-entity financial statements of each subsidiary, drawn up in accordance with the relevant national laws, then converted to IFRS and consolidated on a quarterly basis, taking into account corporate, valuation and accounting directives.

Apart from commenting on economic performance, with the key performance data, we concentrate on future, market-related information and prospects for personnel development and productivity.

Special requirements arise as a result of our project business. These are dealt with by means of so-called "project steering committees". Moreover, a project acceptance process has also been established. Before binding quotations are submitted or contracts entered into, specialists from various departments first perform detailed checks on the commercial and contractual conditions, and then present these to the Group Executive Management. The aim of this procedure is to avoid any uncontrollable risks being accepted. Depending on the volume of tenders, certain procedures and formalities that are defined in the corresponding directives must be followed. This procedure therefore commences even before risks arise, by critically reviewing the opportunity/risk profile of any tenders. Should the opportunity/risk profile prove to be unacceptable, then the Group Executive Management will not permit a contract sign-off.

As an independent supervisory body, the internal revision department also helps to ensure the correctness of the established internal accounting control system on a random basis using system and function checks. By carrying out risk-oriented audits, the department assists company management and the administrative bodies in their monitoring and risk management tasks, with the aim of ensuring correctness and effectiveness, and in this respect complements the internal control system.

Risk Management System

The risk management system includes organizational rules and measures for risk detection and how to manage entrepreneurial risks. As risk management is anchored in operative and strategic controlling, it is possible for this system to be integrated in the planning and reporting processes. The aim of the risk management system is to increase risk awareness throughout the company, in this way establishing a risk culture that enables us to identify opportunities and risks at an early date, and realistically assess them so as to minimize or completely avoid risks, and/or take advantage of opportunities. Foresighted risk management also serves the interests of investors and other stakeholders.

Procedural guidelines and directives guarantee the uniform implementation of the risk management process. All operating units and key central departments of EDAG Group and all company employees in all company divisions and at all hierarchical levels are integrated in this process.

The first stage of the risk management process involves identifying risks, with the aim of recording and evaluating the serious risks to the company. This is done on the basis of the knowledge of the operative units in the divisions or local international branches, with regular meetings being held with the Group Executive Management to closely coordinate the risk contents and countermeasures undertaken.

A risk is evaluated on the basis of the potential extent of loss, i.e. the gross risk without any account being taken of measures to reduce and manage it. Building on this, there follows an evaluation of the net risk, taking into account the effects of any countermeasures. The expected value of loss of a risk is calculated by multiplying the expected probability of occurrence by the extent of loss of the net risk.

The following categories exist for the probabilities of occurrence:
- low: probability of occurrence < 25%
- medium: 25% ≤ probability of occurrence < 50%
- high: 50% ≤ probability of occurrence < 75%
- very high: probability of occurrence ≥ 75%

Risks are to be reported if the determined loss expectancy leads to a deviating result exceeding € 250 thousand. For existing opportunities, the reporting threshold also lies at an opportunity expectation value of € 250 thousand.

The following categories based on the amount of the expected value of loss of an individual risk have been classified:
- Low risk corresponds to an expected loss < € 0.50 million
- Medium risk corresponds to an expected loss ≥ € 0.50 million and < € 1.25 million
- High risk corresponds to an expected loss ≥ € 1.25 million

Aggregated at EDAG Group level, risks are classified into A, B or C risks:
- A category A risk corresponds to an expected loss ≥ € 2.50 million
- A category B risk corresponds to an expected loss ≥ € 1.25 million and < € 2.50 million
- A category C risk corresponds to an expected loss < € 1.25 million

EDAG's risk management system covers all fully consolidated companies and segments in the EDAG Group. Should rewards and risks affect individual segments only, this will be indicated accordingly.

The EDAG Group AG's risk management system thus covers all opportunities and risks which might seriously affect the group's financial performance. The risk/reward profile of the EDAG Group is regularly updated and represented in an aggregated report which enables the Group Executive Management to get a general idea of the risk situation of the EDAG Group. New risks that occur ad hoc and are deemed sufficiently important are reported to the Group Executive Management immediately.

The risks and rewards to which EDAG Group AG is exposed on account of its wide and international range of services are listed in the following.

Risk and Reward Profile

MACROECONOMIC FORECAST UNTIL 2020

Global economic growth: 2.9 percent

Macroeconomic Risks and Rewards

In its quarterly forecast published in January 2020, the IMF still expected a slight stabilization of the global economic situation in 2020 following the significant downward trend in 2019.

Due to the global outbreak of SARS-CoV-2, Kristalina Georgieva, the Managing Director of the IMF, adjusted this forecast for the year 2020 on March 4, 2020. The IMF is now forecasting that global economic growth in 2020 will fall below the previous year's level in every scenario, and will therefore be below 2.9 percent. However, this forecast is still subject to many uncertainties, as it is not yet possible to estimate how quickly the virus can be contained and how quickly the affected economies will return to normal.

We are monitoring the relevant country-specific conditions very closely, so as to be able to quickly implement measures to minimize risks, should the need arise (for more details, see chapter 2.1 "Macroeconomic and Industry-Specific Conditions").

We estimate that the macroeconomic risks and rewards for our business are category A risks (2018: C risks), with a heightened medium probability of occurrence (2018: low) due to the fragile situation.

Industry Risks and Rewards

According to the VDA, the situation on the world market for passenger cars was difficult even before the global outbreak of SARS-CoV-2. The reason for this was the slump in sales on the major markets China and the USA. Around 80.1 million cars were sold in 2019, a reduction of 5 percent compared with 2018. In February, a further decline to 78.2 million was forecast for 2020. The spread of SARS-CoV-2 into a pandemic will lead to further, sometimes major, disruptions in supply chains and production processes. Whereas production was to some extent resumed in some Chinese plants in March 2020, car production plants in several European countries were temporarily closed in mid-March 2020. At the time of writing this report, it is not possible to foresee the extent to which other regions and plants will be affected by supply shortages and production stoppages in the course of the year. The latest IHS forecasts in March predict a 4.8 percent drop in global production in the automotive industry for 2020. This forecast, too, is subject to considerable uncertainty.

In the short term, this development will also have negative effects on the market for engineering services. Project postponements, officially ordered closures in a number of countries, and to some extent even project cancellations are already foreseeable at the time of writing this report. According to VDA forecasts (issued before the outbreak of SARS-CoV-2), the global market for engineering services is expected to decline by 1 percent in 2020. The reasons for this are the general economic downturn coupled with cost savings and optimisation in the course of automotive transformation (e.g. saving on derivatives, increase in in-house development using employee capacities that become free). The additional pressure caused by the SARS-CoV-2 pandemic and its consequences cannot currently be fully assessed and quantified. However, it is assumed that there will be a considerable shortfall compared to the VDA forecast for 2020.

According to the VDA, structurally driven growth opportunities will arise in the market for engineering services in the medium and long term. It is assumed that development expenditure will increase by an average of 1 percent p.a. until 2030. The increase in expenditure on development is primarily due to the increase in software development in the fields of infotainment, operating system, ADAS, drive and battery technology and interior (new interior concepts). Also, expenditure on the electrification of the powertrain of the entire vehicle portfolio is expected to increase noticeably.

A major task lies ahead of the traditional OEMs and Tier 1 suppliers, namely the transformation of their product portfolios. In addition, they will have to redefine their existing working methods and priorities, while at the same time optimizing their cost structures, in order to survive in the marketplace in the face of increasing innovate pressure and tough competition from other competitors, some of them new. This creates opportunities and risks for EDAG. Opportunities for EDAG arise due to the fact that OEMs are increasingly having to focus on their core competencies as a result of rising cost pressure, thus increasing the demand for the adoption of standardized development volumes. To facilitate additional cost savings, the size and scope of award packages will increase. The reorientation towards greater eMobility is becoming more firmly established, and requires high investment volumes on the part of the OEMs for development and the infrastructure. This could lead to cost-cutting programs and reductions in the volume of contracts being awarded for engineering services. Further, the less complex production processes for electric vehicles mean that, in the medium term, production looks set to become less labor-intensive, which will also have an effect on the planning and implementation of the production plants.

To handle this challenge, EDAG applies a consistent cost management system. Development orders are being continually transferred within the group to countries where wage levels are lower. Local presence is maintained for the coordination of and responsibility for the project, to ensure that the customer is served properly. In our estimation, this is a lasting development which will continue. Our strategic concept for increasing the workforce is geared specifically to these requirements in Germany and abroad, and focuses on the expansion in best-cost countries (BCC). Continuous attention is also paid to the development of future supply points for resources. The core competency of being able to independently handle work packages that are continually growing in volume is of great importance here.

In the wake of eMobility developments, more and more companies from outside of the industry are entering the automotive market. As they lack structures of their own, the new OEMs are forced to build up an automotive partner network which will allow them to put competitive vehicles onto the market in a short time. Here in particular, EDAG's fully integrated process chain provides many opportunities for supporting these new customers. In the financial year just ended, we were already able to profit from this trend in the form of increased sales in the E/E segment. By continuing to spread activities throughout the world, any risks arising from concentrating on just a few submarkets can be reduced. We are aware of the scheduling, technical and cultural challenges relating to the new OEMs, but currently assume that the resulting opportunities will exceed the risks. As competition on the market for engineering services remains keen, all market participants are subject to increasing pressure to raise efficiency and lower costs.

With its wide range of services, EDAG is well positioned on the market. The aim is to further strengthen this market position. New alternative products not only harbor great risks, they also offer potential opportunities for the development of new technologies and markets.

Our estimation of all risks and rewards in this risk category as category A risks remains unchanged compared to the previous year, with a likewise unchanged medium probability of occurrence.

Rewards and Risks from Operative Business

OPERATIVE RISIKS

Continual project management, regular project assessments and project steering committees are all methods employed to counter the risk of exeeding deadlines or costs im major projects.

The handling of projects always entails opportunities and risks. The constant move towards greater quantitative, qualitative and chronological project volumes place high demands on our project management competencies. As a rule, these large-scale development projects are highly complex, and are handled globally and group-wide. Risks can occur as a result of technical divergences from guaranteed specifications, or due to unclear order situations. This can lead to costs being exceeded, staff shortages, technical difficulties and quality-related problems, all of which can have a negative impact on our margins. In the event of penalties being incurred for breach of contract, the assets, financial position and financial performance of the company could be further impacted.

Our employees therefore receive regular project management training, which enables them to identify risks in relation to long-term orders at an early stage. Aside from the risk potential mentioned, however, fully integrated project handling does open up the opportunity of more flexible and rapid handling on an international basis, along with the resulting cost advantages. Regular project evaluations and detailed reporting in project reviews and steering committees enable the EDAG Group to identify these kinds of risks in good time, and then implement the appropriate countermeasures. This means that any resulting opportunities can be detected as they arise and put to effective use. As the awarding of contracts by customers is subject to many variables, the ordering process may be delayed or even terminated. If this is not directly linked to substitute orders or direct replacement orders, risks affecting capacity utilization can result.

An ongoing resource management system helps to manage internal capacity and, should the need arise, assign resources to other projects without long idle times. The acquisition of projects that will run for longer periods of time is another way

of ensuring the basic, long-term capacity utilization of our engineering capacities. In addition, we are attempting to level off temporary volatile periods of capacity utilization as far as possible by means of flexible working time accounts, flexible deployment opportunities for our employees, and the selective use of external capacities.

Due to the constant rise in the use of IT in all business segments, the importance of electronically processed information and the availability of IT structures continues to grow. This applies to both the frequency of virus and/or hacking attacks and to their possible damage potential. As engineering service providers, we rely to a great degree on a fully functioning IT and safe data connections with our customers. Disruptions and attacks on the IT systems and networks cannot, however, be completely ruled out. An IT system breakdown or data loss could have serious consequences for EDAG. The main risk is that strictly confidential information, particularly with regard to new technological findings or partnerships in the field of research and development, might be leaked to third parties. This could have an adverse effect on our good market position; there is also the risk of the loss of our good reputation. In order to guarantee a disruption and error-free workflow, we attach great importance to the availability of the IT resources and services. For the most part, our IT structures are standardized. We have implemented a series of safety standards to protect confidential information (e.g. firewall systems, virus protection, access and admission controls at operating system and application level, encryption, etc.) and these are regularly checked by various committees (e.g. internal revision), to ensure that they are effective. Applicable safety guidelines undergo continual updating and are therefore regularly adapted to the latest technical changes; information events and IT safety training ensure that our employees have the necessary knowledge and skills. The IT Security team has been continuously expanded in order to identify operational risks at an early stage, to implement appropriate concepts, and prevent security threats.

On the market for engineering services, we anticipate a shift in customer enquiries towards innovative, fully integrated solutions in the fields of software, embedded systems, alternative drive technologies and eMobility. This means that we must address these issues and further develop the appropriate competencies accordingly. One important aspect is the reinforcement of the existing competence centers, which were already able to bundle important know-how in the past. Working in close cooperation with other technology partners and research institutes, we are constantly expanding our skills in future-relevant areas, in this way ensuring our participation in market developments and technical innovations. In our estimation, there is a growing need for know-how here. A further trend on the mobility market is the increasing individualization of vehicles. In addition to their large-scale series products, some OEMs are starting to produce small special premium series that are refined in a modern factory away from the production line. On account of our good reputation as an engineering service provider and our active involvement in the development of these premium products, we also assist our customers with the implementation. As we have already successfully carried out our first projects in this field, we anticipate a further increase in these activities in the coming years.

Taking into account the arrangements that have been made, our assessment of the risks from the operating divisions as category A risks remains unchanged compared to the previous year; the probability of occurrence is likewise unchanged and categorized as medium.

PERSONNEL RISIKS

Risks in conjunction with the fluctuation of know-how carriers are countered by measures to establish our position as an attractive employer.

Personnel Risks and Rewards

The success of the EDAG Group depends to a significant extent on committed and well qualified employees. There is a risk that it might prove difficult to find such employees to fill any or all vacant positions. A further potential risk is the loss of competent employees to the competition or to a customer. Finding replacements for such positions frequently involves increased recruiting and induction costs for the EDAG Group.

We counter these risks by positioning ourselves as an attractive employer worldwide, using our international network to acquire new talent, and creating ties between the company and our employees. A wide range of activities such as forward-looking personnel planning, the continual adaptation of our recruiting activities to requirements, the ongoing training and education of our staff, work-life balance initiatives, the promotion of skilled young people and a wide range of apprenticeships help us to guarantee the availability of the know-how we will need for the future.

This Employer Value Proposition (EVP) defines the EDAG Group's positioning as an employer. This means that we have identified what we, the EDAG Group, stand for today and what will constitute our employer personality in the future. Market requirements and trends were also included in the evaluation. The result - the EVP - is, as it were, the value promise that EDAG makes to both its current and future employees.

EDAG again received a German "Top Automotive Employer" award in 2019. Awards like these confirm the effectiveness of the measures we undertake.

We rate the personnel risks as a category C risk (2018: category B) with an unchanged medium probability of occurrence.

FINANCIAL RISIKS

Overall, the financial debt improved in 2019. The financial situation of the company is still sound.

Financial Risks

In the course of our business activities, we are subject to financial risks. These include default risks for customer receivables, liquidity risks, as well as changes in exchange rates and interest rates. Identified potential risks are controlled by defined guidelines and security measures within the Group; for more details, see chapter "Financial Risk Management Objectives and Methods" in the notes.

Accounts receivable are for the most part settled by customers according to previously agreed terms of payment. To minimize the risk of non-payment, creditworthiness is checked, especially when dealing with new customers. Individual, overdue receivables are taken into account by valuation allowances in the statement of financial position according to defined rules, if cases of non-payment are to be expected. Both the proportion and the absolute amount of overdue amounts receivable has increased compared to the previous year. On the strength of our analysis, however, the probability of default has not changed significantly.

The EDAG Group is primarily financed by a long-term promissory note loan *(Schuldscheindarlehen)* issued in 2018 and lines of credit with house banks and bond insurers. As a result, and taking into account the financial debt, which remained stable in 2019, the EDAG Group continues to have sufficient financial scope. We currently see no risks in this regard.

The risk from currency fluctuations for foreign currency receivables and/or planned cash flows is partially secured by forward currency contracts. However, this is not of primary importance for the EDAG Group’s assets, financial position and financial performance. The same applies to the interest rate risk. Risks posed by changes in interest rates and fluctuations in exchange rates at the reporting date are secured by derivative financial instruments which are used exclusively for hedging and not for speculative purposes.

The EDAG Group's financial situation is still sound, due to a solid liquidity forecast and the financing volumes available (promissory note loan, only moderately used lines of credit). It is monitored regularly and currently harbors no significant risks. Group liquidity was guaranteed at all times in the reporting year.

For the financial year just ended, we continue to assess this risk as a category A risk (2018: category C) with an unchanged medium probability of occurrence, primarily due to increased bad debt risks.

LEGAL AND TAX RISKS

There are no material legal or tax risks in existence during the reporting period that might prove disadvantageous to the EDAG Group.

Legal Risks

As an internationally active company, we are, within the context of our ordinary business activities, subject to a series of risks in connection with legal disputes and other - possibly official - proceedings in which we are currently involved, or will be in the future. With regard to the operative business, this particularly concerns the following legal areas: product liability, anti-monopoly legislation, intellectual property rights, but also general civil law. Should these risks materialize, this could damage the reputation of the EDAG Group, which would ultimately have an adverse effect on the success of our company.

Company-wide standards – such as general terms and conditions of business, standard contracts for various applications or implementing regulations in the form of organizational guidelines – are continually updated and reduce the possibility of new legal risks to the EDAG Group. For processes that are not covered by the standards developed for day-to-day business, the Group's legal department regularly calls upon external specialist lawyers for advice. In addition, the Legal department carries out workshops to raise the awareness of our employees in the operative divisions for risks, and consequently also for risk prevention. Should any threat of risks materialize, the Legal department also provides advice on the efficient avoidance of legal disputes or, if necessary, organizes the appropriate measures for legal proceedings.

To counter the trend towards higher fines being imposed on companies in various areas, we have arranged for the Legal department to provide both the Group Executive Management and any departments or subsidiaries that might be affected with additional advice on changes to regulations and suggestions on what action to take, while also establishing contact with external specialist lawyers at home and abroad, to enable compliance with the relevant rules and regulations.

At the present point in time we do not anticipate any significant negative effects on the assets, financial position and financial performance from the risks classified here. Our assessment of this risk as a category C risk with a low probability of occurrence therefore remains unchanged.

Tax Risks

The EDAG Group operates worldwide, and is subject to a wide range of local tax laws and regulations. Any changes in these can lead to greater tax expense and to higher tax payments. We are also active in countries with complex tax regulations that can be interpreted in a number of different ways. Future interpretations and/or developments of the tax system could affect tax liabilities, profitability and business activities. We take extensive legal advice, both from our own specialists and also, in specific cases, from qualified external specialists. Workshops are also held to raise the awareness of our staff.

Over and above this, no tax risks that represent a substantial influence on the financial performance, cash flows and financial position have been identified in the EDAG Group for the reporting period.

Aggregated over the Group, we have assigned this risk to category B status for the financial year just ended, as we did in the previous year. Given the numerous preventive regulations, the probability of occurrence continues to be considered as low.

Compliance-Relevant Risks

The objective of the EDAG compliance management system is to avoid any damage being caused to the company or any of its employees as a result of infringements of applicable law and in-house guidelines. Our approach here is preventive, with our compliance organization offering employees advice and support with regard to their responsibilities, so as to avoid the occurrence of any such infringement.

For a more detailed description of the concept for handling compliance-relevant risks pursued during the reporting year, please see chapter "Sustainability Report - Non-Financial Report and Corporate Social Responsibility (CSR)" (points: "Compliance", "Anti-Corruption" and "Human Rights Assessment") of the Group Management Report.

COMPLIANCE-SYSTEMS

A compliance management system has been firmly established at EDAG to ensure responsible behavior at all levels.

With the help of the compliance management system we use, we believe there is little probability of compliance-relevant risks occurring, although we cannot completely rule out any negative effects on the earnings performance of the Group. Our assessment of this risk for the Group remains unchanged compared to the previous year, and has been assigned a class C status with a low probability of occurrence.

Risks Regarding the Use of Financial Instruments

The key financial liabilities used by the EDAG Group include financial liabilities, accounts payable and other liabilities. The main purpose of these financial liabilities is to finance the business activities of the EDAG Group. The EDAG Group has accounts receivable and other receivables as well as cash and short-term deposits that result directly from its operations.

The EDAG Group is subject to credit and liquidity risks. Management of these risks is the responsibility of the Management. Management ensures that financial activities by the EDAG Group associated with risks are carried out in accordance with the relevant operating instructions and that financial risks are identified, assessed and managed in accordance with these guidelines and taking into account the the company's willingness to take risks. The EDAG Group's risk management also takes risk concentrations regarding individual transactions or group companies into account.

With the most predominant part of the promissory note loan and the loan from VKE-Versorgungskasse EDAG-Firmengruppe e.V., most of the financing of the Group is subject to a fixed interest rate. Only moderate use is made of the variable interest bearing revolving lines of credit. We therefore estimate that any risk posed by fluctuations of market interest rates is therefore very slight.

Due to the structure of the promissory note loan, (several tranches with maturities of five to ten years) and of the loan from Versorgungskasse EDAG-Firmengruppe e.V., the Group's financing has been secured on a long-term basis. For this reason, we also assess any financing and liquidity risks to the company as being low.

The lease liabilities are offset by corresponding assets. The maturity of the financial liabilities is depicted in the notes. The Group Executive Management analyses the term of certain financial instruments and ensures their timely prolongation as far as these resources are still needed.

Currency-related risks to the EDAG Group result from financing measures and operating activities. Insofar as they have a significant effect on the Group cash flow, foreign currency risks are always hedged. Foreign currency risks from financing activities result from financial liabilities in foreign currencies and foreign currency loans. These risks are covered by the Treasury Department. Currency derivatives are used to convert financial obligations and intra-group loans denominated in foreign currencies into the Group entities' functional currencies.

CURRENCY RISKS

Due to a number of different hedging activities, EDAG was not exposed to any significant currency risks in the operating divisions on the reporting date.

In the operating area, the EDAG Group's individual group companies do most of their business in their own functional currencies. This means that any currency risk from current operating activities is assessed as being moderate. Some group companies are, however, exposed to foreign currency risks in connection with planned payments not in their own functional currencies. Here, too, EDAG hedges with foreign currency derivatives. Due to these hedging activities, the EDAG Group was not exposed to any significant currency risks in the operating divisions on the reporting date.

Other Rewards and Risks

By law, the company is liable for any damage suffered by the customer as a result of defective or delayed performance. In an extreme case, such as in a widespread recall by a car manufacturer due to a defective EDAG design or service, this could threaten the existence of the company.

In international projects, the applicable legal standards are often the ones that apply in the foreign country where the customer's company is based - and are largely unknown in Germany. Our risks are further increased by contractual warranty risks resulting from the disposal of companies and by liability limitations specific to certain customers, which cannot always be fully passed on to subcontractors.

The EDAG Group counteracts these risks by ensuring the high quality of our services, by employing attorneys with international experience and - to complement these measures - by taking out liability insurance.

For further opportunities and risks based on sustainability issues, please see chapter "Sustainability Report - Non-Financial Report and Corporate Social Responsibility (CSR)" of the Group Management Report.

These risks are assigned to category A (2018: category A), associated with an unchanged low probability of occurrence.

Overall Assessment

The risk management system in use provides the basis on which we assess our overall risk. It includes all the material risks and rewards that are reported by the divisions, subsidiaries and administrative departments, and is regularly checked by the Group Executive Management and the Board of Directors.

We regard the risks arising from the SARS-CoV-2 pandemic as being detrimental to development. The magnitude of the rapidly developing infection rate, which has been crippling public life and the economy since the beginning of the year, first in China and since March 2020 also in Germany and Europe, makes it impossible to make a reliable quantitative forecast of the future development of the overall economy, industry and also the EDAG Group for the coming months, the 2020 financial year and beyond. We refer here to our comments in the Forecast report. In addition, the overall analysis of our risks and opportunities for the 2020 financial year indicates that our most significant exposure to risks and opportunities relates to financial and operative risks (in terms of expected loss value).

APPRAISAL

Considering the measures taken and our position on the market, we are confident of our ability to contain the exisiting risks and deal successfully with the resulting challenges.

Considering the measures taken, our position on the market, and our strategic and financial strength, we remain confident of our ability to contain the existing risks and deal successfully with the resulting challenges. On the date of publication of this annual report, and on the basis of current assessments, the Group Executive Management therefore does not believe that any of the reported risks will jeopardize the existence of the company.

Internal Control System and Risk Management System in Relation to the Group Accounting Process

The main features of the internal control system and the risk management system in relation to the (Group) accounting process in operation at the EDAG Group can be described as follows:

- The EDAG Group is characterized by a clear organizational, corporate as well as control and monitoring structure.
- Group-wide coordinated planning, reporting, controlling and early warning systems are in place to perform a comprehensive analysis and control of earnings-related risk factors and existential risks.
- The functions in all areas of the accounting process (e.g. financial accounting and controlling) are clearly assigned.
- The IT systems used for accounting purposes are protected against any unauthorized access.
- Standard software adapted to the needs of company is used predominantly in the financial systems area.
- Internal guidelines (such as a valid Group-wide risk management guideline) are set up, which are adjusted as needed.
- The departments involved in the financial reporting process meet the quantitative and qualitative requirements.
- The completeness and accuracy of any accounting data is ensured by the established internal accounting control system and the internal reporting system and primarily verified by plausibility analyses. The internal revision department also ensures the correctness of the established internal accounting control system by carrying out system and function checks on a random basis.
- The existing group-wide risk management system is continuously adapted to current developments and regularly tested for effectiveness.
- As a general rule, the principle of dual control and functional segregation are observed in all accounting-related activities.
- Among other things, the Board of Directors addresses issues pertaining to accounting, risk management, the audit mandate and its key aspects.

OBJECTIVE OF GROUP ACCOUNTING PROCESS

The internal control and risk management system ensures that all business matters are properly recorded, processed and evaluated, and adopted in the external accounting procedures.

The internal control and risk management system for the accounting process, the main features of which have been described above, ensures that all business matters are properly recorded, processed and evaluated, and adopted in the external accounting procedures. The clear organizational, corporate, control and monitoring structure, as well as the adequate composition of the accounting department in terms of personnel and material, represent the basis for efficiency in those departments involved in accounting. Clear legal and corporate rules and policies ensure uniform and proper accounting. Risk identification by the risk management system ensures proper accounting. The internal control and risk management system at EDAG Group AG ensures that accounting at the company and all companies included in the consolidated financial statements are uniform and in accordance with the legal and statutory requirements and internal guidelines. In particular, the group-wide risk management system, which fulfills the statutory requirements, has the task of identifying risks in good time, assessing these and communicating these in an appropriate manner. As a result, the recipients of the report are informed in good time.

4.2 Forecast

According to the International Monetary Fund's (IMF) January 2020 outlook, the world economy exhibited 2.9 percent growth in 2019. According to its report issued on March 4, the IMF assumes that growth in the current year will be below the previous year in every scenario. The economy is very fragile, and the extent of the impact of the SARS-CoV-2 pandemic on the global economy will depend largely on how long the restrictions on economic and public life are necessary to contain the infection. Substantial monetary policy incentives have already been initiated by several central banks in order to cushion the economic impact, and individual countries have also set up emergency aid programs for the economy. In Germany alone, this aid amounts to up to € 600 billion, according to the Federal Finance Minister.

Further risks to global economic development arise as a result of the American-Chinese trade tensions and the possibility of a no deal Brexit.

At the time this report was being prepared, no estimates were available regarding the development of either the global economy or of individual countries that reliably reflected the effects of the SARS-CoV-2 pandemic. Reference is therefore made to the statements made by the IMF on March 4, 2020, according to which the growth of the global economy in 2020 will fall below that of the previous year in every scenario.

The outlook in the automotive industry for 2020 is also subject to considerable uncertainty due to the SARS-CoV-2 pandemic. According to the IHS March update, production is expected to drop significantly in 2020. As early as mid-March 2020, several car manufacturers announced production stops in some of their European plants. Further production stops in other regions cannot be ruled out at the time of writing this report.

As a result of consumer uncertainty and official closure orders, a significant decrease in sales of passenger car is also expected in 2020. Based on the February figures

available, experts at Morgan Stanley are forecasting a significant decrease in global sales at the time of writing this report.

Besides the sales figures, however, technological and digital trends have an enormous influence on not just our business model, but also those of the OEMs. The current issues are accelerating the further development of classic powertrain types and promoting the integration of alternative powertrains. The BEV/PHEV[12] technologies are also becoming increasingly important. Additional challenges for all market participants are being created by the future-oriented fields of software, sensors and autonomous and connected driving. The development of new digital business fields and mobility services necessitates additional development and capacity requirements, which could lead to new growth opportunities for the engineering service market. The continuing consolidation of the engineering service providers and changed responsibility models in the drafting of work contracts will also bring about lasting changes within the sector. According to an assessment by the VDA, the automobile engineering service sector will, until 2030, experience annual average growth of about 1.0 percent.

As a global-level partner to our customers, EDAG wants to operate successfully and achieve profitable growth rates. EDAG is one of the top 3 independent engineering service providers in the automotive sector, and well positioned to handle the changes in the market towards increasingly large and complex projects with more and more engineering responsibility. Targeted investments and a clear focus on our performance and technology spectrum have strengthened our international market position for fully integrated vehicle development and large module packages. By creating a synergy between the flexible and mobile application of our expertise, the utilization of our internal, best-cost resources, and an international project management team, we strive, at a global level, to meet our customers' expectations.

Qualified and committed employees are essential for the implementation of our strategy. EDAG offers selective training measures and a high-level apprenticeship program in order to meet high customer requirements and achieve our growth targets. Training measures and advanced education are available to both experienced and young professionals.

The market for engineering services remains highly dynamic. With a growing focus on CO2 reduction, the development of alternative drive concepts is being massively accelerated. Trend topics such as highly automated driving and data-based business models call for completely new vehicle architectures, and are increasingly leading to a separation of hardware and software in development. The large number of powertrain variants will make flexible and networked smart factories indispensable. All these developments are driving the demand for development services, and will, in the medium to long term, lead to considerable opportunities.

On the other hand, global trade disputes, sharply declining sales figures and above all the consequences of the SARS-CoV-2 pandemic are having a hugely negative impact on the automotive market.

[12] Battery electric vehicle (BEV)/ plug-in hybrid electric vehicle (PHEV)

Europe has now become the epicenter of the Coronavirus pandemic, although according to the WHO, the number of infections in the USA is rising sharply, and there are fears that the USA might soon take over from Europe as the new epicenter of the pandemic.

Due to the highly dynamic way in which the situation is changing and the exceptional uncertainties arising as a result, there is, from today's point of view, only a very restricted possibility of forecasting economic development and deriving a reliable and dependable outlook.

Our customers have reacted to the new situation at different times, depending on the course of the pandemic. All the major German OEMs are currently making serious cutbacks in production due to lower sales figures and supply chain shortages, and to begin with have ordered stoppages lasting several weeks at their production plants, although work is still being continued on customers' key development projects. US auto manufacturers, too, have announced production stops until March 31, 2020, whereas in China, there are signs that automobile production is gradually being resumed after a shutdown lasting some 6 weeks. Due to the fact that plant closures in Europe and the USA have been effected at different times, a disruption of production and supply chains must be anticipated, especially in the second quarter of the year, before a gradual normalization is also observed in these regions, in line with the trend in China. At present, therefore, we see no risk to the continued existence of the company, but do see a risk that might impair its development. On the reporting date, unused lines of credit in the amount of € 101.8 million exist in the Group. As a result, we see ourselves as well positioned to meet the challenges of the coming weeks and months.

Delays in the awarding of contracts, project cancellations, heterogeneous capacity utilization in different areas and locations, and continuing price pressure are therefore foreseeable short term additional risks for engineering service providers. Short-time work is an instrument that can certainly be used in Germany, and to some extent in other countries, as a countermeasure.

As a globally operating company, the EDAG Group is keeping a keen eye on further developments, and, in close contact with customers, has made preparations so that any additional countermeasures that prove necessary can be taken as quickly as possible.

As already mentioned, these macroeconomic conditions give rise to exceptional uncertainties that significantly impair our forecasting ability. We are therefore limiting ourselves to a qualitative comparative forecast, because - particularly in terms of the extent and duration of the negative effects of the SARS-CoV-2 pandemic - the development of the EDAG Group's net assets, financial position and financial performance cannot be reliably forecast in the usual form. In view of the situation, sales revenues and earnings are expected to decline in the 2020 financial year compared with the previous year, which in the worst case could have a material impact on financial performance. A key value driver in EDAG's business model are customer-specific engineering projects and services, the maintenance of which - irrespective of production stoppages at customers' plants - has a significant impact on added value and gross performance.

The Executive Management constantly monitors possible effects on the business and takes comprehensive measures to ensure that the protection of employees and the continuation of business operations in the Group companies are guaranteed.

