WE DEVELOP THE FUTURE

EDAG ANNUAL REPORT 2017

SELECTED **PERFORMANCE FIGURES** FROM CONSOLIDATED FINANCIAL STATEMENT

(in million € or %)	2017	2016
Vehicle Engineering	450.7	454.3
Production Solutions	130.6	118.4
Electrics/Electronics	148.4	152.3
Consolidation/Others	- 13.0	- 10.1
Total revenues[1]	**716.7**	**714.9**
Growth of core business:		
Vehicle Engineering	*-0.8%*	*-0.2%*
Production Solutions	*10.3%*	*-1.2%*
Electrics/Electronics	*-2.6%*	*-4.2%*
Total revenues[1]	***0.3%***	***-1.0%***
Vehicle Engineering	18.1	28.1
Production Solutions	8.8	11.9
Electrics/Electronics	5.7	4.2
Others	-	- 0.4
Adjusted EBIT	**32.6**	**43.8**
Vehicle Engineering	*4.0%*	*6.2%*
Production Solutions	*6.7%*	*10.0%*
Electrics/Electronics	*3.8%*	*2.8%*
Adjusted EBIT-margin	***4.6%***	***6.1%***
Profit or loss	**14.3**	**18.0**
Earnings per share (€)	0.57	0.72

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

(in € million or %)	12/31/2017	12/31/2016
Fixed assets	195.1	186.8
Net working capital	92.6	99.6
Net financial debt	- 103.6	- 98.1
Provisions	- 39.7	- 39.6
Held for sale	3.2	4.1
Equity	**147.6**	**152.8**
Balance sheet total	**442.6**	**430.4**
Equity/BS total	33.3%	35.5%
Net financial debt/Equity	70.2%	64.2%

(in million € or %)	2017	2016
Operating Cash-Flow	51.6	51.8
Investing Cash-Flow	- 28.5	- 27.3
Free Cash-Flow	23.1	24.5
Financing Cash-Flow	- 27.7	- 76.4
Adjusted Cash Conversion Rate[2]	60.9%	57.0%
CapEx	21.7	27.9
CapEx/Revenues and changes in inventories	3.0%	3.9%

[2] *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.*

	12/31/2017	12/31/2016
Headcount end of period	8,404	8,270
Trainees as %	6.5%	6.9%

INTERVIEW WITH THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CEO/CFO ON THE SUBJECT **OF THE 2017 FINANCIAL YEAR**

THOMAS EICHELMANN AND JÜRGEN VOGT ON DEVELOPMENTS IN THE 2017 FINANCIAL YEAR AND FORECASTS FOR 2018

What is your assessment of the financial year just ended?

Thomas Eichelmann:
EDAG, like the automotive industry as a whole, is currently undergoing enormous changes, in order to be able to master the global challenges posed by the mobility of the future. You are familiar with the catchwords generally associated with the subject: climate protection, car IT, autonomous driving, globalization. There are opportunities for us in all of these fields, and, despite fierce competition, we are actively trying to make the most of these.

Jürgen Vogt:
Our incoming orders amounted to € 722.7 million, sales revenues and changes in inventories to € 716.7 million, und our adjusted EBIT to € 32.6 million, which is equal to an adjusted EBIT margin of some 4.6 percent. At the end of the year, we employed a workforce of 8,404. Even though we had plans for growth, we still regard the results achieved as acceptable.

No responsibility can be attached to our dedicated and capable employees for the fact that the results did not quite correspond with our plans, and I would like to take this opportunity to praise and thank them. We are, however, not yet in an ideal position to take full advantage of all that will be happening in the future.

How do you view the present market environment?

Jürgen Vogt:
On the one hand, the OEMs' investments in research and development for eMobility are extensive: Daimler have set a target quota of 6-7 percent of the company's revenues for research and development services, and plan to electrify all Mercedes-Benz models by 2022. BMW's quota is similar, and is expected to amount to 7 percent in 2018; Audi are also planning a research and development quota of more than 6 percent, and Volkswagen plan to have electrified 80 models by 2025. And this is not including any of the system suppliers' R&D expenses. This means that although the outlook is generally good, it is also not only extremely specific, focusing as it does on eMobility, but also fiercely contested.

How do you want to remain successful in this market?

Thomas Eichelmann:
With Cosimo De Carlo, EDAG has gained an expert in our industry who has in-depth knowledge of areas where EDAG still has some catching up to do. While we already enjoy a leading position in the fields of vehicle engineering and production solutions, Cosimo De Carlo will be able to bring about many positive changes in the electrics/electronics field and make EDAG one of the leading providers of eMobility services. To facilitate his entry into the company, we initiated the internal restructuring of this division at the end of 2017, and believe that Cosimo De Carlo can now lead it to success.

Jürgen Vogt:
In this division, too, EDAG has good ideas and good employees: we do, however, need to improve the networks between them. Even though a certain degree of competition stimulates business, in the past there was always a risk of people getting in each other's way. This subject is just as pressing as acquiring new know-how: through strategic recruiting, promoting internal startups, new acquisitions or additional facilities abroad. These measures in themselves, however, are not enough: we must then ensure that employees remain motivated and involved.

JÜRGEN VOGT
CEO/CFO

THOMAS EICHELMANN
Chairman of the board of directors

How would you do that?

Jürgen Vogt:
The Board of Directors, my colleagues in the Group Executive Management and I have, of course, already given this matter some very serious thought. This is, among other things, a question of culture: German vehicle manufacturers still continue to be the mainstays of our business. We all speak the same language, and everyone knows what everyone else means. We understand the needs of our customers, and our work with them is both enjoyable and very successful.

Thomas Eichelmann:
However we mustn't forget that the market in which we operate is extremely competitive: with regard to employees on the one hand, and contracts on the other. We must not lose sight of our profitability. This is an ongoing issue, and involves heightening cost awareness, refining processes and improving resource utilization. Profit optimization is a constant concern. The Board of Directors is aware of the fact that, in this respect, the Group Executive Management has to perform a delicate balancing act. This is why we think it is important, with Cosimo De Carlo, to have someone from outside of the company who will take a fresh view of things and identify areas of potential at EDAG.

Yes, changes do give rise to uncertainty. But in order to be able to make our mark among the new, international eMobility providers, we have to demonstrate a more culturally open-minded attitude, leave our comfort zone behind and perhaps even break with tradition here and there and re-think a few privileges. Just because something has always been done in a certain way doesn't necessarily make it a good idea. If we come to a standstill, we can no longer meet our own standards and claim to be innovation drivers.

Does the restructuring carried out also include plans for long-term incentives for the management?

Thomas Eichelmann:
Within the scope of the structural measures being undertaken in the E/E division, we are currently working on structures that will make it possible for individual members of the EDAG Group's extended management to participate in the company's success, for instance in the form of shares. This is feasible within a single judicial area. On account of the structure,

which involves a Swiss company, listing on the German stock exchange, and multi-national managers, share programs at the level of EDAG Engineering Group AG are subject to a complex regime of standards, and we would prefer to motivate our employees and managers rather than our advisors.

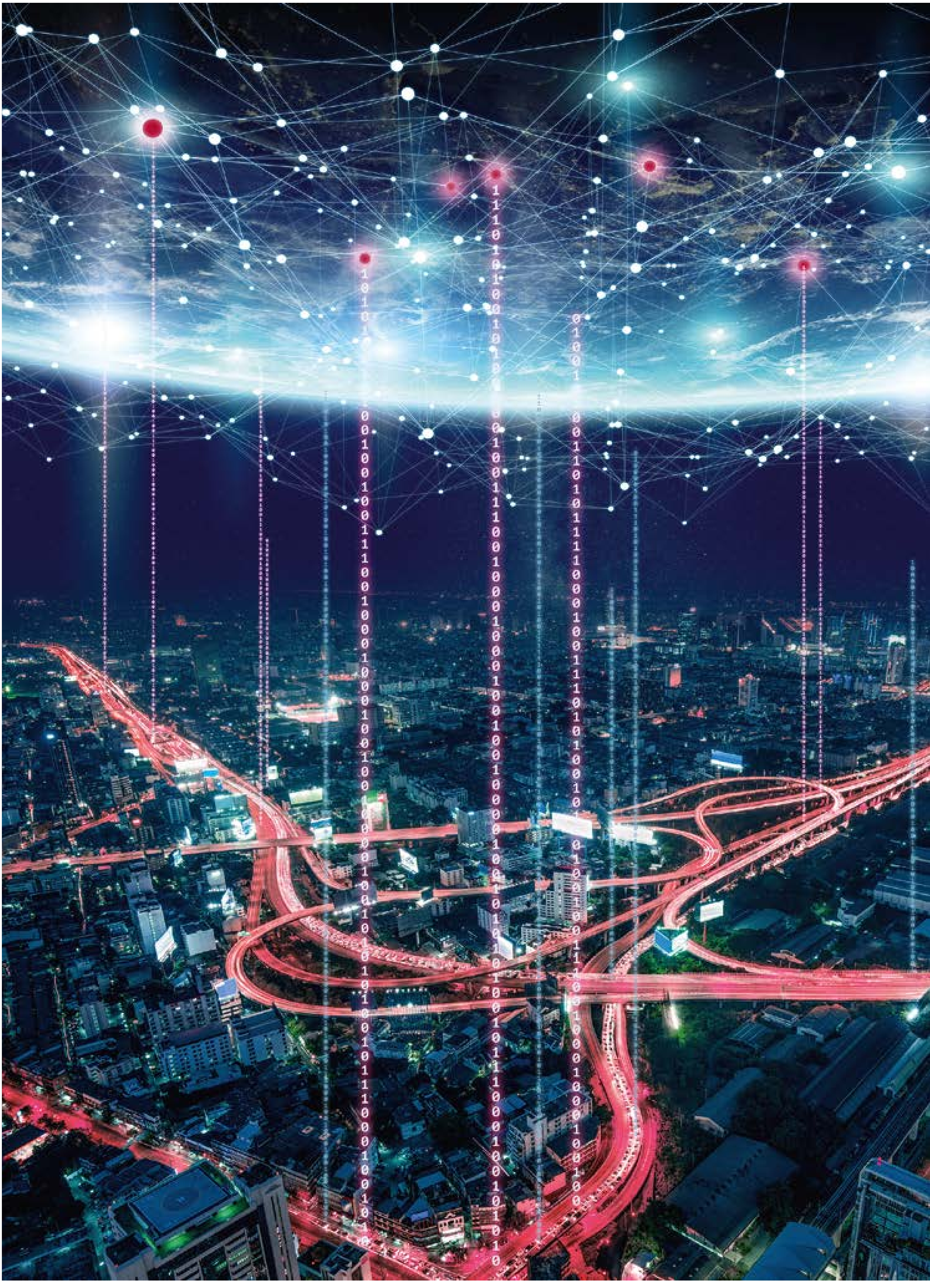
Are capital measures planned for 2018? And will there be any changes to the the funding structure?

Thomas Eichelmann:
In 2017, EDAG made small, strategic acquisitions in Sweden and the USA, which were financed through the regular cash flow. For 2018, we have also identified a number of areas and locations in which we would like to step up our presence. At the present time, however, nothing is official. We are observing the market.

The loan agreement between ATON Group Finance GmbH and EDAG is due to expire in November 2018, and the refinancing is currently under discussion. EDAG is at the moment in discussions with both the current financing partner and various banks, in order to negotiate the best possible solid funding basis for the coming years.

Will you be sticking to the previous dividend policy in 2018?

Thomas Eichelmann:
Yes. We plan to pay a dividend of € 0.75 per share again this year.



EDAG – DEVELOPERS OF MOBILITY FOR THE FUTURE

HIGHLIGHTS OF THE YEAR 2017

The EDAG Group started the new financial year as one of the world's largest independent engineering specialists for the integrated development of vehicles and manufacturing facilities with a global workforce of some 8,300.
The Mercedes-Benz GLC F-CELL, which uses fuel cell/hydrogen technology, goes into regular series production at the Mercedes-Benz plant in Bremen. EDAG is carrying out the conversion to the alternative powertrain at the facility in Bremen specially founded for this purpose.

With McLaren, the EDAG Group acquired a further well-known customer in England. We will be developing the exterior and interior volumes for the Spider version of the McLaren 720S at the Barcelona facility in Spain. EDAG is to be responsible for the body engineering (exterior/interior) for the McLaren 570 successor. For the tenth time in a row, EDAG won a German "Top Employer" award, taking 1st place in the "Engineers" category.

EDAG presented "Create for the best. Be proruptive", an engineering concept for greater sustainability and profitability, at the Geneva Motor Show. And underlined the fact that improving established solutions without avoiding state-of-the-art technologies and methods is the way forward.
In the commercial vehicle sector, MAN awarded EDAG an order to develop the chassis and cab for a fully battery-operated truck for delivery services, and design a new vehicle architecture for it.

The EDAG Group acquired an extensive engineering project for the development of new motor cycle models from a new customer on the Indian market. In addition to the major chassis development project for BMW, an initial contract was also acquired for the validation of brakes at the testing station

Until 2023, EDAG will be handling the package/complete vehicle volumes for all vehicles from the 6 series upwards for BMW. In the field of vehicle integration, EDAG's CAE / Safety department was awarded three projects in the future-oriented fields of driver assistance systems, system development and testing in the VW environment.

On June 1, 2017 the EDAG Group acquired all the shares in HRM Engineering AB, based in Gothenburg in Sweden. With this move, the EDAG Group further increased its access to the Swedish market, expanding its competence spectrum in Scandinavia, particularly in the fields of electrics/electronics and software development.

January February March April May June

In the Production Solutions segment, we succeeded, with the purchase on July 1, 2017 of the company CKGP/PW & Associates Inc., in getting a foothold in the US market. In recognition of the company's technical innovative spirit, EDAG PS received the AEE Innovation Award for their media free gripper in the summer. In the field of implementation engineering, the company was awarded a systems engineering contract for the electric variant of a product platform for an OEM in the south of Germany. In addition, the Assembly Planning department successfully acquired the digital product validation of two sports cars from the same OEM.

In Frankfurt, EDAG presented the first ever live engineering project in the history of the IAA. In the course of the twelve-day motor show, engineering experts worked on the #collectivio project and, using the SCRUM method, developed a concept for a robot vehicle with swarm intelligence. Throughout the motor show, the general public were able to interact with the team via the social media channels, and have their requirements incorporated in the ongoing engineering process.

EDAG do Brasil was the first EDAG Group company to celebrate its 25th anniversary. Now 200-strong, the team have established their position as an engineering partner to the Brazilian market among international and Brazilian manufacturers and system suppliers.

In the commercial vehicle segment, the EDAG Group was awarded a contract by a German OEM for the development of a self-driving truck for use in areas not open to the general public.

The EDAG Group celebrated an exceptional achievement in staff training. After already taking the Guild Champion title awarded by the Chamber of Commerce for the Osthessen region in March and later becoming Regional Champion for Hesse, 20 year-old EDAG apprentice Maximilian Knacker then went on in November to win the nationwide competition, in the category "Vehicle Body Maintenance Technician".

With 190 new apprentices and dual students, the EDAG Group continues its commitment to junior staff development in Germany. More than 2,500 young people have been apprentices at EDAG in the past 44 years.

EDAG won the gold MATERIALICA Award for the "Light Hinge+", an ultra-lightweight hood hinge.

A Scandinavian OEM awarded EDAG PS a contract for the development and supply of prototype equipment for a sport coupé and for the concept engineering for the corresponding factory. The prototype equipment is in the meantime being re-used in one of the OEM's Chinese plants.

EDAG received from BMW one of its most significant orders for the development and validation of driver assistance systems. In cooperation with BMW, we will be developing the future generation of driver assistance systems to meet the requirements on highly automated and autonomous driving. A further element of the contract is the validation of all assistance systems developed.

July August September October November December

COLLECTIVIO: THE AUTOMOBILE AS A COLLECTIVE IDEA.

EDAG DEMONSTRATES THE FUTURE OF ENGINEERING AT THE IAA 2017
INTERACTIVE, DEMOCRATIC AND FAST TRACKING WITH SCRUM

In the future, we will not be driving. We will be being driven. Autonomous driving is no longer just a vision. In the wake of discussions about the sustainable design of the automobile, there is increasing evidence of concrete ideas being implemented in new vehicles. Fully automated driving, for instance, is already a technical possibility – all we are waiting for is the legislation and the necessary legal framework.

The development towards the self-driving vehicle poses new questions in connection with current urban problems such as lack of parking, the emissions debate and the trend of car sharing. Will it make any sense at all in the future to regard a car as one's „property"? Exactly what new vehicle and operating concepts will be necessary in a future with autonomous driving? And might additional digital services that the driver can use while driving be a useful addition to the existing business model of the automotive industry?

The EDAG Group provided initial answers to these key questions for Mobility 2.0 at the IAA 2017, with its live engineering project #collectivio. And in the process also showed how the scrum method can be used to make the engineering process more flexible, so as to be able to respond more rapidly to the constantly changing demands being made on the automobile.

The EDAG stand was transformed into a development laboratory for what could well be Germany's first live engineering project. Experienced developers from six technical divisions had set themselves the task of carrying out the live development of a vehicle concept using the scrum method during the show. Visitors were able not only to watch the EDAG engineering specialists live, but also to interact and play an active part in the concept phase via social media channels.

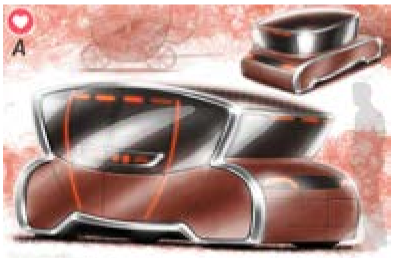
TAKING AUTONOMOUS DRIVING ONE STEP FURTHER
WHEN CARS WORK TOGETHER TO THINK AND DRIVE MORE EFFECTIVELY: THE EDAG PROJECT #COLLECTIVIO.

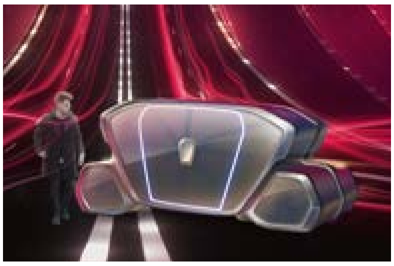
With #collectivio, EDAG also wanted to show that the concept of autonomous driving can be taken even further. After all, why have just autonomous driving if collectively vehicles can do so much more? This might include passenger transport for during the rush hour, self-driving delivery vehicles for the transport of goods, or an intelligent car sharing model. Connecting vehicles to create a swarm could make possible everything we expect from the mobility of the future. Namely easing the traffic situation, putting resources to more efficient use, and gaining more space, time and comfort for everyone.

DEVELOPMENT BY AND FOR PEOPLE

Even if the general aim of EDAG's #collectivio project had already been outlined, just how it would be implemented still remained to be seen, because the requirements were not defined by the engineers alone, but also relied on the input of the potential future #collectivio users. Over 1,000 requirements, ideas and wishes were received from the general public via the social media channels. The hashtag „#collectivio" served as a pool for ideas for the EDAG engineers - all features, comments and contributions were transferred live to a social media wall, evaluated by the specialists, and ideally incorporated in the project.

Collectivio IAA-Trailer
Youtube





COLLECTIVE DESIGN

More than anything, it is the design which moves and interests people. From the community came the clear requirement that seats should be provided, not standing places. Interestingly, suggestions from the public indicated that the design of the #collectivio should be lounge-like and conducive to communication. Attributes such as sporty characteristics and aerodynamics made almost no appearance in the wish list. Instead, variably adjustable seating to allow luggage and furniture to be transported and provide space for baby carriages was required, as were solar cells on the roof.
This is an astonishing result, which indicates that people have adapted faster than expected to the paradigm change from the conventional vehicle to an autonomously driving traffic concept. The creative process culminated in the development of an exterior design that is deliberately reminiscent of a historical carriage. In the figurative sense, the carriage was after all the first self-driving vehicle in history. With a concave seating arrangement, storage compartments and spaces, the interior design produced met the needs for communication and practicability.

#COLLECTIVIO - DERIVATIVE FOR EVERY NEED

The focus of the #collectivio idea is no longer on mobility alone, but much more on meeting needs. Apart from being able to relax and communicate, people also want to work in the car or use a #collectivio to run errands and deliver orders. For this reason, it is not possible to have just one version of the #collectivio; the vehicle must provide whatever features are necessary to meet different needs. This will lead to the creation of various derivatives for the interior, and implies other interesting business models - in the future, the manufacturers will be able to set themselves apart by offering application-specific interior concepts. However, one thing the project did clearly demonstrate was that, apart from quality and design, the service package will be the key success factor in the future. The car of tomorrow must be updateable, in order to be able to offer new software features as quickly as possible.

LANGUAGE, GESTURES AND VR INSTEAD OF BUTTONS, CRANKS AND THE CAR RADIO

In the course of the show, the HMI team developed a light and symbol system for the #collectivio's exterior, to communicate with the user. To guarantee intuitive and easy-to-understand communication, virtual eyes, which form a central component of the interaction concept, were integrated in the vehicle. The #collectivio was able, for instance, to establish visual contact and indicate that it had seen and recognized the passenger. A total of some 20 facial expressions were defined, described and assigned to the corresponding system states for #collectivio at the IAA. A conscious decision was made to dispense with the use of mechanical controls inside the #collectivio; not least to permit new functions and services to be integrated quickly and easily. A virtual ball was developed to serve as a central control element; this is projected into the user's field of view and can also be tactually experienced.

NEW VIRTUAL WORLD

The VR team responded to the community's desire for communication and developed the „virtual passenger" system. Friends or work colleagues can be displayed live in the virtually simulated interior of the #collectivio live, making it possible to have a personal chat during the journey. In addition, the business model of a „parallel world" was also developed as an entertainment program. Visitors to the stand were able to put on VR glasses and enter virtual worlds which also react to the #collectivio's actual movements and provide a new type of entertainment.

The app team developed a voice-operated application for booking and using the #collectivio. Throughout the 12-day motor show, the #collectivio „vocabulary" was constantly extended using AI-assisted voice control.

ENGINEERING 2.0: FAST TRACKING WITH SCRUM

The SCRUM method, which has its origins in the software industry, was employed to ensure that the EDAG specialists at the IAA were able to react to audience input with flexibility and spontaneity. The SCRUM method takes an ultimate vision, which is then realized in a series of intermediate steps. Implementation is geared not to the usual product specifications, but to tasks which are formulated from the user's point of view and then tackled in „sprints" – set periods of time during which intermediate targets must be accomplished. At the end of the 12-day field trial, the EDAG development teams expressed their belief in the potential of this development method for the automotive segment.

„Our sector is in an unprecedented state of change. As one of the leading engineering partners in the industry, EDAG will continue to play a decisive role in this transformation process," underlined Jürgen Vogt, CEO of the EDAG Group. „More and more, we will be changing from a classic engineering service provider into an innovative provider for the key areas of connected, electrically powered driving."

DATA IS THE NEW CURRENCY

EDAG DEVELOPS DIGITAL BUSINESS MODELS FOR THE AUTOMOTIVE INDUSTRY

Data has long since developed into the new currency in today's world. This is something that Facebook, Amazon & Co. proved long ago with their meteoric success. This market segment has so far not been developed in the automotive industry. And yet the potential is enormous, especially if vehicle data is not restricted to just internal vehicle or manufacturer applications, but processed into valuable data packages.

To this end, the EDAG Group has developed a new business model, demonstrating additional new market potential.

VEHICLES REPRESENT A HUGE ARMADA OF DATA SUPPLIERS

Today's vehicles are gigantic suppliers of information, and like an enormous swarm, they record a constant stream of data almost everywhere, 24 hours a day. The many sensors and systems installed in them make this possible.

This enormous potential has so far remained largely untapped and is currently only used in the microcosm of vehicle technology and safety. „Our business model proposes bringing about the industry-wide, central consolidation of this vehicle data, and then qualifying and converting it so that it is suitable for the services of automotive and non-automotive partners," explains Jürgen Vogt, EDAG Group CEO.

The EDAG business model centers on an analysis technique which intelligently links and interprets the gigantic amount of vehicle data generated, and then condenses it into marketable data packages and digital services.

EDAG's business model opens up a large number of potential marketing scenarios. Vehicles can become mobile weather stations, for example. „Thanks to the number of mobile data suppliers on the road, we could provide the weather services with an unprecedented, up-to-the-minute information quality," explains Johannes Barckmann, a member of EDAG's Innovations team. However, added value does not occur until the separate data types, for instance GPS, temperature information or documented feedback from the chassis system, are linked. „In our servers, we transform the swarm data into swarm intelligence - according to the specific marketing purpose," adds Barckmann. Thanks to the camera systems installed in the vehicles, another digital service will also be possible in the future. The real-time data transfer rate this will require will soon be available, following the deployment of the 5G network.

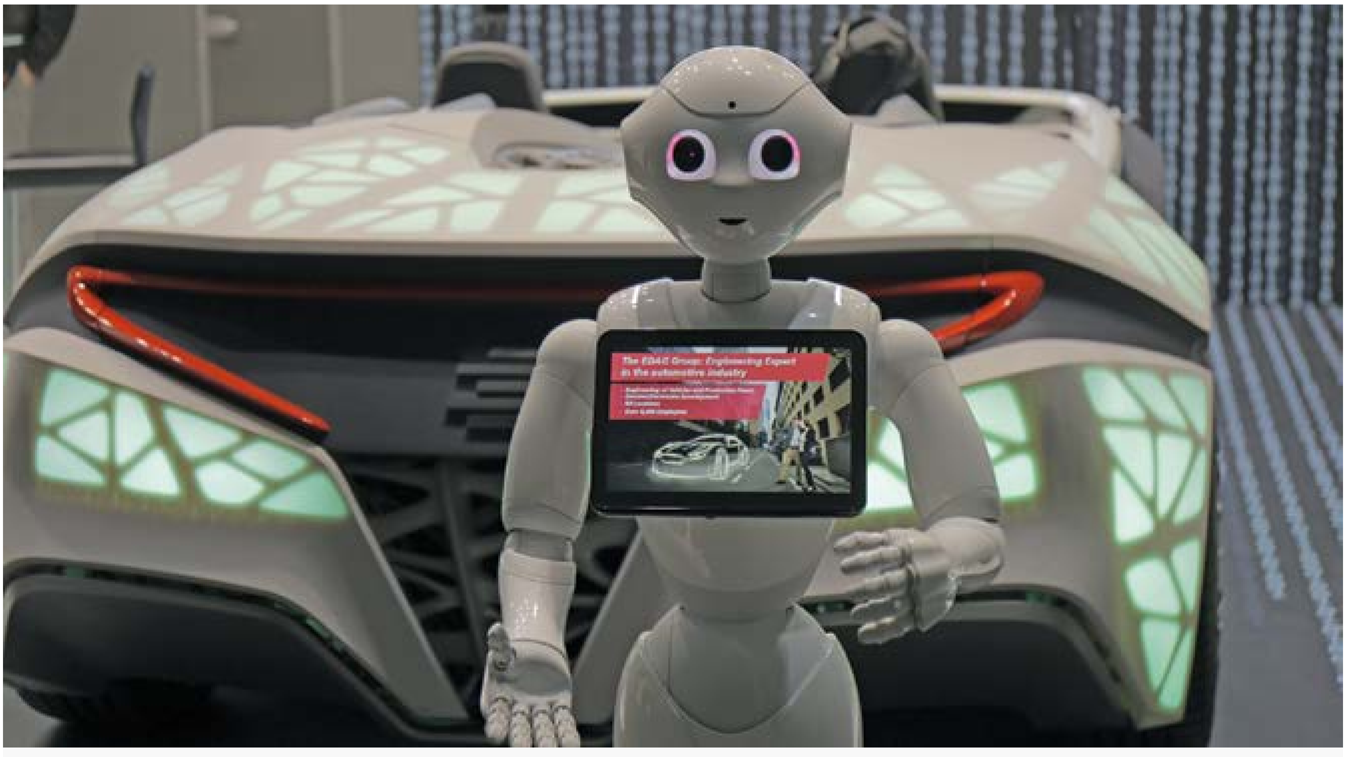
Within the 5G network, the recorded images could provide the mobile community with an intelligent parking system: information on free parking spaces in the city is continually recorded and updated, and made available to drivers without delay. The vehicle data recorded could also be of interest to insurance companies and policy holders, and facilitate a fair, customer-oriented system in which individual insurance premiums are established for car drivers.

EDAG Digital Services MWC-Trailer
Youtube

The EDAG model proposes intelligently combining and evaluating recorded speeds, information from distance sensors, the number of revs measured, braking maneuvers and spot-on regional weather data. The driver could, with his driving style, help to influence the amount of his own insurance premium.

For its analysis technique, the EDAG Group has implemented and further developed intelligent database and cluster systems such as Spark, hadoop, Kafka, elastic and cassandra. The partners' data is saved, analyzed, contextually linked and interpreted on the EDAG servers.

EDAG is developing the first concrete application, a system for recording road damage to provide greater safety and driving comfort for a German premium manufacturer. Via the chassis sensors, the precise location of road damage is detected and transmitted to a central computer, where it is permanently cataloged and evaluated. This information is continually relayed to all customer vehicles of the manufacturer, and the chassis is adjusted in anticipation of approaching road damage.



DATA IS THE NEW CURRENCY - NOW ALSO IN THE AUTOMOTIVE INDUSTRY!

Data has developed into the new currency, and brought about new and moreover highly profitable business models. The EDAG Group is systematically pursuing the objective of transferring the potential of the data gathered by vehicles worldwide into digital service models and marketing these across the various branches of industry. The process is not just based on collecting and selling data to third parties; the idea is for car owners to profit, too, which means they would decide for themselves what vehicle data they want to release, and either be paid a sum of money for the data records provided, or receive some kind of benefit such as lower, individual insurance premiums in insurance cases.

Big data will play a major role in the world of connected vehicles in the future, and more importantly, develop additional market volume. This innovative business model based on the central recording, analysis and interpretation of swarm data collected from vehicles, marks EDAG's departure into the digital world. The future-related themes of big data, connectivity and alternative powertrains are becoming essential elements of EDAG's expertise in vehicle and production plant development. „As a design engineering company that is helping to define the mobile future, we aim to use our own concepts to proactively shape the transformation process and establish new business models - also in the digital world," affirms Jürgen Vogt, EDAG Group CEO.

DISTINCTIVE OPEN SOURCE INNOVATIONS AND GROUND-BREAKING PILOT PROJECTS

THE EDAG COMPETENCE CENTERS – MARKET-ORIENTED TECHNOLOGY AND INNOVATION MANAGEMENT IN 2017

The competence centers (CC), EDAG's innovation management, actively promote technological development and innovation. Cooperative pilot projects, research and development work and technology demonstrators, flanked by networking and cluster work, permit market and customer-oriented interaction with the community. Scouting, technology and innovation management enable us to ensure that research and development is carried out in technologically and socially relevant fields, to guarantee the continued technological leadership of the EDAG Group.