5 Other Information

5.1 Group Declaration on Corporate Management

Within this annual report, the Group Executive Management and Board of Directors of EDAG Group AG have made diverse declarations concerning corporate management in accordance with § 315d in conjunction with § 289f para. 2 of the German Commercial Code (HGB) (see points 1 - 3). Further declarations concerning corporate management for EDAG Group AG and for a number of the German companies were published on the Internet on March 18, 2020 in accordance with § 315d in conjunction with § 289f para. 1, p. 2 of the German Commercial Code (HGB):

1. Statement of Compliance with the Corporate Governance Codex
   [see chapter: Corporate Governance Report, point "Corporate Governance Objectives"]
2. Relevant details of corporate governance practices
   (see chapter: Corporate Governance Report)
3. Description of the working methods of the Group Executive Management and Board of Directors and of the composition and working methods of their committees
   (see chapter: Corporate Governance Report, points 3 "Board of Directors" and 4 "Group Executive Management")
4. Target figures for the equal treatment of women and men in managerial positions on the basis of §§ 76 para. 4 and 111 para. 5 of the Companies Act (AktG) and §§ 36 and 52 para. 2 of the Limited Liability Companies Act (GmbHG)
   (see: https://www.edag.com/en/edag-group/the-company-edag/corporate-governance)
5. As the German Stock Corporation Act is not applicable to EDAG Group AG, details of the minimum proportion of women in the supervisory board may be omitted.
6. Diversity concept
   (see: https://www.edag.com/en/edag-group/the-company-edag/corporate-governance)

[13] More detailed information on the shareholder structure can be found in the chapter "EDAG on the Capital Market"

5.2 Takeover-relevant Information [in accordance with § 289a and § 315a HGB (German Commercial Code) and Explanatory Report]

The fully paid-in subscribed capital of EDAG Group AG in the amount of € 920 thousand as at December 31, 2019 is backed by 25 million bearer shares with a nominal value of CHF 0.04. The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's annual shareholders' meeting.

The largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which held 70.66 percent[13] (before announced share buyback program of 8/1/2019). For the financial year ending December 31, 2019, the company shares fully qualify for dividends.

The appointment and dismissal of the members of the Board of Directors are carried out in accordance with the provisions of Article 698 para. 2 No. 2 of the Swiss Code of Obligations (OR) in conjunction with Article 15 of the articles of incorporation of EDAG Group AG, and are the responsibility of the annual shareholders' meeting. According to Article 17 of the articles of incorporation, the Board of Directors is responsible for the appointment and dismissal of the persons entrusted with the management of the company.

5.3 Voting Rights Notification und Directors‘ Dealings

Information on directors' dealings pursuant to Art. 19 MAR are published on our website at http://www.edag.com, under the heading "Investor Relations“, menu item "Financial Releases".

Communications from the reporting year pursuant to § 33 et seq. of the German Securities Trading Act (WpHG) are also published on this website, under the heading "Financial reports.

[13] More detailed information on the shareholder structure can be found in the chapter "EDAG on the Capital Market"

6 Disclaimer

The management report contains future-based statements related to anticipated developments. These statements are based on current projections, which by their nature include risks and uncertainties. Actual results may differ from the statements provided here.

Report of the independent auditor
(Joint Management Report)

Report of the independent auditor to the Board of Directors of the EDAG Engineering Group AG, Arbon

Report on the audit of the joint management report
Opinion on the joint management report
We have audited the joint management report of the EDAG Engineering Group AG, Arbon/Switzerland, which is combined with the stand-alone entity's management report, for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the information gained during our audit, the accompanying joint management report (pages 60 to 79 and 97 to 115) provides n accurate overall picture of the Group's situation. The joint management report corresponds in all material aspects with the consolidated financial statements, complies with the legal requirements and accurately presents the opportunities and risks in relation to future developments.

Basis for opinion on the joint management report
We conducted our audit of the joint management report in accordance with the German generally accepted standards on auditing management reports as promulgated by the IDW (Institute of Public Auditors in Germany). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the joint management report
The Board of Directors is responsible for the preparation of the management report, which provides an accurate overall picture of the Group's situation and corresponds with the consolidated financial state-ments, complies with the legal requirements and accurately presents the opportunities and risks in relation to future developments. Further, the Board of Directors is responsible for the provisions and measures (systems) that the Board of Directors considers as necessary to prepare the joint management report in accordance with art. 315e para. 1 HGB (German Commercial Law), enable the application of the German legal requirements and be able to provide appropriate and adequate evidence for the statements made in the joint management report.

Auditor's responsibilities for the audit of the joint management report
Our objective is to obtain reasonable assurance about whether the joint management report provides an accurate overall picture of the Group's situation and corresponds in all material aspects with the consoli-dated financial statements and the information gained during our audit, complies with the legal requirements and accurately presents the opportunities and risks in relation to future developments in

order to issue an auditor's report that includes our opinion on the joint management report.

We conduct our audit of the joint management report in accordance with the German generally accepted standards on auditing management reports as promulgated by the IDW. In this regard, we emphasise the following:

- The audit of the joint management report is integrated into the audit of the stand-alone entity's management report.
- We obtain an understanding of the provisions and measures (systems) relevant to the audit of the joint management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these arrangements and measures (systems).
- We perform audit procedures on the forward-looking statements made by the Board of Directors in the joint management report. In doing so, on the basis of sufficient and appropriate audit evidence, we specifically verify the assumptions underlying the forward-looking statements made by the Board of Directors and assess the appropriateness of these assumptions and the proper derivation of the forward-looking statements based on these assumptions. We do not express an opinion on these forward-looking statements or on these underlying assumptions. There is a significant and unavoidable risk that events in the future will deviate materially from the forward-looking statements.
- We do not express an opinion on any specific statements in the joint management report but rather express an opinion on the **j**oint management report as a whole

Deloitte AG

Roland Müller
Partner

Ueli Sturzenegger
Senior Manager

Zurich, April 1, 2020

CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	Notes	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018 revised*
Profit or loss			
Sales revenues and changes in inventories[1]		781,272	792,328
Sales revenues	(1)	782,772	788,252
Changes in inventories	(2)	- 1,500	4,076
Other income	(3)	16,987	16,875
Material expenses	(4)	- 135,319	- 120,532
Gross profit		**662,940**	**688,671**
Personnel expenses	(5)	- 491,143	- 497,509
Depreciation, amortization and impairment	(6)	- 45,892	- 43,589
Net result from impairments or reversals on financial instruments	(7)	- 2,413	- 733
Other expenses	(8)	- 103,241	- 98,648
Earnings before interest and taxes (EBIT)	**(9)**	**20,251**	**48,192**
Result from investments accounted for using the equity method	(10)	949	1,203
Financial income	(11)	380	310
Financing expenses	(12)	- 10,967	- 14,097
Financial result		**- 9,638**	**- 12,584**
Earnings before tax		**10,613**	**35,608**
Income taxes	(13)	- 3,590	- 11,870
Profit or loss		**7,023**	**23,738**

[1] For the sake of simplicity, described as revenues in the following.

in € thousand	Notes	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018 revised*
Profit or loss		7,023	23,738
Other comprehensive income			
Under certain conditions reclassifiable profits/losses			
Currency conversion difference			
Profits/losses included in equity from currency conversion difference		119	- 466
Total under certain conditions reclassifiable profits/losses		**119**	**- 466**
Not reclassifiable profits/losses			
Revaluation of net obligation from defined benefit plans			
Revaluation of net obligation from defined benefit plans before taxes	(28)	- 6,204	773
Deferred taxes on defined benefit plans		1,751	- 217
Share of other comprehensive income of at-equity accounted investments, net of tax		- 80	25
Total not reclassifiable profits/losses		**- 4,533**	**581**
Total other comprehensive income before taxes		- 6,165	332
Total deferred taxes on the other comprehensive income		1,751	- 217
Total other comprehensive income		**- 4,414**	**115**
Total comprehensive income		**2,609**	**23,853**
From the profit or loss attributable to:			
Shareholders of the parent company		7,023	23,705
Minority shares (non-controlling interest)	(14)	-	33
Of the total comprehensive income attributable to:			
Shareholders of the parent company		2,609	23,820
Non-controlling interests		-	33
Earnings per share of sharholders of EDAG Group AG [diluted and basic in EUR]			
Eearnings per share	(15)	0.28	0.95

* The previous year was adjusted due to the first-time adoption of the international accounting standard IFRS 16.

2 Consolidated Statement of Financial Position

in € thousand	Note	12/31/2019	12/31/2018 revised*	01/01/2018 revised*
Assets				
Goodwill	(16)	74,367	74,339	74,359
Other intangible assets	(16)	20,742	25,921	31,436
Property, plant and equipment	(17)	74,500	72,281	70,129
Right of use from leasing	(18)	144,372	145,846	139,264
Financial assets	(19)	160	158	150
Investments accounted for using the equity method	(20)	17,464	17,165	16,135
Non-current other financial assets	(19)	1,037	521	433
Non-current other non-financial assets	(23)	66	64	62
Deferred tax assets	(24)	12,742	6,077	5,587
Non-current assets		**345,450**	**342,372**	**337,555**
Inventories	(25)	8,633	9,260	3,888
Current contract assets	(21)	70,823	85,753	67,641
Current accounts receivables	(22)	135,665	119,219	140,922
Current other financial assets	(19)	2,274	1,703	2,077
Current securities, loans and financial instruments	(19)	51	38	43
Current other non-financial assets	(23)	10,122	10,052	10,993
Income tax assets	(24)	976	1,619	2,020
Cash and cash-equivalents	(26)	70,618	63,862	13,485
Assets held for sale		-	-	3,200
Current assets		**299,162**	**291,506**	**244,269**
Assets		**644,612**	**633,878**	**581,824**

in € thousand	Note	12/31/2019	12/31/2018 revised*	01/01/2018 revised*
Equity, liabilities and provisions				
Subscribed capital		920	920	920
Capital reserves		40,000	40,000	40,000
Retained earnings		103,499	115,226	110,271
Reserves from profits and losses recognized directly in equity		- 13,137	- 8,605	- 9,186
Currency conversion differences		- 3,418	- 3,536	- 3,071
Equity attributable to shareholders of the parent company		**127,864**	**144,005**	**138,934**
Non-controlling interests		-	1	1
Equity	**(27)**	**127,864**	**144,006**	**138,935**
Provisions for pensions and similar obligations	(28)	37,759	29,845	27,606
Other non-current provisions	(29)	3,449	3,492	3,612
Non-current financial liabilities	(30)	120,000	120,000	-
Non-current lease liabilities	(31)	142,658	144,081	136,786
Non-current other financial liabilities	(34)	-	1,230	2,243
Deferred tax liabilities	(36)	20	1,616	2,643
Non-current liabilities and provisions		**303,886**	**300,264**	**172,890**
Current provisions	(29)	14,173	10,093	8,931
Current financial liabilities	(30)	21,698	23,082	114,215
Current lease liabilities	(31)	18,269	16,343	14,466
Current contract liabilities	(32)	45,500	41,465	39,291
Current accounts payable and other liabilities	(33)	55,014	29,696	24,745
Current other financial liabilities	(34)	4,363	4,230	3,348
Current other non-financial liabilities	(35)	49,679	57,996	53,289
Income tax liabilities	(36)	4,166	6,703	11,714
Current liabilities and provisions		**212,862**	**189,608**	**269,999**
Equity, liabilities and provisions		**644,612**	**633,878**	**581,824**

* The previous year was adjusted due to the first-time adoption of the international accounting standard IFRS 16.

3 Consolidated Cash Flow Statement

	in € thousand	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018 revised*
	Profit or Loss	**7,023**	**23,738**
+	Income tax expenses	3,590	11,869
-	Income taxes paid	- 11,995	- 18,301
+	Financial result	9,638	12,584
+	Interest and dividend received	960	311
+/-	Depreciation and amortisation/Write-ups on tangible and intangible assets	45,892	43,589
+/-	Other non-cash item expenses/income	- 5,181	- 488
+/-	Increase/decrease in non-current provisions	7,858	2,269
-/+	Profit/loss on the disposal of fixed assets	260	- 641
-/+	Increase/decrease in inventories	536	- 5,507
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	- 3,673	7,734
+/-	Increase/decrease in current provisions	4,041	1,255
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	19,916	12,639
=	**Cash inflow/outflow from operating activities/operating cash flow**	**78,865**	**91,051**
+	Deposits from disposals of tangible fixed assets	321	1,431
-	Payments for investments in tangible fixed assets	- 18,734	- 17,422
-	Payments for investments in intangible fixed assets	- 5,114	- 4,747
+	Deposits from disposals of financial assets	25	45
-	Payments for investments in financial assets	- 26	- 52
-	Payments for investments in shares of fully consolidated companies/divisions	- 295	- 790
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 23,823**	**- 21,535**

	in € thousand	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018 revised*
-	Payments to shareholders/partners (dividend for prior years, capital repayments, other distributions)	- 18,750	- 18,783
-	Interest paid	- 9,925	- 12,223
+	Borrowing of financial liabilities	18,724	124,476
-	Repayment of financial liabilities	- 20,377	- 96,334
-	Repayment of leasing liabilities	- 18,164	- 16,072
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 48,492**	**- 18,936**
	Net Cash changes in financial funds	**6,550**	**50,580**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	206	- 203
+	Financial funds at the start of the period	63,862	13,485
=	**Financial funds at the end of the period [cash & cash equivalents]**	**70,618**	**63,862**
=	**Free cash flow (FCF) – equity approach**	**55,042**	**69,516**

* The previous year was adjusted due to the first-time adoption of the international accounting standard IFRS 16.

For a more detailed account of the cash flow statement, see chapter "Notes on the Cash Flow Statement".

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 12/31/2018 revised*	**920**	**40,000**	**115,226**	**- 3,536**	**- 8,583**	**- 22**	**144,005**	**1**	**144,006**
Application of IFRS 16	-	-	-	-	-	0	-	-	-
As per 1/1/2019 revised*	**920**	**40,000**	**115,226**	**- 3,536**	**- 8,583**	**- 22**	**144,005**	**1**	**144,006**
Profit or loss	-	-	7,023	-	-	-	7,023	-	7,023
Other comprehensive income	-	-	-	118	- 4,452	- 80	- 4,414	-	- 4,414
Total comprehensive income	**-**	**-**	**7,023**	**118**	**- 4,452**	**- 80**	**2,609**	**-**	**2,609**
Dividends	-	-	- 18,750	-	-	-	- 18,750	-	- 18,750
Deconsolidations	-	-	-	-	-	-	-	- 1	- 1
As per 12/31/2019	**920**	**40,000**	**103,499**	**- 3,418**	**- 13,035**	**- 102**	**127,864**	**-**	**127,864**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 1/1/2018 revised	**920**	**40,000**	**118,779**	**- 3,071**	**- 9,139**	**- 47**	**147,442**	**1**	**147,443**
Application of IFRS 16	-	-	- 8,508	-	-	-	- 8,508	-	- 8,508
As per 1/1/2018 revised*	**920**	**40,000**	**110,271**	**- 3,071**	**- 9,139**	**- 47**	**138,934**	**1**	**138,935**
Profit or loss	-	-	23,705	-	-	-	23,705	33	23,738
Other comprehensive income	-	-	-	- 465	556	25	116	-	116
Total comprehensive income	**-**	**-**	**23,705**	**- 465**	**556**	**25**	**23,821**	**33**	**23,854**
Dividends	-	-	- 18,750	-	-	-	- 18,750	- 33	- 18,783
As per 12/31/2018 revised*	**920**	**40,000**	**115,226**	**- 3,536**	**- 8,583**	**- 22**	**144,005**	**1**	**144,006**

* The previous year was adjusted due to amendments made to the international accounting standard IFRS 16.

For explanations concerning equity, see chapter [27] "Equity".

5 Notes

5.1 General Information

The EDAG Group are experts in the development of vehicles, derivatives, modules and production facilities, specializing in complete vehicle development. As one of the largest independent engineering partners for the automotive industry, we regard mobility not simply as a product characteristic, but rather as a fully integrated purpose.

The parent company of the EDAG Group is EDAG Engineering Group AG ("EDAG Group AG"). EDAG Group AG was founded on November 2, 2015, and entered in the commercial register of the Swiss canton Thurgau on November 3, 2015. The registered office of the company is: Schlossgasse 2, 9320 Arbon, Switzerland.

Since December 2, 2015, the company has been listed for trading on the regulated market of the Frankfurt Stock Exchange with concurrent admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard):

International Securities Identification Number (ISIN):	CH0303692047
Securities identification number (WKN):	A143NB
Trading symbol:	ED4

The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's annual shareholders' meeting.

The Group Executive Management of EDAG Group AG compiled the consolidated financial statements on March 31, 2020. The Audit Committee of the Board of Directors of EDAG Group AG dealt with the consolidated financial statements during its meeting on March 31, 2020. The Board of Directors approved the consolidated financial statements in its meeting on April 1, 2020.

For the financial year ending December 31, 2019, the company shares fully qualify for dividends.

The annual financial statements of EDAG Group AG and the consolidated financial statements of EDAG Group AG will each be issued with an unqualified audit certificate by Deloitte AG, Zurich (Switzerland), and then submitted to the operator of the Electronic Federal Gazette in Germany.

The financial statements of the companies included in the consolidated financial statement have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the European Union as of the financial reporting date of EDAG Group AG (December 31).

The consolidated financial statements have been prepared using the euro as the reporting currency. Unless otherwise stated, all amounts are given in thousands of euros. Where percentage values and figures are given, differences may occur due to rounding.

In order to improve the clarity and informational value of the consolidated financial statements, individual items consolidated both in the statement of financial position and in the statement of comprehensive income, the cash flow statement and the statement of changes in equity will be disclosed and explained separately in the notes.

In accordance with IAS 1, the statement of financial position is divided into non-current and current assets, liabilities and provisions. Assets and liabilities are classified as current if they are expected to be sold or settled respectively within a year or within the company's or group's normal operating cycle. In compliance with IAS 12, deferred taxes are posted as non-current assets and liabilities. Likewise, pension provisions are also posted as non-current items.

The statement of comprehensive income is structured according to the nature of expense method.

5.2 Basic Principles and Methods

Basic Accounting Principles

The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. In addition to the International Financial Reporting Standards, the term IFRS also includes the still valid International Accounting Standards (IAS), the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and those of the former Standing Interpretations Committee (SIC). The requirements of all accounting standards and interpretations resolved as of December 31, 2019 and adopted in national law by the European Commission have been fulfilled. Please also see chapter "c) Synoptic Presentation of the Main Differences between IFRS IASB and IFRS EU".

In addition to the statement of financial position and the statement of comprehensive income, the IFRS consolidated financial statement also includes additional components, namely the statement of changes in equity, the cash flow statement and the notes.

All estimates and assessments required for accounting and valuation in accordance with the IFRS standards are in conformity with the respective standards, are regularly reassessed, and are based on past experience and other factors including expectations as to future events that appear reasonable under the given circumstances. Wherever large-scale estimates were necessary, the assumptions made are set out in the note relating to the relevant item in the following.

New, Changed or Revised Accounting Standards

a) New and changed standards in use in 2019

EDAG Group AG has applied the **IFRS 16** Leasing accounting standards adopted by the EU and legally required to be applied since January 1, 2019.

The standard published by IASB in January 2016 was adopted as European law in October 2017. This standard replaces IAS 17 "Leases" and associated interpretations (IFRIC 4, SIC-15 and SIC-27). It introduces a standardized accounting model for lessees, according to which the rights of use and liabilities for all leasing contracts must as a general rule be recognized with a lease term of twelve months. On the other hand, leasing contracts relating to low value assets are for the most part exempt from accounting obligations. This means that there will no longer be any differentiation between operating and finance leases for lessees in the future. As a result, the right of use is depreciated on a straight line basis and the lease liability valued using the effective interest method. The rules and regulations for lessors remain largely unchanged, although there may be differences in the details, for instance with subleasing or sale and leaseback transactions. EDAG Group AG and its companies act both as lessees and as lessors.

The application of IFRS 16 – Leases has far-reaching effects on the financial figures of the EDAG Group:
EDAG makes use of the recognition exemption option set out in IFRS 16.5 for short-term leases and for leases for which the underlying asset is of low value, and does not issue a statement of financial position valuation for the leases in question. Further, EDAG also refrains from using IFRS 16 for leases on the intangible assets described in IFRS 16.4. EDAG also makes use of the practical expedient in accordance with IFRS 16.15, to dispense with the separation of non-leasing and leasing components with regard to leases for IT hardware, technical equipment and machinery, and for operating and office equipment.

The date of the first-time adoption of IFRS 16 by EDAG was January 1, 2019. EDAG applies IFRS 16 fully retrospectively in accordance with IFRS 16.C5(a), with the corresponding adjustment of the previous year's figures. The resultant effects of the first-time adoption of the standard have been recognized directly in retained earnings. Accordingly, comparable figures from the previous year have been adjusted as though IFRS 16 had always been applied. On the date of first-time adoption, EDAG continues, for the time being, to refrain from reassessing whether an agreement constitutes or implies a lease, in accordance with IFRS 16.C3.

At the time of transition, the EDAG Group applied IFRS 16 for agreements, assets and liabilities previously classified as operating leases in accordance with IAS 17. These primarily include office buildings, warehouses, production facilities and cars. Due to the first-time adoption of IFRS 16 on January 1, 2018, lease liabilities amount to € 151.3 million. As a result of the significant increase in lease liabilities, the net financial debt increased accordingly. At the same time, with effect from January 1, 2018, assets in the amount of € 139.3 million were recognized for the rights to use leasing items. The IT equipment previously accounted for as finance leases is classified as low-value assets. The leasing installments received are are now recognized as expenses. On January 1, 2018, the cumulative preliminary effect recognized directly in retained earnings on account of the switch to IFRS 16 amounts to € 8.5 million, and represents 5.8 percent of the consolidated equity.

The following tables provide an overview of the adjustment amounts and the effects of the application of IFRS 16 on the periods presented earlier:

in € thousand	**1/1/2018**	**IFRS 16**	**1/1/2018 revised**	**31.12.2018**	**IFRS 16**	**12/31/2018 revised**
Assets						
Non-current assets	**198,133**	**139,422**	**337,555**	**196,475**	**145,897**	**342,372**
thereof Property, plant and equipment	73,003	- 2,874	70,129	75,957	- 3,676	72,281
thereof Rights of use from leasing	-	139,264	139,264	-	145,846	145,846
thereof Deferred tax assets	2,555	3,032	5,587	2,350	3,727	6,077
Current assets	**244,269**	**-**	**244,269**	**291,506**	**-**	**291,506**
Assets	**442,402**	**139,422**	**581,824**	**487,981**	**145,897**	**633,878**

in € thousand	**1/1/2018**	**IFRS 16**	**1/1/2018 revised**	**31.12.2018**	**IFRS 16**	**12/31/2018 revised**
Equity, liabilities and provisions						
Equity	**147,443**	**- 8,508**	**138,935**	**154,314**	**- 10,308**	**144,006**
thereof Retained earnings	118,779	- 8,508	110,271	125,501	- 10,275	115,226
thereof Currency conversion differences	- 3,072	1	- 3,071	- 3,503	- 33	- 3,536
Non-current liabilities and provisions	**37,680**	**135,210**	**172,890**	**158,386**	**141,878**	**300,264**
thereof Non-current financial liabilities	1,158	- 1,158	-	121,714	- 1,714	120,000
thereof Non-current lease liabilities	-	136,786	136,786	-	144,081	144,081
thereof Deferred tax liabilities	3,061	- 418	2,643	2,105	- 489	1,616
Current liabilities and provisions	**257,279**	**12,720**	**269,999**	**175,281**	**14,327**	**189,608**
thereof Current financial liabilities	115,962	- 1,747	114,215	25,098	- 2,016	23,082
thereof Current lease liabilities	-	14,466	14,466	-	16,343	16,343
Equity, liabilities and provisions	**442,402**	**139,422**	**581,824**	**487,981**	**145,897**	**633,878**

in € thousand	**1/1/2018 – 12/31/2018**	**IFRS 16**	**1/1/2018 –12/31/2018 revised**
Profit or loss			
Other income	16,874	1	16,875
thereof Depreciation, amortization and impairment	- 27,414	- 16,175	- 43,589
thereof Other expenses	- 120,772	22,124	- 98,648
thereof Financing expenses	- 5,628	- 8,469	- 14,097
thereof Income taxes	- 12,621	751	- 11,870
Profit or loss	**25,506**	**- 1,768**	**23,738**
Other Comprehensive Income			
thereof Currency conversion differences	- 423	- 33	- 456
Other Comprehensive Income	**172**	**- 47**	**125**
Total comprehensive income	**25,678**	**- 1,815**	**23,863**
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]			
Earnings per share	1.02	- 0.07	0.95

in € thousand	**1/1/2018 – 12/31/2018**	**IFRS 16**	**1/1/2018 – 12/31/2018 revised**
Cash inflow/outflow from operating activities/ operating cash flow	68,927	22,124	91,051
Cash inflow/outflow from investing activities/ investing cash flow	- 21,535	-	- 21,535
Cash inflow/outflow from financing activities/ financing cash flow	3,188	- 22,124	- 18,936
Free cash flow (FCF) – equity approach	47,392	22,124	69,516

EDAG Group AG has applied the other following accounting standards adopted by the EU and legally required to be applied since January 1, 2019, although they did not have any significant effect on the assets, financial position and financial performance of the EDAG Group in the consolidated financial statements:

- **IFRIC 23** – Uncertainty over Income Tax Treatments (IASB publication: June 7, 2017; EU endorsement: October 23, 2018)
- **IFRS 9** – Prepayment Features with negative Compensation (IASB publication: October 12, 2017; EU endorsement: March 22, 2018)
- **IAS 28** – Long-term Interests in Associates and Joint Ventures (IASB publication: October 12, 2017; EU endorsement: February 8, 2019)
- Annual improvements to IFRS standards (2015 – 2017) (IASB publication: December 12, 2017; EU endorsement: March 14, 2019)
- **IAS 19** – Plan amendment, curtailment or settlement (IASB publication: February 7, 2018; EU endorsement: March 13, 2019)

b) Standards, interpretations and changes to published standards, which are not yet mandatory for 2019, and which have not been applied prematurely by the company

The new changed or revised accounting standards will be applied, without exception, from the time when use is compulsory in each given case.

	Standard / Interpretation[1]	**Published by the IASB**	**Compulsory use**	**Endorsement by EU-Commission**	
				Effected on	**Planned for**
IFRS 17	Insurance Contracts	05/18/2017	01/01/2021		open
Framework	Amendments to References to the Conceptual Framework in IFRS	03/29/2018	01/01/2020	11/29/2019	
IFRS 3	Definition of Business Combinations	10/22/2018	01/01/2020		Q1 2020
IAS 1/IAS 8	Definition of Materiality	10/31/2018	01/01/2020	11/29/2019	
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform	09/26/2019		01/15/2020	

[1] Until 12/31/2019

c) Synoptic Presentation of the Main Differences between IFRS IASB and IFRS EU

IFRS 14 Regulatory Deferral Accounts (IASB publication: January 30, 2014; EU endorsement: no): The provisions of this standard apply to an entity's first annual IFRS financial statements in accordance with IFRS 1, and are regarded as an interim standard. At the end of 2015, the European Commission decided not to adopt this interim measure, and instead to wait for the IASB's final, comprehensive ruling.

The adoption of the full IFRS-IASB compared to the IFRS-EU, would not have any significant effects on the assets, financial position and financial performance.

Consolidation Principles

The basis for the preparation of the consolidated financial statement is formed by the individual financial statements of EDAG Group AG and its subsidiaries which have been presented pursuant to IAS 10, according to standardized accounting and valuation methods. All the companies included – with the exception of EDAG Production Solutions India Private Limited, New Delhi/India and EDAG Technologies India Private Limited, New Delhi/India – use the calendar year as their financial year.

The country-specific financial statements of the Indian companies are prepared as of March 31. However, as of the balance sheet date December 31, interim financial statements were prepared according to the IFRS requirements.

Capital consolidation is carried out according to the purchase method described in IFRS 3, by offsetting the acquisition costs for the company merger against the proportional equity capital of the subsidiary included in the consolidated financial statement upon first-time consolidation. In order to determine the proportional equity capital at the time of acquisition, a valuation of all identifiable assets, debts and contingent liabilities of the acquired company is carried out, including those which were not applied by the acquired company, at their fair values applicable at the date of acquisition. Non-current assets held for sale pursuant to IFRS 5 are valued at their fair value less costs to sell.

Should the acquisition costs exceed the fair value of the Group's share of the identifiable assets, liabilities and provisions and contingent liabilities of the subsidiary as of the acquisition date, the excess is allocated to one or several Cash Generating Units (CGU) and accounted for separately as goodwill. At least once a year – more frequently if there is reason to believe this is indicated – an impairment test is carried out to check the intrinsic value of the company's goodwill. In the event of impairment, unscheduled amortization is carried out. In the event of the disposal of a subsidiary or part of a goodwill-carrying CGU, the attributable share of goodwill is taken into account in calculating the earnings on the disposal.

Non-controlling interest represents the proportion of the result and the net assets which is not attributable to the shareholders of the parent company. Non-controlling interests are shown separately in the Group statement of comprehensive income and in the Group statement of financial position according to their shares in the fair values of the identifiable assets, liabilities and provisions and contingent liabilities. This item is reported under equity in the Group statement of financial position, separately from the equity attributable to the shareholders of the parent company.

Assets and liabilities, and also sales revenues, expenses and income between consolidated companies have been offset. No significant effects result from the intercompany profit consolidation, taking deferred taxes into account.

The first-time valuation of associated companies is carried out at acquisition cost. For the subsequent valuation, the share of the profits and losses generated after the acquisition of the company accounted for using the equity method is recorded through profit or loss and the investment valuation increased or decreased accordingly. The investments valued using the equity method are recorded with the proportional, newly valued equity capital. The statement of comprehensive income includes the Group's share in the success of the associated company. Changes reported directly in the equity of the associated company are recorded by the Group in the amount of its share and - if applicable - reported in the statement of changes in Group equity. Profits and losses from transactions between the Group and the associated company are eliminated in proportion to the share in the associated company. The balance sheet date and the accounting and valuation methods for similar business transactions and results under comparable circumstances of the associated company and the Group correspond.

Scope of Consolidation

In addition to EDAG Group AG, all material subsidiaries are included in the consolidated financial statement. Subsidiaries are companies in which EDAG Group AG exercises direct or indirect control.

Control exists when a parent company is subject to variable returns from its involvement with the subsidiary, or is entitled to and has existing rights (articles of association, company contract or a contractual agreement) that grant the ability to affect those returns through its power over the subsidiary.

With all such investments, this is based on the majority of voting rights held directly or indirectly by the parent company. The financial statements of the subsidiaries are included in the consolidated financial statements by means of consolidation from the date of gaining control until the parent company ceases to control the subsidiary.

In addition to EDAG Group AG, the consolidated financial statement includes the companies included in the list of shareholdings in the notes, which are fully consolidated as per IFRS 10.

As the inclusion of several companies individually and overall is of little importance with regard to the obligation to give a fair presentation of the net assets, financial position and financial performance of the Group, this has been waived. These subsidiaries have been reported at acquisition costs, as per IFRS 9 (see chapter 5.8 "Share Ownership List" in the notes).

The following German incorporated and registered partnerships controlled according to IFRS 10 were included in the consolidated financial statements and group management report of EDAG Engineering Group AG, Arbon, Switzerland, in accordance with the regulations set out in § 292 para. 1 HGB (German Commercial Code) in conjunction with § 291 para. 1 HGB (German Commercial Code). The conditions for exemption from the preparation of their own consolidated financial statement have been fulfilled:

- EDAG Engineering Holding GmbH, Munich
- EDAG Engineering GmbH, Wiesbaden
- EDAG Production Solutions GmbH & Co. KG, Fulda

Companies on which EDAG Group AG can, through involvement in their financial and business policies, have a significant effect (associated companies) are accounted for using the equity method as per IAS 28. As a general rule, "a significant effect" is assumed in cases where the share of voting rights is between 20 and 50 percent. Determination of when exactly the associated companies will be included in, or withdrawn from, the circle of companies to be accounted for using the equity method is analogous to the principles applicable to subsidiaries.

In the period January 1, 2019 to December 31, 2019, the group of combined or consolidated companies developed as follows:

	Switzerland	Germany	Others	Total
Fully consolidated companies				
Included as of 01/01/2019	**3**	**8**	**26**	**37**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	3	1	4
Included as of 12/31/2019	**3**	**5**	**25**	**33**
Companies accounted for using the equity method				
Included as of 01/01/2019	**-**	**1**	**-**	**1**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2019	**-**	**1**	**-**	**1**
Companies included at acquisition cost [not included in the scope of consolidation]				
Included as of 01/01/2019	**-**	**3**	**-**	**3**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2019	**-**	**3**	**-**	**3**

The companies included at acquisition cost are for the most part non-operational companies and general partners, and are not included in the scope of consolidation. The company accounted for using the equity method that is included is an associated company.

With the entry in the commercial register on May 29, 2019, BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim, was merged with BFFT Holding GmbH, Wiesbaden. BFFT Holding GmbH, Wiesbaden, was in turn merged with EDAG Engineering GmbH, Wiesbaden, with the entry in the commercial register on June 4, 2019.

VR-Leasing Malakon GmbH & Co Immo. KG, Eschborn, was dissolved with effect from June 30, 2019.

With effect from August 1, 2019, BFFT Italia S.R.L., Bolzano, was merged with EDAG Italia S.R.L., Turin.

Currency Conversion

For initial recognition, foreign currency transactions in the individual annual financial statements accounts of the Group companies included are valued using the exchange rate at the time of the business transaction. Monetary assets and debts in a foreign currency (cash and cash-equivalents, receivables and liabilities) are valued at the value on the balance sheet date. The exchange rate gains and losses arising from the valuation or settlement of monetary items are shown in the statement of comprehensive income. Equity and non-monetary items are valued at historical rates.

The annual financial statements of the foreign Group companies are converted into euros, on the basis of the concept of functional currency, as per the modified reporting date rate method (functional currency of the key Group companies). Due to the fact that the subsidiaries conduct their business with financial, commercial and organizational independence, the functional currency is always identical to the national currency of the company in question. In the consolidated financial statements, therefore, the expenses and revenues from subsidiaries' financial statements drawn up in a foreign currency are converted at average rates of exchange for the year, while assets and liabilities are converted at year-end exchange rates. The currency difference arising from the conversion of equity is posted in other comprehensive income. The conversion differences resulting from differing exchange rates between the statement of financial position and the statement of comprehensive income are also disclosed in this separate item and recognized directly in equity. When dealing with the disposal of a subsidiary, the currency translation differences recorded in equity during the years it belonged to the group are reversed to profit or loss.