"For us, being an innovation driver and technological leader are not the only important things; it is also essential to be open to the possibility of involving additional important initiators, partners or even lateral thinkers in our future projects. In this way, we can get get a completely different angle on certain issues and create fresh momentum," explains Dr. Martin Hillebrecht, Head of the Competence Center for Innovation. "Having said that, the questions and issues we are asked to deal with at EDAG call for a great deal of technical expertise, and sometimes very high levels of specialization. But in addition, we also need generalists who have a feeling for new business models and are able to deal professionally with the sensitivities of industrial customers. A balanced mix of these abilities in EDAG's innovation management is what sets us apart, and is the success factor in our technological cooperation projects." In 2017, the CCs managed over 50 technology projects - details of selected projects which EDAG discussed with customers at the IAA 2017 are presented below:

NEXTGEN SPACEFRAME 2.0: ENGINEERING PROCESS CHAIN IN ALUMINUM USING ADDITIVE MANUFACTURING AND ULTRA-FLEXIBLE PROFILE BENDING FOR HIGH-END LIGHTWEIGHT DESIGN.

The technology of spaceframe 2.0, which was developed by EDAG with Constellium and Siemens Industry Software in cooperation with Fraunhofer IAPT, Concept Laser and BLM, demonstrates how it might be possible for a fully integrated engineering data process chain for additive manufacturing to be developed. This also applies to the development of load path-optimized extruded aluminum sections in the concept for an ultra-flexible lightweight production (variants on demand) for vehicle bodies designed to meet load level requirements. The cooperation project was also joined by KW Automotive and 3M, to optimize the bonding technology.

Spaceframe 2.0-Video
Youtube

LIGHTHINGE+: ADDITIVELY MANUFACTURED LIGHTWEIGHT HOOD HINGE WITH INTEGRATED PEDESTRIAN PROTECTION

The LightHinge+ hood hinge designed by EDAG in cooperation with voestalpine Additive Manufacturing (Düsseldorf) and Simufact Engineering (Hamburg) employs efficient software-aided engineering to make full use of the potential of additive manufacturing. It features ultimate weight reduction, the integration of a pedestrian protection function, warp tension and internal stress optimization, toolless production for small series, and a low degree of finishing.

GLASS BUBBLES – A VERSATILE LIGHTWEIGHT FILLER:

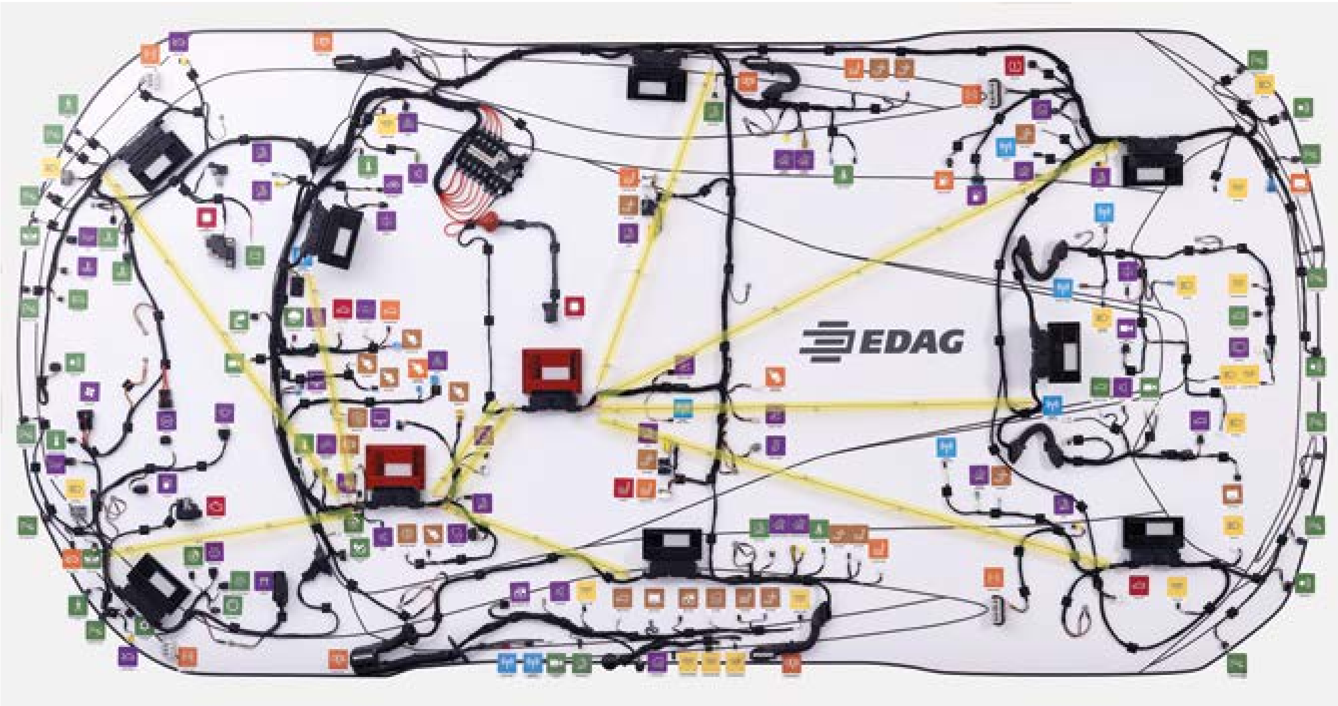
EDAG and 3M, the multi-technology company, presented a new ingredient for an innovative recipe for lightweight design: depending on the filling degree and formulation of the microscopically small 3M® Glass Bubbles, they can bring about weight savings of up to 30 percent in the weight of plastic systems. At the IAA, EDAG and 3M presented a door trim featuring a new lightweight compound that highlights the fact that the innovative company's new filler makes plastic compounds lighter, while also ensuring compliance with vehicle manufacturers' and suppliers' technical requirements.

NEW.LIGHTWEIGHT DAMPING MATERIAL - OPTIMIZATION OF ACOUSTIC LOAD PATHS THROUGH MATERIAL AND ENGINEERING:

3M's new damping technology "New.Lightweight Damping Material", is an example of EDAG's cooperation activities in the field of acoustic engineering. 3M's new damping material was developed to reduce structure-borne noise in lightweight design applications for vehicles. Engineering specialists EDAG carried out a study to identify and evaluate interesting target applications aimed at weight reduction and goal-oriented function integration for the following fields of application: automobile, eMobility and commercial vehicles. To this end, EDAG developed a robot-assisted gripper concept which can be integrated in the vehicle assembly process.

ISB Elektro - incremental swivel bending of scalable lightweight bearing structures: As part of the research project ISB Elektro (incremental swivel bending) funded by BMWi, EDAG and its partners the University of Siegen, ACS, Kirchhoff, Lewa and Kronenberg developed an innovative roll forming and bending technology for future vehicle concepts. The result is a cost-effective means of manufacturing for the flexible and variant-rich production of bearing structures. This opens up new, economical lightweight potential, for small and medium volumes in particular, for instance for eMobility or vehicle derivatives in the lightweight commercial vehicle sector.

Lighthinge+ Video Youtube



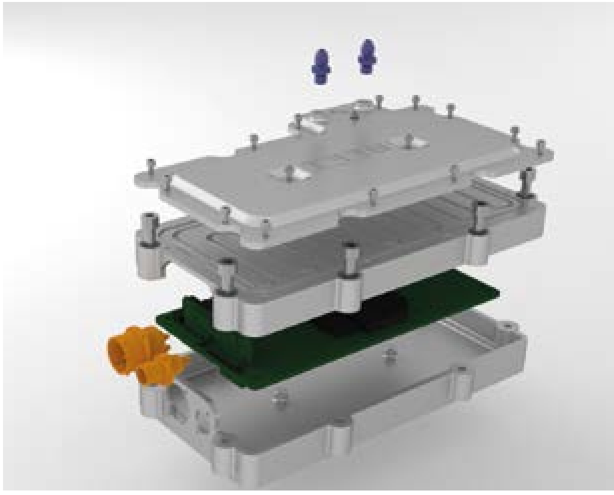
VISION 2025: OUR APPROACH TO SERVICE-ORIENTED EE ARCHITECTURE:

In cooperation with automotive Ethernet specialists from TSN Systems, EDAG submitted "Vision 2025", an initial draft of its automotive Ethernet networked zone architecture, which was then presented for the first time at the IAA 2017. "Vision 2025" systematically divides the vehicle into different geometrical zones, instead of the domains commonly used today. The zones are interconnected via the automotive Ethernet: this permits high data rates and guarantees real time capability when using TSN. Short lines of communication make weight savings of up to 30% possible. Even more "radical" is the change-over from embedded ECUs to a service-oriented architecture (SOA): instead of being distributed on ECUs, customer functions are localized on two central computers. Apart from updates, customers can subsequently install new features or apps. The construction of a laboratory vehicle with a CAN networked domain architecture called "Base 2017" is planned for 2018.

EDAG E-DRIVE SOLUTIONS - 800V DC/DC TRANSFORMER:

As an example of an E-Drive Solutions development, we present our innovative 800V DC/DC transformer, which was developed for motorsports. Top efficiency and its extremely compact design are key characteristics of the transformer. Modern semi-conductor technology based on silicon carbide and gallium nitride permits high switching speeds and optimum loss reduction. An efficiency factor of up to 98% is achieved in this way. Systematic space optimization and weight reduction provide particularly valuable support in the motorsports and automotive fields.

Media-free gripper - Lei: With the in-house development of an additively manufactured “media free gripper”, EDAG Production Solutions GmbH & Co. KG are looking firmly to the future. It was presented at last year’s IAA to show how it will soon be possible to save both energy and space in the factory of the future. Gripper systems in production usually have pneumatic systems or electric motors for the grippers. These solutions come with a correspondingly high weight of their own and high mass inertia, and the robots that control these grippers must be dimensioned accordingly. With the “media free gripper”, the EDAG PS developers have developed a passive gripper system which utilizes no external power source. By dispensing with additional motors and sensors, weight savings of up to 75 percent are possible, compared to conventional systems. Further advantages are simple assembly and easy-to-change components, should repairs be needed. Standardized assemblies mean that warehousing space can be significantly minimized. Also, all parts required as spares or for modifications can simply be re-printed using the additive manufacturing method.



STRESS-FREE BOOKING, PARKING AND PAYING VIA APP

TRIVE.PARK – NEW SOLUTIONS FROM EDAG START-UP TRIVE.ME

Connectivity and autonomous driving are the trend themes shaping the future of the automobile, and are currently the subject of intense debate in the automotive industry. Many ideas are still little more than future visions, and it will be years before they go into regular production. However, trive.me - an EDAG Group start-up - and the parking app it has developed are proof that the networked automobile world is already able to make mobility simpler and more comfortable. Before he even sets off, the driver can use the app to book and pay for a parking slot in a parking garage. The chief attraction here is that the app can communicate with the barrier system.

The key element of the platform developed for this purpose is the „trive.park" app, which will initially only be available to iPhone users for free download from the app store. With just a few clicks, the customer can book a parking space in the car park of his choice for a precise date. This booking is directly input in the car park's software, guaranteeing that a space will be kept free for the selected period. Payment is effected either by direct debit or credit card. To this end, the trive.me development team have integrated a certified payment system in the app.

A central element of our smart parking system is the communication between the trive.park APP and the car park barrier system," explains Alexander Süssemilch, trive.me project leader. If the app user has activated location sharing on his smartphone in the app, the barrier system automatically begins to communicate with the app via Bluetooth. There is no need for the driver even to manually start the app. „In everyday life, this saves the driver from having to take a ticket at the entry barrier and then afterwards from having to find the pay point before leaving the car park. The barrier system and app compare the booking data, and the exit and entry barriers automatically open," explains Alexander Süssemilch. The necessary technical modifications for the barrier system have also been developed by EDAG.

The new, convenient reservations and booking system offers motorists and car park providers concrete advantages. As the end customer is offered greater comfort, car park providers can use this system as a tool for securing customer loyalty. It also provides additional options such as being able to offer up-to-the-minute discount campaigns, daily event-related offers, and also the booking and invoicing of electric charging stations. These parking services are defined by the car park providers, and then offered to the customers via app.

This new form of smart parking is being tested in three selected parking garages in Munich, where an initial field trial was started at the beginning of 2018.

AWARDS AND PRIZES – WHEN PERFORMANCE BECOMES VISIBLE

The EDAG Group aims to retain its position as a top-level technology company and employer. Motivated by this principle, the company has set up competence centers which strongly support the proactive development of new technologies and concepts for the automotive future, and invests in the constant expansion of its employee offerings. Various prizes and awards were received during the financial year just ended: tribute to this continuing commitment.

GOLD FOR LIGHTHINGE+ – COOPERATION PROJECT „ULTRA-LIGHTWEIGHT HOOD HINGE IN INDUSTRIAL 3D PRINTING“

At the end of October, the EDAG Group and its partners voestalpine Additive Manufacturing Center, Düsseldorf and Simufact Engineering, Hamburg won the gold MATERIALICA Award. The MATERIALICA Awards jury acknowledged the great potential of this competition entry, an ultra-lightweight hood hinge, with regard to resource efficiency and its combination of classic roll forming technology and industrial 3D printing.

The LightHinge+ hood hinge devised by EDAG in cooperation with voestalpine Additi-

ve Manufacturing and Simufact Engineering employs efficient software-aided engineering to make full use of the potential of additive manufacturing. As a result, the concept achieved the ultimate weight reduction, and also offers the integration of a pedestrian protection function. The hinge is manufactured using a tool-less production method with optimized warp tension and internal stress, making it ideal for small series requiring little finishing. „We are very proud to have won this award, and regard it as confirmation of the innovative focus of our engineering services, and as a reference for the years of research and development we have put into additive manufacturing," commented Dr. Martin Hillebrecht, Head of the EDAG Competence Center in Fulda and initiator of the award-winning LightHinge+ project.

MEDIA-FREE GRIPPER WINS AEE INNOVATION AWARD

In recognition of the company's technical innovative spirit, EDAG PS received the AEE Innovation Award for their media free gripper this summer. The system, which was created using additive manufacturing (3D printing), is only locked and unlocked by the robot. Energy-free operation means that the system offers high sustainability. No other media or components such as directional control valves, initiators or cables are necessary. Added to this are simple assembly and components that can easily be changed following a crash.

The media-free gripper, which is a milestone on the way to the smart factory, thoroughly impressed the AEE Innovation Awards 2017 jury and trade visitors.

„Innovations stem from ideas combined with solutions. We went to the AEE to present our solutions to the industry and receive constructive feedback for further developments. The fact that our media-free gripper system impressed the experts is praise and recognition for the entire team," emphasized Rainer Wittich, Managing Director of EDAG Production Solutions GmbH & Co. KG, commenting on the award.

TOP EMPLOYER FOR THE 10TH TIME IN A ROW

As an employer, too, EDAG received a top-level award in 2017. For the tenth time in a row, the company won a „Top Employer" award, taking 1st place in the „Engineers" category.
According to the jury's decision, the EDAG Group demonstrates remarkable employee orientation and offers its employees outstanding working conditions. „An excellent result, and one we are delighted about. A repeated acknowledgement of our quality as an employer, in which we make long-term investments. Our HR management is a decisive factor in our attractiveness to new engineering talent," stresses Harald Poeschke, COO of EDAG.
„This objective assessment is of great value to us. We are constantly improving our activities, expanding diverse training programs and numerous opportunities for employees, all of which are aligned towards our target groups. And there are striking differences between us and

other competitors. Among other things, we focus our attention on work-life balance and the advancement of women," explains Birthe Kristin Kuhlenbeck, Head of Recruiting and Training.

On the basis of these standards, EDAG has implemented a wide range of training opportunities in the course of the last few years. In addition to this, a number of health management and work-life balance programs and a mentoring program for future managers have been augmented and expanded.

As an engineering partner for complete vehicles and production plants, EDAG offers engineers a wealth of prospects for their professional and personal development. The combination of numerous well-known customers and international locations makes EDAG one of the most attractive employers in the automotive sector for both career starters and people with experience.


1194.38
Vol : 635.25 M

EDAG ON THE CAPITAL MARKET

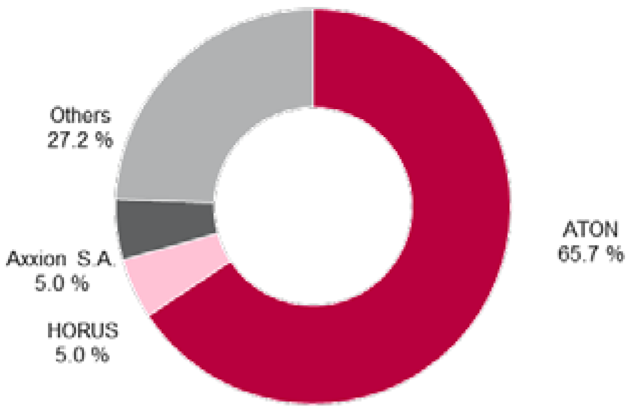
EDAG ON THE CAPITAL MARKET

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 ("ATON"), which holds 65.69 percent. Further shareholders with holdings of more than three percent are HORUS Vermögensverwaltungs-GbR with 4.98 percent and Axxion S.A. with 4.96 percent. All information is based on voting rights notifications as per § 21 para. 1 WpHG (German Securities Trading Law), received by the company on or before January 4, 2018 and a notification from ATON Austria Holding GmbH on 12/31/2017.



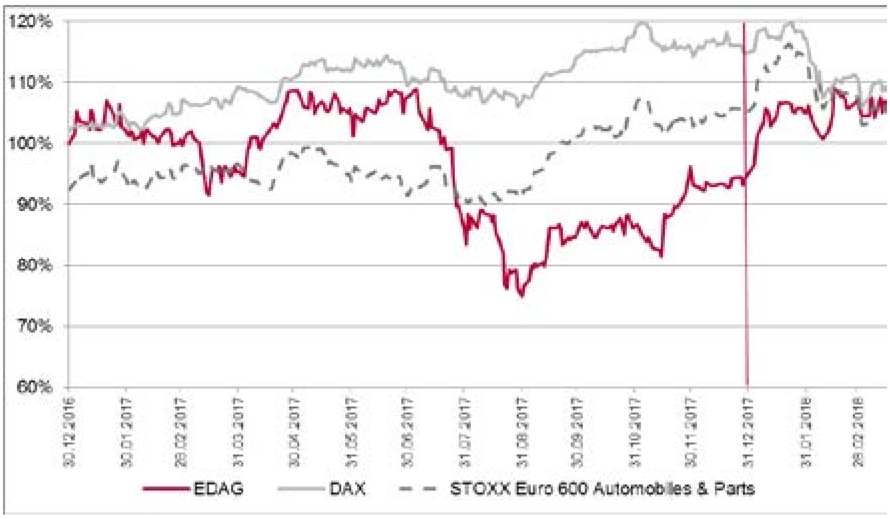
Ownership structure of EDAG Engineering Group AG. Information is based on notifications as per § 21 para. 1 WpHG (German Securities Trading Law), received by the company on or before January 4, 2018 and a notification from ATON Austria Holding GmbH on 12/31/2017.

3 Price Development

On January 2, 2017, the opening price of the EDAG share in Xetra trading was € 15.70. The share gained in strength in the course of the year, reaching its highest price, € 16.99, on July 5, 2017.

Delays in the awarding of contracts by a major customer and increased price pressure in the market for engineering services subsequently had a negative effect on the performance of the company and share price. The lowest closing price, € 11.69, was reached on August 31, 2017. The share price subsequently recovered and closed at € 14.70 on December 29, 2017. In 2017, the average Xetra trade volume was 14,870 shares a day.

The German Stock Index (DAX) exhibited almost 12.5 percent growth, while STOXX Euro 600 Automobiles & Parts rose by some 13.3 percent in the same period. The current EDAG share price is available on our homepage, on http://ir.edag.com.



Source: Comdirect

4 Key Share Data

	01/01/2017 – 12/31/2017
Prices and trading volume:	
Share price on 29 December (€)[1]	14.70
Share price, high (€)[1]	16.99
Share price, low (€)[1]	11.69
Average daily trading volume (number of shares)[2]	14,870
Performance per share:	
Earnings per share (€)	0.57
Dividend per share (€)[3]	0.75
Operating cash flow per share (€)	2.06
P/E ratio	25.66
Market capitalization on 29 December (Mio. €)	367.5

[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	Recommendation	Target Price	Published	Source
Deutsche Bank	Hold	16 €	05 Feb 18	Research Report
COMMERZBANK	Hold	14 €	15 Nov 17	Research Report
Morgan Stanley	Hold	14 €	26 Jan 18	Research Report
M. M. WARBURG & CO	Buy	18 €	02 Jan 18	Research Report
HAUCK & AUFHÄUSER	Hold	18 €	15 Jan 18	Research Report
BERENBERG	Buy	20 €	03 Nov 17	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, on http://ir.edag.com.

6 Dividends

At the annual shareholders' meeting on May 5, 2018, the Group Executive Management and Board of Directors will recommend paying a dividend of € 0.75 per share. This is equivalent to a distribution quota of 130.9 percent of EDAG's consolidated net income.

7 Financial Calendar

Apr 11, 18	- Publication Annual Report 2017
	- Analyst-Call for Annual Report 2017
	- Annual press briefing
May 9, 18	Publication Interim Report Q1/2018
Jun 5, 18	General shareholder meeting
Aug 22, 18	- Publication Half Year Report 2018
	- Analyst-Call H1/2018
Nov 8, 18	Publication Interim Report Q3/2018

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.

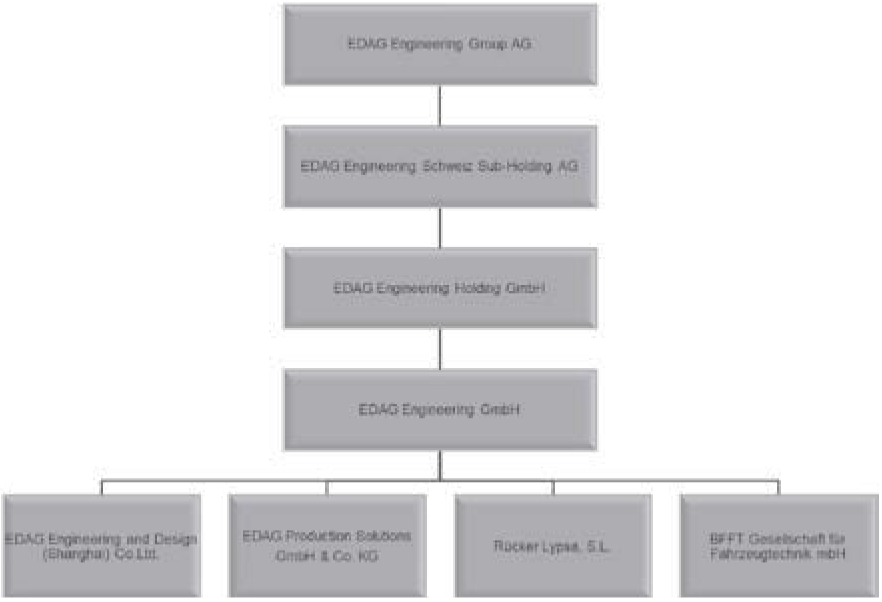
The Articles of Association can be downloaded at http://ir.edag.com/edag/pdf/satzung.pdf, and the Code of Conduct at https://www.edag.de/en/edag/edag-an-overview.html.

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 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") and of HORUS Vermögensverwaltungs-GbR are each attributed to their shareholder, Dr. Lutz Helmig.

The notifications of major shareholdings received by EDAG Group AG in the 2017 financial year, each disclosed promptly pursuant to § 26 para. 1 WpHG (German Securities Trading Law), can be downloaded at http://ir.edag.com.

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, 2017 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 May 31, 2017, 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).

Thomas Eichelmann, German citizen

Non-executive member
Born in: 1965
First elected: 2015

He holds a degree in Economic Sciences from the University of Zurich, Switzerland. From 1984 to 1986 he trained as a bank clerk at the Deutsche Bank AG before studying Economic Sciences at the University of Zürich, Switzerland from 1988 to 1994. From 1994 to 1997, Thomas Eichelmann worked at Boston Consulting Group in Frankfurt am Main, Germany, before becoming manager at Bain & Company in Munich. In 2000, he joined Roland Berger Strategy Consultants in Munich, where he became a member of the worldwide management team in 2003. From 2007 to 2009 he was a member of the executive board of Deutsche Börse AG, and held a number of offices within the Deutsche Börse Group during this period. In 2010, Thomas Eichelmann joined ATON GmbH as managing director and was also appointed member of the board of directors of EDAG Engineering GmbH & Co. KGaA.

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

- ATON Group Finance GmbH (Going am Wilden Kaiser, Austria), managing partner

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

- HAEMA AG (Leipzig, Germany), member of the supervisory board
- J.S. Redpath Holdings, Inc. (North Bay, Canada), member of the board of directors
- V-Bank AG (Munich, Germany) vice-chairman of the supervisory board

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

- ATON 2 GmbH (Munich, Germany), managing director
- ATON GmbH (Munich, Germany), managing director
- ATON Oldtimer GmbH (Munich, Germany), managing director

- ATON US Inc. (Wilmington, Delaware, USA), member of the board of directors
- ATON Aero Verwaltungs GmbH (Munich, Germany), managing director
- Bankhaus Ellwanger & Geiger KG (Stuttgart, Germany), chairman of the board of directors
- EDAG Holding GmbH (Munich, Germany), managing director
- FFT GmbH & Co. KGaA (Fulda, Germany), member of the supervisory board
- HORUS Beteiligungs-GmbH (Munich, Germany), managing director
- HORUS Ellwanger & Geiger Holding GmbH (Munich, Germany), managing director
- HORUS Finanzholding GmbH (Munich, Germany), managing director
- HORUS Spiekermann Holding GmbH (Munich, Germany), managing director
- L53 Immobilien BV GmbH (Munich, Germany), managing director
- L53 Immobilien GmbH (Munich, Germany), managing director
- OrthoScan, Inc. (Scottsdale, Arizona, USA), member of the board of directors

In accordance with Article 23 Paragraph 1.4 of the Articles of Association:
- Stadtsparkasse München (Munich, Germany), member of the economic advisory council
- Stiftung Deutsche Sporthilfe (Frankfurt am Main, Germany), member of the advisory board
- Stiftung Wir helfen München (Munich, Germany), member of the advisory board

Dr. Michael Hammes, German citizen

Non-executive member
Born in: 1955
First elected: 2015

He holds a degree in Economics from the University of Mainz and a doctoral degree in economic policy from the Johannes Gutenberg University of Mainz. Furthermore, he obtained an additional qualification in Banking Management from the Johann Wolfgang Goethe University in Frankfurt am Main. From 1982 to 1984, Dr. Michael Hammes worked at the Landesbank Rheinland-Pfalz in Mainz, before joining McKinsey & Company in Frankfurt am Main, where he became a partner in 1991. In 1996, Dr. Michael Hammes left McKinsey & Company to found CONSART Management Consultants GmbH in Frankfurt am Main, where he was managing shareholder until 2006, when he established senco Management Consultants GmbH in Frankfurt am Main, where he was managing shareholder until 2016.

He currently holds the following offices outside of the EDAG Group:
In accordance with Article 23 Paragraph 1.2 of the Articles of Association:

- Bankhaus Ellwanger & Geiger KG (Stuttgart, Germany), member of the board of directors
- Spiekermann & Co. AG (Osnabrück, Germany), chairman of the supervisory board
- V-Bank AG (Munich, Germany), member of the supervisory board

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 1.3 of the Articles of Association:

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

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

- Niederer Kraft & Frey AG (Zurich, Switzerland), chairman of the board of directors and managing partner
- Banca del Ceresio SA (Lugano, Switzerland), member of the board of directors
- NorthStar Holding AG (Schindellegi, 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.

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

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

- ATON TS GmbH (Munich, Germany), managing director
- HORUS V-Bank Holding GmbH (Munich, Germany), managing director

3.2 Cross- Involvements

There are no cross-involvements.

3.3 Composition, Election and Duration

The members of the Board of Directors were individually confirmed in office at the company's annual shareholders' meeting held on May 31, 2017; this also applies to the office of Chairman of the Board of Directors and to the members of the Compensation and Nomination Committee. Only members of the board are eligible for election to these offices.

3.4 Internal Organisational Structure

The Board of Directors consists of one chairman and three other members, in accordance with Art. 15 of the Articles of Association. The Chairman does not have a 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" to 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 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 2017:
January 24, 2017, February 21, 2017, April 4, 2017, May 9, 2017, May 31, 2017 (constituting session of the newly elected Board of Directors), July 4, 2017, July 25, 2017, August 16, 2017, August 24, 2017, September 6, 2017, September 19, 2017, October 17, 2017, November

14, 2017 and December 12, 2017. The four members were either present in person or took part on the telephone on each occasion, with the exception of the meeting on April 4, 2017, from which Ms. Schorr was excused.
The AC met on March 29, 2017 and on November 7, 2017, the NCC met on February 21, 2017, on August 9, 2017, on August 20, 2017 and on September 3, 2017.

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
- Informal meetings and teleconferences between the CEO and Chairman of the Board of Directors 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.

Jörg Ohlsen, German citizen

Chief Executive Officer (CEO) until September 6, 2017
Born in: 1969

He holds a degree in Mechanical Engineering from the Hamburg University of Applied Sciences *(Fachhochschule)*. Jörg Ohlsen joined EDAG in 1994 as a project manager for simulation technology. After various managerial positions in Product and Manufacturing Simulation and in Vehicle Integration, in 2005 he was appointed Managing Director of EDAG Engineering GmbH (legal successor of EDAG Engineering GmbH & Co. KGaA) responsible for Product Development. In 2008, he was appointed Chief Executive Officer, and became a member of the Group Executive Management of EDAG Group AG in 2015. Jörg Ohlsen held the following honorary positions at the same time as he was serving as CEO:

- Chamber of Commerce Fulda (Fulda, Germany), member of the general assembly
- Verband der Automobilindustrie e.V. [Association of the German Automotive Industry] (Berlin, Germany), member of the advisory board
- Automobiltechnische Zeitschrift magazine (Wiesbaden, Germany), member of the advisory board

Jürgen Vogt, German citizen

Chief Financial Officer (CFO), since September 6, 2017 interim CEO
Born in: 1953

He holds a degree in Economic Science (Diplomkaufmann) from the Johann Wolfgang Goethe University in Frankfurt am Main. From 1979 to 1981, Jürgen Vogt worked at AEG-Telefunken, before joining Société Générale in Frankfurt, where he was stationed in New York, USA, from 1986 to 1990. He managed Lignotock GmbH from 1991 to 1995. From 1995 to 1999, Jürgen Vogt was a member of the management board of SAI Automotive AG in Frankfurt, again working in the USA from 1997 to 1999. In 2000, he joined Rücker AG in Wiesbaden, and became managing director of EDAG Engineering GmbH in 2014 and a member of the Group Executive Management of EDAG Group AG in 2015.

Harald Poeschke, German citizen

Chief Operations Officer (COO) since September 19, 2017
Born in: 1962

He holds a degree in Economic Science *(Diplomkaufmann)* from the University of Cologne, and is a qualified banker. From 1989 to 1999, he worked for A.T. Kearney, for whom he worked in Germany and Brazil, before joining Peek & Cloppenburg. From 2001 to 2002, he worked at the Deutsche Bank, then joined the Droege International Group until 2005, after which he worked for Roland Berger Strategy Consultants from 2005 to 2007. In 2007, Harald Poeschke moved to the German stock exchange, Deutsche Börse AG, where he stayed until 2010. From 2010 to 2013, he worked as an investment manager at ATON GmbH, before accepting the post of COO at EDAG Engineering GmbH. In September 2017, he also accepted the position in the Group Executive Management of EDAG Engineering Group AG.