Currency conversion was based on the following exchange rates:

Country	Currency	12/31/2019	2019	12/31/2018	2018
	1 EUR = Nat. currency	Spot rate on balance sheet date	Average exchange rate for period	Spot rate on balance sheet date	Average exchange rate for period
Great Britain	GBP	0.8508	0.8773	0.8945	0.8847
Brazil	BRL	4.5157	4.4135	4.4440	4.3086
USA	USD	1.1234	1.1196	1.1450	1.1817
Malaysia	MYR	4.5953	4.6372	4.7317	4.7646
Hungary	HUF	330.5300	325.2297	320.9800	318.8108
India	INR	80.1870	78.8501	79.7298	80.7309
China	CNY	7.8205	7.7339	7.8751	7.8081
Mexico	MXN	21.2202	21.5573	22.4921	22.7152
Czech Republic	CZK	25.4080	25.6697	25.7240	25.6418
Switzerland	CHF	1.0854	1.1127	1.1269	1.1548
Poland	PLN	4.2568	4.2975	4.3014	4.2603
Russia	RUB	69.9563	72.4593	79.7153	74.0496
Sweden	SEK	10.4468	10.5867	10.2548	10.2555
Japan	JPY	121.9400	122.0564	125.8500	130.4107

Accounting and Valuation Principles

The consolidated financial statement has been prepared on the basis of historical acquisition/production costs. The one exception to this rule are specific financial instruments which are reported on the basis of their fair value.

When preparing the consolidated financial statement for the year ending December 31, 2019, the same basic accounting and valuation methods were applied as for calculating the comparative figures. Full retrospective application of IFRS 16 has been made as from January 1, 2018.

Realization of Income and Expenses

Income is measured at the fair value for the consideration received or to be received for the sale of goods and services, less the discounts, price reductions and volume discounts granted by the company. VAT and other duties are not taken into account. Income is reported if the economic benefit is likely to accrue to the Group, and the amount of the income can be reliably ascertained.

Interest income and expenses are posted on a pro rata temporis basis, applying the effective interest method. Dividends are recorded when entitlement is legally effective.

Operating expenses are posted as costs when the service is utilized, or at the time they are incurred.

Contracts with Customers

Contracts with customers are recognized in accordance with IFRS 15. Accordingly, sales revenues from ordinary business activities are to be recognized when the customer obtains control of the promised goods and services, and can benefit from them. Another requirement for revenue to be recognized is that EDAG is likely to receive the consideration. Revenue is to be evaluated with the amount of consideration the company expects to receive. The standard establishes a five-step model for recognizing revenue, and first of all requires identification of the contract with a customer and of the performance obligations in the contract. If several performance obligations can be identified in a contract (multi-component contracts), these are evaluated separately. Following this, the transaction price of the contract with the customer must be determined and the separate performance obligations allocated on the basis of a relative standalone selling price. Finally, the standard requires recognition of revenue for each performance obligation in the amount of the allocated proportionate transaction price as soon as the promised goods have been delivered or services rendered, or the customer has obtained control of the goods/services (control model). EDAG recognizes revenue over time if one of the following three criteria is met:

a) The customer receives and makes use of the benefits provided by the entity's performance at the same time as the entity is performing (IFRS 15.35 a)).
b) An asset is created or enhanced by the entity's performance (e.g. services in process), and the customer has control over the asset while it is being created or enhanced (IFRS 15.35 b)).
c) An asset which is of no alternative use to the entity is created by the entity's performance, and the entity has an enforceable right to payment for performance completed to date (IFRS 15.35 c)).

Performance Obligations

The performance obligations at EDAG take the form of supplying services, predominantly in customer-specific construction contracts (project business) carried out within the scope of work contracts. For a more detailed explanation of the type of services, see chapter "Business Model" in the Group Management Report. Throughout the duration of the project, revenue from the fulfillment of the performance obligations is regularly recognized over time, in accordance with the percentage of completion. This is the case if EDAG can adequately measure both the revenue amount and performance progress in terms of the complete fulfillment of the performance obligation (percentage of completion method, PoC method). To measure the percentage of completion or performance progress, EDAG uses an input-oriented process (cost-to-cost) which places any costs incurred up to the accounting date and any costs anticipated until the order has been completed in relation to one another. The crucial factor is whether, in the event of early termination of a contract, EDAG has an enforceable entitlement to payment of an amount that will cover the performance provided up to the accounting date, and therefore also any costs incurred, plus a reasonable profit margin for the performance obligation concerned. This is the case in EDAG's key sales countries. The percentage of completion is ascertained on the basis of the costs incurred by the balance sheet date, as a percentage rate of the total costs estimated for the respective project. If the result of a construction contract cannot be reliably forecast, income is only posted to the extent to which the costs incurred can be recovered (zero-profit method).

Service contracts in accordance with § 611 et seq. of the German Civil Code (BGB) in the sense of IFRS 15.35(a) and deliveries in accordance with § 433 BGB play only a minor role in the EDAG Group, as the scope of such contractual arrangements is small. For the most part, EDAG works on construction contracts in the sense of IFRS 15.35(c) and and has therefore generally entered into work contracts in accordance with § 631 et seq. BGB with its customers.

Payment of the transaction prices for the contractual obligations under work contracts takes the form of fixed payments made at regular intervals. Essentially, the terms of payment conform with the generally established practice in the automotive industry (payment on the 25th of the month following invoice date), which means an average period of 40 days is allowed for payment. A common feature of work contracts is that they involve longer project durations: consequently, individual payment agreements in the form of payment schedules based on milestones are generally an element of these contracts.

With service contracts, the transaction price usually consists of a fixed payment per time unit. As with work contracts, the generally established practice in the automotive industry also applies to service contracts. Project durations of less than a year are typical of service contracts.

Close cooperation and coordination with the customers within the individual projects are characteristic of customer-specific contractual obligations. On completion, and once power of disposition has been conferred, final inspection and acceptance is carried out in the case of a work contract, and in the case of service contracts, the time sheets are countersigned. As a general rule, take-back, reimbursement and similar obligations are precluded following final acceptance by the customer, as are guarantees associated with the contractual obligation.

The performance obligations remaining on the reporting date (orders on hand) are equivalent to a transaction price in the amount of € 294.4 million (12/31/2018: € 298.5 million) and include performance obligations from work, service and sales contracts.

The following table sets out the planned realization of revenues:

in € thousand	31/12/2019	31/12/2018
Subsequent year	241,020	255,511
Subsequent year +1 until n years	53,352	43,003
Total	**294,372**	**298,514**

Due to the complexity of the customer-specific performance obligations to be met by EDAG, the actual realization of revenues may diverge from the planned realization of revenues, particularly on account of rescheduling on the part of the customer.

Contract Balances

The contractual assets and liabilities shown in the statement of financial position are generated as a result of surplus performance or performance obligations at contract level.

In the contract assets, the performance obligations - both for services and for customer-specific construction contracts - for which income has been accounted for with the PoC method are posted after the advance payments received have been deducted. Should the advance payments received in relation to the individual performance obligation exceed the performance obligation accounted for with the PoC method, this is reported in the "contractual liabilities". Expected losses from performance obligations are initially deducted from assets, taking the status on the financial reporting date, and the full amount of the remaining loss is immediately posted to onerous contracts.

By its very nature, project business - the core business of the EDAG Group - entails opportunities and risks, and, on account of customer-specific performance obligations, is subject to a wide variety of influencing factors. Major projects are usually highly complex and are often being worked on simultaneously in different countries. Continual project management and regular project evaluations influence the contract balances accordingly.

Depending on whether or not the customer has control over the agreed performance obligation on the reporting date or the customer has effected payment on the basis of an agreed payment schedule, this will have a corresponding effect on the amount of the contract balances recorded.

Research and Development Costs

For accounting purposes, research costs are defined as costs relating to targeted investigations which are intended to deliver new scientific or technical findings and insights. Development costs are defined as expenses relating to the application of research results or technical knowledge in production, production processes, services or goods prior to the start of commercial production or use. The EDAG Group mainly provides customers with development services which can then be capitalized within the context of a customer project, and subsequently accounted for.

Research costs are immediately recorded through profit and loss. Development costs are capitalized if they fulfil specific, precisely defined valuation criteria (IAS 38.57). Capitalization is effected if the development activity is sufficiently certain to lead to future inflows of funds which will also cover the corresponding development costs.

Production costs include directly attributable costs and directly attributable material and production overheads, and also interest on borrowed capital, where this is applicable.

Depreciation begins on completion of development, when the asset is available for use. Depreciation is on a straight line basis, over the period during which sales revenues are anticipated. During the development period, in which the asset is not yet ready for use, it is reviewed annually with regard to impairment.

In the reporting year, research and development expenses amounting to € 6,847 thousand (2018: € 6,272 thousand) were incurred.

Other Intangible Assets

Intangible assets are posted as per IAS 38 ("Intangible Assets"), and capitalized accordingly if (a) the intangible asset is identifiable (i.e. it is separable or results from contractual or other right), (b) it is likely that the future economic benefit (e.g. liquid funds or other benefits, such as cost savings) which results from the asset will flow to the company and, (c) the costs of the intangible asset can be reliably measured. The intangible assets of the EDAG Group include customer relations, concessions, industrial property rights and similar rights, IT software, and capitalized development costs.

Intangible assets acquired for consideration are capitalized at acquisition cost and written off over their useful life. The depreciation of intangible assets, with the exception of goodwill, is always carried out on a straight line basis, over the following period:

	Years
Customer relations	8 – 10
Capitalized development services	3 – 5
Concessions, industrial property rights and similar rights	4 – 6
IT software	3 – 8

Depreciation begins as soon as the asset can be used, i.e. when it is at the location and in the condition necessary for it to be capable of operating in the manner intended by management. Impairments are accounted for by means of unscheduled depreciation. Should reasons for unscheduled depreciation be discontinued, corresponding write-ups are carried out to the recoverable amount, which must not exceed the acquisition costs carried forward.

The development costs for a project are only capitalized as an intangible asset if the technical implementation, the intention of completion and the utilization or sale of the intangible asset can be demonstrated. Production costs cover the directly and indirectly attributable costs, and also, in the case of qualified assets in accordance with IAS 23, borrowing costs incurred during the production period.

In cases in which no own intangible asset can be recognized, the development costs are recognized as expenses in the period in which they occur.

Goodwill is checked for possible impairment once a year. In the event of incidents or changed circumstances indicating a possible reduction in value, the impairment review is to be carried out more frequently. Further details of the procedure to be followed in the annual impairment tests can be found in the section "Impairment".

Impairment

For each balance sheet date, or more frequently should incidents indicate the necessity, the Group checks the book values of the intangible assets and property, plant and equipment, to determine whether there is any evidence indicating impairment. Should this be the case, the recoverable amount of the asset in question is ascertained and compared with its book value, to determine the value of any adjustment that might need to be made. Should it not be possible to determine a recoverable amount for an individual asset, the recoverable amount is to be determined for the smallest identifiable group of assets which generate cash and to which the individual asset can be allocated (cash-generating units).

The goodwill is divided up and assigned to the CGUs, and recoverability is checked at this level. The net book value of the CGUs is compared with their recoverable amount, i.e. the higher amount of fair value less the cost of disposal and value in use. The net selling price is the revenue which can be obtained by selling an asset in a transaction using market conditions between two qualified parties willing to enter into a contract (fair value), less disposal costs. The EDAG Group first determines the value in use in the course of the impairment test. Should this prove to be lower than the book value, the net disposal value after deduction of the disposal costs is determined. The cash generating unit's value in use is equal to the present value of the cash flow which, taking into account the continual usage of the strategic business unit and its disposal, can be expected at the end of its useful life. Payment prognosis is based on the current, long-term plans of the EDAG Group. The planning period is three years. At EDAG, the cost of capital is calculated as the weighted average of the equity and debt capital costs; the crucial factor here being the proportion of each of the total capital. The equity cost rate is determined with the Capital Asset Pricing Model (CAPM), from a zero-coupon bond interest rate with a time to maturity of 30 years plus a risk premium equivalent to one of the separate CGUs. The cost of equity amounts to 8.78 percent (2018: 8.27 percent). The borrowing costs used amount to 3.00 percent (2018: 3.08 percent), and represent the long-term funding conditions. Both components are derived from information on the capital market, and represent an interest rate before tax. The resulting WACC[2] is 10.58 percent before taxes (2018: 10.17 percent). There are no specific capitalization rates for the segments, as the peer group is identical in all cases.

The planning is based on expectations with regard to the future development of the global economy, on assumptions derived from the development of the engineering market, and on concrete customer commitments relating to individual projects. A perpetuity growth rate of 1 percent (previous year: also 1 percent) has been taken into account.

In cases in which the book value of the cash generating unit is higher than its recoverable amount, there is a depreciation loss in the amount of the difference. Taking the amount of this adjustment which is posted as expense, the first step is to amortize the goodwill of the strategic business unit concerned. Any remaining sum is spread, proportional to the book values, across the other assets of the relevant strategic business unit. The following table shows the EDAG Group's CGUs along with their goodwill.

[2] WACC = Weighted Average Cost of Capital

in € thousand	2019	2018
Vehicle Engineering	48,536	48,583
Production Solutions	5,482	5,389
Electrics/Electronics	20,349	20,367
Total	**74,367**	**74,339**

As in the comparative period, there was no need for adjustments to be made to goodwill. Even if the equity cost rate is increased by 100 basis points, there is still no need for any adjustment to be made to the cash generating units. The same applies to a reduction of the perpetuity by 100 basis points.

Should reasons for unscheduled depreciation be discontinued, corresponding write-ups are carried out. Write-ups are only carried out if changes have been made to the estimates used to determine the recoverable amount since the last time the expense incurred for impairments was recorded. If this is the case, then the book value of the asset is increased to its recoverable amount, but not more than its carried-forward acquisition cost, without taking into account any expense for impairment. Unscheduled depreciation of goodwill is not corrected by means of write-ups.

Unscheduled depreciations and/or write-ups are recorded as operating results in the statement of comprehensive income if continued operations are involved. This does not apply, however, to newly rated assets if the profit/loss arising from the revaluation is recorded under other comprehensive income. In this case, the depreciation is recorded in other comprehensive income, up to the amount from a previous revaluation.

Property, Plant and Equipment

Property, plant and equipment are recognized in accordance with IAS 16 and capitalized accordingly if (a) it is likely that the company will derive future economic benefit, and (b) the acquisition or production cost of the plant and equipment can be valued reliably.

Property, plant and equipment are valued at historical acquisition or production cost less scheduled, straight-line depreciation. Unscheduled depreciation is recognized if impairments exist. According to IAS 36 (Impairment of Assets), such impairments are ascertained on the basis of comparisons with the discounted future cash flows of the corresponding CGU.

The following useful lives are used as a basis for depreciation:

	Years
Buildings	10 – 50
Technical equipment	12 – 25
Machinery	8 – 25
Vehicle fleet	5
Hardware	3 – 4
Other operating and office equipment	3 – 20

Buildings and installations on external properties are depreciated over the term of the rental contracts or their useful life, if this is lower.

The acquisition costs are composed of the acquisition price, ancillary acquisition costs and subsequent acquisition costs, less acquisition price reductions received. If an obligation exists to shut down or dismantle a property, plant or equipment asset at the end of its useful life, or to restore a site to its former condition, the estimated cost of this work increases the acquisition cost of the asset, which is seen alongside a provision to be posted on the liability side.

In addition to directly attributable costs, the production costs for self-built facilities also include directly attributable material and production overheads, as well as the general administration costs for the divisions dealing with building the facility. Tools that are owned by the Group are capitalized at acquisition or production cost.

Investment subsidies and allowances are offset against acquisition or production costs. Capitalization of subsequent acquisition or production costs is carried out if a future economic benefit will accrue from the costs associated with the property, plant and equipment. Maintenance and repairs are recognized as costs.

Property, plant and equipment are split into components at the lowest level, if these components have useful lives which differ significantly from one another and these components will probably need to be replaced or overhauled at some point during the entire life of the facility.

Profits or losses on asset disposals are posted under other operating income or expenses. Property, plant and equipment is derecognized either on disposal, or at such time as no further economic benefit is anticipated from the continued use or sale of the asset.

Leasing

As a basic principle, accounting for leases in the Group is based on the provisions of IFRS 16, subject to the condition that an examination upon conclusion of an agreement shows that the agreement concluded contains a leasing component. This is only the case if the beneficiary determines the use of the underlying asset and receives virtually all economic benefits from it. EDAG and its companies act both as lessees and as lessors.

Group as the Lessee

The presentation of lessee agreements falls almost exclusively within the scope of IFRS 16, with the exception of leases on agreements for the use of intangible assets, for which the provisions of IAS 38 apply instead (waiver of the option under IFRS 16.4).

In accordance with IFRS 16, for almost all lessee agreements, both a right-of-use asset and a lease liability are recognized in the balance sheet at the lease commencement date. EDAG has made use of the exemption option described in IFRS 16.5, which allows it to waive recognition of a balance sheet item for short-term leases with a term of one year or less, and for leases of assets of minor value (€ 5 thousand). Instead, the resulting leasing payments are generally recognized as rental expense on a straight-line basis over the contract period. EDAG will also make use of the practical expedient in accordance with IFRS 16.15, to dispense with the separation of non-leasing and leasing components with regard to leases for IT hardware, technical equipment and machinery, and for operating and office equipment.

The initial measurement of the lease liability at the commencement date is based on the present value of the minimum lease payments payable over the lease term using the interest rate implicit in the lease. Should it not be possible for this interest rate to be readily determined, EDAG will instead use its incremental borrowing rate of interest for discounting. The minimum lease payments on which the measurement of the lease liability is based consist of the following:

- Fixed payments;
- Virtually fixed payments (de facto fixed payments);
- Variable payments, the amount of which is linked to the development of an index or exchange rate (measured by the index or exchange rate at the inception of the lease);
- Expected payments from residual value guarantees issued by the lessee;
- Exercise prices of purchase options that are sufficiently secure when exercised;
- Payments resulting from the termination of the lease if these have been recognized during the lease period.

On the other hand, existing claims to lease incentive receivables are deducted from the total minimum lease payments.

The lease liabilities are shown as a separate item in the consolidated statement of financial position.

The determination of the lease period calls for the inclusion of not only the basic noncancelable lease period but also of the period of extension options, insofar as it is reasonably certain that these will be exercised. In addition, termination options are also to be included in the determination of the term, insofar as the criterion of reasonable assurance of their being exercised is met. Optional contractual components are therefore to be included in the determination of both the lease period and the lease payments, if there is a certain probability of their being exercised.

The right of use entered in the balance sheet is to be recognized at acquisition cost at the lease commencement date. As a general rule, this covers the initial value of the leasing liability. Initial costs already paid by the lessee either before or at the beginning of the lease must also be added. Further, any lease installments paid in advance and estimated reinstatement costs from reinstatement obligations are added to the right of use. On the other hand, incentive payments received from the lessor at the beginning are deducted. The rights of use are shown as a separate item in the consolidated statement of financial position.

In addition to the deduction of the leasing payments already effected, the subsequent measurement of the lease liability includes the addition of accrued interest on the book value of the liability outstanding on the reporting date, using the discount rate used to calculate the present value (effective interest method).

Subsequent measurement of the right of use is therefore at amortized acquisition cost by recording straight-line depreciation over the period of expected use. As a rule, the period of expected use is equivalent to the contract period. If, on the other hand, the period of economic benefit is shorter than the contract period, the shorter period must be used. In addition, where leases with automatic transfer of ownership or a reasonably secure purchase option are concerned, the period of expected use is extended to cover the useful economic life of the underlying asset. Furthermore, the rights of use are subject to an examination of the need for a value adjustment within the scope of IAS 36 (Impairment of Assets). Any resulting adjustments are recognized as unscheduled depreciation.

Reassessment scenarios may arise throughout the duration of a lease. These could result from changes to assessments made at the inception of a lease with regard to the amount of the leasing payments or the probable lease period being considered.

- A change in the assessment of lease installments as a result of the development of an index or exchange rate, or a change in the assessment of the obligation under a residual value guarantee will lead to a revaluation of the lease liability and right of use. The discount rate on which the lease was originally based is used, and the right of use and liability are adjusted by the same amount without affecting net income.
- On the other hand, changes in variable lease payments are recognized directly through profit and loss in the statement of comprehensive income.
- Changes in the assessment of the exercise of renewal, termination or purchase options lead to an adjustment of the right of use and liability with no effect on income, provided a triggering event occurs. When carrying out revaluation, the current discount rate is used in relation to how long the lease still has to run. A triggering event is a significant change in circumstances and facts that is within EDAG's sphere of influence and has a direct impact on the exercising of an existing option.

In addition, there is also a possibility of the occurrence of contract modifications characterized by the fact that EDAG and the lessor have entered into a subsequent agreement that changes the amount of the leasing installments or the scope of the lease. Contract modifications result in a revaluation of the right of use and the liability. In any such case, the current discount rate is used in relation to how long the lease still has to run. Depending on the nature of the change (extension-reduction / quantity-time / original conditions-current market conditions), the adjustment may consist of an adjustment to the right of use and liability without affecting net income, a percentage adjustment to the right of use and liability through profit and loss, or the recognition of a new lease.

Group as the Lessor

According to IFRS 16, lessor agreements will continue to be classified as operating or finance leases at the inception of the lease, due to their economic substance. If a lease substantially transfers all the risks and rewards from the Group to the lessee, it is classified as a financing lease. Consequently, the underlying leasing object must be derecognized and a leasing receivable recognized. The leasing receivable is reported at the net investment value. In subsequent measurement, the leasing payments are split into an interest and a repayment component, and thus carried forward using the effective interest method.

Should a lease not substantially transfer all the risks and rewards from the Group to the lessee, it is classified as an operating lease. The leasing object remains in the consolidated statement of financial position, and rental income is recognized on a straight-line basis in the statement of comprehensive income. In addition, scheduled depreciation of the leased object is recorded in accordance with the specifications for fixed assets (property, plant and equipment).

According to IFRS 16.63, a lease is as a rule classified as a finance lease if at least one of five criteria is met at the inception of the lease. These are the transfer of ownership at the end of the term, the existence of a favorable purchase option, the specific nature of a leasing object and in particular the net present value criterion and the rental period criterion.

Should the usage agreement concluded be a sublease, with EDAG acting as an intermediate lessor, there are two possibilities.

- If the main lease is classified as a current lease and accounted for in accordance with IFRS 16.6, EDAG classifies the sublease as an operating lease.
- In all other cases, EDAG applies the classification criteria based on the right of use from the main lease and not on the underlying asset.

Public Sector Benefits

Public sector benefits are only recorded if there are reasonable grounds for certainty that the associated conditions can be fulfilled and the benefits granted.

Taxable and tax-exempt state benefits for the acquisition of non-current assets are posted as a reduction of the acquisition and manufacturing costs for the acquired and self-produced assets. Profit-related benefits are always recognized in the income statement in the periods during which the expenses to be compensated for are incurred. In contrast, subsidies for short-time working benefit are presented using the equity method.

Inventories

Assets which are held for sale in the ordinary course of business (finished goods, finished services and merchandise), which are being produced for sale (unfinished goods and services), or which are utilized within the context of manufacturing products or supplying services (raw materials and supplies) are reported as inventories in accordance with IAS 2.

Inventories are valued either at acquisition or manufacturing cost or at their net sales value, whichever of the two is the lower, i.e. the recoverable sales proceeds during the ordinary course of business, less the estimated production and sales costs. The acquisition or manufacturing costs of inventories include all costs of acquisition and manufacturing which have been incurred in order to place the inventories at the current location and in their current condition. Acquisition or manufacturing costs are determined on the basis of the average method. The manufacturing costs include all directly attributable costs and production-related material and production overheads, including depreciation on production-related assets. Inventory risks that result from limited viability or a substantial storage period are taken into account by making corresponding adjustments. Administration costs are taken into account if they are attributable to production.

Financial Instruments

General information

A financial instrument is a contract that simultaneously results in the creation of a financial asset for one entity and a financial liability or equity capital instrument for another entity.

Financial assets as defined in IFRS 9 cover financial assets which are either valued at amortized cost [AC], at fair value through other comprehensive income [FVtOCI] or fair value through profit or loss [FVtPL]. In particular, these include cash and cash-equivalents, accounts receivable, other granted loans and receivables and original and derivative financial assets held for trading purposes.

Financial liabilities regularly constitute claims for repayment in cash or another financial asset. In the sense of IFRS 9, these include financial liabilities valued at fair value through profit or loss [FVtPL], and financial liabilities that are valued at carried-forward acquisition cost [AC}. In particular, these include accounts payable, liabilities due to credit institutions, promissory note loans and derivative financial liabilities, as well as bonds and other secured liabilities.

With first-time recognition of financial liabilities, these are valued at their fair value. In the process, the transaction costs that are directly attributable to the acquisition must be taken into account for all financial assets which are not subsequently valued at fair value through profit or loss.

As a rule, financial instruments are valued as soon as EDAG becomes a contractual partner under the regulations of the financial instrument (trading date). In general, financial assets and financial liabilities are not offset; they are only netted if a right to offsetting exists and the intent is to settle on a net basis.

The fair values posted in the statement of financial position generally correspond to the market prices of the financial assets. Should these not be directly available, they are calculated on the basis of recognized valuation models and the current market parameters. To this end, the cash flows that are already defined or determined on the basis of the current yield curve via forward rates are discounted on the valuation date, using the discount factors from the yield curve that applies on the reference date. The middle rates are used.

Financial Assets

The classification and valuation of financial assets (financial instruments) which are not equity instruments depends on the business model in which the financial asset is held and on the instrument's contractual cash flows. Both factors must always be tested on receipt of a financial instrument (and in the case of the first-time adoption of IFRS 9 for the transition). As long as the instrument's cash flows consist of only interest payments on the nominal amount and repayments are made (cash flow criterion) and the instrument is being held for the purpose of realizing the contractually agreed cash flows (business model "retain"), it is valued at amortized acquisition cost [AC]. If the cash flow criterion has been met and the instrument is being held in a business model which realizes the cash flows from the instrument by holding it until maturity and then selling it (business model "hold and sell"), it is valued at fair value through other comprehensive income [FVtOCI]. If the cash flow criterion has not been met, or for all business models that are not geared to "hold or sell", the instrument must be valued at fair value through profit or loss [FVtPL].

The reclassification of a financial asset between the IFRS 9 measurement categories is only permitted subject to the condition that there is a change of business model for the group of instruments in question. In practice, an actual occurrence of this type of amendment will happen only very rarely, and must be: 1) determined by the Executive Board as the result of external or internal amendments, 2) significant for operative activity, and 3) verifiable for external parties.

Cash and Cash-Equivalents
The cash in the statement of financial position includes checks, cash balances and deposits with banks, with a term of up to three months. The cash equivalents in the statement of financial position include current, extremely liquid financial investments which can be converted into payment instruments at any time, and are only subject to insignificant value fluctuation risks. Cash and cash-equivalents are valued at carried-forward acquisition cost. The financial funds in the consolidated cash flow statement are delineated according to the definition above.

Receivables
Accounts receivable and other current receivables meet the cash flow criterion, and are held in a business model the aim of which is to realize the cash flows by holding the instruments until maturity. They are therefore valued at carried-forward acquisition cost, using the effective interest method (net method), if applicable. Adjustments sufficiently satisfy the risks of default; concrete defaults result in the derecognition of the relevant receivables. There is a detailed description of the system for carrying out adjustments according to the expected credit loss model under IFRS 9 under point "Impairments" in this chapter. Impairments of accounts receivable and other receivables are always carried out using value adjustment accounts. The decision regarding whether a default risk should be accounted for using a value adjustment account or by directly reducing the receivable depends on the degree of reliability of the assessment of the risk situation. Due to the various business fields and differing regional conditions involved, the final assessment is the responsibility of the persons responsible for the individual divisions.

Other non-current receivables are valued using the effective interest method, at carried-forward acquisition cost.

Loans
Loans issued are valued in exactly the same way as amounts receivable, at carried-forward acquisition cost. They meet the cash flow condition and are likewise held in order to realize contractual cash flows.

Investments and Securities
As a general rule, other investments and securities (investments in equity instruments) do not meet the cash flow condition on account of the leverage effect of immanent fluctuations in the exchange rate, and must therefore be accounted for at fair value through profit or loss. For non-listed equity instruments such as other other investments (e.g. non-operational companies), use is made of the exceptional rule to value these at their acquisition costs (less impairments, if applicable) as a reasonable estimate of their fair value.

Interest received from or paid on financial investments is posted as interest income or interest expense. The effective interest method is used. Dividends from financial investments are posted as "dividends received" in the profit and loss accounts when the legal claim to payment arises.

Impairment
With IFRS 9, a new risk prevention model was introduced, which will now take expected losses into account for the calculation of the provisions for risks (expected credit loss model) instead of losses incurred (incurred credit loss model), as was previously the case under IAS 39. There are three stages:

- **Level 1**: "12-month expected credit losses" (present value of expected deficits in payment resulting from possible default events within the next 12 months after the reporting date)
- **Level 2**: Lifetime expected credit losses (present value of expected deficits in payment as a result of all possible default events over the expected life of the financial instrument), but with interest revenue still being calculated on the gross carrying amount of the asset
- **Level 3**: Lifetime expected credit losses (present value of expected deficits in payment as a result of all possible default events over the expected life of the financial instrument), but with interest revenue being calculated on the net carrying amount

EDAG applies the general 3-stage model to loans and other receivables. For accounts receivable and contract assets within the scope of IFRS 15 which do not contain a significant financing component in accordance with IFRS 15, IFRS 9 provides a simplified model for assessing the provisions for risks. As these instruments usually have short-term maturities, expected losses over the entire lifetime of the instruments are directly recognized and therefore directly assigned to Stage 2 of the impairment model (provided its value was not already impaired at the time it was issued, which would lead to assignment to Stage 3). For accounts receivable and contract assets within the scope of IFRS 15 which contain a significant financing component in accordance with IFRS 15, and for lease receivables, IFRS 9 offers the option of applying the simplified method. EDAG makes use of this option, though not for accounts receivable from leases, as these are shown under other receivables.

In the general 3-stage model, financial instruments are generally assigned to Stage 1 at initial recognition. If there has been a significant increase in credit risk since initial recognition, it is assigned to Stage 2. If there is objective evidence of impairment, the asset must be reclassified to Stage 3.

A significant increase can be deemed to exist if, for example, unfavorable changes to business, financial or economic conditions have a negative impact on the ability of the borrower to meet its contractually agreed payment obligations. IFRS 9 provides two simplifications for the assessment: 1) There is a rebuttable presumption that the risk of default has significantly increased since the initial recognition of the instrument, if contractual payments are more than 30 days past due. EDAG applies this rebuttable presumption to loans and other receivables. 2) For financial assets for which the risk of default is classified as low, it may be assumed that the risk of default has not increased significantly. The EDAG Group assumes that the risk of default is low if financial assets have an internal or external credit rating in the "investment grade" category. The simplification is applied both to loans and to other receivables.

Objective indications of impairment of the financial asset include but are not limited to the debtor being in serious financial difficulties, the high probability of insolvency proceedings being instituted against the debtor, the loss of an active market for the financial asset, significant changes to the technological, economical, legal or market environment of the issuer, a continuing fall in the fair value of the financial asset to below the carried-forward acquisition costs, or breach of contract, for instance default of or delay in interest and principal payments. The occurrence of one or more of these events will always have a significant effect on the expected future cash flows of the financial asset. Further, IFRS 9 also provides the rebuttable presumption that objective indications of impairment are deemed to exist if the contractual payments for an instrument are more than 90 days past due. EDAG applies this to loans and other receivables. For accounts receivable and contract assets according to IFRS 15, the assessment is performed on a case by case basis. The EDAG Group checks whether there are any objective indications of impairment on every reporting date. Receivables and the associated provisions for risks that have accumulated are not derecognized until they have been classified as irrecoverable, i.e. when no further cash inflow is expected. In this case, the amount receivable is adjusted against the provisions for risks.

Measurement of the expected credit loss

The expected credit loss is calculated as the product of the probability of default, the loss ratio in the event of default and the loan amount on the default date. The EDAG Group uses an internal rating scale to classify loans and other receivables (general impairment model). These are shown below:

		S&P	
Grade	**Description**	**Description**	**Probability of default**
A	Very good credit rating (investment grade)	AAA-BBB	0.15 %
B	Good to satisfactory credit rating (sub-investment grade)	BBB-BB	0.90 %
C	Credit rating below average	below BB	5.75 %

The probability of default behind each rating stage is based on the empirical values of an external rating agency. Future-related information augments this historical data, which is examined every year, and adjusted where necessary. Based on empirical values, the loss ratio in the event of default is set at 100 percent for these instruments.

On the basis of historical defaults, EDAG determines a default ratio for accounts receivable and active contract assets in accordance with IFRS 15 (simplified model) on each reporting date, using a 6-month forecast to adapt it to anticipated future economic developments. The carrying amount is taken as the approximate value of the loan amount on the default date.

As a general rule, the expected credit defaults for loans are determined on the basis of the respective instrument or for the debtor concerned. For accounts receivable, active contract assets in accordance with IFRS 15 and other receivables, assessment and measurement are performed on a collective basis.

A check must be carried out on every reporting date to see whether there has been a significant increase in the default risk since the initial recognition of the instrument, or there are objective indications of impairment. Should this be the case, any financial assets affected are reclassified to the appropriate stage of the impairment model; valuation of the expected loss is likewise aligned with the respective stage.

Reporting the expected credit losses
The Group reports expected credit losses and changes to them as a separate item in the consolidated statement of comprehensive income.