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 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

Until July 2, 2017, ATON Austria Holding GmbH ("ATON") and HORUS Vermögensverwaltungs GbR ("HORUS") were subject to an agreement with the company in which they undertook for a period starting on the first day of trading of the shares of the company on the Frankfurt Stock Exchange (December 2, 2015) and ending on the second ordinary annual shareholders' meeting of the company after the first day of trading, however, at least for a period of 19 months after the first day of trading and with respect to such number of shares of the company directly or indirectly held by ATON or HORUS respectively upon settlement of the offering

- to exercise these voting rights in ordinary annual shareholders' meetings of the company only with regard to half of the persons that are eligible as members for the Board of Directors;
- to exercise these voting rights in extraordinary annual shareholders' meetings regarding the election of additional members of the Board of Directors only insofar as and to the extent that, in case of the election of such person in question, the overall number of members of the Board of Directors elected with the voting rights of ATON or HORUS respectively does not constitute the majority;
- not to exercise their voting rights in extraordinary annual shareholders' meetings of the company in which the removal of a member from the Board of Directors shall be decided,

insofar as, in case of the removal of such person, the majority of the remaining members of the Board of Directors would have been elected with the voting rights of ATON or HORUS; however, in case of an extraordinary shareholders' meeting of the company being held before the first ordinary shareholders' meeting after the first day of trading, ATON or HORUS would at any rate exercise their voting rights only with regard to a removal of Thomas Eichelmann or Sylvia Schorr (or their successors), and

- to vote, in ordinary or extraordinary shareholders' meetings, against the removal of the provision in the Articles of Association according to which the Chairman of the Board of Directors has no casting vote.

As this voting agreement has not been extended, none of the shareholders are currently subject to voting right restrictions.

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 May 31, 2017, 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 Shareholder 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 Chairman 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.

Since neither the provisions of the German Takeover Code (Wertpapierübernahmegesetz) nor the Swiss law rules set forth in the Swiss Stock Exchange and Securities Dealer Act regarding voluntary and obligatory takeover offers will be applicable, ATON and HORUS agreed with the underwriters in the Underwriting Agreement that it will not, for a period of three years from the settlement of the offering of the company, directly or indirectly enter into an agreement with a third party to sell a position in the company which ATON or HORUS know will result in a controlling interest of the purchaser, unless such purchaser contractually commits to extend a tender offer to the other shareholders of the company offering a purchase price per share which is at least equal to the price contractually agreed between ATON or HORUS respectively and the purchaser.

This covenant is only valid to the extent that the purchaser would be under an obligation (and no exemption would be available from the duty) to extend a mandatory tender offer to the other shareholders of the company if German takeover laws were applicable in case of such a transaction, and only for as long as neither Swiss nor German takeover laws apply. Subject to certain conditions, transfers to or amongst affiliates of ATON and HORUS can be exempt.

The undertaking of ATON or HORUS does not give rise to any rights of third parties, and neither ATON nor HORUS is obliged to ensure that the purchaser actually adheres to its contractual obligation to extend an offer to other shareholders of the company.

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 5, 2018.

7.3 Publications

All information pertaining to press releases or investor updates can be obtained online via ir.edag.com 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 http://ir.edag.com/websites/edag/English/30/announcements.html. It is possible to subscribe to new information via e-mail. To use this service, please fill out the order form at http://ir.edag.com/websites/edag/English/401030/order-form.html.

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 2017 fiscal year until the end of the annual shareholders' meeting on June 5, 2018.

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 and Additional Fees

The auditing fees and additional fees of Deloitte AG are listed in the chapter "Auditor's Fees and Services" in the notes.

8.3 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.

In 2017, two meetings were held with the representatives of PricewaterhouseCoopers AG, the external auditors for 2016. The meetings were attended by members of the AC, partners and senior manager of PricewaterhouseCoopers AG, and the CFO. In addition, conference calls were held between the external auditors' representatives (PricewaterhouseCoopers AG for the fiscal year 2016 and Deloitte AG for 2017), members of the AC and the Head of Group Accounting & Tax of EDAG Engineering GmbH.

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.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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 2017 ordinary annual shareholders' meeting, the shareholders decided on the compensation of the Board of Directors for the period between the 2017 ordinary annual shareholders' meeting and the 2018 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 of the Articles of Association (i.e. at the 2017 ordinary annual shareholders' meeting, the shareholders decided on the fixed compensation of the Group Executive Management for the 2018 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, which is generally paid once it has been approved (i.e. at the 2017 ordinary annual shareholders' meeting, the shareholders

decided on the variable compensation of the Group Executive Management for 2016, and authorized this to the amount of € 250 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 security 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, pension benefits (other than from occupational pension funds) or securities to the members of the Board of Directors or the Group Executive Management. 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, 2017, 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.

The Chairman of the Board of Directors, Thomas Eichelmann, is also the Chairman of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering 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. With effect from April 18, 2016, the amount of this fixed compensation was set by shareholder resolution to € 0. As of April 18, 2016 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 of April 25, 2017, the decision was made to 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, 2017 until December 31, 2017, the total amount of the additional compensation paid to Thomas Eichelmann, Dr. Michael Hammes and Sylvia Schorr for membership in the Supervisory Board of EDAG Engineering GmbH and of EDAG Engineering Holding GmbH amounted to € 13 thousand.

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, 2017 amounted to € 831 thousand (plus Swiss social insurance contributions, where applicable), of which € 354 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.) This means that the total amount of the fixed compensation paid to members of the Board of Directors is below the maximum amount of € 1,000 thousand approved by the annual shareholders' meeting. 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 2018 was already approved by the shareholders' meeting in 2017, and the annual shareholders' meeting in 2018 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 2018 until the annual shareholders' meeting in 2019.
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, 2017, 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 € 1,365 thousand for the fixed part and € 375 thousand for the variable part, of which € 468 thousand (fixed) and € 125 thousand (variable) apply to Jürgen Vogt, € 361 thousand (fixed) and € 125 thousand (variable) apply to Harald Poeschke, and € 536 thousand (fixed) and € 125 thousand (variable) apply to Jörg Ohlsen (all amounts including social insurance contributions).

As explained in the Compensation Report for 2016, the 2016 annual shareholders' meeting approved a total of € 1,250 thousand for the amount of fixed compensation for the Group Executive Management for the 2017 financial year. Use is made of the additional amount allowed by Article 29 of the Articles of Association to cover the proportion of the total fixed payment that exceeds the authorized amount (for a more detailed account of the additional amount mentioned, please see chapter "Compensation Principles of the Company" and the Articles of Association of EDAG Group AG).

In the case of Jürgen Vogt, the total amounts given above cover the compensation for services to EDAG Group AG and to other EDAG Group companies for the period January 1, 2017 to December 31, 2017. Harald Poeschke became a member of the Group Executive Management of EDAG Group AG on September 19, 2017. Prior to this, he was already a member of the Executive Management of EDAG Engineering GmbH. In his case, the total amounts also cover the compensation for services to EDAG Group AG and to other EDAG Group companies from January 1, 2017 to December 31, 2017. This means that they also cover the compensation paid to him for his activities as a member of the Group Executive Management of EDAG Engineering GmbH during the period starting January 1 and ending on the day he joined the Group Executive Management of EDAG Group AG (waiver of pro rata temporis representation).

In the case of Jörg Ohlsen, the total amounts cover the proportional compensation for services to EDAG Group AG and to other EDAG Group companies from January 1, 2017 until he left the Group Executive Management in September 2017, and the proportional compensation attributable to the 2017 financial year which was specified in his employment contract as being payable until the end of his period of notice in September 2018. They do not cover the proportion of this compensation in the amount of € 375 thousand (plus social insurance contributions) for the period starting January 1, 2018 and ending with the conclusion of the period of notice, for which in his case provisions were already formed in 2017. This compensation, which is relevant to the 2018 financial year, is instead an element of the fixed compensation authorized by the annual shareholders' meeting in 2017 for the 2018 financial year.

Further, the amounts mentioned in the 2017 financial year include a proportion of the extraordinary additional fixed compensation granted to Jürgen Vogt and Harald Poeschke in consideration of the additional work incurred as a result of the change of CEO, during the period from the departure of the previous CEO until the anticipated arrival of the new CEO in the 2018 financial year. This amounted to € 250 thousand each. The proportion with regard to the 2017 financial year is € 83 thousand each.

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 (2016: € 151 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As at December 31, 2017, the present value of current pension obligations for active members of the Group Executive Management totaled € 2,787 thousand (2016: € 3,046 thousand). For members of the Group Executive Management leaving the company that year, it totaled € 61 thousand as at December 31, 2017 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 € 0 thousand in 2017, as it did in the previous year.

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 2018 the annual shareholders' meeting will be required to approve (i) the variable compensation of the Group Executive Management for the business year 2017; and (ii) the fixed compensation of the Group Executive Management to be paid for the business year 2019.

4 Relationship 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.
Thomas Eichelmann holds a 7.6 percent share in KINREFD GmbH, which is the sole shareholder of several companies with which our subsidiary EDAG Engineering GmbH concluded

purchase and transfer agreements and lease agreements regarding five properties and associated operating facilities previously owned by EDAG Engineering GmbH. The monthly rent amounts to € 255 thousand. Additionally, on February 23, 2016, EDAG Engineering GmbH concluded a lease agreement with FD 3 Immo GmbH for a building and a plot of land at Reesbergstraße 2 in Fulda. The lease agreement has a fixed term until February 23, 2026, and the monthly rent amounts to € 9 thousand. The sole shareholder of FD 3 Immo GmbH is also KINREFD GmbH. Furthermore, Thomas Eichelmann is a managing director of HORUS Beteiligungs-GmbH which is the general partner of HORUS Vermögensverwaltungs GmbH & Co. KG. HORUS Vermögensverwaltungs GmbH & Co. KG holds a 49.9 percent share in KINREFD GmbH.

Furthermore, on October 14, 2015, EDAG Engineering GmbH concluded a lease agreement with MD 7 Immobilien GmbH for a building and open space at Max-Diamand-Straße 7 in Munich. The lease agreement has a fixed term until October 31, 2031 and since January 1, 2017, the monthly rent has amounted to € 56 thousand (2016: € 54 thousand). EDAG Engineering GmbH previously leased this property from Semper Constantia Immo Invest GmbH, until they sold it to MD 7 Immobilien GmbH in June 2015. The shareholders of MD 7 Immobilien GmbH are HORUS Vermögensverwaltungs GmbH & Co. KG (with a share of 49.9 percent), Habermann Vermögensverwaltungs GmbH (with a share of 40.0 percent) and Thomas Eichelmann (with share of 10.1 percent).
Moreover, on December 21, 2015, EDAG Engineering GmbH concluded a lease agreement with MD 7 BV GmbH for operational equipment at Max-Diamand-Straße 7 in Munich. The lease agreement has a fixed term until October 31, 2031. Since January 1, 2017, the monthly rent has amounted to € 225.61 (2016: € 221.88). The shareholders and the shareholding structures of MD 7 Immobilien GmbH apply equally to MD 7 BV GmbH.

On January 25, 2017 EDAG Engineering GmbH concluded a lease agreement with FR 105 Immo GmbH for a building at Frankfurter Ring 105 in Munich. The lease agreement has a fixed term until December 31, 2018, and the monthly rent amounts to € 9 thousand. The shareholders of FR 105 Immo GmbH are HORUS Vermögensverwaltungs GmbH & Co. KG (with a share of 49.9 percent), Habermann Vermögensverwaltungs GmbH (with a share of 40.0 percent), Thomas Eichelmann (with share of 7.6 percent) and Dr. Joseph W. Braun (with a share of 2.5 percent).

The income realized in conjunction with these relationships with the Board of Directors is shown as "Additional income" in the following table.

Compensation to the Board of Directors

in € thousand	Fixed compensation	
Board of Directors active on December 31st, 2017	**2017**	**2016**
Thomas Eichelmann	**354**	**381**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	350	350
Chair Supervisory Board of EDAG Engineering Holding GmbH	1	2
Chair Supervisory Board of EDAG Engineering GmbH	3	29
House rent	-	-
Sylvia Schorr	**154**	**167**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	150	150
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	3	15
Dr. Michael Hammes	**155**	**168**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	150	150
Member Supervisory Board EDAG Engineering Holding GmbH	1	1
Member Supervisory Board EDAG Engineering GmbH	4	17
Dr. Philippe Weber	**150**	**150**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	150	150
Legal Services via Nieder Kraft & Frey AG	-	-
Total	**813**	**866**

Table: Compensation of the Board of Directors

Employer social insurance contribution		Total fixed compensation		Additional income		Total compensation	
2017	2016	2017	2016	2017	2016	2017	2016
-	**-**	**354**	**381**	**317**	**303**	**671**	**684**
-	-	350	350	-	-	350	350
-	-	1	2	-	-	1	2
-	-	3	29	-	-	3	29
-	-	-	-	317	303	317	303
-	**-**	**154**	**167**	**-**	**-**	**154**	**167**
-	-	150	150	-	-	150	150
-	-	1	2	-	-	1	2
-	-	3	15	-	-	3	15
9	**9**	**164**	**177**	**-**	**-**	**164**	**177**
9	9	159	159	-	-	159	159
-	-	1	1	-	-	1	1
-	-	4	17	-	-	4	17
9	**9**	**159**	**159**	**12**	**27**	**171**	**186**
9	9	159	159	-	-	159	159
-	-	-	-	12	27	12	27
18	**18**	**831**	**884**	**329**	**330**	**1,160**	**1,214**

Compensation to the Group Executive Management

in € thousand	Fixed compensation [2]		Employer social insurance contribution	
Group Executive Management Members active on December 31, 2017 [1]	**2017**	**2016**	**2017**	**2016**
Jürgen Vogt	**433**	**351**	**22**	**24**
CEO/CFO EDAG Engineering Group AG	65	53	7	6
CEO/CFO EDAG Engineering GmbH	368	298	15	18
Harald Poeschke (since September 19, 2017) [1]	**334**	**250**	**14**	**12**
COO EDAG Engineering Group AG	22	-	1	-
COO EDAG Engineering GmbH	312	250	13	12
Subtotal	**767**	**601**	**36**	**36**
Group Executive Management Members who resigned from office during 2017				
Jörg Ohlsen (until September 6, 2017)	**500**	**500**	**17**	**15**
CEO EDAG Engineering Group AG	75	75	8	7
CEO EDAG Engineering GmbH	425	425	9	8
Subtotal	**500**	**500**	**17**	**15**
Total	**1,267**	**1,101**	**53**	**51**

[1] *Harald Poeschke joined the Group Executive Management of EDAG Group AG on September 19, 2017. Prior to this, he was already a member of the Executive Management of EDAG GmbH. The amounts listed here cover all compensation relevant to the 2017 financial year. This therefore means that all compensation paid for the period before before he joined the Group Executive Management (January 1 to September 18, 2017) is also included.*
In addition, the figures for the previous year (2016) were adjusted to include the compensation paid to Harald Poeschke.

[2] *Besides the fixed compensation specified in the employment contracts, in the case of Jürgen Vogt and Harald Poeschke, the amount in 2017 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 the departure of the previous CEO until December 31, 2017.

[3] *Includes severance costs for 2018 for which provisions have already been formed. The compensation shown here is in its entirety an element of the fixed compensation authorized by the annual shareholders' meeting in 2017 for the 2018 financial year.*

Table: Compensation of the Group Executive Management

Non-cash benefit from company car		Total fixed compensation		Variable compensation		Other compensation [3]		Total compensation	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
13	**13**	**468**	**388**	**125**	**172**	**-**	**-**	**593**	**560**
-	-	72	59	19	26	-	-	91	85
13	13	396	329	106	146	-	-	502	475
13	**12**	**361**	**274**	**125**	**172**	**-**	**-**	**486**	**446**
-	-	23	-	5	-	-	-	28	-
13	12	338	274	120	172	-	-	458	446
26	**25**	**829**	**662**	**250**	**344**	**-**	**-**	**1,079**	**1,006**
19	**15**	**536**	**530**	**125**	**172**	**375**	**-**	**1,036**	**702**
-	-	83	82	19	26	56	-	158	108
19	15	453	448	106	146	319	-	878	594
19	**15**	**536**	**530**	**125**	**172**	**375**	**-**	**1,036**	**702**
45	**40**	**1,365**	**1,192**	**375**	**516**	**375**	**-**	**2,115**	**1,708**

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	12/31/2017	12/31/2016
Board of Directors		
Thomas Eichelmann	87,500	87,500
Sylvia Schorr	-	-
Dr. Michael Hammes	-	-
Dr. Philippe Weber	-	-
Total Board of Directors	**87,500**	**87,500**
Group Executive Management		
Jürgen Vogt	3,631	3,631
Harald Poeschke	-	-
Total Group Executive Management [1]	**3,631**	**3,631**

[1] Jörg Ohlsen left the Group Executive Management in 2017. On the date on which he left the Group Executive Management, Jörg Ohlsen held a total of 13,157 shares in EDAG Engineering Group AG.

Table: Shares held

REPORT OF THE STATUTORY AUDITOR (REMUNERATION REPORT)[1]

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF EDAG ENGINEERING GROUP AG, ARBON

We have audited the accompanying remuneration report as of April 10th 2018 of EDAG Engineering Group AG for the year ended December 31, 2017. 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 68 to 71 as well as on the information regarding the remuneration of former board members or related parties and the information regarding loans on page 66.

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.

[1] *English translation – The German version prevails and is the only binding version.*

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remu-neration 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 December 31, 2017 complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

ROLAND MÜLLER	MARKUS PEYER
Accredited Audit expert	Accredited Audit expert
Auditor in charge	

Zurich, April 10, 2018

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 § 37v para. 2 No. 2 letter b of the German Securities Trading Law (WpHG) (or § 114 WpHG, new version), there is an obligation to prepare a management report for the separate financial statement. According to § 315 section 5 of the German Commercial Code (HGB) in conjunction with § 298 section 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, 2017 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. Our special know-how, particularly at the largest subsidiary, EDAG Engineering GmbH Wiesbaden ("EDAG GmbH"), is in complete vehicle and module development, and in the guidance and support of customers from the initial idea through to the finished prototype. In addition, BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim ("BFFT GmbH"), one of our subsidiaries, has specialized technical knowledge in the field of electrical and electronic development. EDAG Production Solutions GmbH & Co.KG, Fulda ("EDAG PS") offers particular expertise in the development of production facilities and their implementation.

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.

Business is divided up into a number of 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 automobile and commercial vehicle industries. A closely integrated EDAG Group global network of some 60 facilities ensures our customers of our local presence.

Presentation of the Vehicle Engineering Segment

The Vehicle Engineering ("VE") segment consists of services along the vehicle development process as well as responsibility for derivative and complete vehicles. 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 as well as interior and 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. 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. In addition to dealing with computation and simulation, the Dimensional Management team works on the reproducibility and geometrical quality of the products. Functionality is validated and durability analyzed on the test equipment and facilities at our certified test laboratories, in readiness for start of production. This includes tests on individual components, modules, engines, motors, transmissions, and even complete vehicles. In the **Design Concepts** department, we offer a full range of styling, ideation and design services, and in our design studios we are able to realize 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 rounds off the portfolio of this division. This also includes the construction of classic cars, including custom-made spare parts. Complete vehicle development and large-scale interdisciplinary module packages, some of them calling for the involvement of our international subsidiaries, are managed by the **Project Management** division. 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

PRODUCTION SOLUTIONS

This segment handles the development and implementation of production processes.

The Production Solutions segment (“PS”) - operating through the independent company EDAG PS, its international subsidiaries and profit centers - is an all-round engineering partner which accepts responsibility for the development and implementation of production processes at 16 sites in Germany and at international sites in South Korea, India, the Czech Republic, Russia, Hungary, 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 the realization from a single source. The "Industrie 4.0" methods and tools are an important basis here, as well as being an effective catalyst for innovative, networked engineering, ideally synchronized with the processes first for product development and later for plant construction.

In the field of **concept engineering**, Production Solutions provides its customers with an integral approach to process planning. This means that Production Solutions provides companies with factory and production planning support – with both the implementation of new plans and with the conversion, expansion or optimization of existing systems while operation is in progress. By offering support from concept engineering to the preparation of detailed product specifications, it is possible to cover all the steps required for the production process, and to design optimum interfaces with other media, buildings and logistics. In the context of simultaneous engineering, Production Solutions favors an integrative approach, with the product development, systems planning and production simulation divisions all working together to design optimum project interfaces.

In the **Implementation Engineering** department, to guarantee that the functional requirements of body in white facilities are met, Production Solutions use digital factory methods in all production lines: digital, virtual and real-life. To meet customers' requirements, Production Solutions engineers develop realistic 3D simulation cells in which the planning, design and technological concepts are implemented and validated in line with process requirements. Early involvement during the engineering process enables Production Solutions to systematically optimize production processes. This places Production Solutions in a position to develop ideal production concepts for customers.

Productions Solutions' portfolio is also complemented by **Feynsinn**, a process consulting and CAx development department. IT-supported sequences and methods are developed here, as are software for product design, development, production and marketing. Feynsinn also offers consulting, conceptual and realization services in the field of visualization technologies. Customized training opportunities complete the portfolio.

Presentation of the Electrics/Electronics Segment

The range of services offered by the Electrics/Electronics ("E/E") segment includes the development of electrical and electronic systems for the comfort, driver assistance and safety functions of a vehicle, and the development and integration of systems in the fields of eMobility and power distribution. These services are provided by four divisions focusing on the following competencies:

ELECTRICS/ELECTRONICS

The integration of new E/E components and modules, and hardware and software development are the services offered by this segment.

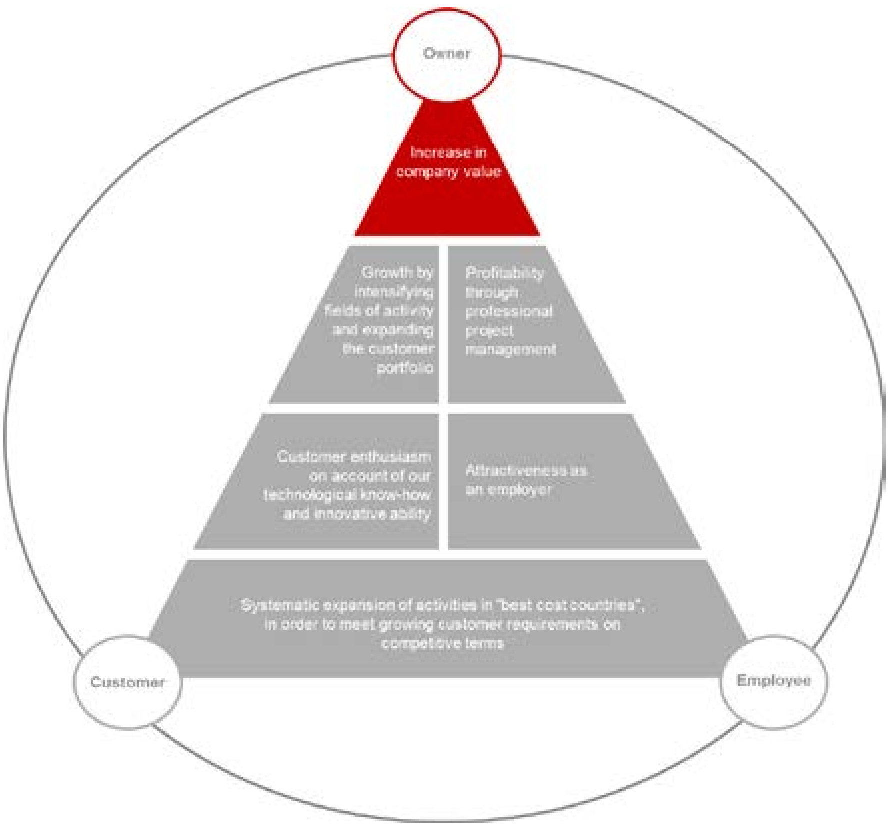
The **E/E Vehicle Engineering** division is responsible for function development in the course of complete vehicle or derivative projects. The range of tasks extends from the concept phase to production support. Further fields of activity include the development of new electronic architectures, and approval, drafting and control activities in the development or integration of physical vehicle electrical systems. Alternative drive systems such as electric or hybrid drives, have a significant influence on the E/E architecture and the vehicle electrical system. The E/E Vehicle Engineering department is increasingly focusing its attention on these trends.

The **E/E Systems Engineering** division works on the elaboration and definition of demands on the electrical and electronic systems. It also deals with the integration of several system components (control unit, sensors, actuators) to give a whole system, and with the subsequent validation of the system with regard to function, networking and diagnosis. A further skill is the physical and functional integration of E/E systems in vehicles and their subsequent validation by means of appropriate test procedures. Due to the trend towards partially and highly automated driving, the driver assistance system department is experiencing above-average expansion.

E/E Embedded Systems develops and validates hardware and software for electronic control units, from the conceptual design, through model set-up and commissioning to production-ready development. In the process, EDAG accepts responsibility for all development activities. When it comes to the strategic domains derived from megatrends, this division is becoming increasingly involved in the latest trends such as autonomous driving, HMI/infotainment and electrification The skills offered here range from functional electronic development, knowledge of specific areas such as AUTOSAR or functional safety in accordance with ISO 26262 through to the know-how required to guarantee engineering quality in line with our customers' requirements.

E/E Car IT markets services and software developed in-house as products for the networked mobility industry. The division's range of services also includes development and standardization services, and networking advice for vehicle manufacturers, system suppliers and IT companies. Under the brand name trive.me, EDAG is developing innovative software solutions and products for the networked mobility of tomorrow, and offering this digital transformation expertise on the market.

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, particularly in the fields of eMobility, car IT, software solutions and connectivity
- Customer enthusiasm on account of our technological know-how and innovative ability
- Attractiveness as an employer
- Profitability through professional project and resource management
- Systematic expansion of activities in "best cost countries", in order to meet growing customer requirements on competitive terms

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 automotive industry in the future. Forecasts for the period up to 2022 anticipate an average annual growth rate of 4.6 percent for the market for engineering services. Our aim is, in the medium term, to realize above-average growth by implementing the following measures:

- Development of electrics/electronics competencies: our E/E segment will be subject to the greatest changes in the automotive industry. In this context, the abbreviation "**CASE**" summarizes the trends that are becoming increasingly important in the industry: **C**onnectivity, **A**utonomous driving, car **S**haring models and **E**lectrified mobility. At EDAG, we are therefore fast-tracking the development of our competencies and capacities in the fields of driver assistance systems, software development, eMobility and connectivity, in order to be able to meet market requirements and the increasing demands of our customers in this area. Our aim is, in the medium term, to generate a good third of our sales revenues with the Electrics/Electronics segment.
- Extending existing customer relations: we enjoy close relations, some of which have already existed for several decades, with the major German vehicle manufacturers and suppliers. In the past, it was our flexibility and speed, as well, of course, as the quality of our work

GROWTH OF THE MARKET FOR ENGINEERING SERVICES

Forecasts for the period up to 2022 predict an average annual growth of 4.6 percent.

REALIZATION OF GROWTH

We focus on five measures to realize this growth

- *Further development of electrics/ electronics skills*
- *Expansion of existing customer relations*
- *Developing new customer relations*
- *Expansion of project volumes*
- *Utilizing inorganic growth opportunities*

that engendered the enthusiasm of our customers and earned us our good reputation. At the same time, the long-standing, intensive cooperation with and close proximity to our customers at home and abroad enabled us to gain a thorough understanding of their requirements. These two aspects and our proactive customer relationship management will also enable us to benefit from the increasing outsourcing of engineering services by our customers in the future.

- 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 almost all of the world's automobile development centers to constantly expand our customer portfolio and win new, ambitious, international technology companies and car manufacturers as customers.
- Increasing our project scope: the major vehicle manufacturers in particular 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 are convinced that we will be able to profit greatly from awards of comprehensive major projects.
- Using inorganic growth opportunities: our measures for strengthening our market position focus not just on organic growth. We also sound out opportunities of acquiring competitors and market participants with particular know-how, in order to systematically strengthen our competencies and capacities.

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

Alternative drive systems, digitization, autonomous driving, industrial 3D printing, new materials. Now, more than ever before, the automobile is on the threshold of being reinvented, to enable it to incorporate ecological and sociopolitical changes. This implies a technological transition which EDAG, as one of the leading independent design engineering companies in the automotive industry, can help to shape and define.

For a more detailed representation of our research and development activities, please see chapter "Research and Development (Innovation/Competence Center)" of the Group Management Report.

Attractiveness as an employer

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

- Intensification of the recruiting process: due to the fierce competition for well qualified engineers, we already present ourselves as an attractive employer in the recruiting process. To this end we employ classic recruiting methods such as job fairs, print and online applications, but also innovative methods such as social media recruiting. Directly addressing experienced candidates plays just as important a role as acquiring apprentices through new channels. We will be intensifying our online marketing activities, attaching particular importance to the presentation of our employer brand and highlighting its attractiveness for all target groups, in order to attract more women to EDAG.
- Continuation of our staff training program: at EDAG, staff training is an important resource that will ensure that a large number of target positions can still be staffed from within the company in the future. The various apprenticeships and dual study courses offer school leavers training opportunities with a strong practical emphasis, in which they also have the support of a team of experts who continually encourage them and promote their development. On completion of their training, they are also offered the chance of permanent employment.
- Investment in staff training: to guarantee our technological competence and innovative ability, it is essential that our employees keep their knowledge up-to-date and continue to develop their skills. For this reason, we will continue to provide extensive training opportunities as an investment in the know-how of EDAG employees, which at the same time will also increase their value on the labor market.
- Optimization of the working environment: motivated employees are committed employees. As the working environment has a substantial influence on motivation, we constantly endeavor to provide our employees with an optimum working environment. This includes modern workplaces that comply with the latest ergonomic requirements, flexible working hours and development of home office and child care facilities.
- Motivation through responsibility: for EDAG, another central motivating factor is the early transfer of responsibility to suitable employees. Creating scope for decision making promotes creativity, which in turn contributes to innovation - a skill that is extremely important to EDAG.

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

- Motivation through change: EDAG is involved in project business, which means that we can offer our employees new challenges with every new project we begin. Change is therefore guaranteed, and in addition encouraged by offering employees the opportunity to temporarily switch to another division or department in the company, if they are interested in such a move.

SAFEGUARDING PROFITABILITY

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

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 outstanding services, guarantee our employees' jobs and offer our owners an appropriate return on the capital they have invested. In 2017, our adjusted EBIT margin stood at 4.6 percent. Our aim is to further improve our profitability. To this end, our intention is 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, up-to-date indication of 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.
- Operative flexibility: high-performance IT hardware and software and high transfer capacity data networks – for transfers between our own branches and also with customers' offices – facilitate efficient, 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, 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.
- 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 powerful network of locations to break work orders down into packages and have these handled by the branch with the best cost/performance ratio. 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 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.
- Inorganic growth: in order to build up resources in our BCC regions, we continually investigate potential acquisitions. To this end, we are in close dialog with possible acquisition targets, customers and competitors.
- Development of electric/electronics 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 E/E resources in the best cost countries. For this reason, our foreign subsidiaries are encouraged to to strengthen their competencies in these fields.
- Operative integration: the key to successful, cross-border project cooperation is operative integration. The cooperation between the customers in Germany and the implementing companies in the best cost countries is ensured by providing professional project management and multi-lingual project controllers.

Further, we constantly investigate opportunities for market entry in other BCC locations. To this end, we look into the possibility of opening branches of our own in the relevant markets, but also of entering markets by means of strategic acquisitions.