Derecognition
A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognized when one of the following three conditions has been fulfilled:

- The contractual rights to draw on the cash flows from a financial asset have expired.
- Although the Group retains the rights to draw on the cash flows from financial assets, it has, however, accepted a contractual obligation requiring the immediate payment of the cash flows to a third party, within the context of an agreement which meets the requirements of IAS IFRS 9.3.2.5 ("pass-through arrangement"), and in doing so has essentially neither transferred nor retained all risks and rewards appertaining to the ownership of the financial asset, but has nevertheless transferred the authority to dispose of the asset.
- The Group has transferred its contractual rights to draw on cash flows from a financial asset, and in doing so has either (a) essentially transferred all rewards and risks appertaining to the ownership of the financial asset, or (b) essentially neither transferred nor retained all risks and rewards appertaining to the ownership of the financial asset, but has nevertheless transferred the authority to dispose of the asset.

If the Group transfers its contractual rights to cash flows from an asset, without in essence transferring all risks and rewards appertaining to the ownership of this asset, and also retains the authority to dispose of the transferred asset, the Group continues to include the transferred asset in the volume of its ongoing commitments. If the form of the ongoing commitments guarantees the transferred asset, then the volume of the ongoing commitments is equivalent to the lower amount from the original book value of the asset and the maximum amount of the consideration received, which the Group might have to pay back.

Financial Liabilities
Financial Liabilities Measured at Amortized Costs
Accounts payable and other financial liabilities are always valued using the effective interest method, at carried-forward acquisition cost.

Financial Liabilities Valued at Fair Value Through Profit or Loss
Other financial liabilities, such as contingent considerations, are valued at fair value through profit or loss.

Derecognition
A financial liability is derecognized when the obligation on which it is based has been fulfilled, canceled, or has expired.

If an existing financial liability is exchanged for another financial liability of the same loan creditor with substantial differences in contractual conditions, or if the conditions appertaining to an existing liability are considerably altered, then any such exchange or alteration is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the book values is posted to profit or loss.

Derivative Financial Instruments
EDAG uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to secure interest rate and currency risks resulting from operating activities, financial transactions and financing. Derivative financial instruments are neither held nor issued for speculative purposes.

The derivative financial instruments are valued at fair value when posted for the first time. The fair values are also relevant for subsequent valuations. The fair value of traded derivative financial instruments corresponds to the market value. This value can be positive or negative. If no market values are available, the fair values must be calculated using recognized actuarial models.

For derivative financial instruments, the fair value corresponds to the amount which EDAG either received or paid on maturity of the financial instrument, as of the reporting date. This is calculated using the relevant exchange rates and interest rates on the reporting date. Middle rates are used for the calculations.

The fair value of forward exchange contracts is determined using the current forward exchange rates for contracts with similar maturity structures. The fair value of interest rate swap contracts is determined using valuation models. Market parameters of similar instruments that can be observed are also included in these.

In compliance with the transitional provisions in force, EDAG continues to apply the regulations set out in IAS 39 for hedge accounting purposes. Although the hedging measures carried out by EDAG do not meet the strict requirements of IAS 39, they still contribute towards effectively hedging the financial risk, in accordance with the principles of risk management. Nor does EDAG apply hedge accounting in accordance with IAS 39 to hedge foreign currency risks for monetary assets and liabilities in the statement of financial position, as the profits and losses affecting income in accordance with IAS 21 are shown in profit or loss along with the profits and losses from the derivatives used as hedging instruments.

Provisions
A provision (debt, the maturity and/or amount of which is uncertain) is formed according to IAS 37, if a current legal or factual obligation resulting from past events exists toward third parties, and, moreover, it is likely that the settlement of the obligation will result in the outflow of resources, and the amount of the provision can be reliably determined.

The provisions are valued at their anticipated repayment amount, and not offset against refund claims. Provisions that are based on a large number of similar types of events are accounted for at their expected value. All non-current provisions (with a term of more than one year) are posted with the anticipated discounted amount to be paid on the balance sheet date. The amount to be paid also includes the cost increases to be taken into account on the balance sheet date.

If many similar types of obligations exist - as in the case of the statutory warranty - the probability of an outflow of resources is determined on the basis of the group of these obligations. A provision is also posted as a liability if the probability of an outflow of resources is negligible in relation to an individual obligation included in this group.

Pensions and Other Post-Employment Benefits
The Group has both defined benefit and defined contribution-based pension plans. A contribution-based pension plan is one which involves the Group paying fixed contributions into a non-Group company (fund). The Group is under no legal or actual obligation to pay additional contributions if the fund should fail to have sufficient assets to meet the pension entitlements of all employees from the current and previous financial years. By contrast, defined benefit-based plans typically define a pension benefit volume that the employee will receive on reaching retirement age, and as a rule depends on one or more factors such as age, length of service and salary.

The provision for defined benefit-based plans recognized in the statement of financial position corresponds to the net present value of defined benefit obligations (DBO) on the balance sheet date, less the fair value of the plan assets. The DBO is calculated annually by an independent actuarial expert, using the project unit credit method. The accounting valuation of the obligations is based on various estimates. Assumptions need to be made in particular with regard to long-term trends in the development of salaries and pensions, and to average life expectancy. Assumptions relating to salary and pension trends are based on developments observed in the past, and also take the country-specific interest and inflation rates and relevant labor market developments into account. Acknowledged biometric bases for calculation form the basis for estimating average life expectancy. The interest rate used to discount the future payment obligations is derived from premium corporate bonds with corresponding currencies and maturities.

Revaluations based on experience-related adjustments and amendments to actuarial assumptions are recognized in other comprehensive income (in equity) in the period in which they occur. Adjustments to an employment period are expensed immediately.

With the exception of the interest components, which are recognized in the financial result, pension costs are posted under personnel costs.

With defined contribution plans, the Group pays premiums to public or private pension insurers on the basis of a legal or contractual obligation, or on a voluntary basis. The Group has no further payment obligations over and above payment of the premiums. The premiums are recognized in personnel expenses on maturity. Prepaid contributions are recognized as assets to the extent that there is a right to repayment or a reduction in future payments.

Payments Resulting from the Termination of Employment Relationships
Payments resulting from the termination of employment relationships are made in the event of an employee being dismissed by a Group company before reaching regular pension age, or of an employee accepting the voluntary termination of the employment relationship in return for severance pay. The Group recognizes severance pay if it is demonstrably obliged to terminate the employment of present employees in compliance with a detailed and irrevocable formal plan, or if it is demonstrably required to pay such benefits following the voluntary termination of employment by the employee. Payments which become due after more than twelve months after the effective date are discounted to their present value.

Income Taxes

Income taxes include both current and deferred taxes. The current taxes relate to all taxes which are charged on the taxable profit of the Group companies.

Deferred tax assets and deferred tax liabilities are formed pursuant to IAS 12 "Income taxes" for temporary valuation differences between IFRS and tax statements of financial position of the individual companies, as well as for consolidation processes affecting income. The deferred tax claims also include tax reduction claims which result from the anticipated future use of existing tax losses carried forward, if the realization of these is likely. Deferred tax claims are only to be reported if it is likely that future taxable income can be offset against tax credits and losses carried forward. A planning period of 3 years is always used as a basis here. This is in line with company planning, which is also used for the impairment tests, adjusted for tax effects.

To calculate deferred taxes, the tax rates applicable on the balance sheet date or applicable in future are used as a basis, provided these have already been legally defined, or the legislative process is essentially complete. Changes to deferred taxes in the statement of financial position always result in deferred tax expenses or income. If circumstances that result in a change in deferred taxes are booked directly against the other comprehensive income, the change to the deferred taxes is also directly accounted for in other comprehensive income.

Non-current Assets held for Sale

Assets reported as being "held for sale" are those which can be sold in their present condition, and the sale of which is very probable. This can involve individual, non-current assets or groups of assets (disposal groups). Non-current assets held for sale are no longer subject to scheduled depreciation, but valued at their fair value less disposal costs, provided this is lower than the book value. In the event of an increase in the fair value less disposal costs, the previously reported impairment is reversed. The write-up is limited to the impairments previously recorded for the respective assets. Results from the valuation of certain individual assets held for sale and from disposal groups are reported in the result from continuing operations until final disposal.

Discretionary Decisions

With the application of the accounting and valuation methods, the company management has made the following discretionary decisions, which significantly influence the figures in the financial statement. Decisions containing estimates are not taken into account here.

Non-current intangible assets, property, plant and equipment are valued at acquisition costs carried forward in the statement of financial position. No use has been made of the - also permissible - option of valuing these at fair value.

Estimates (Assumptions)

Presentation of the consolidated financial statements in accordance with IFRS requires competent estimates for several statement of financial position items which have an effect on the basis and valuation in the statement of financial position and statement of comprehensive income. The amounts that are actually realized can deviate from these estimates. Such estimates relate to ascertaining the useful life of the property, plant and equipment or intangible assets that are subject to wear and tear, the measurement of provisions, the valuation of investments and other assets or liabilities. Although adequate account is taken of existing uncertainties during valuation, actual results can still deviate from the estimates.

In the following situations, the assumptions made on the balance sheet date are of particular significance:

The estimate of **order costs and income** is an important criterion for realizing profit according to performance progress, pursuant to IFRS 15. The result of a production order can only be reliably estimated if the economic advantages arising from the contract are likely to go to the company. Assumptions are also to be used as the basis on which to assess probability. The management continually reviews all estimates required for production orders, adjusting them wherever necessary.

Deferred tax assets are also recorded for tax losses carried forward. Their viability depends on future taxable results of the respective Group company. If there is any doubt regarding the realization of losses carried forward, then no deferred taxes are posted.
Pension provisions are influenced by assumptions regarding the future development of wages and salaries or pensions, as well as by the interest, portfolio structure and anticipated performance of the plan assets of pension funds. Should the assumptions made fail to materialize, this will result in an actuarial surplus or shortfall, which is offset with the retained earnings, not affecting income.

Other provisions also cover risks from legal disputes and legal action. In addition to an assessment of the situation and claims awarded in similar cases, the results of comparable legal actions and independent legal opinions are also taken into consideration, as are assumptions regarding the probability of occurrence and the scope of possible claims, in order to determine the amount of a provision. The actual costs can deviate from these estimates. When discounting non-current provisions, assumptions are made regarding the interest rate to be used.

Unscheduled amortization (impairments) on assets is carried out in the case of impairment. An impairment test is carried out for the goodwill and intangible assets with an indefinite useful life if specific events indicate a possible impairment, but at all events at least once a year. In the impairment test, the carried-forward book values of the assets are compared with the recoverable amount of the assets. The recoverable amount is either the net disposal price or value in use of the asset, whichever value is higher. In order to determine the utilization value, it is necessary to estimate and discount cash flows. The estimated cash flows and the assumptions made are based on whatever information is available on the balance sheet date, and may deviate from actual developments. This method is used for both goodwill and for investment accounted for using the equity method.

Definition of the **useful lives** of depreciable assets is on the basis of the anticipated usability of the assets, and is based on estimates. Empirical values with comparable assets were used as a basis for orientation. The estimated useful lives of intangible assets and property, plant and equipment are examined at the end of the financial year and adjusted as necessary.

Measurement of the **provisions for risks** in accordance with IFRS 9 entails estimates and uncertainties. In the simplified model, probability of default is determined on the basis of empirical values, and adjusted to take future-related information into account.

5.3 Notes on the Statement of Comprehensive Income

[1] Sales Revenues

Accordingly, sales revenues from ordinary business activities are recognized when the customer obtains control of the promised goods and services, and can benefit from them. This disclosure occurs net of sales tax and all discounts and bonuses. In addition to this, services assessed according to the Percentage of Completion (“POC”) method are also disclosed as sales revenues.

The revenues from contractual obligations met either fully or in part in earlier periods and recognized for the reporting period cannot be shown separately. As a rule, changes to the transaction price also mean that changes have been made to the scope of services within the projects in the current reporting period. It is therefore not possible to identify the extent to which the transaction price has changed without adjusting the the scope of services.

Revenues (sales revenues +/- changes in inventories) of the Vehicle Engineering segment include € 50.7 million from a series production order (2018: € 11.3 million).

For more detailed descriptions of the sales revenues and their composition, please see the explanatory notes in Segment Reporting.

[2] Changes in Inventories

Shown here is the increase/decrease in inventory of unfinished and finished goods and services which have been determined on the basis of the acquisition cost method. Inventory of unfinished and finished goods and services in the reporting year 2019 decreased by € 1,500 thousand (2018: increased by € 4,076 thousand).

[3] Other Income

Other income is classified as follows:

in € thousand	2019	2018 revised
Operating income		
Non-cash benefit from car leasing	4,232	4,058
Rental income from subleases	2,073	2,180
Income from currency gains	1,689	3,040
Cost transfer income	880	1,234
Income from compensation payments	375	386
Rental income from leases of property	260	251
Catering/cafeteria income	206	164
Income from recycling/scrap	62	59
Income from currency hedging transactions	44	89
Miscellaneous operating income	1,420	895
Total operating income	**11,241**	**12,356**
Non-operating income		
Public sector benefits	2,737	2,313
Income from the reversal of provisions	748	354
Income from divestiture of RoU-assets	482	1
Income from the disposal/subsequent capitalization of fixed assets	180	934
Income from impaired receivables	12	13
Miscellaneous non-operating income	1,587	904
Total non-operating income	**5,746**	**4,519**
Total other income	**16,987**	**16,875**

Income from sub-leases in the amount of € 2,073 thousand (2018: € 2,180 thousand) comprises leasing payments for leased space from operating leases and incidental costs from financing leases that were previously rented by EDAG itself.

Income from property rental in the amount of € 260 thousand (2018: € 251 thousand) includes leasing payments for rented space under operating leases that were owned by EDAG at the time the income was realized.

As in the previous year, no income from variable leasing payments that was not included in the measurement of the net investment in financing leases was generated in the reporting year.

Leasing income from operating leases amounting to € 2,150 thousand was recognized in the reporting year (2018: € 2,431 thousand). As in the previous year, no income from variable lease payments not dependent on an index or (interest) rate was realized from operating leases in the reporting year. The incidental costs from finance leases included in income from subletting and recognized for the first time within the scope of the first-time adoption of IFRS 16 on January 1, 2019 amounted to € 183 thousand in the reporting year.

Income from the disposal of rights of use amounting to € 482 thousand in the reporting year (2018: € 1 thousand) primarily includes income arising from the derecognition of rights of use within the framework of the presentation of subleases (financing leases), as well as gains in connection with the return of rental premises in a long-term building rental agreement.

During the reporting year, public sector benefits of € 2,737 thousand (2018: € 2,313 thousand) were recognized through profit or loss in the statement of comprehensive income. These benefits consist of public sector subsidies for training, research and development. There are no unfulfilled conditions or miscellaneous contingencies in relation to these benefits.

Income from the reversal of provisions in the amount of € 748 thousand (2018: € 354 thousand) are made up of the unwinding of other provisions for personnel and taxes, provisions for legal disputes and warranty obligations, and miscellaneous provisions (see chapter "Other Provisions [29]"). Other items cover income from the reversal of onerous contracts in the amount of € 70 thousand (2018: € 204 thousand), from rectification work in the amount of € 115 thousand (2018: € 136 thousand) and other provisions for personnel in the amount of € 114 thousand.

Other non-operating income in the reporting year includes income from the reversal of liabilities from sales and purchase agreements in the amount of € 701 thousand which were included in the adjusted EBIT reconciliation.

[4] Material Expenses

in € thousand	2019	2018
Expenses for materials and supplies and for purchased goods	66,977	40,578
Expenses for purchased services	68,342	79,954
Total	**135,319**	**120,532**

Expenses for materials and supplies and for purchased goods are mainly made up of expenses for models and small parts which have been purchased. Expenses for purchased goods and services are mainly made up of the costs for subcontractors and miscellaneous services received. The proportion for materials and services expenses for a production order stood at € 41.6 million (2018: € 9.5 million).

[5] Personnel Expenses

in € thousand	2019	2018
Wages and salaries	406,880	415,014
Social security contributions	78,943	76,862
Expenses on retirement pension plans and support	4,587	4,758
Wage-related and salary-related taxes	733	875
Total	**491,143**	**497,509**

Expenses for retirement pension plans and support include, but are not restricted to, expenses for defined benefit commitments. The interest portion of the valuation of retirement obligations is posted as a financing cost, as per the financing character. Anticipated income from the associated fund assets is stated as financing income. The presentation of pension obligations is explained in detail in chapter "Pensions and Other Post-Employment Benefits [28]".

Personnel expenses include public sector subsidies for short-time working benefit, which are shown in their balanced state, in accordance with IAS 20.29 - 31. Subsidies in the amount of € 1,103 thousand (2018: € 145 thousand) are reported under wages and salaries.

To qualify for these subsidies, effective working hours in the divisions affected must be reduced, and all residual leave from the previous year and overtime accumulated in time accounts taken.

Wages and salaries include expenses in conjunction with the termination of employment contracts in the amount of € 1,189 thousand (2018: € 3,517 thousand). Expenses in conjunction with the termination of employment contracts to the amount of € 5,580 thousand (2018: € 0 thousand) are also included in the miscellaneous non-operating expenses which are included in the adjusted EBIT reconciliation.

In addition, wages and salaries and social security contributions in the reporting year include income relating to other periods in the amount of € 6,440.

In the financial year ended December 31, 2019, an average of 8,625 employees were employed in the EDAG Group (2018: 8,479 employees). The following table provides a detailed overview.

	2019	2018
Breakdown according to contractual relationship		
Salaried employees	8,156	7,959
Apprentices	469	520
Total	**8,625**	**8,479**

	2019	2018
Geographical breakdown		
Germany	6,080	6,042
Rest of Europe	1,412	1,385
North America	333	348
South America	196	171
Asia	604	533
Total	**8,625**	**8,479**

[6] Depreciation, Amortization and Impairment

The depreciation and amortization of fixed assets in the amount of € 45,892 thousand (2018: € 43,589 thousand) include both amortization of intangible assets and depreciation of property, plant and equipment.

Besides the scheduled depreciation and amortization in the amount of € 21,008 thousand (2018: € 19,664 thousand) and the scheduled depreciation and amortization on rights of use from leased assets in the amount of € 19,347 thousand (2018: € 18,609 thousand), they also include unscheduled depreciation and amortization on rights of use from leased assets in the amount of € 349 thousand (2018: € 0 thousand), and depreciation and amortization from the purchase price allocation totaling € 5,188 thousand (2018: € 5,315 thousand), which were also included in the adjusted EBIT reconciliation.

The scheduled depreciation and amortization is based on the standard Group economic useful lives as shown in the notes on the accounting and valuation methods.

[7] Impairment/Impairment Loss Reversal of Financial Assets

The net result from the impairment or impairment loss reversal of financial assets is composed as follows:

in € thousand	2019	2018
Income from reversal of impairments	180	36
Expenses from additions of impairments	- 2,593	- 769
Total	**- 2,413**	**- 733**

For the development of the provisions for risks, please see chapter "Financial Instruments" in the Notes.

Other expenses [8]

The breakdown of the other expenses results in:

in € thousand	2019	2018 revised
Operating expenses		
Maintenance	19,151	18,456
Travel expenses	14,241	16,234
Other expenses from leases	9,436	10,126
Miscellaneous ancillary personnel expenses	8,910	9,360
General administration expenses	6,575	7,062
Consulting, contributions and fees	4,879	6,623
Rents and leases from short term leases	4,696	4,703
Sales and marketing expenses	3,677	3,927
Rents and leases from low value leases	3,412	4,241
Personnel training and development expenses	3,343	3,247
Vehicle fuel expenses/miscellaneous vehicle expenses	2,024	2,056
Guarantees	1,920	35
Insurance	1,804	1,730
Expenses from currency losses	1,801	3,129
Surveillance and security expenses	1,121	955
Miscellaneous taxes and duties	1,060	1,131
Expenses from currency hedging transactions	66	-
Miscellaneous operating expenses	6,249	5,198
Total operating expenses	**94,365**	**98,213**
Non-operating expenses		
Restructuring expenses	7,976	-
Expenses from the disposal of assets/scrapping	440	293
Expenses from bad debt loss	14	18
Miscellaneous non-operating expenses	446	124
Total non-operating expenses	**8,876**	**435**
Total other expenses	**103,241**	**98,648**

Other expenses from leasing contracts include the incidental cost components of leasing contracts recognized in the statement of comprehensive income, for the leasing components of which a right of use and a leasing liability were recognized in accordance with IFRS 16, and for which the practical remedy as indicated in IFRS 16.15 was not used. They also include rental expenses from leases of intangible assets for which the provisions of IFRS 16 are not applied. As in the previous year, operating expenses do not include any expenses for variable leasing payments that were not included in the measurement of lease liabilities.

Restructuring expenses in the amount of € 7,976 thousand were included in the non-operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation. In addition, expenses from M&A transactions in the amount of € 297 thousand were included in the miscellaneous non-operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation.

[9] Reconciliation of the Adjusted Operating Profit (Adjusted EBIT)

In addition to the data required according to the IFRS, the segment reporting also includes a reconciliation to the adjusted earnings before interest and taxes (adjusted EBIT). Among the adjustments, initial and deconsolidation income, restructuring in the scope of the company merger and all effects from the purchase price allocations on the EBIT are shown.

in € thousand	Note	2019	2018 revised
Earnings before interest and taxes (EBIT)		**20,251**	**48,192**
Adjustments:			
Expenses (+) from purchase price allocation	(6)	5,188	5,315
Income (-) from reversal of provisions for contingent considerations from business combinations	(3)	- 701	-
Expenses (+) from additional costs from M&A transactions	(8)	297	-
Expenses (+) from restructuring	(8)	7,976	-
Total adjustments		**12,760**	**5,315**
Adjusted earnings before interest and taxes (adjusted EBIT)		**33,011**	**53,507**

The "expenses (+) from the purchase price allocation" are stated under the amortization. The "income (-) from the reversal of provisions for contingent considerations from business combinations" is shown in the other income. The "expenses (+) from incidental expenses from M&A transactions" and "expenses (+) from restructuring" are shown in the other expenses.

[10] Result from Investments Accounted for Using the Equity Method

The result from investments accounted for using the equity method in the amount of € 949 thousand in the 2019 financial year (2018: € 1,203 thousand) contains the proportionate result, each with 49 percent from EDAG Werkzeug + Karosserie GmbH, Fulda.

The Group share in the individual items of the statement of comprehensive income can be seen in the section "Shares in Investments Accounted for Using the Equity Method" [20].

[11] Financial Income

in € thousand	2019	2018
Interest income from leases	40	-
Interest and similar income	339	308
Income from evaluation of value to be attributed	1	2
Total	**380**	**310**

Earnings from the release of provisions for interest from payment of back taxes in the amount of € 12 thousand are included in interest and similar income (2018: € 4 thousand). The interest income from leases in the amount of € 40 thousand recognized in the reporting year results from a lease classified as a finance lease in accordance with IFRS 16. More detailed information can be found in the chapter "Leases", page 212.

[12] Financing Expenses

in € thousand	2019	2018 revised
Interest expenses for leasing liabilities	8,028	8,660
Interest and similar expenses	2,928	5,428
Losses from valuation at fair value	10	7
Miscellaneous financial expenses	1	2
Total	**10,967**	**14,097**

Expenses from back taxes in the amount of € 7 thousand (2018: € 95 thousand) are included in the interest expenses.

[13] Income taxes

Taxes paid or owed on income and earnings in the individual countries, and also the deferred taxes, are reported as income taxes.

The main components of income tax expense for the financial years 2018 and 2019 are composed as follows:

in € thousand	2019	2018 revised
Actual income tax expense/income	11,416	13,688
Adjustment for actual income taxes attributable to prior periods	- 1,365	- 54
Deferred tax expense/income		
from the emergence and/or reversal of temporary differences	- 4,408	- 1,956
from losses carried forward	- 2,053	192
Income taxes	**3,590**	**11,870**

Actual income tax for the current financial year includes corporate tax incurred in Germany, the solidarity contribution, trade tax and other income tax incurred abroad.

Income taxes amounting to € 3,590 thousand (2018: € 11,870 thousand) are derived as follows from "expected" income tax expenses which would have resulted from applying the average rate of income tax of the EDAG Group to the earnings before income taxes. To determine the expected tax expense, the pre-tax earnings are multiplied by a weighted average combined tax rate of 36.00 percent (2018: 32.00 percent). Due to the development of the results in the different tax law systems, the weighted average combined tax rate for EDAG Group AG increased compared to the previous year.

	2019		2018 revised	
	in € thousand	in %	in € thousand	in %
Earnings before tax	**10,613**		**35,608**	
Expected tax rate	-	36.00%	-	32.00%
Expected tax expense	**3,821**		**11,395**	
Tax-free earnings and non-deductible expenses	1,249	11.77%	3,872	10.87%
Tax effects from equity investments	- 342	-3.22%	- 385	-1.08%
Tax rate deviations	- 594	-5.60%	- 2,018	-5.67%
Tax effects from losses carried forward	466	4.39%	- 964	-2.71%
Taxes for previous year	- 1,365	-12.86%	- 54	-0.15%
Miscellaneous tax effects	355	3.34%	24	0.07%
Income taxes as disclosed in the statement of comprehensive income	**3,590**		**11,870**	
Effective tax rate		33.82%		33.33%

Deferred taxes developed as follows in the consolidated statement of financial position:

in € thousand	2019	2018 revised
Deferred tax assets	12,742	6,077
Deferred tax liabilities	- 20	- 1,616
Net	**12,722**	**4,461**
Difference to previous year	8,261	1,517
Through profit or loss	6,460	1,764
Recognized directly in equity	1,751	- 217
First-time adoption of IFRS 9/IFRS 15	-	42
Currency differences	49	- 72

Deferred taxes are allotted to the following statement of financial position positions, losses carried forward, and tax credits:

in € thousand	12/31/2019		12/31/2018 revised	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Assets				
Other intangible assets	-	- 3,589	-	- 5,279
Property, plant and equipment	227	- 990	-	- 1,108
Right of Use from leasing	-	- 41,867	-	- 42,336
Financial assets	-	- 244	60	-
Inventories, receivables, other financial assets	8,333	- 17,743	11,990	- 21,863
Liabilities and provisions				
Provisions	9,974	- 10,689	7,414	- 12,811
Liabilities	19,883	- 518	20,851	- 243
Lease liabilities	46,669	-	46,568	-
Tax losses carried forward	3,276	-	1,220	-
Gross amount	**88,362**	**- 75,640**	**88,103**	**- 83,640**
Offsetting	- 75,620	75,620	- 82,025	82,025
Statement of financial position valuation	**12,742**	**- 20**	**6,078**	**- 1,615**

Apportioning the net tax items to individual statement of financial position items can lead to correspondingly deferred tax liabilities.

The deferred taxes are regularly assessed. The ability to realize tax income from deferred taxes depends on the ability to achieve taxable income in the future and to use tax losses carried forward before they expire. Deferred tax assets are only recognized to the extent that it is likely that a taxable income will be available, can be used against the deductible temporary differences, and it can be assumed that they will be reversed in the forseeable future In 2019, subsidiaries that reported losses in the year just ended or the previous year recognized net deferred tax assets totaling € 2,666 thousand (2018: € 1,563 thousand) from temporary differences and tax loss carried forward.

An offsetting of deferred tax assets and liabilities occurs if an offsetting of actual tax assets is enforceable against actual tax liabilities. In addition to this, the tax assets and liabilities must also refer to income taxes on the same tax subject which are levied by the same tax authority.

For deductible temporary differences totaling € 464 thousand (12/31/2018: € 701 thousand) no deferred tax asset was recorded in the statement of financial position, since no tax relief is to be expected. No deferred taxes have been recognized on temporary differences amounting to € 1,274 thousand (2018: € 1,380 thousand) between the net assets of Group companies reported in the consolidated financial statements and the tax base for the shares in these Group companies ("outside basis differences"), as the EDAG Group is in a position to manage the timing of the reversal of temporary differences, and there are no plans to dispose of investments in the near future.

As at December 31, 2019, the corporate income tax losses carried forward amount to € 14,696 thousand (12/31/2018: € 14,686 thousand).

The full amount of the deferred tax assets on losses carried forward has not been recorded, as, with a number of companies, it is unlikely that taxable income will be realizable in the foreseeable future. The unrecognized deferred taxes which result from corporate tax losses carried forward can be seen in the following table:

in € thousand	12/31/2019	12/31/2018
Losses carried forward from corporate business tax (not usable)	6,307	9,028
Expiry within		
1 year	-	-
2 – 3 years	45	15
4 – 5 years	99	236
6 – 10 years	37	98
more than 10 years	3,621	7,413
able to be carried forward for an unlimited period	2,505	1,266

In the EDAG Group, apart from the losses carried forward shown in the table, further losses carried forward were also generated in the two Swiss holding companies EDAG Engineering Group AG, Arbon and EDAG Engineering Schweiz Sub-Holding AG, Arbon. Following the abolition of the holding privilege on January 1, 2020, the companies will in future be subject to cantonal and municipal taxes. The accrued losses carried forward in the amount of € 11,113 thousand on December 31, 2019 (12/31/2018: € 8,556 thousand) are offset against future profit distributions. Any profit distributions in excess of this are subject to the participation reduction. A deferred tax asset was therefore not recognized.

In Germany, there are also business tax losses carried forward amounting to € 17,115 thousand (12/31/2018: € 0 thousand). Deferred tax assets were calculated and recognized for losses carried forward in the amount of € 10,926 thousand (12/31/2018: € 0 thousand). The business tax losses carried forward can be carried forward indefinitely.

In the USA, there were state income taxes losses carried forward amounting to € 1,417 thousand (12/31/2018: € 2,348 thousand). For these losses carried forward, no deferred tax assets were recognized.

[14] Non-controlling interests

The non-controlling interest includes shares held by third-parties in initial and generated equity of the fully consolidated subsidiaries.

In the financial year, both the total comprehensive income to be attributed to non-controlling interests and the dividends to be allocated to the controlling shares were € 0 thousand (2018: € 33 thousand and € 179 thousand respectively).

VR Leasing Malakon GmbH & Co. Immo. KG, Eschborn, which was not controlled in full at the beginning of the reporting year, was dissolved with effect from June 30, 2019.

On the date of closure, the company's equity amounted to € 3 thousand (12/31/2018: € 3 thousand).

[15] Results per Share

With the undiluted basic earnings per share, or EPS (quotient for the earnings after taxes allocated to the EDAG Group AG shareholders and the weighted average number of common shares outstanding, undiluted) we use a performance indicator derived directly from earnings after taxes. The undiluted basic earnings per share denotes the corresponding share-based period result attributable to the shareholders of EDAG Group AG, and is therefore an indicator of EDAG's earning power, particularly from the point of view of our shareholders.

There was no dilution of the basic earnings per share in either the reporting year or the year before. The same average number of shares outstanding were used as the basis for the comparison with the previous year.

in € thousand	**2019**	**2018 revised**
Basic Earnings per Share (EPS)		
Earnings after tax	7,023	23,738
less non-controlling interest (monority shares)	-	- 33
Earnings after tax, attributable to shareholders of EDAG Group AG	7,023	23,705
Earnings after tax from continuing operations, attributable to shareholders of EDAG Group AG	7,023	23,705
Weighted average number of shares (basic; in thousand)	25,000	25,000
Effect from diluted equity instruments (in thousand)	-	-
Weighted average number of shares (diluted; in thousand)	25,000	25,000
Basic earnings per share	0.28	0.95
Diluted earnings per share	0.28	0.95

5.4 Notes on the Statement of Financial Position

[16] Intangible Assets

Intangible assets have developed as follows:

in € thousand	Concessions, industrial property rights and similar rights	IT software	Goodwill	Capitalized development costs	Customer list from purchase price allocation	Total
(Historical) Costs						
As per 12/31/2017 / 1/1/2018	**30**	**42,474**	**74,359**	**3,810**	**42,815**	**163,488**
Currency conversion difference	-	- 201	- 20	-	107	- 114
Additions	-	4,088	-	657	-	4,745
Disposals	-	- 829	-	-	-	- 829
Transfers	-	88	-	- 19	-	69
As per 12/31/2018 / 1/1/2019	**30**	**45,620**	**74,339**	**4,448**	**42,922**	**167,359**
Currency conversion difference	-	35	28	-	107	170
Additions	-	5,102	-	-	-	5,102
Disposals	-	- 2,187	-	-	-	- 2,187
As per 12/31/2019	**30**	**48,570**	**74,367**	**4,448**	**43,029**	**170,444**

in € thousand	Concessions, industrial property rights and similar rights	IT software	Goodwill	Capitalized development costs	Customer list from purchase price allocation	Total
Accumulated amortization and impairments						
As per 12/31/2017 / 1/1/2018	**- 21**	**- 31,790**	**-**	**- 2,056**	**- 23,826**	**- 57,693**
Currency conversion difference	-	160	-	-	- 55	105
Additions (scheduled amortization)	- 3	- 4,501	-	- 906	- 4,883	- 10,293
Disposals	-	799	-	-	-	799
Tranfers	-	- 18	-	-	-	- 18
As per 12/31/2018 / 1/1/2019	**- 24**	**- 35,350**	**-**	**- 2,962**	**- 28,764**	**- 67,100**
Currency conversion difference	-	- 20	-	-	- 73	- 93
Additions (scheduled amortization)	- 2	- 4,379	-	- 946	- 4,899	- 10,226
Disposals	-	2,083	-	-	-	2,083
As per 12/31/2019	**- 26**	**- 37,666**	**-**	**- 3,908**	**- 33,736**	**- 75,336**
Book value 12/31/2018	**6**	**10,270**	**74,339**	**1,486**	**14,158**	**100,259**
Book value 12/31/2019	**4**	**10,904**	**74,367**	**540**	**9,293**	**95,108**

No ownership restrictions exist on intangible assets.

During the 2019 financial year, no public sector benefits were offset from the acquisition costs for intangible assets (2018: € 4 thousand).