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:

- Revenues[1]
- (Adjusted) EBIT and (adjusted) EBIT margin[2]

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

[2] *For definition see page 194 "Reconciliation of the Adjusted Operating Profit (Adjusted EBIT) [8]".*

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 EBIT margin is calculated from the relationship between the operating profit (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. The EDAG Group makes targeted investments to safeguard its 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 (Innovation)

AREAS OF INNOVATION

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.

Overview

Research and development is per se a definition of the business activities of EDAG. In 2017, the company's integrated portfolio of services and skills relating to the development of vehicles, vehicle and system technologies, modules and production facilities, from concept to start of production, enabled EDAG once again to successfully participate in the ongoing trend of the global model and technology initiatives launched by the leading vehicle manufacturers. The strategic advancement of market-relevant technological subjects and the continual development of pre-competitive competencies and engineering activities in the three segments - Vehicle Engineering, Electrics/Electronics and Production Solutions - were the focus of the company management during the reporting year.

In its pre-competitive and service-independent research and development, EDAG continued its active and enterprising development of the the future-oriented areas of "lightweight design, materials and technologies", "eMobility" and "integral safety, driver assistance, connected and automated driving" by expanding the respective competence centers (CC) and corresponding research and development projects.
Furthermore, the independent startup "trive me" was firmly established in the Electrics/Electronics department, because an expansion of the workforce and a separate business model are possible in this innovative field.
In the reporting year, research and development expenses amounted to € 5,088 thousand (2016: € 3,302 thousand). In addition, development costs in the amount of € 55 thousand (2016: € 2,310 thousand) were activated.

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

CC for Lightweight Design, Materials and Technologies

Although lightweight design and materials have always been the royal discipline for the vehicle manufacturers, ambitious CO_2 targets have brought with them completely new pressure levels. This has given rise to material and concept competition among the car manufacturers, sometimes in parallel competition, and highly dynamic. In the result, it is possible to reverse the weight spiral for the first time ever. Automobile manufacturers are currently working all out on the development of vehicles due to go into production between 2018 and 2022. The new cars with conventional drive systems are to weigh approx. 100 kg less, provide high rigidity for excellent handling and meet demanding legal crash load cases. Economical lightweight steel design for mass production still predominates, but things become far more challenging when it comes to steel-intensive hybrid design for mid-sized luxury cars. Where premium manufacturers can afford it, aluminum and material mixes are used. Even though ultra-lightweight design only accounts for about 1 percent of the market in the royal discipline, EDAG is nevertheless active in this area, develops many of these special vehicles, and plans the corresponding production plants. Every material must be in the right application and right place to achieve the ideal effect. What is striking, however, is how little time it now takes for new technologies to be industrialized: take, for example, the production of carbon components or qualification of industrial 3D printing for prototyping and production equipment. We are also involved in hybrid concepts such as those being researched at the Open Hybrid LabFactory in Wolfsburg. These are aimed at the era after 2030.

However, there are also a great many new, emerging technologies that call for customized material concepts and the high degree of engineering competence provided by EDAG. For future multi-material and hybrid design, EDAG offers solutions and know-how for complex processes and high-performance manufacturing processes, cost optimization of the process chain by means of automated manufacturing and joining methods and/or reduced process times, and also improved surface quality. Recycling and repairability strategies are also in demand, as are the development of testing technology with process capability and methods of determining wear and tear. Another of EDAG's particular skills is the development and improvement of simulation tools and the identification of the parameters of multi-material systems, carbon materials or light alloys necessary for this. Both existing customers and new customers from emerging markets utilize these pre-competitive competencies as important criteria for decisions concerning the awarding of external contracts, and request our support in the early stages of the project definition phase.

However, generative manufacturing will leave rapid prototyping and rapid tooling behind, and add a further dimension to classical manufacturing and structural design methods. This will apply in particular to the outsourcing of engineering services for distinctive small series and high performance vehicles of our OEM customers and to new methods of manufacturing prototype components and engineering process chains. As a result, new openings and project opportunities exist with established and new customers.

ELECTRIC MOBILITY

We have established our position as technology experts with all manufacturers and system suppliers, and can look back on a number of successful projects dealing with the development of electric vehicles.
The aim of this EDAG field of technology is to be able to guarantee a fully integrated concept for the development of electric vehicles.

CC for eMobility

The rapid development of new technologies and changes in mobility behavior and utilization concepts call for expert technological knowledge and vehicle concepts specialists. In the eMobility Competence Center, we principally deal with the full range of subjects, starting with new mobility concepts and innovative system concepts through to the technological examination of individual components and materials. Our current focus is on working out innovative vehicle concepts, which are directly taken up by the experts in the technical divisions, and incorporated into customer projects.

Due to the expansion of our full vehicle and energy system competencies in the field of electrification, the EDAG eMobility Competence Center last year increasingly handled innovative projects concerning the efficiency and functional optimization of these systems. Specific examples of these are technologies such as silicon-carbide in drive inverters, optimized cooling structures in components and innovative EMC concepts for power electronics.
In the current phase of electrification, technology scouting is particularly important, in order to be able to assess the future possibilities and the requirements to be met by the vehicle systems. In addition to battery technology, which is occupying the entire sector, our competence center is also busy with any electric vehicle components for which the requirements will be changing. No matter whether we are looking at special seals with different vibration and noise insulation requirements, at additional requirements on leads inside and outside of the electric car, or at the future international crash requirements placed on electric vehicles - electrification will affect the entire car.

The trend towards the electrification of vehicles turned into a separate electric vehicle segment during the last year. In this segment, EDAG has established its position as a technology expert with all manufacturers and system suppliers, and can look back on a number of successful projects dealing with the development of electric vehicles. At the moment, the sustained changes occurring in our industrial sector are calling into question business models which have taken almost a hundred years to develop, and forcing market participants to cooperate more closely – even across industry boundaries.
Last year, EDAG invested in technological trends in energy management, new E/E architectures and the networking of electric-powered vehicles, and is continuing to develop its competencies in these fields. Our aim is to guarantee a fully integrated concept for the development of electric vehicles and in addition to be an ideal engineering partner to existing and in particular also new customers from important emerging markets.

Generally speaking, OEM start-ups have far less trouble developing a car of the future than traditional manufacturers; on account of their immense experience and innovative ability, however, it would be a mistake to underestimate the latter. At EDAG, we have gathered valuable experience by bringing together the protagonists of the future value chain and and then working together to develop visionary concepts. This role makes EDAG a sought-after engineering partner for companies which are not yet OEMs or system suppliers for electric-powered vehicles.

CC for Integral Safety

The Competence Center for "Integral Safety" addresses active safety and driver assistance functions. To this end, EDAG's long-standing competencies in passive vehicle safety, chassis control systems and the E/E domain of "driver assistance and safety systems" have undergone interdisciplinary bundling.

INTEGRAL SAFETY

In this field of technology, we address "active safety" and "driver assistance functions".

More than anything else, road users want safe mobility. Modern design principles and safety systems have helped to reduce the number of road injuries and deaths to a fraction of the all-time high recorded in 1970. As passive safety, i.e. the protection that is offered in the event of an accident, has by now reached such a high level, it means that even though further measures will become very complex, they will still only make a minimal contribution to improving road safety. Active safety, which aims to avoid accidents or greatly reduce their severity, offers one way out of this saturation situation. The interlinking of new accident prevention systems with passive safety systems is at the heart of integral, or all-round safety. The latest in sensor technology and the increasing interconnection of all safety systems in the vehicle open up new possibilities for passenger and partner safety.

But more than anything else, the intelligent link-up of information beyond the limits of the car itself offers really fascinating potential: if the vehicle supplements its own sensor data with route information, e.g. road condition, traffic volume or a lost load, then the driver's scope of perception can be considerably extended - a significant contribution towards anticipating events and therefore driving safely - and also towards a further megatrend, automated driving. With the CC for Integral Safety, we at EDAG would like to look into the potential of and possible solutions for this type of all-round safety, and test solution concepts.

TRIVE.ME: A CAR IT STARTUP COMPANY

With trive.me, an independent brand was created to accommodate new requirements and new business models in the car IT environment

Car IT Startup: trive.me

For EDAG and the automotive industry, 2017 was again given over entirely to the digitization of both processes and products. This initiated a trend which seriously calls the automotive industry's present business models into question, and therefore marks the starting point for far-reaching organizational changes.

New business models also require new models for cooperation. Vehicle manufacturers and suppliers are intensifying cooperation with start-ups and companies from the IT sector, in order to initiate necessary changes in development processes.

With the founding of the independent brand trive.me, EDAG is following this trend, and providing vehicle manufacturers in the agile development environment with appropriate solutions in the fields of innovation management, own products and services (mobile app development front end, rear end development, integration of applications and services into the vehicle).

For EDAG's vehicle manufacturing and supplier customers, this results in the following picture: systematic technology scouting means that innovations in the mobility environment are being constantly sought and assessed - interesting innovations are further developed and marketed as independent products - downstream, the competence built up with the product development is positioned as know-how in the service field. The products serve as references. The portfolio is also successively offered to customers in other fields.

With "trive.me", the Electric/Electronic segment has become an all-round provider in the strategic networked vehicle and automated driving business segments, and, with its own products, offers a basis for the systematic development of skills in in the fields of networked vehicles and autonomous driving.

Technical Experts at EDAG Production Solutions

Under the heading "digitization", EDAG PS essentially addresses two subjects: Digital Twin a synonym for the digital factory (referring solely to the production plant, without the digital twin of the product), and Smart Factory (real factory). Digital factory concepts, which the company has actively implemented and helped to shape since the 1990s, pave the way to mechatronic engineering, i.e. the close (simultaneous) interlinking of mechanical, electrical and IT processes. The workflow developed in this way offers completely new potential for dispersed project handling and the cooperation of individual technical disciplines in a project.

Meanwhile, the focus of innovative planning projects is shifting increasingly towards the field of modular factory structures. These are becoming more and more important, especially with a view to shorter model life cycles, the growing number of derivatives and a resulting reduction in lot sizes.

Smart Factory development activities, especially those carried out jointly with customers, concentrate on such areas as the paperless factory and proactive, predictive maintenance. In both cases, the focus is on the skillful preparation of data which is then used to increase efficiency in maintenance and repair work, either as a simple source of information (e.g. Smart Watch for maintenance personnel) or proactively, by remedying problems before their effects come to bear (predictive maintenance).

Additive manufacturing is a promising technology, the use of which is currently being considered, checked and implemented in many areas of production. EDAG PS concerns itself with influence on the development of components in the production equipment environment, and with the development of production systems.

EDAG E-Drive Solutions

Electrification is an important element of future mobility for EDAG. Already, vehicle electrification has become an essential part of our work. With BFFT GmbH, the EDAG Group is in possession of very specific technical skills in this field. In order to do justice to future requirements, a decision was made to bundle and strategically expand these skills within the entire Group.

At the start of the IAA 2017, EDAG bundled its electrification competencies in the new brand E-Drive Solutions, the head office of which will be at the new EDAG|BFFT branch in Berlin. All of EDAG's electrification-related activities are concentrated under this brand, to enable us to offer customers fully integrated solutions for future mobility. EDAG will be systematically expanding E-Drive Solutions, and this was confirmed at the end of the year with the opening of the new E-Drive Solution Center in Berlin.

This is a reaction on the part of the EDAG Group to market changes and customer requirements, and one which puts the company in a position to develop components for electric vehicles. In the future, this will play a crucial role in the development of complete vehicles with alternative drive concepts.

DEVELOPMENT IN THE PRODUCTION TECHNOLOGY FIELD

We are concentrating our technological focus on digital twins and the smart factory - i.e. on the close interlinking of mechanical, electrical and IT processes.
Another technology we are pursuing and actively helping to shape is additive manufacturing.

EDAG E-DRIVE SOLUTIONS

The technical skills we have accumulated in the field of eMobility are bundled at the new facility in Berlin.

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

MACROECONOMIC DATA FOR 2017

Global economic growth 3.7 percent
Euro area growth: 2.4 percent
German growth: 2.5 percent

Basic Conditions and Overall Economic Development

According to forecasts made by the International Monetary Fund (IMF), the world economy exhibited 3.7 percent growth in 2017 (2016: 3.1 percent).

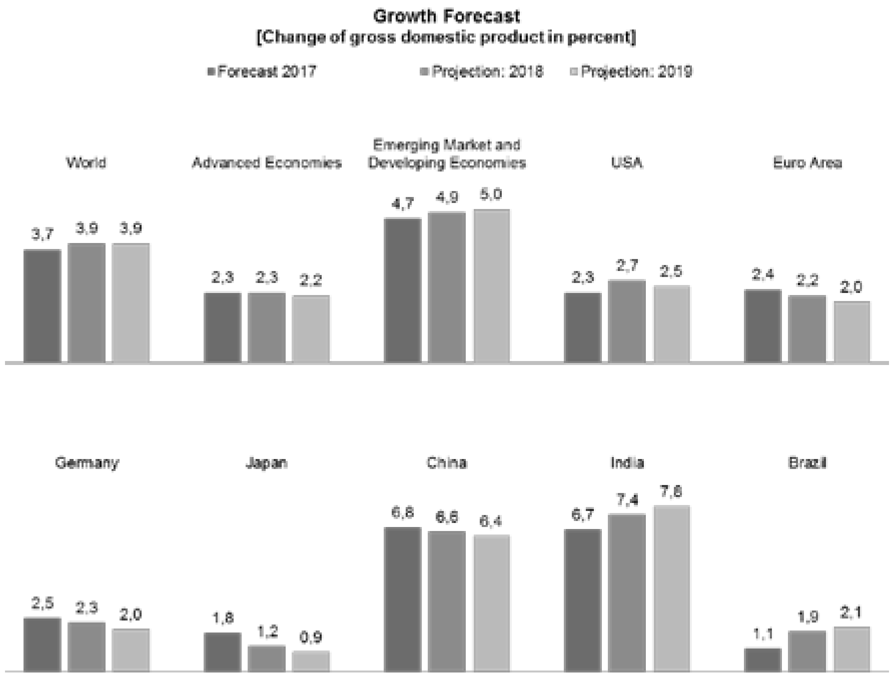
On account of the current upswing being experienced in a number of European countries and Asia, and to the tax reform in the USA, economic growth of 3.9 percent is anticipated in both 2018 and 2019. The global economy is expected to maintain its growth momentum in the near future, although the growth forecasts do contain risks. These include a tightening of global financing terms as opposed to the current easy conditions on the one hand, and on the other, a more moderate widespread growth impulse resulting from the US tax reform than was originally forecast. The renegotiation of important long-standing commercial agreements, such as NAFTA and the economic arrangements between the United Kingdom and rest of the European Union could have a negative impact on growth forecasts.

The US economy is projected to expand at 2.3 percent in 2017 and 2.7 percent in 2018. This reflects changes in US tax policy, which are expected to stimulate growth at least in the short term.

The IMF's economic experts expect growth in Germany to be slightly above the average for the eurozone as a whole both this year and next. According to the current forecast, Germany can expect a 2.5 percent increase in economic performance in 2017, and then a further 2.3 percent in 2018. For each year, this is 0.5 percentage point higher than the October forecast. According to IMF forecasts, economic growth in all countries in the Euro Area is projected to rise to 2.4 percent last year, to 2.2 percent in 2018, and 2.0 percent in 2019. The IMF remains skeptical about the planned withdrawal from the EU of the United Kingdom, where a growth rate of 1.5 percent is anticipated for 2018. For 2019, the forecast was also reduced by 0.1 point, likewise to 1.5 percent.

The IMF views China's prospects for future growth with greater optimism. Last year saw an increase of 6.8 percent in the second largest national economy in the world, where growth is expected to stand at 6.6 percent in 2018, and then 6.4 percent in 2019.

With regard to oil prices, starting from an average price of USD 52.7 a barrel in 2017, a barrel price of USD 59.9 is forecast for 2018, and USD 56.4 for 2019.