The customer lists from the purchase price allocations are primarily the result of the purchase of the Rücker Group in 2012 and the BFFT Group in 2013. The customer lists from purchase price allocations received in 2017 result from the acquisition of CKGP/PW & Associates, Inc. and HRM Engineering AB.

As at December 31, 2019, the remaining amortization period for customer lists amounts to 4 years.

in € thousand	Customer list
Book value 12/31/2019	**9,293**
Remaining amortization period	
2020	4,709
2021	2,496
2022	1,942
2023	146

[17] Property, Plant and Equipment

Ownership restrictions in the amount of € 388 thousand (2018: € 394 thousand) exist on property, plant and equipment.

During the reporting year, no public sector benefits were offset from acquisition costs for property, plant and equipment (2018: € 21 thousand). No repayments were made on public sector benefits.

Property, plant and equipment includes assets which are the subject of operating leases in which EDAG is the lessor.

As at December 31, 2019 - as at December 31, 2018, no investment property was held.

Property, plant and equipment have developed as follows:

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and construction in progress	Total property plant and equipment
(Historical) Cost					
As per 12/31/2017 / 1/1/2018 revised	**33,341**	**57,118**	**71,319**	**1,039**	**162,817**
Currency conversion difference	- 125	- 23	- 101	- 10	- 259
Additions	2,363	6,598	8,250	206	17,417
Disposals	- 326	- 3,004	- 6,215	- 2	- 9,547
Transfers	130	889	7	- 1,068	- 42
As per 12/31/2018 / 1/1/2019 revised	**35,383**	**61,578**	**73,260**	**165**	**170,386**
Currency conversion difference	31	119	133	-	283
Additions	2,283	5,679	9,408	1,357	18,727
Disposals	- 1,027	- 1,374	- 7,840	- 1	- 10,242
Tranfers	23	131	9	- 164	- 1
As per 12/31/2019	**36,693**	**66,133**	**74,970**	**1,357**	**179,153**

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and construction in progress	Total property plant and equipment
Accumulated depreciation					
As per 12/31/2017 / 1/1/2018 revised	**- 13,596**	**- 34,074**	**- 45,019**	**-**	**- 92,689**
Currency conversion difference	65	106	79	-	250
Additions (scheduled depreciation)	- 2,010	- 4,695	- 7,982	-	- 14,687
Disposals	302	2,764	5,960	-	9,026
Transfers	- 18	57	- 44	-	- 5
As per 12/31/2018 / 1/1/2019 revised	**- 15,257**	**- 35,842**	**- 47,006**	**-**	**- 98,105**
Currency conversion difference	- 5	- 26	- 83	-	- 114
Additions (scheduled depreciation)	- 1,812	- 5,375	- 8,782	-	- 15,969
Disposals	936	1,206	7,393	-	9,535
Transfers	- 5	-	5	-	-
As per 12/31/2019	**- 16,143**	**- 40,037**	**- 48,473**	**-**	**- 104,653**
Book value 12/31/2018 revised	**20,126**	**25,736**	**26,254**	**165**	**72,281**
Book value 12/31/2019	**20,550**	**26,096**	**26,497**	**1,357**	**74,500**

[18] The Rights of Use from Leased Assets

The rights of use from leased assets have developed as follows:

in € thousand	Right-of-Use land	Right-of-Use buildings	Right-of-Use other equipment and office equipment	Total Right-of-Use from leasing
(Historical) Cost				
As per 12/31/2017 / 1/1/2018	**1,389**	**186,461**	**10,804**	**198,654**
Currency conversion difference	-	- 327	- 43	- 370
Additions	351	22,855	2,414	25,620
Disposals	-	- 4,273	- 2,178	- 6,451
As per 12/31/2018 / 1/1/2019	**1,740**	**204,716**	**10,997**	**217,453**
Currency conversion difference	-	353	47	400
Additions	128	18,473	3,480	22,081
Disposals	-	- 7,464	- 4,388	- 11,852
As per 12/31/2019	**1,868**	**216,078**	**10,136**	**228,082**

in € thousand	Right-of-Use land	Right-of-Use buildings	Right-of-Use other equipment and office equipment	Total Right-of-Use from leasing
Accumulated depreciation				
As per 12/31/2017 / 1/1/2018	**- 730**	**- 53,420**	**- 5,239**	**- 59,389**
Currency conversion difference	-	- 53	- 7	- 60
Additions (scheduled depreciation)	- 166	- 15,697	- 2,746	- 18,609
Disposals	-	4,273	2,178	6,451
As per 12/31/2018 / 1/1/2019	**- 896**	**- 64,897**	**- 5,814**	**- 71,607**
Currency conversion difference	-	- 126	- 32	- 158
Additions (scheduled depreciation)	- 185	- 16,267	- 2,894	- 19,346
Additions (non-scheduled depreciation)	-	- 349	-	- 349
Disposals	-	3,569	4,181	7,750
As per 12/31/2019	**- 1,081**	**- 78,070**	**- 4,559**	**- 83,710**
Book value 12/31/2018	**844**	**139,819**	**5,183**	**145,846**
Book value 12/31/2019	**787**	**138,008**	**5,577**	**144,372**

[19] Non-current Financial Assets, Financial Receivables and Current Other Financial Assets

in € thousand	12/31/2019			12/31/2018		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Shares in affiliated companies	-	80	80	-	80	80
Loans	-	80	80	-	78	78
Securities	28	-	28	38	-	38
Market values of derivative financial instruments - held for trading	23	-	23	-	-	-
Receivables from leases	209	511	720	-	-	-
Other miscellaneous financial receivables	2,065	526	2,591	1,703	521	2,224
Total	**2,325**	**1,197**	**3,522**	**1,741**	**679**	**2,420**

The non-consolidated shares in subsidiaries are recognized at acquisition cost because future cash flows cannot be estimated reliably, which means that the fair value cannot be reliably determined either. There are no plans for the near future to sell significant shares of the available for sale financial assets valued at acquisition cost.

The loans result primarily from loans extended to employees, they were not past due on the balance sheet date, and are being repaid as scheduled.

Where securities positions are concerned, securities of € 28 thousand (12/31/2018: € 38 thousand) are held. These are marketable debt and equity securities.

The market values of derivative financial instruments are derivatives used to hedge foreign currency risks.

The accounts receivable from leases are receivables from subleases which, on the basis of the right of use under the main lease, were classified as financing leases in accordance with IFRS 16.

The other remaining financial receivables are composed primarily of deposits which have been paid and of creditors with debit balances.

[20] Investments Accounted for Using the Equity Method

As at December 31, 2019, the EDAG Group holds 49 percent of EDAG Werkzeug + Karosserie GmbH. The addition to investments was made in 2014.

The share of assets, liabilities and provisions, income and expenses attributable to the Group for the investment accounted for using the equity method is shown in the following tables:

in € thousand	2019	2018
Book value 1/1/	**17,165**	**16,111**
Dividends	- 570	- 197
Subsequent valuation	869	1,227
Changeover effect IFRS 16 (2019) / IFRS 15 (2018)	0	24
Book value 12/31/	**17,464**	**17,165**

In the following table, the summarized financial information on the investment accounted for using the equity method is shown on a 100 percent basis:

in € thousand	12/31/2019	12/31/2018
Current assets	19,973	21,030
of which cash	4,049	5,234
Non-current assets	10,472	10,481
Total assets	**30,445**	**31,511**
Current liabilities and provisions	8,512	10,581
of which financial liabilities	1,038	964
Non-current liabilities and provisions	1,321	929
of which financial liabilities	81	40
Total liabilities and provisions	**9,833**	**11,510**
Net assets	**20,612**	**20,001**
Sales revenues	44,499	51,215
Scheduled depreciation and amortization	1,828	1,753
Interest income	-	14
Interest expenses	41	173
Income tax expenses/income [+/-]	913	1,148
Profit or loss	**1,937**	**2,454**
Other comprehensive income	- 164	51
Totel comprehensive income	**1,773**	**2,505**

In the case of accounting using the equity method, intercompany profits must be eliminated in consolidation on a pro rata basis. For material reasons, this did not result in any adjustments.

The following table shows the reconciliation of the net assets of the investment accounted for using the equity method:

in € thousand	2019	2018
Opening net assets 1/1/	**20,001**	**17,851**
Changeover effect IFRS 16 (2019)/IFRS 15 (2018)	1	48
Profit/Loss for the period	1,937	2,454
Other comprehensive income	- 164	51
Dividends paid	- 1,163	- 403
Closing net assets 12/31/	**20,612**	**20,001**

[21] Contract Assets

The contract assets are composed of the following net amounts:

in € thousand	12/31/2019	12/31/2018
Accrued costs including partial profits and losses	1,112,521	990,315
Partial invoices	- 1,000,792	- 870,332
Total amount due from current contract assets	**111,729**	**119,983**
Advance payments received from current contract assets	40,866	34,201
Provision for risk IFRS 9	- 40	- 29
Current contract assets	**70,823**	**85,753**

As in the previous year, contract assets are classified as current, in accordance with their terms.

[22] Accounts Receivable

The accounts receivable are classified as follows:

in € thousand	12/31/2019	12/31/2018
Accounts receivable		
due from third parties	135,517	116,446
due from affiliated companies	24	2,772
due from related parties	124	1
Total	**135,665**	**119,219**

As in the previous year, the accounts receivable have terms of less than one year.

Due to the fact that the general terms and conditions of the OEMs come to bear, there is no collateral pledged for receivables in the accounts receivable. The OEMs do not provide for any prolonged or extended retention of title for suppliers.

For the development of the value adjustment account and the analysis of overdue, non-impaired accounts receivable and other receivables, please see chapter "Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Valuation Category", page 218.

[23] Other Non-Financial Assets

The other non-financial assets are classified as follows:

in € thousand	12/31/2019			12/31/2018		
	short-term	long-term	Total	short-term	long-term	Total
Other non-financial receivables						
due from employees	1,160	-	1,160	929	-	929
due from plan assets (unpledged)	-	66	66	-	64	64
from value added tax	1,725	-	1,725	1,692	-	1,692
from other taxes	131	-	131	361	-	361
other remaining non financial receivables	214	-	214	150	-	150
Payments on account	331	-	331	233	-	233
Accrued items	6,561	-	6,561	6,687	-	6,687
Total	**10,122**	**66**	**10,188**	**10,052**	**64**	**10,116**

[24] Current and Deferred Income Tax Assets

in € thousand	12/31/2019	12/31/2018 revised
Deferred tax assets	12,742	6,077
Income tax assets	976	1,619
Total	**13,718**	**7,696**

The assets from future income tax relief include deferred tax assets from temporary differences between the book values reported in the Group statement of financial position and the tax bases, as well as tax savings from losses carried forward assessed as being realizable in the future: Details of deferred tax assets are given in section 13, "Income Taxes". Of the deferred tax assets, € 51,929 thousand will be realizable after more than twelve months (12/31/2018: € 47,915 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position offset against deferred tax liabilities.

[25] Inventories

The book value of the inventories in the amount of € 8,633 thousand (12/31/2018: € 9,260 thousand) is broken down as follows:

in € thousand	12/31/2019	12/31/2018
Raw materials and supplies	4,505	3,637
Unfinished goods and services	3,996	5,548
Finished goods	132	75
Total	**8,633**	**9,260**

The difference between the changes in inventories of unfinished and finished goods and services shown in the statement of comprehensive income results from changes in the scope of currency conversion differences. The raw materials and supplies as well as merchandise are capitalized at acquisition cost; the unfinished goods and services and finished goods at the lower of production cost or net disposal value. During the reporting year, impairments in the amount of € 25 thousand (2018: € 72 thousand) were carried out on inventories with a book value before impairment of € 51 thousand (2018: € 190 thousand), and accordingly posted as material expense. As in previous years, no impairments on inventories were posted as depreciation on current assets.

Likewise, no reversals of impairment losses which reduce the material expense were carried out. As in previous years, the inventories were not pledged as securities for third party liabilities.

[26] Cash and cash-equivalents

The cash and cash-equivalents are composed as follows:

in € thousand	12/31/2019	12/31/2018
Deposits with banks and cash in hand	70,611	63,855
Cash equivalents	7	7
Statement of financial position valuation/ financial funds	**70,618**	**63,862**

As in the previous year, the Group held cash or cash-equivalents in the amount of € 92 thousand (CHF 100 thousand) which are not at its unrestricted disposal. Deposits with credit institutions are held at banks with first class credit ratings

[27] Equity

Subscribed Capital

The fully paid-in subscribed capital of EDAG Engineering Group AG in the amount of € 920 thousand as at December 31, 2019 is backed by 25 million bearer shares with a nominal value of CHF 0.04.

Further information on the shares is given in the chapter "General Information".

Consolidated Equity Development

Details of the development of the equity capital in 2018 and 2019 is shown in the Group's statement of changes in equity.

Retained earnings comprise the other retained earnings, reserves for conversion effects as per IFRS 1, and reserves from transactions under joint control, as well as the annual results of the previous years after dividend distributions and the profit of the current year.

Reserves from Profits and Losses Recognized Directly in Equity (OCI)

This item includes direct changes to equity capital resulting from the valuation of pension obligations.

Currency Conversion Difference

Differences from currency conversion include differences from the currency conversion of financial statements of non-domestic subsidiaries.

Paid and Proposed Dividends

At the annual shareholders' meeting of EDAG Group AG held on June 5, 2019, it was decided that, for the 2018 financial year, a dividend in the amount of € 0.75 per share should be paid from the capital reserves. Payment of the dividend was made on June 11, 2019.

Subject to approval of the annual shareholders' meeting, the Board of Directors of EDAG Group AG recommends paying a dividend of € 0.00 (CHF 0.00) per share for the 2019 financial year.

Non-controlling Interests

The non-controlling interest includes shares held by third-parties in initial and generated equity of the fully consolidated subsidiaries.

[28] Pensions and Other Post-Employment Benefits

EDAG has a company pension scheme for its employees, which takes the form of defined benefit and/or defined contribution plans. In this way, care is taken of virtually all employees for the period after their retirement.

Defined Contribution Plans

The defined contribution benefits are benefits from state and private retirement insurers, to whom payments are made on the basis of statutory regulations, or on a voluntary basis. The employer contributions paid to the statutory pension scheme on a domestic level may be viewed as defined contribution plans of this nature. Payments to defined contribution pension plans in the Group predominantly refer to contributions to statutory pension schemes in Germany. The Group has no further payment obligations besides the payment of the contributions. In the reporting year, contributions amounting to € 39,873 thousand were paid (2018: € 39,513 thousand).

Defined Benefit Plans

The defined benefit plans involve both direct benefits (direct pension commitments) and indirect benefits made through VKE-Versorgungskasse EDAG-Firmengruppe e.V. (VKE).

The direct benefits are guaranteed life-long pension payments. In some cases, this means benefits at a fixed amount; in others, benefits that vary according to the length of service to the company and the employee's salary. Old-age, disability and surviving dependents' pensions are assured.

The purpose of VKE - a group support fund - is to serve as a social institution of EDAG and its affiliated companies wishing to have their company retirement pension schemes managed by VKE. The sponsors (members using VKE to handle their company retirement pension schemes) are the following companies:

- EDAG Engineering GmbH, Wiesbaden
- EDAG Production Solutions GmbH & Co. KG, Fulda

The exclusive and unchangeable purpose of VKE is to manage the support fund which grants to beneficiaries voluntary, one-off, recurring or ongoing benefits pursuant to the VKE benefit plan in the event of assistance being required, occupational incapacity or occupational disability, and during old age. Beneficiaries can be employees and/or former employees of the sponsor companies and their families (spouses, children) and/or surviving dependants. Members of the sponsor companies are also persons with whom the sponsor companies are, or have been, in an employment-type relationship. EDAG will no longer be entering into pension commitments for employees recruited on or after June 1, 2006. In accordance with the provisions of the pension scheme, employees who are entitled to benefits receive old-age and surviving dependents' benefits in the form of a lump-sum payment. The benefits are financed through an external fund, with the fund assets being re-invested in the form of loans in the sponsor companies.

In accordance with the provisions of this pension scheme, the employee receives old-age and surviving dependents' benefits. Each of the benefits due is paid as a lump sum.

Pension obligations in **Germany** are subject to the provisions of the German Company Pensions Act. Due to the pension adjustment obligation required by law, pension commitments are subject to inflation risk. Furthermore, there is the risk that, due to changes in life expectancy, the likelihood of becoming disabled and the likelihood of dying, the actual payment obligations are different from what was expected at the time when the commitment was made.

In **Switzerland**, the Group's company pension scheme has been handled by BVG-Sammelstiftung Swiss Life since January 1, 2019 (until 12/31/2018: AXA Stiftung Berufliche Vorsorge). Assets are invested jointly for all accounts in a collective fund. All biometric risks (disability, death and longevity) as well as the investment and interest rate risk are reinsured by Swiss Life.

In **Italy**, benefits are paid upon termination of the employment (Trattamento di Fine Rapporto [TFR]). Every employee is entitled to benefits in such cases. For each year of service, severance provisions must be created on the basis of total annual remuneration divided by 13.5. When setting aside these provisions, the employer must pay a proportion (0.5 percent of the salary) of this to the Italian National Social Security Institute or to an external pension fund over the course of the year. This amount is deducted from the severance provisions. On December 31 of each year, the severance pay accrued in the previous year is revalued using an index prescribed by law (1.5 percent plus 75 percent of the increase in the consumer price index for families of workers and employees based on the last 12 months).

In **India**, the 1972 Gratuity Act requires post-employment benefits to be paid to employees, provided they have rendered continuous service for at least 4.5 years. Payment is based on the basic monthly salary divided by 26 days and multiplied by 15 days for each complete year; although if six months have been completed, this is regarded as a year.

Employees in **Mexico** are also entitled to compensation. A payment in the amount of twelve days per service year is granted. Further, in the event of unfair dismissal of employees who have reached retirement age, compensation must be paid for the service years worked. Compensation amounts to three months' salary.

Old-age pension obligations are determined on the basis of the actuarial expert report that is produced each year. The benefit amount is determined using the duration of employment as well as the estimated future salary and pension trends.

The pension provision recorded on the statement of financial position is shown as follows:

in € thousand	**12/31/2019**	**12/31/2018**
Present value of obligations financed through a fund	43,651	38,962
Fair value of plan assets	22,876	23,800
Financing deficit / surplus	**20,775**	**15,162**
Present value of obligations not financed through a fund	16,984	14,683
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,759**	**29,845**

The pension provision developed as follows:

in € thousand	**12/31/2019**	**12/31/2018**
Pension provision at the beginning of the financial year	29,845	27,606
Ongoing service cost	1,629	1,775
Past service cost	- 3	- 103
Net interes expenses (+) / income (-)	635	524
Revaluations	6,213	- 773
Effects of currency conversion	40	52
Benefits payments from company assets	- 479	- 603
Employer contributions to the fund	- 121	- 120
Repayment from the fund	-	1,485
Administration costs	-	2
Recognized pension provision	**37,759**	**29,845**

The vested net present value of the pension obligation and the fair value of the plan assets developed as follows:

in € thousand	2019			2018		
	Total	VKE	Direct benefits	Total	VKE	Direct benefits
Changes to vested net present value						
Vested net present value as at January 1,	**53,645**	**36,037**	**17,608**	**52,688**	**35,626**	**17,062**
Ongoing service period cost	1,629	1,120	509	1,775	1,151	624
Past service cost	- 3	-	- 3	- 103	-	- 103
Interest expense	1,092	734	358	956	653	303
Revaluations of defined benefit plans						
from changes to the financial assumptions	6,407	4,126	2,281	- 1,433	- 898	- 535
from changes in demographic assumptions	- 427	- 154	- 273	675	27	648
Effects of currency conversion	124	-	124	151	-	151
Contributions from plan participants	121	-	121	116	-	116
Benefit payments from company assets	- 479	-	- 479	- 603	-	- 603
Benefit payments from the fund	- 706	- 478	- 228	- 579	- 522	- 57
Payments for plan settlements	- 771	-	- 771	-	-	-
Administration costs	2	-	2	2	-	2
Vested net present value as at December 31,	**60,634**	**41,385**	**19,249**	**53,645**	**36,037**	**17,608**
Change in plan assets						
Fair value as at January 1,	**23,800**	**20,876**	**2,924**	**25,082**	**20,932**	**4,150**
Interest income	458	422	36	433	381	52
Profit (+) / loss (-) from plan assets excluding the amount included in the interest income	- 232	- 210	- 22	15	85	- 70
Effects of currency conversion	84	-	84	99	-	99
Employer contributions to the fund	224	-	224	208	-	208
Repayment from the funds	-	-	-	- 1,486	-	- 1,486
Contributions from plan participants	121	-	121	116	-	116
Benefit payments from the fund	- 808	- 477	- 331	- 667	- 522	- 145
Payments for plan settlements	**- 771**	-	- 771	-	-	-
Fair value as at December 31,	**22,876**	**20,611**	**2,265**	**23,800**	**20,876**	**2,924**
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,758**	**20,774**	**16,984**	**29,845**	**15,161**	**14,684**

The fair value of the plan assets is distributed as follows across the individual asset categories:

in € thousand	12/31/2019		12/31/2018	
	Values	%	Values	%
Debt securities (Germany)	20,611	90%	20,876	88%
of which investments in the employer or related parties (without quoted market price)	20,611	-	20,876	-
Reinsurance cover asset values (Germany)	212	1%	212	1%
of which without quoted market price in an active market	212	-	212	-
Collective fund (Switzerland)	2,053	9%	2,712	11%
of which without quoted market price in an active market	2,053	-	2,712	-
Total plan assets	**22,876**	**100%**	**23,800**	**100%**

The following sensitivity analysis shows the effects of an increase or decrease in the actuarial assumptions on the vested net present value:

in € thousand	2019	2018
Ø Actuarial interest rate		
+0,50%	56,846	51,217
- 0,50%	64,658	57,887
Ø Life expectancy		
+ 1 year	61,274	54,213
- 1 year	60,005	53,087

The sensitivities were determined in the same way as the scope of obligations. In the process, one assumption was changed while the remaining assumptions and the valuation methods remained unchanged. If multiple assumptions change at the same time, the effect does not necessarily agree to the sum of the individual effects. Additionally, the effects of the individual assumption changes are not linear.

As the benefits from VKE take neither a vesting trend nor a pension trend into account, a change to this assumption has no significant effects on the total obligation.

The average weighted duration of the vested net present value of the defined benefit pension plans of EDAG as at December 31, 2019 was 13.1 years (2018: 12.9 years).

For the 2020 financial year, the Group is expecting disbursements from company assets for pension commitments in the amount of € 3,256 thousand (2019: € 688 thousand).

For the 2020 financial year, the Group is expecting disbursements from the pension fund in the amount of € 1,273 thousand (2019: € 616 thousand).

The following key actuarial assumptions are the basis of the calculation of the vested net present value:

	12/31/2019	12/31/2018
Ø Discount rate		
Germany	1.12%	2.06%
Switzerland	0.35%	1.10%
Italy	1.10%	1.57%
India	7.12%	7.57%
Mexico	8.00%	9.00%
Vested trend		
Switzerland	2.00%	1.00%
Italy	2.50%	2.00%
India	8.00%	8.00%
Mexico	5.80%	5.50%
Pension trend		
Germany	1.50%	1.50%
Italy	2.63%	2.63%
Inflation rate		
Germany	1.50%	1.50%
Switzerland	1.00%	0.50%
Italy	1.50%	1.50%
Biometric basis for calculation		
Germany	Heubeck tables 2018 G	Heubeck tables 2018 G
Switzerland	BVG 2015 GT	BVG 2015 GT
Italy	RG48	RG48
India	100% of IALM (2006-08)	100% of IALM (2006-08)

The valuation of retirement obligations was carried out on the basis on a discounting interest rate, which was determined in accordance with the Mercer Yield Curve Approach (MYC).

[29] Other Provisions

The development of other provisions is shown in the following provision schedule:

in € thousand	As at 01/01/2019	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	As at 12/31/2019
Non-current provisions							
Personnel	1,219	- 12	11	366	- 73	-	1,511
Taxes	378	2	-	71	- 405	-	46
Other provisions	1,895	- 8	-	34	- 11	- 18	1,892
Total non-current provisions	**3,492**	**- 18**	**11**	**471**	**- 489**	**- 18**	**3,449**
Current provisions							
Taxes	1,028	- 1	-	120	- 846	-	301
Personnel	4,680	- 5	-	837	- 3,137	- 471	1,904
Warranty obligations	72	-	-	417	-	- 52	437
Onerous contracts	1,356	15	-	2,363	- 32	- 70	3,632
Rework	199	-	-	149	-	- 115	233
Restructuring	-	-	-	5,232	-	-	5,232
Legal disputes	341	8	-	173	- 53	- 47	422
Disinvestments	-	-	-	-	-	-	-
Other current provisions	2,417	20	-	344	- 496	- 274	2,011
Total current provisions	**10,093**	**37**	**-**	**9,635**	**- 4,564**	**- 1,029**	**14,172**

in € thousand	As at 01/01/2018 revised	Currency conversion differences	Unwinding of discount	Addition	Utilisation	Reversal	As at 12/31/2018 revised
Non-current provisions							
Personnel	1,293	- 62	9	124	- 145	-	1,219
Tax provisions	375	- 42	-	45	-	-	378
Other provisions	1,944	- 57	-	33	-	- 25	1,895
Total non-current provisions	**3,612**	**- 161**	**9**	**202**	**- 145**	**- 25**	**3,492**
Short-term provisions							
Taxes	1,138	- 1	-	623	- 636	- 96	1,028
Personnel	2,937	- 80	-	3,969	- 2,002	- 144	4,680
Warranty obligations	172	-	-	-	-	- 100	72
Onerous contracts	1,631	15	-	228	- 314	- 204	1,356
Rework	491	- 9	-	29	- 176	- 136	199
Restructuring	-	-	-	-	-	-	-
Legal disputes	409	- 34	-	200	- 231	- 3	341
Disinvestments	100	-	-	-	- 67	- 33	-
Other current provisions	2,053	11	-	459	- 57	- 49	2,417
Total current provisions	**8,931**	**- 98**	**-**	**5,508**	**- 3,483**	**- 765**	**10,093**

The **tax provisions** include possible obligations from other taxes (including but not limited to land transfer tax and tax on wages etc.).

The **personnel provision** includes other long-term benefits to employees, within the meaning of IAS 19.153. At the time of reporting, personnel provisions in the amount of € 3,415 thousand (12/31/2018: € 2,417 thousand) exist. Severance pay is also taken into account in this provision position.

The provision for **warranties** exists for statutory and contractual guarantee obligations, as well as for goodwill towards customers. Provisions for warranty obligations for specific customer projects were established according to the expected value calculated for potential goodwill gestures.

Provisions for **onerous contracts** are formed when excess costs are incurred for pending sales transactions. As a general rule, losses from construction contracts are calculated on the basis of the production costs. A liability is only recognized if the costs are higher than the receivable on the reporting date.

Provisions for **rectification work** are formed if there are still small, insignificant tasks to be performed after the customer has been invoiced.

Provisions for **restructuring** cover restructuring measures in the Production Solutions und Electrics/Electronics segments. Among other things, the plan of action includes the closure of smaller Production Solutions facilities and further severance payments.

Provisions for **disinvestments** have been created for potential obligations arising from various company sales.

As an internationally active company, the EDAG Group is exposed to numerous **legal risks.** In particular, these can include risks from the areas of competition and anti-trust law, patent law, etc. As the results of currently pending and/or future legal action cannot be forecast with any certainty, it is possible that legal or official decisions or settlement agreements might lead to costs being incurred which are either not, or not fully, covered by insurance benefits.

In the case of current provisions, we work on the basis that the cash outflow is to be expected in the following year.

Non-current personnel provisions are primarily anniversary provisions that will be paid out within the next 2 to 25 years. Where the remaining non-current provisions are concerned, we work on the basis that these will be paid out within the next 2 to 4 years.

[30] Financial Liabilities

in € thousand	12/31/2019			12/31/2018		
	short-term	long-term	Total	short-term	long-term	Total
Liabilities due to credit institutions	1,088	120,000	121,088	2,185	120,000	122,185
Liabilities from loans	20,610	-	20,610	20,876	-	20,876
due to related parties	20,610	-	20,610	20,876	-	20,876
Liabilities from derivative financial instruments	-	-	-	22	-	22
Total	**21,698**	**120,000**	**141,698**	**23,083**	**120,000**	**143,083**

EDAG Engineering GmbH, Wiesbaden, the major company in the EDAG Group, placed a promissory note loan *(Schuldscheindarlehen)* in several tranches with a total volume of € 120 million in 2018, with various interest rates and maturities of five to ten years, in order to secure strategic, long-term liquidity. This is shown in the non-current liabilities due to credit institutions, in line with its period of validity. The sole contractual partner of the promissory note loan is a renowned financial institution. In addition, there are current liabilities due to credit institutions in the amount of

€ 1,088 thousand (12/31/2018: € 2,185 thousand), which primarily include accrued interest from the promissory note loan and other loan obligations.

With the exception of the restricted cash described in chapter "Cash and Cash-Equivalents [26]" (€ 92 thousand (100 thousand CHF)), the Group has provided no other securities as collateral for the bank liabilities.

As of December 31, 2019, there are also current loans, including interest, in the amount of € 20,610 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2018: € 20,876 thousand). As in the previous year, the average applicable interest rate in the reporting year is 2.5 percent.

Derivatives included the cash outflow of derivative financial instruments with a negative fair value as well as the cash outflow of derivatives with a positive fair value, for which gross settlement has been arranged.

It is the aim of the EDAG Group to preserve the equilibrium between the ongoing coverage of funding requirements and ensuring flexibility through the use of current account overdraft, loans, financing leases and lease liabilities.

The following table shows the liquidity risk of EDAG in relation to financial liabilities, but not including lease liabilities. With this, the contractually agreed (non-discounted) interest and principal payments of the original financial liabilities and the derivative financial instruments are shown with their positive and negative attributable fair value. All instruments which were held on December 31, 2019, and for which payments were already contractually agreed, have been included. Plan figures for future new liabilities are not included. Foreign currency amounts have been converted at the exchange rate valid on the reporting date. Financial liabilities repayable at any time are always allocated to the earliest time scale.

There were no defaults on the recognized loans during the reporting year.

in € thousand	Book value 12/31/2019	Cash-Flows 2020			Cash-Flows 2021			Cash-Flows 2022–2024			Cash-Flows 2025 onwards			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		fixed	var		
Liabilities due to credit institutions	121,088	611	169	1,088	1,162	319	-	2,801	761	80,500	538	122	39,500	-
Liabilities from loans	20,610	-	-	-	-	-	-	-	-	-	-	-	-	20,610
due to related parties	20,610	-	-	-	-	-	-	-	-	-	-	-	-	20,610
Total	**141,698**	**611**	**169**	**1,088**	**1,162**	**319**	**-**	**2,801**	**761**	**80,500**	**538**	**122**	**39,500**	**20,610**

in € thousand	Book value 12/31/2018	Cash-Flows 2019			Cash-Flows 2020			Cash-Flows 2021–2023			Cash-Flows 2024 onwards			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		fixed	var		
Liabilities due to credit institutions	122,186	1,165	315	2,186	1,161	315	-	3,167	854	80,500	794	186	39,500	-
Liabilities from loans	20,876	-	-	-	-	-	-	-	-	-	-	-	-	20,876
due to related parties	20,876	-	-	-	-	-	-	-	-	-	-	-	-	20,876
Liabilities from derivative financial instruments	22	-	-	22	-	-	-	-	-	-	-	-	-	-
Total	**143,084**	**1,165**	**315**	**2,208**	**1,161**	**315**	**-**	**3,167**	**854**	**80,500**	**794**	**186**	**39,500**	**20,876**

In contrast to cash outflow due to derivatives for which gross settlement has been arranged, there are also cash inflows; these are not, however, shown in this settlement analysis. If the cash inflows were also to be taken into account, the cash outflows presented would be reduced considerably.

[31] Lease Liabilities

in € thousand	31.12.2019	31.12.2018
< 1 year	18,269	16,343
> 1 year < 5 years	51,811	50,981
> 5 years	90,847	93,100
Total leasing liabilities	**160,927**	**160,424**

The following table shows the liquidity risk of EDAG in relation to lease liabilities.

in € thousand	Book value 12/31/2019	Cash-Flows 2020		Cash-Flows 2021		Cash-Flows 2022–2024		Cash-Flows 2025 onwards	
		Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment
Leasing liabilities	160,927	7,272	25,609	6,663	22,210	16,774	53,077	32,297	123,037

in € thousand	Book value 12/31/2018	Cash-Flows 2019		Cash-Flows 2020		Cash-Flows 2021–2023		Cash-Flows 2024 onwards	
		Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment
Leasing liabilities	160,425	7,954	24,297	7,247	22,288	18,222	54,163	35,969	129,069

From the Group's point of view, there is no significant liquidity risk with regard its own lease liabilities.

[32] Contract liabilities

The contractual liabilities are composed of the following net amounts:

in € thousand	12/31/2019	12/31/2018
Accrued costs including partial profits and losses	164,913	160,657
Partial settlements and advance payments received on current contract liabilities	- 210,413	- 202,122
Contract liabilities	**- 45,500**	**- 41,465**

Of the contractual liabilities reported in the previous year, € 41,465 thousand was recognized as revenue in the financial year just ended (2018: € 39,290 thousand).

As in the previous year, contractual liabilities are classified as current, in accordance with their terms.

[33] Accounts Payable

The accounts payable are classified as follows:

in € thousand	12/31/2019	12/31/2018
Accounts payable		
due to third parties	54,970	28,631
due to affiliated companies	28	1,065
due to related parties	16	-
Total	**55,014**	**29,696**

As in the previous year, the accounts payable are classified as current, on account of their terms.

[34] Other Financial Liabilities

The other financial liabilities are classified as follows:

in € thousand	12/31/2019			12/31/2018		
	short-term	long-term	Total	short-term	long-term	Total
Other financial liabilities						
due to related companies	565	-	565	422	-	422
Liabilities from business acquisitions	1,267	-	1,267	996	1,230	2,226
other remaining liabilities	2,531	-	2,531	2,812	-	2,812
Total	**4,363**	**-**	**4,363**	**4,230**	**1,230**	**5,460**

The other financial liabilities primarily include overpayments and deposits received.

[35] Other Non-Financial Liabilities

The other non-financial liabilities are classified as follows:

in € thousand	12/31/2019	12/31/2018
Other non-financial liabilities		
advance payments received on orders	682	546
due to employees	24,438	31,707
within the context of social security	1,958	1,884
deferred income	190	424
from value-added tax	13,767	14,487
from other taxes	6,608	6,731
other remaining liabilities	2,036	2,217
Total	**49,679**	**57,996**

As in the previous year, the non-financial liabilities have a term to maturity of less than a year.

The liabilities due to employees are primarily composed of special salary payments (€ 859 thousand; 12/31/2018: € 7,408 thousand), obligations from overtime and flexi-time credits (€ 8,033 thousand; 12/31/2018: € 9,859 thousand), obligations from outstanding vacation allowances (€ 5,684 thousand; 12/31/2018: € 4,449 thousand), profit share obligations (€ 7,060 thousand; 12/31/2018 € 7,454 thousand) and obligations from vacation pay and Christmas bonuses (€ 1,106 thousand; 12/31/2018: € 1,013 thousand).

Deferred income is mainly comprised of large advance payments from business partners which were received prior to the balance sheet date and not converted to revenue until the new year.

The other non-financial liabilities include accounts payable to employers' insurance associations and the integration agencies.

[36] Current and Deferred Income Tax Liabilities

in € thousand	12/31/2019	12/31/2018 revised
Deferred tax liabilities	20	1,616
Current income tax liabilities	4,166	6,703
Total	**4,186**	**8,319**

In addition to the deferred taxes explained under section 13, "Income Tax", the income tax liabilities include income taxes from the current year and the previous years. Of the deferred tax liabilities, € 38,501 thousand will be realizable after more than twelve months (12/31/2018: € 41,118 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position offset against deferred tax liabilities.

5.5 Segment Reporting and Notes

The segment reporting was prepared in accordance with IFRS 8 "Operating segments". Individual consolidated results are reported by company divisions in conformity with the internal reporting and organizational structure of the group. The key performance indicator for the Group Executive Management at segment level is the EBIT/adjusted EBIT. The segment presentation is designed to show the profitability as well as the assets and financial situation of the individual business activities. Intercompany sales are accounted for at customary market prices and are equivalent to sales towards third parties (arm's length principle).

In the reporting year, the non-current assets amounted to € 345.5 million (12/31/2018: € 342.4 million). Of these, € 1.0 million are domestic, € 297.5 million are German, and € 47.0 million are non-domestic (12/31/2018: domestic: € 1.2 million; Germany: € 297.4 million; non-domestic: € 43.8 million).

The assets, liabilities and provisions are not reported by segments, as this information is not part of the internal reporting.

The **Vehicle Engineering** segment ("VE") consists of services along the vehicle development process as well as responsibility for derivative and complete vehicles. For descriptions of the individual departments in this segment, please see the chapter "Business Model" in the Group Management Report.

As an all-round engineering partner, the **Production Solutions** segment ("PS") is responsible for the development and implementation of production processes. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, the Production Solutions segment is also able to optimally plan complete factories over all technical trades, including cross-processes, and to provide implementation from a single source. For more detailed descriptions of the individual departments in this segment, please see the chapter "Business Model" in the Group Management Report.

The range of services offered by the **Electrics/Electronics** segment ("E/E") includes the development of electrical and electronic systems, components, functions and services for everything from show cars and prototypes to the complete vehicle. These services are performed in competencies; these are described in greater detail in the chapter "Business Model" in the Group Management Report.

The three operative segments Vehicle Engineering, Production Solutions and Electrics/ Electronics together represent the core business of the EDAG Group.

Income and expenses as well as results between the segments are eliminated in the consolidation.

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	499,257	111,195	172,320	782,772	-	782,772
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Changes in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues[1]	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**
EBIT	**27,917**	**- 16,817**	**9,151**	**20,251**	**-**	**20,251**
EBIT margin [%]	5.6%	-14.7%	5.3%	2.6%	-	2.6%
Purchase price allocation (PPA)	3,271	300	1,616	5,187	-	5,187
Other adjustments	- 475	5,693	2,355	7,573	-	7,573
Adjusted EBIT	**30,713**	**- 10,824**	**13,122**	**33,011**	**-**	**33,011**
Adjusted EBIT margin [%]	6.1%	-9.5%	7.6%	4.2%	-	4.2%
Depreciation, amortization and impairment	- 30,440	- 6,898	- 8,554	- 45,892	-	- 45,892
ø Employees by segment	5,036	1,533	2,056	8,625		8,625

in € thousand	01/01/2018 – 12/31/2018 revised*					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	481,425	151,615	155,212	788,252	-	788,252
Sales revenue with other segments	4,669	7,532	502	12,703	- 12,703	-
Changes in inventories	4,216	30	- 170	4,076	-	4,076
Total revenues[1]	**490,310**	**159,177**	**155,544**	**805,031**	**- 12,703**	**792,328**
EBIT	**30,019**	**10,875**	**7,298**	**48,192**	**-**	**48,192**
EBIT margin [%]	6.1%	6.8%	4.7%	6.0%	-	6.1%
Purchase price allocation (PPA)	3,318	381	1,616	5,315	-	5,315
Other adjustments	-	-	-	-	-	-
Adjusted EBIT	**33,337**	**11,256**	**8,914**	**53,507**	**-**	**53,507**
Adjusted EBIT margin [%]	6.8%	7.1%	5.7%	6.6%	-	6.8%
Depreciation, amortization and impairment	- 27,347	- 7,125	- 9,117	- 43,589	-	- 43,589
ø Employees by segment	5,012	1,582	1,885	8,479		8,479

[1] The performance figure "revenues" is used in the sense of gross performance (sales revenues and changes in inventories).

* The previous year was adjusted due to the first-time adoption of the international accounting standard IFRS 16.

The following table reflects the concentration risk of the EDAG Group, divided according to the customer sales divisions and segments:

in € thousand	01/01/2019 – 12/31/2019							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	79,394	16%	20,256	18%	53,701	31%	153,351	19%
Customer sales division B	25,962	5%	5,004	4%	48,796	28%	79,762	10%
Customer sales division C	12,690	3%	1,815	2%	5,967	3%	20,472	3%
Customer sales division D	82,088	16%	12,502	11%	18,761	11%	113,351	14%
Customer sales division E	86,687	17%	19,555	17%	2,812	2%	109,054	14%
Customer sales division F	100	0%	5,267	5%	-	0%	5,367	1%
Customer sales division G	14,354	3%	583	1%	543	1%	15,480	2%
Customer sales division H	87,932	18%	7,233	7%	7,367	4%	102,532	13%
Customer sales division I	35,802	7%	5,435	5%	10,001	6%	51,238	7%
Miscellaneous	74,248	15%	33,545	30%	24,372	14%	132,165	17%
Total	**499,257**	**100%**	**111,195**	**100%**	**172,320**	**100%**	**782,772**	**100%**

in € thousand	01/01/2018 – 12/31/2018 revised*							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	82,937	18%	21,734	15%	41,488	28%	146,159	19%
Customer sales division B	14,978	3%	5,839	4%	53,346	34%	74,163	9%
Customer sales division C	15,243	3%	1,456	1%	4,800	3%	21,499	3%
Customer sales division D	72,649	15%	15,047	10%	16,138	10%	103,834	13%
Customer sales division E	63,301	13%	31,840	21%	2,631	2%	97,772	12%
Customer sales division F	257	0%	7,871	5%	-	0%	8,128	1%
Customer sales division G	9,117	2%	582	0%	2,042	1%	11,741	1%
Customer sales division H	107,366	22%	6,760	4%	6,770	4%	120,896	15%
Customer sales division I	34,239	7%	8,925	6%	5,784	4%	48,948	6%
Miscellaneous	81,338	17%	51,561	34%	22,213	14%	155,112	20%
Total	**481,425**	**100%**	**151,615**	**100%**	**155,212**	**100%**	**788,252**	**100%**

* Due to developments in EDAG's customer mix, including with new international OEMs, adjustments were made in the second quarter to the differentiation made between the customer sales division H and Miscellaneous.

As in the previous year, the Electrics/Electronics segment generated over 50 percent of its sales revenues with one corporate group.

The following table reflects the revenue recognition of the EDAG Group, divided according to segments:

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	435,736	111,862	169,977	717,575	-	717,575
Point in time revenue recognition	68,531	2,415	2,705	73,651	-	73,651
Sales revenue with other segments	- 5,010	- 3,082	- 362	- 8,454	-	- 8,454
Sales revenue with third parties	**499,257**	**111,195**	**172,320**	**782,772**	**-**	**782,772**
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Changes in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**

in € thousand	01/01/2018 – 12/31/2018					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	465,040	156,618	153,669	775,327	-	775,327
Point in time revenue recognition	21,055	2,529	2,045	25,629	-	25,629
Sales revenue with other segments	- 4,670	- 7,532	- 502	- 12,704	-	- 12,704
Sales revenue with third parties	**481,425**	**151,615**	**155,212**	**788,252**	**-**	**788,252**
Sales revenue with other segments	4,670	7,532	502	12,704	- 12,704	-
Changes in inventories	4,216	30	- 170	4,076	-	4,076
Total revenues	**490,311**	**159,177**	**155,544**	**805,032**	**- 12,704**	**792,328**

The group sales revenues are broken down in terms of sales into the individual markets as follows. This breakdown reflects the regional classification of the EDAG locations.

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Germany	323,388	72,577	147,748	543,713	-	543,713
Switzerland	2,228	531	852	3,611	-	3,611
Remaining Europe	85,337	17,063	19,039	121,439	-	121,439
North America	33,813	19,340	3,787	56,940	-	56,940
South America	6,262	2,603	245	9,110	-	9,110
Asia	50,412	2,163	1,011	53,586	-	53,586
Australia	2,827	-	-	2,827	-	2,827
Sales revenue with other segments	- 5,010	- 3,082	- 362	- 8,454	-	- 8,454
Sales revenue with third parties	**499,257**	**111,195**	**172,320**	**782,772**	**-**	**782,772**
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Change in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**

in € thousand	01/01/2018 – 12/31/2018					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Germany	277,084	97,289	133,621	507,994	-	507,994
Switzerland	3,095	37	682	3,814	-	3,814
Remaining Europe	92,787	19,136	16,267	128,190	-	128,190
North America	56,684	35,719	4,095	96,498	-	96,498
South America	5,428	2,319	186	7,933	-	7,933
Asia	50,866	4,647	863	56,376	-	56,376
Australia	150	-	-	150	-	150
Sales revenue with other segments	- 4,669	- 7,532	- 502	- 12,703	-	- 12,703
Sales revenue with third parties	**481,425**	**151,615**	**155,212**	**788,252**	**-**	**788,252**
Sales revenue with other segments	4,669	7,532	502	12,703	- 12,703	-
Change in inventories	4,216	30	- 170	4,076	-	4,076
Total revenues	**490,310**	**159,177**	**155,544**	**805,031**	**- 12,703**	**792,328**

5.6 Notes on the Cash Flow Statement

A positive operating cash flow of € 78.9 million was achieved in the reporting year, and was thus below the level of the same period in the previous year (€ 91.1 million). The reduction was primarily due to the decrease in earnings.

The investing cash flow was € -23.8 million (2018: € -21.5 million). At € 23.8 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 7.2 percent above the previous year's level (2018: € 22.2 million). The ratio of gross investments in relation to revenues was therefore 3.0 percent (2018: 2.8 percent).

The financing cash flow totaled € -48.5 million (2018: € -18.9 million). This primarily includes dividends in the amount of € 18.8 million paid to the shareholders, and principal payments for lease liabilities totaling € 18.2 million.

The financial and lease liabilities developed as follows:

in € thousand	Financial liabilities	Leasing liabilities	total
As per 12/31/2017 / 1/1/2018	**114,215**	**151,252**	**265,467**
Cash effective payments	28,140	- 16,072	**12,068**
Currency effects	- 26	- 381	**- 407**
Increase in finance-leasing	-	25,625	**25,625**
Other changes	753	-	**753**
As per 12/31/2018 / 1/1/2019	**143,082**	**160,424**	**303,506**
Cash effective payments	- 1,653	- 18,164	- 19,817
Currency effects	- 34	32	- 2
Increase in finance-leasing	-	18,635	18,635
Other changes	303	-	303
As per 12/31/2019	**141,698**	**160,927**	**302,625**

5.7 Other Notes

Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

As in the previous year, there were no material contingent liabilities on the reporting date.

Other Financial Obligations

In addition to the provisions and liabilities, there are also other financial obligations, and these are composed as follows:

in € thousand	12/31/2019	12/31/2018 revised
Obligations from miscellaneous renting and leasing contracts	5,020	6,235
Open purchase orders	2,818	2,522
Other miscellaneous financial obligations	320	16
Total	**8,158**	**8,773**

Contingent Receivables

As in the previous year, there were no material contingent receivables on the reporting date.

Leases

EDAG as the Lessee

EDAG and its companies act as lessees. For the overwhelming majority of the leases entered into, rights of use and lease liabilities were recognized in accordance with IFRS 16 and updated accordingly. The leases recognized in the balance sheet mainly comprise agreements concerning the use of office buildings, warehouses, production halls and cars. In addition, there are leases that are accounted for as short-term leases in accordance with IFRS 16.6. These are mainly office, residential and storage space rented on a short-term basis, and cars rented on a short-term basis. The weighted average minimum lease term is 2 years. On the balance sheet date, lease obligations from current leases existed in the amount of € 659 thousand. In addition, there are leases that were recognized as leases for low-value assets (€ 3,412 thousand) in accordance with IFRS 16.6. This principally includes leasing agreements for the use of IT equipment.

The total cash outflows from leases in the reporting year amount to € 43,689 thousand (2018: € 41,192 thousand). The leasing agreements entered into do not contain any variable leasing payments which have not been included in the measurement of the leasing liabilities. On the balance sheet date, there are therefore no potential cash outflows from variable lease payments that are not dependent on the development of an index or share price.

Extension and termination options are included in the leases that have been entered into. Periods arising as a result of the granting of extension options were not included in the measurement of the lease liability only if the need to exercise these was not considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. The termination options granted to the Group in leases entered into were only included in the measurement of the lease liability if the need to exercise these was considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. Due to a planned move, a 5-year extension option in a long-term building rental agreement with a basic term until January 31, 2023 was not considered reasonably certain, and was therefore not included in the measurement of the lease liability. The potential future cash outflows from the above-mentioned option period amount to € 989 thousand (including incidental costs). Besides this, the periods of all extension options granted to the Group were essentially included in the measurement of lease liabilities. In addition, essentially none of the termination options granted to the Group were included in the measurement of lease liability. This assessment is based on contract, asset, company and market-related factors. Special mention should be made here of the importance of the continued use of the underlying assets for the Group's business activities. In addition, provided that they will not result in enforceable rights and obligations for the Group, periods relating to automatic extensions in the future and unlimited periods of use that can be terminated by either party were not included in the measurement of the lease term.

The only residual value guarantees that exist in leases that have been entered into are related to leases for the use of motor vehicles. As of the balance sheet date, no payments are expected from the residual value guarantees issued by EDAG and included in the measurement of lease liabilities. This means that no future cash outflows are expected from residual value guarantees issued.

As of the balance sheet date, there were no restrictions or commitments in connection with leases entered into.

Although EDAG Engineering GmbH entered into a 15-year lease for the transfer of use of a property on December 17, 2019, this had not yet begun at the end of the year. For this reason, no corresponding lease liability or right of use was reported on the balance sheet date. The expected start of use date for the property is October 1, 2021.

The total of future cash outflows to which EDAG is exposed in connection with this agreement includes:

- Fixed payments in the amount of € 1,778 thousand for each contract year for the next 15 years.

No extension or termination options exist in connection with the lease.

EDAG as the Lessor

Financing Leases

EDAG acts as lessor under a finance lease. The lease involved is a sublease on a building and property area. For this lease, the right of use resulting from the main rental contract was derecognized at the beginning of the reporting year and a leasing receivable recognized. This resulted in a gain on disposal of € 275 thousand in the reporting year, which was recognized through profit or loss in the statement of comprehensive income. The leasing installments are split into a repayment and an interest component, and carried forward using the effective interest method. In the reporting year, there were no material changes in the book value of the net investment recognized as a finance lease after initial recognition.

The due dates of the leasing receivables can be found in the following table:

in € thousand	12/31/2019		
	Minimum leasing payments	Interest portion	Present values
Maturity			
up to 1 year	240	30	210
up to 2 years	240	20	220
up to 3 years	240	9	231
up to 4 years	60	-	60
up to 5 years	-	-	-
more than 5 years	-	-	-
Total	**780**	**59**	**721**

Operating Leases

EDAG acts as a lessor with regard to operating leases, and continues to include the assets let in this respect in its consolidated statement of financial position. The leasing installments received are posted through profit or loss By and large, this involves the rental of buildings. As a general rule, leasing contracts tend to be short-term. At the year-end, the income from operating leasing amounted to € 2,333 thousand (2018: € 2,431 thousand). The future minimum leasing payments from noncancelable operating leases are as follows:

in € thousand	2019	2018
up to 1 year	1,640	1,670
up to 2 years	842	907
up to 3 years	820	820
up to 4 years	537	820
up to 5 years	30	538
more than 5 years	89	118
Total	**3,958**	**4,873**

Financial Instruments

Capital Risk Management

The Group manages its capital with the aim of maximizing the earnings of those involved in the company by optimizing the ratio of equity to borrowed capital. In the process, care is taken to ensure that the group companies can all operate on the assumption that the company is a going concern.

The Group capital structure is composed of debts, financing receivables, securities/derivative financial instruments, cash and cash-equivalents, and also the equity due to the parent company's shareholders. This consists of the subscribed capital, the capital reserves and the retained earnings.

The capital structure of the Group is reviewed by the Group Executive Management on a quarterly basis. During this review, the cost of capital and the risks connected with each capital category are considered. The Group Executive Management's aim is to keep the net financial debt as low as possible in relation to the equity ratio (net gearing).

in € thousand	12/31/2019	12/31/2018 revised
Non-current financial liabilities	- 120,000	- 120,000
Non-current leasing liabilities	- 142,658	- 144,081
Current financial liabilities	- 21,698	- 23,082
Current leasing liabilities	- 18,269	- 16,343
Securities/derivative financial instruments	51	38
Cash and cash-equivalents	70,618	63,862
Net financial debt/-credit [-/+]	**- 231,956**	**- 239,606**
Equity	127,864	144,006
Net Gearing [%] incl. lease liabilities	**181.4%**	**166.4%**
Net Gearing [%] wo lease liabilities	**55.6%**	**55.0%**

At € 231,956 thousand, the net financial debt on December 31, 2019 is € 7,650 thousand below the previous year's value (€ 239,606 thousand). Without taking lease liabilities into account, the net financial debt as of December 31, 2019 amounts to € 71,029 thousand (12/31/2018: € 79,182 thousand), which is equivalent to a reduction of € 8,153 thousand.

The major creditor is a well-known credit institution in the form of a promissory note loan (Schuldscheindarlehen) with a total volume of € 120 million. The promissory note loan is composed of several tranches with various interest rates and terms to maturity of four to nine years. As of December 31, 2019, there is a current loan, including interest, in the amount of € 20,610 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V., the other major creditor, (12/31/2018: € 20,876 thousand).

A further component of the net financial debt are liabilities from leases. As IFRS 16 Leasing is now being applied, assets and liabilities are now recognized for agreements previously classified as operating leases in accordance with IAS 17. The liabilities from leases primarily include leasing payments for office buildings, warehouses, production facilities and cars measured using the effective interest method.

The EDAG Group reported unused lines of credit in the amount of € 101.8 million on the reporting date (12/31/2018: € 99.6 million).

One of the major factors influencing the net financial debt is the working capital, which developed as follows:

	in € thousand	12/31/2019	12/31/2018 revised
	Inventories	8,633	9,260
+	Current contract assets	70,823	85,753
+	Current accounts receivable	135,665	119,219
-	Current contract liabilities	- 45,500	- 41,465
-	Current accounts payable	- 55,014	- 29,696
=	**Trade Working Capital (TWC)**	**114,607**	**143,071**
+	Non-current other financial receivables	1,037	521
+	Non-current other non-financial receivables	66	64
+	Deferred tax assets	12,742	6,077
+	Current other financial receivables excl. Interest-bearing receivables	2,274	1,703
+	Current other non-financial receivables	10,122	10,052
+	Income tax assets	976	1,619
-	Non-current other financial liabilities	-	- 1,230
-	Deferred tax liabilities	- 20	- 1,616
-	Current other financial liabilities	- 4,363	- 4,230
-	Current other non-financial liabilities	- 49,679	- 57,995
-	Income tax liabilities	- 4,166	- 6,703
=	**Other working capital (OWC)**	**- 31,011**	**- 51,738**
	Net working capital (NWC)	**83,596**	**91,333**

Compared to December 31, 2018, the trade working capital decreased from € 143,071 thousand to € 114,607 thousand. The decrease of € 15,557 thousand in current contract assets was more than compensated for by the increase of € 16,446 thousand in current accounts receivable. On the equity, liabilities and provisions side, however, the current accounts payable and current contractual liabilities increased by € 29,353 thousand in the same period.

Compared to December 31, 2018, there was a change in the other working capital from € -51,738 thousand to € -31,011 thousand. This effect was largely due to the increase of € 6,665 thousand in deferred tax assets and the decrease of € 8,316 thousand in other current non-financial liabilities.

Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Valuation Category

For the most part, cash and cash-equivalents, accounts receivable and other receivables have only a short time to maturity. For this reason, their book values on the reporting date are close approximations of the fair values.

With the exception of accounts receivable and other receivables and loans, none of the other financial instruments are either overdue or impaired on the reporting date.

On December 31, 2019, the gross book values of the accounts receivable, the adjustments recognized on these amounts, and the risk provisions for expected credit losses are as follows:

in € thousand	12/31/2019		12/31/2018	
	Gross book value	Valuation allowance/ risk provision	Gross book value	Valuation allowance/ risk provision
Accounts receivable				
neither impaired nor overdue	90,769	- 49	83,514	- 28
< 1 month	16,524	- 27	28,555	- 38
1 – 2 months	4,129	- 14	2,197	- 9
2 – 3 months	1,999	- 11	2,849	- 25
3 – 6 months	6,070	- 54	2,025	- 38
6 – 12 months	15,241	- 512	111	- 6
> 12 months	1,926	- 326	139	- 27
adjusted for specific valuation allowances	2,783	- 2,783	1,252	- 1,252
Total	**139,441**	**- 3,776**	**120,642**	**- 1,423**

As of December 31, 2019, specific valuation allowances were held against receivables in the amount of € 2,783 thousand (12/31/2018: € 1,252 thousand). For the residual book value of € 136,658 thousand (12/31/2018: € 119,390 thousand), risk provisions were recognized for expected credit losses in the amount of € 993 thousand (12/31/2018: € 171 thousand).

The other receivables and loans are not past due on the balance sheet date, but, with a nominal value of € 1,011 thousand (12/31/2018: € 1,080 thousand), specific valuation allowances have been made.

The development of the valuation allowances is shown in the following table:

in € thousand	2019			2018		
	Trade receivables and contract assets	Loans and other financial receivables	Total	Trade receivables and contract assets	Loans and other financial receivables	Total
As per 1/1/	1,452	1,083	2,535	2,035	1,052	3,087
Remeasurement to equity for the initial application of IFRS 9	-	-	-	136	4	140
As per 1/1/	1,452	1,083	2,535	2,171	1,056	3,227
Currency conversion difference	6	1	7	56	- 3	53
Additions	2,591	2	2,593	738	31	769
Utilization	- 116	- 7	- 123	- 1,478	-	- 1,478
Reversals	- 117	- 63	- 180	- 35	- 1	- 36
As per 12/31/	**3,816**	**1,016**	**4,832**	**1,452**	**1,083**	**2,535**

The total amount of the additions, € 2,593 thousand (2018: € 769 thousand) in all, consists of additions from specific valuation allowances for the amount of € 1,750 thousand (2018: € 679 thousand) and additions from risk provisions for expected credit losses for the amount of € 843 thousand (2018: € 90 thousand). The average default rates used for setting up risk provisions for expected credit losses for accounts receivable vary, depending on the due dates of the receivables, and currently stand at between 0.06 percent and 16.90 percent (2018: between 0.03 percent and 16.17 percent). Should there be clear evidence of customers failing to fulfill their payment obligations, this is taken into due account.

With regard to the balance of accounts receivable and other financial assets which are neither overdue nor impaired, there is no indication on the reporting date that the debtors will not be fulfilling their payment obligations. Delays in payment are the result of various factors, including security deposits and agreements on the concrete handling of payments which are currently being negotiated. For this reason, we still expect to receive payment.

The Group has established an internal risk monitoring system geared to individual customer risks. All receivables which are neither overdue nor impaired are assigned to the risk category of contractual partners with good credit ratings.

The investments and securities are valued at fair value. In the case of equity interests for which no market price is available, the acquisition costs are applied as a reasonable estimate of the fair value. In the financial assets, shares in non-consolidated subsidiaries and other investments are recognized at acquisition cost, taking impairments into account, as no observable fair values are available and other admissible methods of evaluation do not produce reliable results. There are currently no plans to sell these financial instruments.

Accounts payable and other financial liabilities regularly have short terms to maturity, and the values posted are close approximations of the fair values.

In accordance with IFRS 9, a distinction is made between the following financial assets and financial liabilities, aggregated as per valuation category:

- [AC] Financial Assets measured at Amortized Costs
- [FVtPL] Financial Assets at Fair Value through Profit and Loss
- [AC] Financial Liabilities measured at Amortized Costs
- [FVtPL] Financial Liabilities at Fair Value through Profit and Loss

The book values and fair values of all financial instruments recorded in the consolidated financial statements are shown in the following table.

in € thousand	Valuation category as per IFRS 9	12/31/2019	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IFRS 16/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	70,618	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	138,254	-
Receivables from leases	[n.a.]	-	720
Contract assets	[n.a.]	-	70,823
Loans	[AC]	80	-
Investments and securities	[FVtPL]	109	-
Derivative financial assets	[FVtPL]	23	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	121,088	-
Other interest-bearing liabilities	[AC]	20,610	-
Liabilities from leases	[n.a.]	-	160,927
Derivative financial liabilities	[FVtPL]	-	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	58,111	-
Other liabilities in terms of IAS 32.11	[FVtPL]	1,267	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	208,952	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	132	-
Financial Liabilities measured at Amortized Cost	[AC]	199,809	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	1,267	-

in € thousand	Valuation category as per IFRS 9	12/31/2018 revised	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IFRS 16/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	63,862	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	121,444	-
Future receivables from construction contracts	[n.a.]	-	85,753
Loans	[AC]	78	-
Investments and securities	[FVtPL]	118	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	122,186	-
Other interest-bearing liabilities	[AC]	20,876	-
Liabilities from leases	[n.a.]	-	160,425
Derivative financial liabilities	[FVtPL]	22	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	32,930	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,226	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	185,384	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	118	-
Financial Liabilities measured at Amortized Cost	[AC]	175,992	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,248	-

The fair values of securities correspond to the nominal value multiplied by the exchange quotation on the reporting date.

The attributable fair values of liabilities due to credit institutions, loans, other financial liabilities and other interest-bearing liabilities are calculated as present values of the debt-related payments, based on the EDAG current yield curve valid at the time. By and large, the fair value of the financial liabilities corresponds to the book value. As of December 31, 2019 however, the fair value of the financial liabilities to credit institutions [AC] amounted to € 122,422 thousand (12/31/2018: € 122,456 thousand), with a book value of € 121,088 thousand (12/31/2018: € 122,186 thousand). The valuation of the fair value took place according to the "Level 2" measurement category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

The information for the determination of attributable fair value is given in tabular form, based on a three-level fair value hierarchy for each class of financial instrument. There are three measurement categories:

Level 1: At level 1 of the fair value hierarchy, the attributable fair values are measured using listed market prices, as the best possible fair values for financial assets or liabilities can be observed in active markets.

Level 2: If there is no active market for a financial instrument, a company uses valuation models to determine the attributable fair value. Valuation models include the use of current business transactions between competent, independent business partners willing to enter into a contract; comparison with the current attributable fair value of another, essentially identical financial instrument; use of the discounted cash flow method; or of option pricing models. The attributable fair value is estimated on the basis of the results achieved using one of the valuation methods, making the greatest possible use of market data and relying as little as possible on company-specific data.

Level 3: The valuation models used at this level are not based on observable market data.

in € thousand	Assessed at fair value 12/31/2019			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Investments and securities	29	-	-	29
Derivative financial assets	-	23	-	23
Financial liabilities (liabilities)				
Other liabilities	-	-	1,267	1,267

in € thousand	Assessed at fair value 12/31/2018			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Investments and securities	38	-	-	38
Financial liabilities (liabilities)				
Derivative financial liabilities	-	22	-	22
Other liabilities	-	-	2,226	2,226

The other liabilities with fair values valuated according to level 3 are contingent considerations. These are evaluated on the basis of the defined sales revenue, EBIT and employee retention targets, taking into account the likelihood of their occurrence. With the valuation technique used, the expected value of the contingent consideration is determined according to the discounted cash flow method. The valuation model takes into account the present value of the contingent consideration, discounted using a risk-adjusted discount rate.

The material non-observable input factors include the predicted sales revenues, the predicted EBIT, the predicted employee retention and the risk-adjusted discount rate.

The estimated fair values of the contingent considerations would drop if the expected sales revenues and the EBIT turned out to be lower than the defined target figures or the risk-adjusted discount rate were to rise. On the other hand, the fair values of the contingent considerations increase if the risk-adjusted discount rate falls.

The following table shows the reconciliation of the level 3 fair values:

in € thousand	2019	2018
As per 1/1/	**2,226**	**2,627**
Loss recognized in financial expenses		
Net change of fair value	37	56
Profit recognized in other income		
Net change of fair value	- 701	- 25
Cash Flows	- 295	- 447
Currency conversion difference	- 1	15
As per 12/31/	**1,267**	**2,226**

Offsetting of financial assets and liabilities

The financial assets and liabilities are generally shown with the gross value. A netting is only possible if, and only if, the netting of the recognized amounts can be legally realized at the present point in time and it is intended to carry out the settlement on a net basis, or to realize the asset and extinguish the liability at the same time.

As at December 31, 2019 and 2018, there were no offsetting effects on the consolidated statement of financial position.

Net Results as per Valuation Category

With the exception of the adjustments attributable to the valuation category "accounts receivable and other receivables", which are posted under the net result from the impairment/impairment loss reversal of financial assets (see chapter "Net Result from the Impairment/Impairment Loss Reversal of Financial Assets [7]"), EDAG records interest from financial instruments and the other components of the net result in the financial results.

The net profit or loss from assets and liabilities which are valued at the attributable fair value through profit or loss includes not only the results from changes in market value, income from investments, and realized gains from the disposal of these shares, but also interest paid or received on these financial instruments.

The net interest profit/loss from financial liabilities valued at amortized acquisition cost mainly includes interest expenses from financial liabilities.

The net results, according to the valuation categories in IFRS 9, are as follows:

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2019
		At fair value	Currency conversion	Valuation allowances		
Financial Assets at Amortized Cost (AC)	338	-	- 112	- 2,413	- 2	- 2,189
Financial Assets at Fair Value through Profit and Loss (FVtPL)	-	- 30	-	-	-	- 30
Financial Liabilities measured at Amortized Cost (AC)	- 2,296	-	-	-	-	- 2,296
Financial Liabilities at Fair Value through Profit and Loss (FVtPL)	- 37	-	-	-	-	- 37
Total	**- 1,995**	**- 30**	**- 112**	**- 2,413**	**- 2**	**- 4,552**

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2018
		At fair value	Currency conversion	Valuation allowances		
Financial Assets at Amortized Cost (AC)	307	-	- 90	- 733	- 5	- 521
Financial Assets at Fair Value through Profit and Loss (FVtPL)	-	- 5	-	-	-	- 5
Financial Liabilities measured at Amortized Cost (AC)	- 4,653	-	-	-	-	- 4,653
Financial Liabilities at Fair Value through Profit and Loss (FVtPL)	- 56	89	-	-	-	33
Total	**- 4,402**	**84**	**- 90**	**- 733**	**- 5**	**- 5,146**

Financial Risk Management Objectives and Methods

Risk Management Principles

The primary financial instruments used by the Group are - with the exception of derivative financial instruments - bank loans and current account overdraft, accounts payable, and loans which have been granted. The main purpose of these financial instruments is to finance the business activities of the Group. Further, the Group has at its disposal various financial assets such as securities, accounts receivable, cash and short-term deposits resulting directly from its business activities.

With regard to financial instruments, EDAG is particularly subject to risks resulting from changes in exchange rates and interest rates, as well as to liquidity and credit risks. The aim of financial risk management is to limit these risks by means of on-going operating and finance-oriented activities. Selected derivative hedging instruments are employed to this effect. As a general rule, collateral is provided only against risks that will affect the cash flow of the Group. The derivative financial instruments primarily include forward exchange contracts. The purpose of the derivative financial instruments is to provide security against interest and currency risks resulting from the business activities of the Group and its funding sources. Derivative financial instruments are used solely as hedging instruments, i.e. they are not implemented for trading or other speculative purposes.

Every year, the basic intentions underlying company financial policy are defined by the Group Executive Management and monitored by the Board of Directors. Group Treasury is responsible for the implementation of the financial policy and for on-going risk management.

Credit Risk

As a result of its operating business and certain financial activities, EDAG is at risk of default. In the funding area, business is done only with contracting parties whose creditworthiness is impeccable. In the operating divisions, the Group does business with creditworthy third parties only. A credit assessment is carried out on almost all customers wishing to do business on a credit basis.

For the most part, EDAG does business with large customers, particularly with international OEMs (Original Equipment Manufacturers) from the automotive industry. The resulting risk is generally assessed as low, and as such is not subject to any separate monitoring of creditworthiness.

As a general rule, the creditworthiness of any other customers is automatically monitored. Any risk of default is addressed by specific valuation adjustments.

In addition, receivables are continuously monitored on a divisional, i.e. decentralized, basis, so that, as shown in section Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Measurement Category, the Group is not exposed to any significant default risk.

The maximum risk in the event of non-payment by a contracting party is reflected in the book values of the financial assets recorded in the statement of financial position (including derivative financial instruments with positive market values). On the reporting date, there are no significant agreements in existence that would reduce the maximum default risk (such as offsetting agreements).

Assessments indicate that there is very little probability of any default risk occurring.

Liquidity Risk

The liquidity risk is shown separately in chapter "Financial Liabilities [30]".

As a general rule, it is the responsibility of the management of each individual company to keep a constant check on solvency.

The centrally specified objective of the EDAG Group is to guarantee that funding requirements of the group companies are continually met by making use of bank loans, current account overdrafts, inter-company loans and leases. Reports are sent to the parent company on a weekly basis, to enable the liquidity of the individual Group companies to be monitored centrally. The information gained from these is submitted to Group Executive Management for risk control purposes. Although the liquidity risk is currently classified as slight, liquidity nevertheless continues to be secured by external lines of credit.

The company objective is to ensure that sufficient open lines of credit are available at any time. To this end, appropriate measures, such as intensive working capital management, are constantly implemented. Suitable measures are applied in good time, to guarantee the financing of any pending investments.

Market Risks

Interest Risks

Due to the fact that the Group is predominantly financed through fixed interest loans from banks and a related company, VKE-Versorgungskasse EDAG-Firmengruppe e.V., we are of the opinion that any risk posed by fluctuations of market interest rates is not significant.

Changes to market interest rates of original, fixed-interest financial instruments do not affect the results unless they are valued at their attributable fair values. Accordingly, no financial instruments with a fixed interest rate valued at amortized acquisition costs are subject to risk due to changes in interest, in terms of IFRS 7.

The table below Chapter "Financial Liabilities [30]" shows the book values of the Group's financial instruments that are subject to risk from changes in interest, organized according to their contractually defined maturity dates.

Only an insignificant number of variable interest-bearing financial instruments exists. The interest rate for these is derived from a standard, fluctuating reference rate and a company-specific credit margin. On the basis of the Group tax rate of 36.00 percent (previous year 32.00 percent), an amendment of the reference interest rate by +1% percentage points would have an effect of € -141 thousand (previous year € -169 thousand) on the profit or loss for the period after income tax. The interest rate for fixed-interest financial instruments is defined up to the maturity date of the particular financial instrument. The Group's other financial instruments, which are not included in the table under chapter "Financial Liabilities [30]" are not interest-bearing, and therefore not subject to risk from changes in interest.

Currency Risks

Currency-related risks to EDAG result from financing measures and operating activities. Insofar as they have a significant effect on the Group cash flow, foreign currency risks are always hedged. On the other hand, foreign currency risks not affecting the Group cash flow (i.e. risks resulting from the conversion of assets and liabilities of group companies located abroad into the reporting currency of the Group), are not generally hedged.

Foreign currency risks from financing activities result from financial liabilities in foreign currencies and foreign currency loans.

These risks are covered by the Treasury Department. Currency derivatives are used to convert financial obligations and intra-group loans denominated in foreign currencies into the Group entities' functional currencies.

On the balance sheet date, the receivables and liabilities denominated in foreign currencies, and for which the currency risks have been hedged, exist in USD, CHF, PLN, GBP and SEK. Due to these hedging activities, EDAG was not exposed to any significant currency risks from financing activities as per the reporting date.

In the operating area, the individual group companies do most of their business in their own functional currencies. This means that any currency risk to EDAG from current operating activities is assessed as being moderate. Some group companies are, however, exposed to foreign currency risks in connection with planned payments not in their own functional currencies.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments on the reporting date. It is assumed that the balance on the reporting date is representative of the entire year.

Currency risks as defined by IFRS 7 arise as a result of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which EDAG has financial instruments.

The currency sensitivity analysis is based on the following assumptions:
Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency, or transferred to the functional currency through the use of derivatives. Changes in exchange rates therefore have no effect on profit or loss or equity.

EDAG is subject only to currency risks from certain currency derivatives. These are currency derivatives which are part of neither a hedging relationship as defined by IAS 39, nor a hedging relationship with on-balance-sheet underlying transactions (natural hedge). These derivatives serve as hedges for planned items. Exchange rate fluctuations in the currencies on which such financial instruments are based affect other operating expenses/income, as any currency losses/gains from the underlying transactions are also shown here (net gain/loss from the adjustment of financial assets to fair value).

Sensitivity Analysis

If each of the functional currencies had increased or decreased in value by 10 percent compared with the other currencies, the following effects on the profit or loss for the period after income tax and on equity would have resulted in relation to the currency relations outlined below. For the effects of the sensitivities on the profit or loss for the period, a group tax rate of 36.00 percent was anticipated (previous year 32.00 percent). It would not be useful to add together the individual values, as, depending on the functional currency in question, the results are based on different scenarios.

in € thousand	12/31/2019	12/31/2018
Currency sensitivities		
10% appreciation		
EUR/USD	- 130	- 228
EUR/CHF	44	31
EUR/CZK	129	174
USD/MXN	45	39
EUR/MXN	42	84
EUR/CNY	- 181	56
Total revaluation	**- 51**	**156**
10% devaluation		
EUR/USD	157	260
EUR/CHF	- 54	- 37
EUR/CZK	- 157	- 181
USD/MXN	- 46	- 48
EUR/MXN	- 51	- 69
EUR/CNY	220	- 69
Total devaluation	**69**	**- 144**

Other price risks

In the presentation of market risks, IFRS 7 also requires details of the effects hypothetical changes of risk variables would have on the prices of financial instruments. Important risk variables are stock exchange prices or indices. There are no substantial risks in this area in the EDAG Group.

Related Parties

In the course of its regular business activities, EDAG correlates either directly or indirectly not only with the subsidiaries included in the consolidated financial statements, but also with subsidiaries which are affiliated but not consolidated, and with other related companies and persons. The disclosure requirements set out in IAS 24 apply with regard to these relations. Related companies which are controlled by the EDAG Group, or upon which the EDAG Group can exercise significant influence, are listed in section "Scope of Consolidation".

EDAG Group AG is the ultimate group company and therefore the parent company of the EDAG Group. With a 70.66 percent share (before announced share buyback program of August 1, 2019), the major shareholder in the EDAG Group is ATON Austria Holding GmbH, Going am Wilden Kaiser, Austria. ATON Austria Holding GmbH is wholly owned by the family of Dr. Helmig.

The volumes of the services rendered by the EDAG Group to, and the services it received from related companies and individuals, are as follows:

in € thousand	2019	2018
EDAG Group with boards of directors[1] (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	912	675
Travel and other expenses	23	24
Rental expenses	-	158
Consulting expenses	22	44
Liabilities from remuneration	560	422
EDAG Group with supervisory boards[1] (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	52	61
Travel and other expenses	-	3
Compensation costs	1,032	675
EDAG Group with group executive management[1]		
Liabilities from remuneration	291	688

in € thousand	2019	2018
EDAG Group with ATON companies (parent company and its affiliated companies)[2]		
Goods and services rendered	7,627	27,851
Goods and services received	1,189	2,414
Interest expenses	-	2,618
Other operating income	223	610
Other operating expenses	212	520
Receivables	16	2,543
Advance payments received	-	183
Liabilities	28	1,060
EDAG Group with unconsolidated subsidiaries		
Goods and services rendered	7	-
Other operating expenses	8	3
Receivables	8	-
EDAG Group with associated companies		
Goods and services rendered	1,927	3,560
Goods and services received	22	120
Interest income	-	5
Other operating income	634	713
Other operating expenses	50	50
Other nonoperating income	-	1
Income from investments	944	1,203
Receivables	104	229
Liabilities	21	5
EDAG Group with other related companies and persons		
Goods and services rendered	778	432
Goods and services received	-	-
Interest expense	307	516
Other operating income	47	56
Other operating expenses	4,886	4,118
Receivables	20	1
Advance payments received	36	-
Right of use assets from leases IFRS 16	30,452	32,558
Lease liabilities IFRS 16	35,330	36,868
Current loan obligations	20,610	20,876

[1] These are all payments due at short notice.
[2] On May 30, 2019, Fosun International Limited announced the completion of the acquisition of 100 percent of the shares in the FFT Group, Fulda, from ATON GmbH. As a result, expenses and income from business relationships with the FFT Group will now, with effect from June 1, 2019, be reported as business relationships with third parties, and no longer under relationships with ATON companies. The above-mentioned income and expenses between June 1, 2019 and the reporting date are therefore no longer included in IAS 24 Disclosures.

Standard market conditions apply to the sale or delivery of products and services to, and the purchase of products or services from related companies and persons.

There are long-term sale-and-lease-back agreements with six subsidiraries of KINREFD GmbH, Munich for the use of five properties and their operating facilities; these have a fixed term until September 15, 2030. In addition to this, there is a long-term real estate lease with a KINREFD GmbH subsidiary, and this has a fixed term until April 4, 2026. HORUS Vermögensverwaltungs GmbH & Co. KG, Munich a company closely associated with EDAG, holds a 49.9 percent interest in KINREFD GmbH and its wholly owned subsidiaries with which EDAG has entered into long-term rental contracts. On the balance sheet date, lease liabilities from the above-mentioned agreements amounting to € 26.4 million are shown in accordance with IFRS 16. These are offset by rights of use amounting to € 23.5 million on the balance sheet date.

Further long-term real estate leases exist with MD 7 Immobilien GmbH, Munich, and MD 7 BV GmbH, Munich, with fixed terms until October 31, 2031. HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share in both MD 7 Immobilien GmbH and MD 7 BV GmbH.

In addition, there is a further real estate lease with a fixed term until August 31, 2021 with FR 105 Immo GmbH, Munich. HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share in this company. On the balance sheet date, lease liabilities from these leases amounting to € 9.0 million are shown in accordance with IFRS 16. These are countered by rights of use amounting to € 6.9 million.

In addition, there is a short-term unsecured loan with VKE Versorgungskasse EDAG-Firmengruppe e.V. This loan will run until further notice, and carries an interest rate of 2.5 percent per annum. On the reporting date, the book value, including interest, amounts to € 20.6 million.

The other items which were open at the end of the financial year are not collateralized, nor are they interest-bearing, and they are paid in cash.

As far as the receivables refer to down payments that have been made, these are balanced through services rendered. Receivables due from related companies and persons were not impaired in the 2019 financial year. An impairment test is carried out annually. This includes an assessment of the financial position of the related company or person, and the development of the market in which they are active.

Compensation of the Members of the Board of Directors and the Group Executive Management

Details of the compensation of the members of the Group Executive Management and Board of Directors in accordance with the requirements of the Swiss Code of Obligations and the Swiss regulation to counter excessive compensation in listed companies are disclosed in the compensation report.

The **Board of Directors** of EDAG Group AG consisted of the following persons in the financial year just ended:

- Georg Denoke
  Chairman of the board of directors, chairman of the nomination and compensation committee
  Managing Director of ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (chairman of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (chairman of the supervisory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (chairman of the supervisory board)
  - SGL Carbon SE (listed), Wiesbaden, Germany (member of the supervisory board, vice-chairman of the supervisory board)
  - Redpath Mining Inc. (non-listed), North Bay, Canada (member of the board of directors)

- Sylvia Schorr
  Chairwoman of the Audit Committee
  Investment manager ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)

- Dr. Philippe Weber
  Member of the nomination and compensation committee
  Managing partner and chairman of the executive board of Niederer Kraft Frey AG, Zurich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - Banca del Ceresio SA (non-listed), Lugano, Switzerland (member of the board of directors)
  - Medacta Group AG (listed), Castel San Pietro, Switzerland (member of the board of directors and chairman of the compensation committee)
  - Newron Suisse SA (non-listed), Zurich, Switzerland (member of the board of directors)
  - NorthStar Holding AG (non-listed), Schindellegi, Switzerland (member of the board of directors)
  - Leonteq AG (listed), Zürich, Switzerland (vice chairman of the board of directors and member of the compensation committee; elected on 3/31/2020)

- Manfred Hahl (since 6/5/2019)
  Member of the Audit Committee
  CEO, FFT Group
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)

- Clemens Prändl (since 6/5/2019)
  Member of the Audit Committee
  Senior Vice President, SAP SE, Walldorf
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)

- Dr. Michael Hammes (until 6/5/2019)
  Chairman of the Audit Committee
  Management consultant, Frankfurt/Main
  Mandates in other management committees until leaving the board:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)
  - Bankhaus Ellwanger & Geiger KG (non-listed), Stuttgart, Germany (member of the board of directors)
  - V-Bank AG, Munich (non-listed), Germany (member of the supervisory board)
  - Spiekermann & Co. AG (non-listed), Osnabrück, Germany (chairman of the supervisory board)

The compensation of members of the board of directors is regulated in § 25 of the articles of incorporation of EDAG Group AG. The level of compensation is set at the annual shareholders' meeting in accordance with article 12 of the articles of incorporation.

For taking over the function of the ultimate control and management organ of EDAG Group AG and EDAG Engineering Schweiz Sub-Holding AG, and for committee activities in the supervisory boards of EDAG Engineering Holding GmbH and EDAG Engineering GmbH, the members of the Board of Directors only receive short-term benefits. In the 2019 financial year, these amounted to € 902 thousand (2018: € 655 thousand). Employer's social security contributions amounted to € 10 thousand (2018: € 20 thousand). For the personal performance of services above and beyond board activities, particularly consulting services, the members of the board of directors are remunerated at the usual market rates. In the reporting year, costs of € 22 thousand (2018: € 202 thousand) were incurred. No advances or loans were granted to members of the board of directors of EDAG Group AG. No share-based payments were received by members of the board of directors.
The members of the board of directors are insured for legal expenses and D&O liability through the company insurance policies.

The **Group Executive Management** consists of the following persons:

- Cosimo De Carlo, Diplom-Ingenieur, MBE
  Member of the Group Executive Management, CEO

- Holger Merz, Diplom-Betriebswirt, MBA
  Member of the Group Executive Management, COO (from January 1 to June 6, 2019; CFO with effect from June 6, 2019)

- Jürgen Vogt, Diplom-Kaufmann
  Member of the Group Executive Management, CFO (until June 5, 2019)

In the reporting year, the short-term compensation of the Group Executive Management (payments due at short notice) amounted to € 1,657 thousand (2018: € 2,350 thousand). This also includes the total amount of compensation paid to a member of the Group Executive Management who left in 2019, for consulting services provided during the period between the time he left the Executive Management and December 31, 2019.

The compensation of the Group Executive Management includes non-cash benefits (including non-cash benefits for company cars). It does not include the aggregated expenses for accident, legal protection and D&O insurance in the amount of € 144 thousand (2018: € 144 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As of December 31, 2019, the present value of current pension obligations for active members of the Executive Management totaled € 67 thousand (2018: € 3,186 thousand). For a member of the Group Executive Management leaving the company that year, it totaled € 3,544 thousand on December 31, 2019 (2018: € 60 thousand). The current service cost for the pension provisions according to IFRS in 2019 aggregates to € 3 thousand (2018: € 0 thousand).

At the end of the financial year, the individual members of the Board of Directors and Group Executive Management hold the following number of shares in EDAG Engineering Group AG:

Number of shares	**12/31/2019**	**12/31/2018**
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	7,462
Clemens Prändl	-	-
Total Board of Directors[1]	**13,162**	**7,462**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management[2]	**6,115**	**6,115**

[1] Michael Hammes left the Board of Directors in 2019. On the date on which he left the Board of Directors, as was also the case on 12/31/2018, he held no shares in the EDAG Engineering Group AG.

[2] Jürgen Vogt left the Group Executive Management on June 5, 2019. On the date on which he left the Group Executive Management, Jürgen Vogt held a total of 3,631 shares in EDAG Engineering Group AG (12/31/2018: 3,631).

Auditor's Fees and Services

The following table provides a breakdown of the auditor's fees for the consolidated financial statement for the financial year as per Art. 961a No. 2 of the Swiss Code of Obligations (OR) or § 314, para. 1, No. 9 of the German Commercial Code (HGB):

in € thousand	**2019**			**2018**		
	Total	**thereof**		**Total**	**thereof**	
		Switzerland	**Germany**		**Switzerland**	**Germany**
Auditing services	435	(67)	(305)	490	(69)	(341)
Total	**435**	**(67)**	**(305)**	**490**	**(69)**	**(341)**

In particular, the fees for the auditing services include fees for the statutory auditing of annual and consolidated financial statements.

Subsequent Events

At the end of January 2020, the World Health Organization (WHO) declared a global health emergency in view of the rampant spread of the Coronavirus. On March 11, 2020, the WHO classified the spread of the virus as a pandemic. The further development of the global situation and its impact on the EDAG Group is being continuously monitored. As a result of the continuous increase in the infection rate worldwide, and especially in Europe, March 2020 saw the first site closures by our key customers in response to government-imposed measures to contain the spread of the virus. In all probability, these measures will be in place for several weeks. It is reasonable to assume that this will have a short-term negative impact on sales and business development of the EDAG Group companies. The potential burdens on EDAG that we can currently identify have been considered and described in the Forecast section of the Group Management Report. No additional burdens are either known or foreseeable at the present time, although the possibility of their occurring in the course of the year cannot be ruled out.

No other important events that have a material impact on the net assets, financial position or financial performance of the EDAG Group took place after the balance sheet date.

Arbon, April 1, 2020

EDAG Engineering Group AG

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors and
Chairwoman of the Audit Committee

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

5.8 Shareholdings

	Registered in Switzerland and Germany	City	Domicile	Capital share in %	
				Direct	Indirect
1.	EDAG Engineering Group AG[2]	Arbon	Switzerland	-	-
2.	EDAG Engineering Schweiz Sub-Holding AG	Arbon	Switzerland	100	-
3.	EDAG Engineering Holding GmbH	Munich	Germany	-	100
4.	EDAG Engineering GmbH	Wiesbaden	Germany	-	100
5.	EDAG-Beteiligung GmbH [3]	Fulda	Germany	-	100
6.	EDAG Production Solutions GmbH & Co. KG	Fulda	Germany	-	100
7.	EDAG Production Solutions Verwaltungs GmbH[3]	Fulda	Germany	-	100
8.	EDAG Werkzeug + Karosserie GmbH	Fulda	Germany	-	49
10.	EDAG aeromotive GmbH (formerly: BFFT aeromotive GmbH)	Gaimersheim	Germany	-	100
12.	Parkmotive GmbH[3] (formerly: EDAG EE Treuhand GmbH)	Fulda	Germany	-	100
13.	EDAG Akademie GmbH (formerly: Rücker Akademie GmbH)	Wiesbaden	Germany	-	100
14.	EDAG Engineering Schweiz GmbH	Arbon	Switzerland	-	100

	Registered in Switzerland and Germany	Voting right	Currency	Equity[1] 12/31/2019	Result[1] 2019
1.	EDAG Engineering Group AG[2]	-	EUR	389,621,882	- 2,183,314
2.	EDAG Engineering Schweiz Sub-Holding AG	100	EUR	476,197,270	11,798,216
3.	EDAG Engineering Holding GmbH	100	EUR	77,162,109	14,737,430
4.	EDAG Engineering GmbH	100	EUR	248,759,316	-
5.	EDAG-Beteiligung GmbH [3]	100	EUR	36,489	672
6.	EDAG Production Solutions GmbH & Co. KG	100	EUR	13,708,490	- 16,291,510
7.	EDAG Production Solutions Verwaltungs GmbH[3]	100	EUR	16,785	1,179
8.	EDAG Werkzeug + Karosserie GmbH	49	EUR	20,206,668	1,889,662
10.	EDAG aeromotive GmbH (formerly: BFFT aeromotive GmbH)	100	EUR	585,068	35,686
12.	Parkmotive GmbH[3] (formerly: EDAG EE Treuhand GmbH)	100	EUR	19,805	- 1,925
13.	EDAG Akademie GmbH (formerly: Rücker Akademie GmbH)	100	EUR	212,868	-
14.	EDAG Engineering Schweiz GmbH	100	CHF	1,096,256	462,375

	Registered in other countries	City	Domicile	Capital share in %		Voting right	Currency	Equity[1] 12/31/2019	Result[1] 2019
				Direct	Indirect				
16.	EDAG Engineering Limited	Markyate	Great Britain	-	100	100	GBP	- 805,415	- 265,186
17.	EDAG do Brasil Ltda.	São Bernardo do Campo	Brazil	-	100	100	BRL	18,339,605	1,488,272
18.	EDAG, Inc.	Troy	USA	-	100	100	USD	9,896,404	1,522,009
19.	EDAG HOLDING SDN. BHD.	Shah Alam	Malaysia	-	100	100	MYR	1,636,862	372,878
20.	EDAG Hungary Atófejlesztö Méröki Kft.	Györ	Hungary	-	100	100	EUR	2,251,085	- 204,527
21.	EDAG Production Solutions India Pvt. Ltd.	New Delhi	India	-	100	100	INR	226,177,628	18,855,722
22.	EDAG Technologies India Priv. Ltd.	New Delhi	India	-	100	100	INR	52,577,090	10,972,139
23.	EDAG Production Solutions CZ s.r.o.	Mladá Boleslav	Czech Republic	-	100	100	CZK	35,747,030	12,198,588
24.	EDAG Japan Co., Ltd.	Yokohama	Japan	-	100	100	JPY	78,579,892	11,374,013
25.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	Shanghai	China	-	100	100	CNY	39,032,573	10,470,715
26.	EDAG México S.A. de C.V.	Puebla City	Mexico	-	100	100	MXN	69,016,353	22,096,587
27.	EDAG Servicios México S.A. de C.V.	Puebla City	Mexico	-	100	100	MXN	10,407	- 130,000
28.	EDAG Production Solutions, Inc.	Troy	USA	-	100	100	USD	9,272,707	218,998
29.	CKGP/PW & Associates, Inc.	Troy	USA	-	100	100	USD	2,856,523	- 416,970
31.	BFFT of America, Inc.	Belmont	USA	-	100	100	USD	451,831	- 17,111
32.	Rücker Vehicle Design (Shanghai) Co.,Ltd.	Shanghai	China	-	100	100	CNY	2,500,924	-
33.	EDAG Italia S.R.L.	Turin	Italy	-	100	100	EUR	1,293,797	370,393
34.	EDAG Engineering CZ spol. s r.o.	Mladá Boleslav	Czech Republic	-	100	100	CZK	19,200,241	- 15,434,753
35.	EDAG Engineering Polska Sp.z.o.o.	Warsaw	Poland	-	100	100	PLN	8,140,968	2,208,038
36.	Rücker Lypsa S.L.	Cornellá de Llobregat	Spain	-	100	100	EUR	11,703,596	- 1,243,374
37.	EDAG Engineering Scandinavia AB (formerly: HRM EDAG Engineering AB)	Gothenburg	Sweden	-	100	100	SEK	7,380,906	4,851,243
38.	HRM Engineering AB	Gothenburg	Sweden	-	100	100	SEK	9,755,758	- 632
39.	Müller HRM Engineering AB	Gothenburg	Sweden	-	100	100	SEK	497,699	- 790,370
40.	OOO EDAG Production Solutions RU	Kaluga	Russia	-	100	100	RUB	340,000	1,661,059
41.	EDAG Netherlands B.V.	Helmond	Netherlands	-	100	100	EUR	661,935	353,925

[1] National trade law

[2] The company EDAG Engineering Group AG, Arbon, is part of the EDAG Group. However, the company is not a component of the Shareholdings as defined in Art. 959c Abs. 2 Ziff. 3 OR.

[3] Companies included at acquisition cost.

Report of the Statutory Auditor
(Consolidated Financial Statements)

Report of the statutory auditor o the General Meeting of the EDAG Engineering Group AG , Arbon

Report on the audit of the consolidated financial statements
Opinion
We have audited the consolidated financial statements of EDAG Engineering Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 120 to 243) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as these are applied in the EU and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further de-scribed in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill

Key audit matters
The consolidated financial statements of EDAG Engineering Group AG disclose goodwill in the amount of EUR 74,4 million (12% of the Group’s total assets). In this process, the company considers each of its three segments as a cash-generating unit (CGU). Centralised impairment tests are performed at the CGU level on an annual basis or when necessary. The goodwill included in this item is tested for impairment, which is consistent with the requirements of IAS 36 regarding impairment testing.

The basis for the valuation of goodwill is generally the value in use of the future cash flows of the cash-generating unit to which the assets concerned are to be allocated. This is because a market price for the individual units is usually not observable. The value is use is calculated using the discounted cash flow method, based in principle on a three-year planning horizon. The approved three-year plan is the starting point for the impairment tests and is updated with assumptions relating to, among others, the future order intake, costs, industry growth, long-term market growth rates and the business cycle. The discounting is based on the weighted average cost of capital rates of the cash-generating units concerned. The outcome of this valuation depends heavily on the estimates by the Board of Directors of future cash inflows and on the discount rates used; hence, it is subject to a high degree of uncertainty. In light of this and given the complexity of the valuation method’s requirements, we deemed this to be a key audit matter in our audit.

The Group disclosures concerning goodwill and the associated company are set out in the section ‘Accounting and valuation principles’ under ‘Impairment’ and chapter “Intangible Assets [16] of the notes to the consolidated financial statements.

How our audit addressed the key audit matters
During our audit, we (accompanied by an internal expert) performed following audit procedures:

- the method used to test the investment for impairment and assessed the calculation of the weighted average cost of capital rates.
- We were able to confirm the appropriateness of the future cash inflows used for the valuation, in particular by judgement of the forecast accuracy and comparing the information with the latest budget figures taken from the three-year plan and available actual figures and reconciling them to general and industry-specific market expectations.
- Relatively small changes in the discount rate used can have a significant impact on the company valuation. Hence, we focussed on the parameters used in the determination of the discount rate by performing own plausibility checks to verify the appropriateness and verified the calculation method.

The valuation parameters and assumptions used by the Board of Directors are in line with our expectations, based on the available information.

Recognition of sales revenue from contracts with customers (construction contracts)

Key audit matters	**How our audit addressed the key audit matters**
The consolidated financial statements of EDAG Engineering Group AG disclose sales revenue from contracts with customers in the amount of EUR 782.8 million. The Group's income is influenced signifi-cantly by the recognition and measurement of construction contracts. Provided the requirements of IFRS 15 are met, the Group applies the percentage-of-completion (POC) method. The income from the construction contract is estimated as part of the valuation process. The stage of completion is determined using the cost-to-cost method. We considered revenue recognition to be a key audit matter because the valuation of these contracts is subject to uncertainty regarding future income from the project and its stage of completion. The Group disclosures regarding contracts with customers are set out in the section 'Accounting and valuation principles', under 'Contracts with Customers' and in the section 'Contract assets [21]' and 'Contract liabilities [32]' of the notes to the consolidated financial statements.	During our audit, we performed following audit procedures: • We appraised the controls implemented by EDAG Engineering Group AG relating to revenue recognition from contracts with customers. To this end, we assessed, in particular, the appropriateness and effectiveness of the implemented controls, including the relevant IT systems, relating to the recording and recognition of project income. • Building on this, on the basis of the related contractual agreements, we challenged the determination of the stage of completion based on the costs incurred to date and on the estimate of the expected total costs, and compared this with the underlying evidence. • Further, we assessed the revenues expected by the Board of Directors from ongoing construction contracts and the estimates relating to contracts that had already been completed. In the event of negative impacts on the construction contracts, we assessed the modifications made to the initial project assumptions (in particular, project costs until completion) and the resulting accounting treatment. Further, we verified the continuity and the consistency of the method used to calculate the sales revenue. • We assessed the completeness and appropriateness of IFRS 15 notes. On the basis of our audit procedures, we were able to confirm the appropriateness of the approach and the valuation relating to these material items and that the disclosures in the notes are appropriate and fully comply with the requirements of IFRS 15. At the same time, we were able to confirm that the estimates and assumptions made by EDAG Engineering Group AG are adequately documented and substantiated so as to justify the accounting treatment of the sales revenues from contracts with customers.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the combined management report, the consolidated financial statements, the stand-alone financial statements and the compensation report of EDAG Engineering Group AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is mate-rially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the appropriation of net income complies with Swiss law and the Articles of Association and recommend that the finanical statements submitted to you be approved.

Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Ueli Sturzenegger
Accredited Audit expert

Zurich, April 1, 2020

STATUTORY FINANCIAL STATEMENT

EDAG Engineering Group AG

From January to December 2019

ANNUAL FINANCIAL STATEMENT

1 Statement of Financial Position

in €/CHF thousand	Note	12/31/2019 € thousand	12/31/2019 CHF thousand	12/31/2018 € thousand	12/31/2018 CHF thousand
Assets					
Current assets					
Cash and cash equivalents		170	185	182	205
Current accounts receivables	(A1)	3	3	0	0
Other current receivables	(A1)	34	37	10	11
Accrued items	(A2)	90	98	80	90
TOTAL current assets		**297**	**323**	**272**	**307**
Non-current assets	(A3)				
Investment		408,910	443,831	420,610	473,985
Property, plant and equipment		41	44	45	51
TOTAL non-current assets		**408,951**	**443,875**	**420,655**	**474,036**
TOTAL assets		**409,248**	**444,198**	**420,927**	**474,343**

in €/CHF thousand	Note	12/31/2019 € thousand	12/31/2019 CHF thousand	12/31/2018 € thousand	12/31/2018 CHF thousand
Liabilities, Provisions and Equity					
Current liabilities and provisions					
Current accounts payable	(A4)	143	155	114	128
Current financial liabilities	(A4)	18,800	20,406	9,650	10,875
Other current liabilities	(A4)	563	611	426	480
Other current provisions	(A5)	111	120	182	205
Accrued items	(A6)	9	10	0	0
TOTAL current liabilities and provisions		**19,626**	**21,302**	**10,372**	**11,688**
Equity					
Share capital	(A7)	920	1,000	920	1,000
Capital reserves	(A8)	399,580	430,462	418,330	451,488
thereof capital insertion reserves		(399,660)	(430,549)	(418,410)	(451,575)
thereof other reserves		(- 80)	(- 87)	(- 80)	(- 87)
Retained earnings		- 10,878	- 12,079	- 8,695	- 9,650
Currency conversion difference		0	3,513	0	19,816
TOTAL equity		**389,622**	**422,896**	**410,555**	**462,654**
TOTAL liabilities, provisions and equity		**409,248**	**444,198**	**420,927**	**474,343**

2 Income Statement

in €/CHF thousand	Note	2019	2019	2018	2018
		€ thousand	CHF thousand	€ thousand	CHF thousand
Other operating income	(A9)	96	107	121	140
Personnel expenses	(A10)	- 1,389	- 1,546	- 1,332	- 1,538
Other expenses	(A11)	- 569	- 633	- 695	- 803
Depreciation and impairment	(A12)	- 6	- 6	- 10	- 12
Financial income	(A13)	- 302	- 336	- 288	- 333
Direct taxes	(A14)	- 13	- 15	- 22	- 25
Loss		**- 2,183**	**- 2,429**	**- 2,226**	**- 2,571**

3 Cash Flow Analysis

	in €/CHF thousand	2019	2019	2018	2018
		€ thousand	CHF thousand	€ thousand	CHF thousand
	Loss	**-2,183**	**-2,429**	**-2,226**	**-2,571**
+/-	Depreciation and amortization/Write-ups on tangible and intangible assets	6	7	10	12
-/+	Increase/Decrease in receivables and other assets	-38	-42	18	21
+/-	Increase/Decrease in current provisions	-70	-78	28	32
+/-	Increase/Decrease in accounts payable, other current liabilities, other provisions and accrued items	175	195	-227	-262
=	**Cash inflow/outflow from operating activities/ operating cash flow**	**-2,110**	**-2,348**	**-2,397**	**-2,768**
-	Payments for investments in tangible fixed assets	-2	-2	0	0
+	Received dividends	11,700	13,120	31,450	36,312
=	**Cash inflow/outflow from investing activities/ investing cash flow**	**11,698**	**13,118**	**31,450**	**36,312**
-	Dividends to shareholders	-18,750	-21,026	-18,750	-21,649
+/-	Deposits/Payments from financing activities to affiliated companies	9,150	9,931	-10,250	-11,551
=	**Cash inflow/outflow from financing activities/ financing cash flow**	-9,600	**-11,095**	**-29,000**	**-33,200**
	Net cash changes in financial funds	**-12**	**-325**	**53**	**344**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	0	304	0	-291
+	Financial funds at the start of the period	182	205	129	151
=	**Financial funds at the end of the period [cash & cash equivalents]**	**170**	**185**	**182**	**205**
=	**Free cash flow (FCF) – equity approach**	**9,588**	**10,770**	**29,053**	**33,544**

The free cash flow is composed of the cash inflow/outflow from operating activities and investment activities.

4 Notes

4.1 General Information

EDAG Engineering Group AG, Arbon (EDAG Group AG) was founded on November 2, 2015, and entered in the commercial register of the Swiss canton Thurgau on November 3, 2015. The registered office of the company is: Schlossgasse 2, 9320 Arbon, Switzerland.

At the time when the company was founded, according to the contract of November 2, 2015, the former shareholder, ATON GmbH, Munich, purchased 100 percent of the shares by cash capital contribution. ATON GmbH provided the entire share capital, split into 25,000,000 bearer shares each with a nominal value of CHF 0.04, as a contribution (CHF 1,000,000).

Since December 2, 2015, the company has been listed for trading on the regulated market of the Frankfurt Stock Exchange with concurrent admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard):

International Securities Identification Number (ISIN):	CH0303692047
Securities identification number (WKN):	A143NB
Trading symbol:	ED4

The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's annual shareholders' meeting. There are no restrictions on voting rights. As in the previous year, with a 70.66 percent share (before announced share buyback program of August 1, 2019), the largest shareholder in the EDAG Group AG on December 31, 2019 is ATON Austria Holding GmbH.

For the financial year ending December 31, 2019, all the company shares fully qualify for dividends.

According to the company's statutes, the company's objective is the holding and administration of domestic and foreign investments. The company performs no operative business activities.

The only direct subsidiary is EDAG Engineering Schweiz Sub-Holding AG, a Swiss intermediate holding company with its head office in Arbon, which indirectly holds all the shares in EDAG Engineering GmbH, Wiesbaden, through EDAG Engineering Holding GmbH, a German intermediate holding company based in Munich.

In principle, this company, with its subsidiaries, manages the entire operative business of the corporate group. Its main activities are the development of vehicles,

derivatives, modules and production facilities. The EDAG Group is divided into the following three segments:

- Vehicle Engineering
- Production Solutions
- Electrics/Electronics

This annual financial statement was prepared in compliance with the regulations governing commercial accounting set out in the Swiss Code of Obligations (articles 957 – 963b of the Swiss Code of Obligations (OR), valid from January 1, 2013).

The financial year is the same as the calendar year. The reporting period is from January 1, 2019 to December 31, 2019. The functional currency of the company is the euro.

Unless otherwise stated, all amounts are given in thousands of euros and in thousands of francs. Where percentage values and figures are given, differences may occur due to rounding.

In the interests of clarity and transparency, any comments legally required to be added when posting items in the statement of financial position and income statement, along with any comments that may optionally be included in the statement of financial position and income statement, will, for the most part, be included in the Notes.

4.2 Information on Accounting, Valuation and Disclosure Methods

General Information

The income statement has been prepared in accordance with the nature of expense method (production income statement) in accordance with article 959b No. 2 of the Swiss Code of Obligations (OR). The annual financial statements were prepared on the assumption that the company is a going concern, according to article 958a No. 1 of the Swiss Code of Obligations (OR).

Foreign Currency Translation

Foreign currency transactions are always recognized at the historical exchange rate on the date of initial booking. For initial recognition, foreign currency transactions are valued using the exchange rate at the time of the business transaction. Balance sheet items (current foreign currency liabilities and receivables and liquid funds or other current assets) in foreign currencies are converted into the functional currency using the spot exchange rate on the balance sheet date. The exchange rate gains and losses arising from the valuation or settlement of these items are shown in the income statement.

According to article 958d No. 3 of the Swiss Code of Obligations (OR), if the house currency is not the Swiss franc, values in the statement of financial position and income statement must also be given in the national currency. In this case, the following conversion rates are used:

		2019	2018	
Statement of Financial Position	EUR into CHF	1,0854	1,1269	(spot exchange rate on accounting date)
Income Statement	EUR into CHF	1,1127	1,1548	(average exchange rate for the financial year)

Equity and is valued at historical rates. The currency conversion differences arising from conversion into the national currency are included in equity.

Accounting for and Valuation of Assets

Liquid funds are shown at nominal value on the balance sheet key date.

Receivables and other assets are recognized at their nominal values, or at their attributable values on the accounting date, if these are lower. Should the recoverability of receivables be at risk, the value of such receivables is reduced proportionately; non-recoverable receivables are written off. No flat-rate value adjustment is formed to cover the general credit risk.

Expenses before the accounting date are recognized as **accrued income**, provided they do not represent expenditure for a certain period after this date.

For **investments** purchased by way of the non-cash contribution when the company was founded, the transfer value of the items contributed always counts as the acquisition value according to the audited formation report (according to article 634 No. 3 of the Swiss Code of Obligations [OR]). Due to the fact that investments are not typically subject to a decrease in value due to either use or age, there no scheduled depreciation of the acquisition costs in the subsequent valuation; instead, adjustments, or impairments, are made for any decrease in value (cf. article 960 para. 3 and 960a para. 3 of the Swiss Code of Obligations [OR]). Investments that are subject to the individual valuation principle (in accordance with article 960 para. 1 of the Swiss Code of Obligations [OR]) are written down according to the principle of caution, in line with the profitability of the company concerned.

Property, plant and equipment are valued at acquisition or production cost less scheduled, straight-line depreciation. Depreciation, amortization and impairments of additions to property, plant and equipment are always reported on a pro rata temporis basis.

The depreciation schedule is based predominantly on the following estimated useful lives:

	Years
Other operating and office equipment	3 - 13

Accounting for and Valuation of Liabilities

Liabilities are recognized at their nominal values.

For past events which are expected to result in a cash outflow in future years, **provisions** amounting to the sum which, based on sound commercial judgement, the company can expect to have to pay (expected value) are formed.

Expenses relating to the reporting year for which the corresponding invoice has not yet been received from the supplier are recognized as **deferred income**. The expenditure is concretized in terms of reason and amount.

Share capital is recognized at nominal value.

4.3 Notes on the Balance Sheet Items

Receivables and Other Assets (A1)

All receivables and other assets have a term to maturity of less than a year.

in €/CHF thousand	12/31/2019	12/31/2019	12/31/2018	12/31/2018
	€ thousand	CHF thousand	€ thousand	CHF thousand
Current accounts receivable	**3**	**3**	**0**	**0**
affiliated companies and related parties	3	3	0	0
Other current receivable	**34**	**37**	**10**	**11**
third parties	34	37	10	11
Total	**37**	**40**	**10**	**11**

Accrued Income (A2)

Essentially, the **accrued income** includes advance payments for insurance services and to other suppliers.

Fixed Assets (A3)

Under **investments**, only EDAG Engineering Schweiz Sub-Holding AG, Arbon is listed. All shares - specifically 25,000,000 bearer shares, each with a nominal value of CHF 1.00 - were acquired by ATON GmbH, Munich for a transfer value of € 474,660 thousand (CHF 514,294 thousand), by means of a non-cash contribution and without any consideration in return on December 1, 2015. The contribution value was the product of the initial listing price multiplied by the number of shares, minus the net assets of EDAG Engineering Group AG. The initial listing price of the EDAG Engineering Group AG shares (€ 19.00) * number of shares (25,000,000) - total net assets of EDAG Engineering Group AG (€ -340 thousand) = recoverable amount (€ 474,660 thousand).

EDAG Engineering Schweiz Sub-Holding AG, Arbon is a Swiss intermediate holding company. It holds 100 percent of the shares in EDAG Engineering Holding GmbH, Munich, which in turn holds 100 percent of the shares in EDAG Engineering GmbH, Wiesbaden, which, along with its subsidiaries, in turn embodies the entire operative business of the EDAG Group.

By resolution of the ordinary general meeting of EDAG Engineering Schweiz Sub-Holding AG of June 5, 2019, it was decided that a dividend payout in the amount of € 11,700 thousand (CHF 13,120 thousand) should be made from the reserves from capital contributions. This dividend payout was made directly through the balance sheet account (investments) without influencing the income statement. This results in a book value of € 408,910 thousand (CHF 443,831 thousand) [previous year: € 420,610 thousand (CHF 473,985 thousand)].

Shares in affiliated companies and holdings (shareholdings) - i.e. the companies for which the company either directly or indirectly holds at least 20 percent of the shares - are included in the Notes.

The **intangible assets** include software.

Liabilities (A4)

in €/CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand	12/31/2018 € thousand	12/31/2018 CHF thousand
Liabilities	**143**	**155**	**114**	**128**
affiliated companies and related parties	95	104	57	64
third parties	48	52	57	64
Other interest-bearing current liabilties	**18,800**	**20,406**	**9,650**	**10,875**
affiliated companies and related parties	18,800	20,406	9,650	10,875
Other current liabilities	**563**	**611**	**426**	**480**
Board of Directors	560	607	422	475
third parties	3	4	4	5
Total	**19,506**	**21,172**	**10,190**	**11,483**

All **liabilities** have a term to maturity of less than a year.

Provisions (A5)

in €/CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand	12/31/2018 € thousand	12/31/2018 CHF thousand
Other provisions	111	120	182	205
Total	**111**	**120**	**182**	**205**

The **other provisions** include personnel expenses in the amount of € 37 thousand (CHF 40 thousand) [previous year: € 106 thousand (CHF 119 thousand)] accounting and auditing costs in the amount of € 74 thousand (CHF 81 thousand) [previous year: € 76 thousand (CHF 86 thousand)].

Deferred Income (A6)

Expenses relating to the following year in the amount of € 9 thousand (CHF 10 thousand) [previous year: € 0 thousand (CHF 0 thousand)] are recognized as **deferred income** during the reporting year.

Share Capital (A7)

On the reporting date, the company's **share capital**, which was paid in full on November 2, 2015, amounted to € 920 thousand (CHF 1,000 thousand), and is covered by 25 million bearer shares. This is equivalent to a nominal value of € 0.04 (CHF 0.04) per share. Each share entitles its holder to a right to vote and to receive dividends.

Capital Reserves (A8)

On the reporting date, the **capital reserves** amounted to € 399,580 thousand (CHF 430,462 thousand) [previous year: € 418,330 thousand (CHF 451,488 thousand)], and are composed of the **capital contribution reserves** in the amount of € 399,660 thousand (CHF 430,549 thousand) [previous year: € 418,410 thousand (CHF 451,575 thousand)] and **other capital reserves** in the amount of € -80 thousand (CHF -87 thousand), have not changed compared to the previous year.

4.4 Notes on Income Statement

Other Operating Income (A9)

The **other operating income** in the amount of € 96 thousand (CHF 107 thousand) [previous year: € 121 thousand (CHF 140 thousand)] is composed of administrative service contracts with affiliated companies, income from the reversal of provisions, foreign currency earnings and income from rents.

Personnel Expenses (A10)

Personnel expenses can be broken down as follows:

in €/CHF thousand	2019	2019	2018	2018
	€ thousand	CHF thousand	€ thousand	CHF thousand
Salaries	1,322	1,471	1,265	1,461
Social security contributions	67	75	67	77
Total	**1,389**	**1,546**	**1,332**	**1,538**

The salaries of the Executive Management, Board of Directors and administrative employees are listed under Salaries. Included in the salaries are bonuses in the amount of € 33 thousand (CHF 36 thousand) [previous year: € 117 thousand (CHF 135 thousand)]. Compared to the previous year, there are no claims for settlement expenses [previous year: € -56 thousand (CHF -65 thousand)].

Other Operating Expenses (A11)

Other operating expenses are mainly made up of:

in €/CHF thousand	2019	2019	2018	2018
	€ thousand	CHF thousand	€ thousand	CHF thousand
Consulting, contributions and fees	235	261	321	371
General administration expenses	91	101	95	110
Travel expenses	81	90	88	102
Insurance	66	73	65	75
Sales and marketing expenses	34	38	32	37
Rents and leases	31	34	32	37
Expenses from currency losses	13	14	11	13
Expenses from group services affiliated companies	12	13	17	20
Maintenance	4	4	1	1
Other operating expenses	2	2	1	1
Miscellaneous ancillary personnel expenses	1	1	30	35
Personnel training and development expenses	0	0	1	1
Prepaid expenses for affiliated companies	0	0	1	1
Total	**569**	**633**	**695**	**803**

No material expenses for other accounting periods were incurred.

Depreciation, Amortization and Impairment (A12)

Depreciation was carried out on property, plant and equipment.

Financial Expense (A13)

in €/CHF thousand	2019	2019	2018	2018
	€ thousand	CHF thousand	€ thousand	CHF thousand
Interest and similar expenses	302	336	288	333
(thereof to affiliated companies)	(301)	(335)	(288)	(333)
Total	**302**	**336**	**288**	**333**

No material interest expense for other accounting periods is included.

Direct Taxes (A14)

in €/CHF thousand	2019	2019	2018	2018
	€ thousand	CHF thousand	€ thousand	CHF thousand
Direct Taxes	**14**	**16**	**22**	**25**
Capital tax	14	16	22	25
Total	**14**	**16**	**22**	**25**

No material tax expenses or tax revenues for other accounting periods are included.

4.5 Other Information

Employees

As in the previous year, the company employed no more than an annual average of 10 employees during this financial year.

Contingent Liabilities

No **contingent liabilities** according to article 959c para. 2 No. 10 of the Swiss Code of Obligations (OR) exist, on either December 31, 2019 or December 31, 2018.

Other Financial Obligations

Other financial obligations due to affiliates exist for future costs from existing rental and service agreements; these amount to € 129 thousand (CHF 140 thousand) [previous year: € 134 thousand (CHF 151 thousand).

Auditor's Fees and Services

Details of the auditor's fees according to article 961a No. 2 of the Swiss Code of Obligations (OR) are not included, as these are given in the consolidated financial statements of EDAG Group AG.

Information on the Company's Organs

Group Executive Management

The members of the Group Executive Management represent the company jointly, in twos. The Group Executive Management consisted of the following persons in the financial year:

- Cosimo De Carlo, Munich, Chairman of the Group Executive Management, CEO
- Holger Merz, Hosenfeld, Member of the Group Executive Management, CFO (since June 6, 2019)
  COO (from January 1 until June 5, 2019)
- Jürgen Vogt, Wiesbaden, Member of the Group Executive Management, CFO (until June 5, 2019)

The compensation of the Group Executive Management amounts to € 201 thousand (CHF 223 thousand) [previous year: € 169 thousand (CHF 195 thousand)] plus bonus payments in the amount of € 33 thousand (CHF 36 thousand) [previous year: € 117 thousand (CHF 135 thousand)].

At the end of the financial year, the individual members of the Group Executive Management held the following number of shares in EDAG Group AG:

Number of shares	12/31/2019	12/31/2018
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management[1]	**6,115**	**6,115**

[1] Jürgen Vogt left the Group Executive Management in 2019. On the date on which he left the GEM, Jürgen Vogt held 3,631 (December 31, 2018: 3,631) shares in EDAG Engineering Group AG.

Board of Directors

The Board of Directors consisted of the following persons:

- Georg Denoke, Munich, Chairman of the Board of Directors (single signatory)
  [Chairman of the Nomination and Compensation Committee]
- Sylvia Schorr, Karlsfeld, Member of the Board of Directors
  (joint signatory, two signatures required)
  [Chairwoman of the Audit Committee]
- Dr. Philippe Weber, Pura, Member of the Board of Directors (single signatory)
  [Member of the Nomination and Compensation Committee]

- Manfred Hahl, Abtsroda, Member of the Board of Directors (since June 5, 2019) (joint signatory, two signatures required) [Member of the Audit Committee]
- Clemens Prändl, Odenthal, Member of the Board of Directors (since June 5, 2019) (joint signatory, two signatures required) [Member of the Audit Committee]

The proportional compensation of the Board of Directors amounts to € 888 thousand (CHF 988 thousand) [previous year: € 744 thousand (CHF 838 thousand)].

At the end of the financial year, the individual members of the Board of Directors held the following number of shares in EDAG Group AG:

Number of shares	12/31/2019	12/31/2018
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	7,462
Clemens Prändl	-	-
Total Board of Directors[2]	**13,162**	**7,462**

[2] Dr. Michael Hammes left the Board of Directors in 2019. On the date on which he left the Board of Directors, Michael Hammes held, as well as on December 31, 2018, no shares in EDAG Engineering Group AG.

Further information on the compensation of the Group Executive Management and the Board of Directors can be found in the compensation report in accordance with article 14-16 of the Swiss regulation to counter excessive compensation in listed companies (VegüV).

Group Relations

The annual financial statements will be included in the consolidated financial statements. These are based on the International Financial Reporting Standards, as applicable in the European Union. The consolidated financial statements and management report of the parent company can be obtained from the address of EDAG Group AG. It is also available on the Internet on the following link: http://ir.edag.com, and will be submitted to the Electronic Federal Gazette in Germany.

Appropriation of Net Income

in € thousand/ CHF thousand	2019 € thousand	2019 CHF thousand	2018 € thousand	2018 CHF thousand
Balance brought forward	**- 8,695**	**- 9,650**	**- 6,469**	**- 7,079**
Appropriation of earnings in accordance with resolution of the Annual General Meeting	0	0	0	0
Removal from legal capital reserve	18,750	21,026	18,750	21,649
Dividend payout to shareholders	- 18,750	- 21,026	- 18,750	- 21,649
Loss of the year	**- 2,183**	**- 2,429**	**- 2,226**	**- 2,571**
Total retained losses	**- 10,878**	**- 12,079**	**- 8,695**	**- 9,650**

Appropriation of reserves proposed by the Board of Directors

in € thousand/ CHF thousand	2019 Proposal of Board of Directors € thousand	2019 Proposal of Board of Directors CHF thousand	2018 Proposal of Board of Directors € thousand	2018 Proposal of Board of Directors CHF thousand
Total retained losses	**- 10,878**	**- 12,079**	**- 8,695**	**- 9,650**
Allocation to legal retained earnings	0	0	0	**0**
Removal from legal retained earnings	0	0	0	**0**
Allocation to legal capital reserve	0	0	0	**0**
Removal from legal capital reserve	0	0	18,750	21,129
Dividend payout to shareholders	0	0	- 18,750	- 21,129
Balance to be carried forward	**- 10,878**	**- 12,079**	**- 8,695**	**- 9,650**

Subject to approval of the annual shareholders' meeting, the Board of Directors recommends that the net loss of € 10,878 thousand (CHF 12,079 thousand) should be carried forward to the new statement as a retained loss, and is in favor of a dividend payout of € 0.00 (CHF 0.00) per share.

Subsequent Events

At the end of January 2020, the World Health Organization (WHO) declared a global health emergency in view of the rampant spread of the Coronavirus. On March 11, 2020, the WHO classified the spread of the virus as a pandemic. The further development of the global situation and its impact on the EDAG Group is being continuously monitored. As a result of the continuous increase in the infection rate worldwide, and especially in Europe, March 2020 saw the first site closures by our key customers in response to government-imposed measures to contain the spread of the virus. In all probability, these measures will be in place for several weeks. It is reasonable to assume that this will have a short-term negative impact on sales and business development of the EDAG Group companies. The potential burdens on EDAG that we can currently identify have been considered and described in the Forecast section of the Group Management Report. No additional burdens are either known or foreseeable at the present time, although the possibility of their occurring in the course of the year cannot be ruled out.

No other important events that have a material impact on the net assets, financial position or financial performance of the EDAG Group took place after the balance sheet date.

Arbon, April 1, 2020

EDAG Engineering Group AG

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors and
Chairwoman of the Audit Committee

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

4.6 Appendices

Development of Fixed Assets

in € thousand	(Historical) Cost				
	01/01/2019	Additions	Disposals	Currency translation	12/31/2019
Intangible assets					
Software	1	0	0	0	1
Total intangible assets	**1**	**0**	**0**	**0**	**1**
Property, plant and equipment					
Other equipment, operating and office equipment	74	1	0	0	75
Total property, plant and equipment	**74**	**1**	**0**	**0**	**75**
Investments					
Shares in affiliated companies	420,610	0	11,700	0	408,910
Total financial assets	**420,610**	**0**	**11,700**	**0**	**408,910**
TOTAL	**420,685**	**1**	**11,700**	**0**	**408,987**

in CHF thousand	(Historical) Cost				
	01/01/2019	Additions	Disposals	Currency translation	12/31/2019
Intangible assets					
Software	2	0	0	0	2
Total intangible assets	**2**	**0**	**0**	**0**	**2**
Property, plant and equipment					
Other equipment, operating and office equipment	83	2	0	-3	82
Total property, plant and equipment	**83**	**2**	**0**	**-3**	**82**
Investments					
Shares in affiliated companies	473,985	0	12,699	-17,455	443,831
Total financial assets	**473,985**	**0**	**12,699**	**-17,455**	**443,831**
TOTAL	**474,070**	**2**	**12,699**	**-17,458**	**443,914**

in € thousand	Accumulated depreciation				Carrying amount	
	01/01/2019	Additions	Currency translation	12/31/2019	01/01/2019	12/31/2019
Intangible assets						
Software	1	0	0	1	**0**	**0**
Total intangible assets	**1**	**0**	**0**	**1**	**0**	**0**
Property, plant and equipment						
Other equipment, operating and office equipment	29	6	0	34	**45**	**41**
Total property, plant and equipment	**29**	**6**	**0**	**34**	**45**	**41**
Investments						
Shares in affiliated companies	0	0	0	0	**420,610**	**408,910**
Total financial assets	**0**	0	**0**	**0**	**420,610**	**408,910**
TOTAL	**30**	**6**	**0**	**36**	**420,655**	**408,951**

in CHF thousand	Accumulated depreciation				Carrying amount	
	01/01/2019	Additions	Currency translation	12/31/2019	01/01/2019	12/31/2019
Intangible assets						
Software	2	0	0	2	**0**	**0**
Total intangible assets	**2**	**0**	**0**	**2**	**0**	**0**
Property, plant and equipment						**0**
Other equipment, operating and office equipment	32	7	-2	37	**51**	**44**
Total property, plant and equipment	**32**	**7**	**-2**	**37**	**51**	**44**
Investments						**0**
Shares in affiliated companies	0	0	0	0	**473,985**	**443,831**
Total financial assets	0	0	0	0	**473,985**	**443,831**
TOTAL	**34**	**7**	**-2**	**39**	**474,036**	**443,875**

Changes in Equity

in € thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Retained loss	Currency translation differences	Total equity
As per 01/01/2019	**920**	**418,410**	**- 80**	**418,330**	**- 8,695**	**-**	**410,555**
Loss	-	-	-	-	- 2,183	-	- 2,183
Removal	-	- 18,750	-	- 18,750	-	-	- 18,750
As per 12/31/2019	**920**	**399,660**	**- 80**	**399,580**	**- 10,878**	**-**	**389,622**

Retained earnings							
in CHF thousand	**Subscribed capital**	**Capital reserve**	**Other capital reserve**	**Total capital reserve**	**Retained Loss**	**Currency translation differences**	**Total equity**
As per 01/01/2019	**1,000**	**451,575**	**- 87**	**451,488**	**- 9,650**	**19,816**	**462,654**
Currency conversion difference at the beginning balance	-	-	-	-	-	- 16,303	- 16,303
Loss	-	-	-	-	- 2,429	-	- 2,429
Removal	-	- 21,026	-	- 21,026	-	-	- 21,026
As per 12/31/2019	**1,000**	**430,549**	**- 87**	**430,462**	**- 12,079**	**3,513**	**422,896**

Share ownership list in accordance with article 959c p. 2 No. 3 of the Swiss Code of Obligations (OR)

	Registered in Switzerland and Germany	Domicile	Capital share in %		Voting right
			Direct	Indirect	
1.	EDAG Engineering Schweiz Sub-Holding AG	Switzerland	100	-	100
2.	EDAG Engineering Holding GmbH	Germany	-	100	100
3.	EDAG Engineering GmbH	Germany	-	100	100
4.	EDAG-Beteiligung GmbH	Germany	-	100	100
5.	EDAG Production Solutions GmbH & Co. KG	Germany	-	100	100
6.	EDAG Production Solutions Verwaltungs GmbH	Germany	-	100	100
7.	EDAG Werkzeug + Karosserie GmbH	Germany	-	49	49
8.	EDAG aeromotive GmbH (BFFT aeromotive GmbH)	Germany	-	100	100
9.	Parkmotive GmbH (vormals: EDAG EE Treuhand GmbH)	Germany	-	100	100
10.	EDAG Akademie GmbH (vormals: Rücker Akademie GmbH)	Germany	-	100	100
11.	EDAG Engineering Schweiz GmbH	Switzerland	-	100	100

	Registered in other countries	Domicile	Capital share in %		Voting right
			Direct	Indirect	
12.	EDAG Engineering Limited	Great Britain	-	100	100
13.	EDAG do Brasil Ltda.	Brazil	-	100	100
14.	EDAG, Inc.	USA	-	100	100
15.	EDAG HOLDING SDN. BHD.	Malaysia	-	100	100
16.	EDAG Hungary Atófejlesztö Méröki Kft.	Hungary	-	100	100
17.	EDAG Production Solutions India Pvt. Ltd.	India	-	100	100
18.	EDAG Technologies India Priv. Ltd.	India	-	100	100
19.	EDAG Production Solutions CZ s.r.o.	Czech Republic	-	100	100
20.	EDAG Japan Co., Ltd.	Japan	-	100	100
21.	EDAG Engineering and Design (Shanghai) Co., Ltd.	China	-	100	100
22.	EDAG México S.A. de C.V.	Mexico	-	100	100
23.	EDAG Servicios México S.A. de C.V.	Mexico	-	100	100
24.	EDAG Production Solutions, Inc.	USA	-	100	100
25.	CKGP/PW & Associates, Inc.	USA	-	100	100
26.	BFFT of America, Inc.	USA	-	100	100
27.	Rücker Vehicle Design (Shanghai) Co., Ltd.	China	-	100	100
28.	EDAG Italia S.R.L.	Italy	-	100	100
29.	EDAG Engineering CZ spol. s r.o.	Czech Republic	-	100	100
30.	EDAG Engineering Polska Sp.z.o.o.	Poland	-	100	100
31.	Rücker Lypsa S.L.	Spain	-	100	100
32.	EDAG Engineering Scandinavia AB (vormals: HRM EDAG Engineering AB)	Sweden	-	100	100
33.	HRM Engineering AB	Sweden	-	100	100
34.	Müller HRM Engineering AB	Sweden	-	100	100
35.	OOO EDAG Production Solutions RU	Russia	-	100	100
36.	EDAG Netherlands B.V.	Netherlands	-	100	100

There were no changes in the capital and voting rights of the companies listed above compared with the previous year. There were no additions in the 2019 calendar year.

For the following companies which were indirectly held on 31 December 2018 (100% capital share and voting rights), the following transactions led to the loss of capital shares and voting rights in the past calendar year:

BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim, was merged with EDAG Engineering GmbH, Wiesbaden, as part of a chain merger via BFFT Holding GmbH, Munich, with retrospective effect from January 1, 2019. The merger of BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim, with BFFT Holding GmbH, Wiesbaden, was entered into the commercial register on May 29, 2019. The merger of BFFT Holding GmbH, Wiesbaden, with EDAG Engineering GmbH, Wiesbaden, was entered into the commercial register on June 4, 2019.

VR-Leasing Malakon GmbH & Co Immo. KG, Eschborn, was dissolved with effect from June 30, 2019.

With effect from August 1, 2019, BFFT Italia S.R.L., Bolzano, was merged with EDAG Italia S.R.L., Turin.

Report of the statutory auditor

(Statutory Financial Statement)

Report of the statutory auditor to the General Meeting of the EDAG Engineering Group AG, Arbon

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the EDAG Engineering Group AG, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended and notes.

In our opinion, the financial statements (pages 252 – 275) as at 31 December 2019 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the investment in the subsidiary

Key audit matter

We consider the impairment testing of the investment in the subsidiary to be a key audit matter for the following reasons:

The investments in EDAG Engineering Schweiz Sub-Holding AG in the amount of EUR 409 million (CHF 444 million) represents the largest asset on the balance sheet (99.9% of total assets) as at 31 December 2019. If this investment had to be impaired, it would have a significant impact on the net assets/equity of the Company. Testing the investment for impairment depends on the future results of the company concerned. In addition, there is significant scope for judgement in determining the assumptions relating to future results.

Please refer to the notes and, in particular, 'Infor-mation on accounting, valuation and disclosure methods' (Accounting for and valuation of assets) and the 'Notes on balance sheet items' (Fixed assets).

How our audit addressed the key audit matter

We performed audit procedures on the valuation of the investment as at 31 December 2019. Management carried out an impairment test on the investment in EDAG Engineering Schweiz Sub-Holding AG.

We (accompanied by an internal expert) performed the following:

- We verified the method used to test the investment for impairment and assessed the calculation of the discount rate.
- We checked the appropriateness of the future cash inflows used for the valuation. Following checks have been performed to assess the forecast accuracy of the future cash inflows:
  - o Comparing with available actual figures
  - o Comparing with the latest budget figures taken from the three-year plan prepared by the Board of Directors
  - o Performing sensitivity analysis and
  - o by reconciling them to general and industry-specific market expectations of the company.
- We checked the parameters used in calculating the discount rate and examined the calculation model.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the finanical statements submitted to you be approved.

Deloitte AG

Roland Müller	Ueli Sturzenegger
Accredited Audit expert	Accredited Audit expert
Auditor in charge	

Zurich, April 1, 2020

FINALLY

AFFIRMATION OF THE LEGAL REPRESENTATIVE (BALANCE SHEET OATH)

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles, the consolidated financial statement conveys a proper picture of the assets, financial position and financial performance of the Group, and that the management report represents the company's business trends, including the financial results and the position of the Group, such that the actual conditions and the essential opportunities and risks pertaining to the anticipated development of the Group are accurately delineated.

Arbon, April 1, 2020

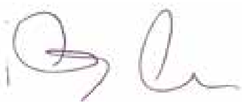
EDAG Engineering Group AG

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors



Dr. Philippe Weber, Member of the Board of Directors

Manfred Hahl, Member of the Board of Directors

Clemens Prändl, Member of the Board of Directors

LEGAL NOTICE

This report includes predictive statements about future developments that are based on the current views of the management team. Statements of this kind are associated with certain risks and uncertainties. Should one of these uncertainty factors or other uncertainties materialize, or the assumptions on which the statements are based prove to be inaccurate, the actual results may differ substantially from the results which are either expressed or implied in these statements. We neither have the intention nor undertake any obligation to continuously update forward-looking statements, as they exclusively relate to the circumstances that existed on the date of their publication.

IMPRINT

Legal notice & contact
Do you have any questions or suggestions regarding our Annual Report?
Then please contact us:
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The English version of the Annual Report is a translation of the German version. The German version is legally binding.

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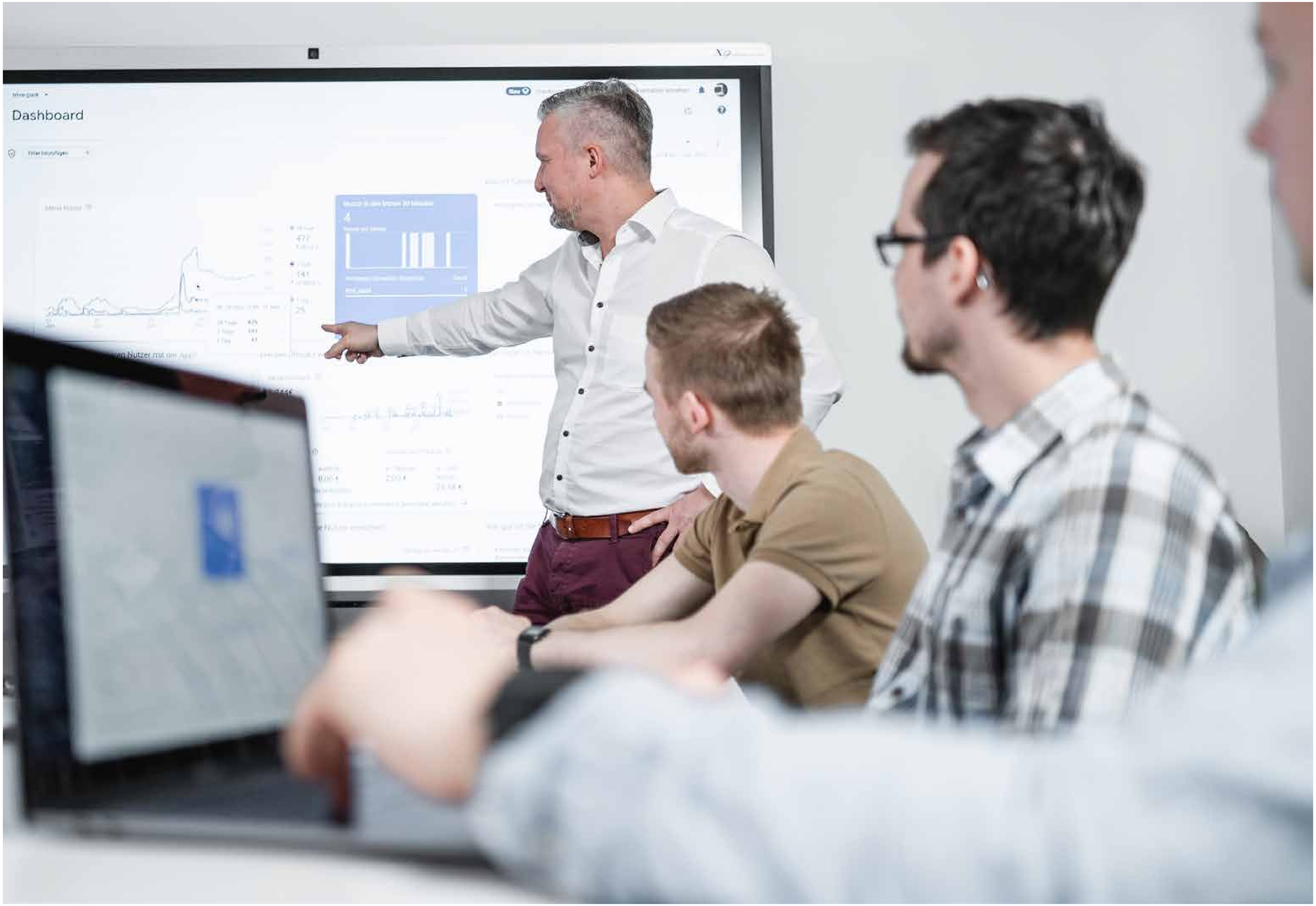
Dashboard

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