Source: IWF, World Economic Outlook, January 22, 2018

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), a growth rate of some 3 percent is anticipated for sales of new vehicles in Germany in 2017. The global sales of passenger cars are expected to rise to 85 million units in 2017. For 2018, the VDA expects the world market to grow by 1 percent to 86 million units.

A growth rate of 3.3 percent was recorded in Europe (EU28 + EFTA). This is equivalent to 15.6 million new registrations. The same level, i.e. zero growth, is expected in 2018. In 2017, the major European volume markets reported increases: Germany (2.7 percent), France (4.7 percent), Italy (7.9 percent) and Spain (7.7 percent). In Great Britain (-5.7 percent), on the other hand, the number of new vehicles registered decreased.

However, the period January to December 2017 saw a 2.7 percent increase in new registrations on the German passenger vehicle market, to more than 3.4 million units; what is striking here is that while registrations of new diesel vehicles were down 13 percent, there was a 117 percent increase in registrations of new electric-powered vehicles. Despite the growth rates registered, electric-powered vehicles currently account for just 1.6 percent of all vehicles.

Sales in Germany increased by 11.6 percent in January 2018. Momentum is therefore still strong, giving us reason to be optimistic for 2018.

In the USA, the volume on the light vehicle market (passenger cars and light trucks) fell by 1.9 percent to 17.1 million new vehicles in the course of 2017. Sales of passenger cars fell by 12 percent, while sales in the light truck segment rose by 4 percent. China reported a new sales record in 2017. The 24.2 million vehicles sold represent 2 percent more than in the previous year. Market drivers are SUVs (+13 percent). The sales volume in India increased by 8.8 percent in 2017. The cash flow and tax reform have not led to any major disruptions here. Germany's market levels may be exceeded for the first time ever in 2018. The market has high growth potential, as, at 24.8 cars per 1,000 inhabitants, the level of motorization is still very low.

Development of the Engineering Market

The market for engineering services remains positive due to the rapid progress being made in technological vehicle development (e.g. driving assistance systems, autonomous driving, digitization and electric mobility). This type of development can involve both risks and opportunities for the engineering service market. The volume of engineering services externally awarded by the automotive OEMs and their suppliers will continue to increase in the future. According to an independent market analysis carried out by Lünendonk GmbH, market growth between 2018 and 2022 will, on average, be around the 4.6 percent mark.

2.2 Financial Performance, Cash Flows and Financial Position of the EDAG Group in accordance with IFRS

Financial Performance

Development of the EDAG Group

At € 716.7 million, the revenues increased by € 1.8 million or 0.3 percent compared to the same period in the previous year (2016: € 714.9 million). As of December 31, 2017, orders on hand amounted to € 340.0 million, compared to € 318.9 million as of December 31, 2016.

For the financial year 2017, the EDAG Group generated incoming orders amounting to € 722.7 million, which compared to the previous year (€ 744.9 million), represents a decrease of € 22.2 million.

Compared to the previous year, the EBIT decreased by € 10.2 million to € 27.6 million (2016: € 37.8 million). This means that an EBIT margin of 3.8 percent was achieved (2016: 5.3 percent). Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations that were recorded in the reporting period in 2017, the adjusted EBIT figure was € 32.6 million (2016: € 43.8 million), which is equivalent to an adjusted EBIT margin of 4.6 percent (2016: 6.1 percent).

Overall, business development was unsatisfactory in the financial year just ended. The reason for the reduction in the EBIT margin is the persistently difficult engineering service market environment. The OEMs' budgets for research and development continue at a very high level. In view of the change towards eMobility, autonomous driving and connectivity in the automotive industry, however, budgets are being re-allocated. This means that, during this phase of reorganization, delayed contract awards and increasing price pressure are being experienced across the market. Despite this difficult market environment, it proved possible during the reporting period to achieve the growth in revenues of up to 5 percent predicted by the Group Executive Management. The adjusted EBIT margin of between 6 and 8 percent predicted in the previous year was reduced to somewhere in the region of 4 to 6 percent in July 2017. The reduction of the adjusted EBIT margin in July 2017 was allocated accordingly to the originally forecast expectations for the segments. This target was also achieved.

DATA ON THE RESULTS OF THE EDAG GROUP

Incoming orders: € 722.7 million
Revenues: € 716.7 million
Orders on hand: € 340.0 million
Adjusted EBIT margin: 4.6 percent

At 8.9. percent, the ratio of services expeneses in relation to the revenues is at almost the same level as in the same period in the previous year (2016: 9.0 percent). At 4.6 percent, the materials expenses ratio was slightly below the level of the same period in the previous year (2016: 4.9 percent). Overall, the materials and services expenses decreased by 1.9 percent to € 97.2 million. At 13.6 percent, the materials and services expenses ratio remained more or less at the same level as in the same period of the previous year (2016: 13.9 percent).

The EDAG Group's personnel expenses increased by € 12.5 million or 2.8 percent to € 467.4 million compared to the same period in the previous year. As of December 31, 2017, the company had a workforce of 8,404 employees, including apprentices (12/31/2016: 8,270 employees).

The ratio of personnel expenses in relation to revenues, which stood at 65.2 percent, increased considerably compared with the same period in the previous year (2016: 63.6 percent). The reasons for this increase are fluctuating productivity due to changes in market conditions, increased settlement expenses, and increased employee capacity for the performance of an equivalent service.
Depreciation, amortization and impairments totaled € 28.7 million (2016: € 27.7 million). The ratio for other expenses in relation to revenues was 16.0 percent and thus slightly above last year's level (2016: 15.7 percent).

In the year just ended, the financial result was € -5.5 million (2016: € -9.1 million), and thus improved by € 3.6 million compared with the same period in the previous year. One significant effect was an improvement in the results of investments accounted for using the equity method compared with the same period in the previous year. Lower interest income was more than compensated for by lower interest expenses.

Development of the Vehicle Engineering Segment

VEHICLE ENGINEERING DATA

Revenues: € 450.7 million
EBIT: € 14.5 million

With a value of € 481.5 million, incoming orders in the past financial year remained at the same level as in the previous year (2016: € 482.6 million). Revenues decreased by 0.8 percent to € 450.7 million (2016: € 454.3 million). This falls slightly short of the predicted growth of up to 5 percent in revenues. All in all, an EBIT of € 14.5 million was achieved for the Vehicle Engineering segment in 2017 (2016: € 23.4 million). The EBIT margin amounted to 3.2 percent (2016: 5.2 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 4.0 percent (2016: 6.2 percent). This means that the forecast EBIT margin that was revised in July was achieved. The deviation in the results compared to the same period in the previous year is due to the generally difficult engineering service market environment, in particular to personnel restructuring, increased start-up costs and project devaluations in the Laboratory/Testing and Body Engineering divisions at EDAG Mexico.

Development of the Production Solutions Segment

In this segment, incoming orders increased by € 9.1 million over the previous year to € 128.7 million (2016: € 119.6 million), which represents an increase of 7.6 percent. Revenues increased by 10.2 percent to € 130.6 million (2016: € 118.4 million). This exceeds the predicted growth of up to 5 percent in revenues. Overall, an EBIT of € 8.2 million (2016: € 11.6 million) was generated for the Production Solutions segment in 2017. The sharp increase in the revenues is due in particular to an acquisition in the North American market and to the award of a major order in Mexico. Price pressure continues to make itself felt in Germany. This impacts the operating profit, so that despite the fact that capacity utilization remains good, the adjusted EBIT margin, at 6.7 percent, is below the value for the previous year (2016: 10.0 percent). In the end, however, the forecast EBIT margin that was revised in July was achieved.

PRODUCTION SOLUTIONS DATA

Revenues: € 130.6 million

EBIT: € 8.2 million

Development of the Electrics/Electronics Segment

Incoming orders decreased by € 27.4 million to € 126.7 million compared to the same period in the previous year (2016: € 154.1 million). Revenues decreased by € 3.9 million or 2.6 percent to € 148.4 million (2016: € 152.3 million). This falls slightly short of the predicted growth of up to 5 percent in revenues. The EBIT stood at € 4.1 million (2016: € 2.6 million). At 2.8 percent, the EBIT margin is above the previous year's level (2016: 1.7 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 3.8 percent (2016: 2.8 percent). This means that the forecast EBIT margin that was revised in July was achieved. Although the EBIT And EBIT margin (adjusted EBIT margin) improved, the negative effects on the EBIT margin described in "Development of the EDAG Group" were also felt in this segment. Delays and reductions in the volumes of new orders awarded, but also cuts in one of the company's main customer's current orders, had a negative impact on productivity.

ELECTRICS/ELECTRONICS DATA

Revenues: € 148.4 million

EBIT: € 4.1 million

Cash Flows and Financial Position

Compared to December 31, 2016, the EDAG Group's statement of financial position total increased by € 12.2 million or 2.8 percent to € 442.6 million. The non-current assets increased by € 9.8 million to € 74.4 million (12/31/2016: € 64.5 million), primarily as a result

DATA ON THE FINANCIAL POSITION OF THE EDAG GROUP

Statement of financial position total:
€ 442.6 million
Equity: € 147.6 million
Equity ratio: 33.3 percent

of the increase in goodwill shown owing to the acquisitions in Sweden and the USA. In the current assets, there was an increase of € 25.5 million in current accounts receivable and of € 1.4 million in other non-financial assets. This was countered by a decrease in receivables from construction contracts in the amount of € 17.8 million and a reduction in the cash and cash-equivalents in the amount of € 5.6 million.

On the equity, liabilities and provisions side, equity decreased by € 5.2 million to € 147.6 million, and the quota is now approximately 33.3 percent (12/31/2016: 35.5 percent). This decrease is primarily due to the dividend payout to the shareholders in the amount of € 18.8 million. The opposite effect was had above all by current profits totaling € 14.4 million.

Non-current liabilities and provisions decreased by € 88.6 million from € 126.3 million on December 31, 2016 to € 37.7 million on December 31, 2017. A decisive factor here was the early repayment of a loan to ATON Group Finance GmbH (excluding interest) in the amount of € 26.0 million. Due to its due date at the end of 2018, the residual book value of the loan is now shown in the current financial liabilities. In contrast, the other non-current financial liabilities increased by € 2.2 million.

Current liabilities and provisions increased by € 105.9 million from € 151.4 million on December 31, 2016 to € 257.3 million; this was primarily due to an increase of € 86.8 million in the current financial liabilities, compared to December 31, 2016. Besides the ATON Group Finance loan which is now being shown under current financial liabilities, the liabilities due to credit institutions increased, among other things to finance the dividend payout of € 18.8 million, gross investments in the amount of € 21.7 million, and for cash outflows due to the acquisition of HRM Engineering AB, Sweden, and CKGP/PW & Associates Inc., USA. In addition, the future liabilities from construction contracts increased by € 11.6 million over the previous year.

At € 51.6 million, the positive operating cash flow achieved in the reporting year remained at the same level as in the previous year (€ 51.8 million).The reduced net income compared to the previous year was compensated for by a positive effect in the trade working capital (€ 4.4 million), mainly from customers' prepayments.

The investing cash flow was € -28.5 million (2016: € -27.3 million). At € 21.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 22.2 percent and therefore well below the previous year's level (2016: € 27.9 million). The ratio of gross investments in relation to revenues was therefore 3.0 percent (2016: 3.9 percent). Deposits from disposals of tangible fixed assets totaling € 6.5 million resulted from the receipt of payments for a building sold in the reporting year. Cash outflows in the amount of € 13.2 million from the acquisition of HRM Engineering AB, Sweden, and CKGP/PW & Associates Inc., USA, are also included in the investing cash flow. The financing cash flow in the amount of € -27.7 million was primarily influenced by the dividend payout of € 18.8 million, to the shareholders and by cash outflows due to the repayment of a loan to ATON Group Finance GmbH. Financial liabilities to credit institutions in the amount of € 25.9 million were taken out in order to be able to fulfil our payment obligations.

On the reporting date, unused lines of credit in the amount of € 72.0 million exist in the Group. The Group Executive Management regards the overall economic situation of the EDAG Group as good. With an equity ratio of 33.3 percent, 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 € 1.3 million (2016: € 1.3 million), are listed under the personnel expenses of EDAG Group AG.

The other operating expenses in the amount of € 0.6 million (2016: € 0.6 million) refer primarily to expenses for consulting and auditing.

An annual loss of € 2.1 million (2016: € 1.9 million) was realized in the reporting year.

Cash Flows and Financial Position

The statement of financial position total of EDAG Group AG amounts to € 452.4 million (2016: € 453.3 million). On the assets side, the key asset is the investment in EDAG Engineering Schweiz Sub-Holding AG, which stands at € 452.1 million (2016: € 452.1 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 € 437.1 million (2016: € 455.8 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, a negative operating cash flow of € 2,175 thousand (2016: € -3,385 thousand) was realized. Gross investments in the investing cash flow stood at € -1 thousand (2016: € 14 thousand). In the financing cash flow, dividend payments in the amount of € 18,750 thousand were made to shareholders (2016: € 18,750 thousand). There was an influx of liquid resources totaling € 20,700 thousand from further finance activities (2016: € -800 thousand).

The Executive Management regards the overall economic situation of EDAG Group AG as good. At 95.4 percent (12/31/2016: 99.8 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

Both at home and abroad, the number of employees in the EDAG Group remains at a high level. On December 31, 2017, the EDAG Group employed a worldwide workforce of 8,404 (12/31/2016: 8,270), including 547 trainees and work-study students (12/31/2016: 570).

At the end of the year, 6,034 employees were employed in Germany (12/31/2016: 6,272). 2,370 people were employed at our non-domestic companies (12/31/2016: 1,998).

DATA ON THE PERSONNEL STRUCTURE OF THE EDAG GROUP

Employees, worldwide: 8,404
Apprentices/dual system students: 547

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: http://ir.edag.com/edag/pdf/2017_Consol._Financial_Statements_EN.pdf

2.6 Non-financial Performance Indicators

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

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

As an internationally active company, EDAG makes a point of ensuring that human rights and accepted standards are complied with at our 60 locations in 20 countries, and, with the EDAG Code of Ethics, affirms its support of the UN Global Compact. Nevertheless, the following non-financial statement is not governed by any of the approved frameworks for sustainability reporting.

As a rule, many of the aspects to be reported are not significant to EDAG as an engineering service provider. The concepts described below will therefore be concretized to different degrees, depending on their significance and relevance to EDAG. The focus is on group companies which have their registered offices in Germany. For the individual aspects to be reported, no concepts which apply to the entire group are generally pursued. The reason for this is that the EDAG Group carries out its main business activities in Germany. Of the 8,404 people employed group-wide at the end of the year (2016: 8,270), 6,034 (2016: 6,272) worked in Germany.

3.1 Business Model

For a detailed description of the EDAG Group's business model, please see the chapter "Business Model" in the Group Management Report.

3.2 Sustainability and Environmental Issues

The integration of sustainability in our business model and along our entire value chain contributes to the economic success of the company. For us, responsible corporate management means that economic activity must be reconciled with the concerns of ecology and society, and in particular those of our stakeholders. Responsibility for this lies not just with the individual business units, but also with the central divisions. By carrying out external certification programs, for instance the environmental management system according to DIN EN ISO 14001, we guarantee our internal process. Our aim is the continual improvement of EDAG's energy performance.

During energy audits carried out at the separate German EDAG Engineering GmbH sites, specially trained energy auditors assess potential for improving energy efficiency. The aim of the energy audits is to analyze the company's energy consumption and determine the energy baseline. The main energy users are calculated and, as far as possible, metrologically verified.

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. On account of the quantities involved and the large proportion of the cost of the company's overall energy consumption, these were analyzed more closely during the energy audit. A rough estimate was made of the other significant energy users.

From the results of the last energy audit carried out in the 2015 financial year, energy efficiency measures were derived and calculated for the technologies with the greatest savings potential. By a resolution of the Group Executive Management, in addition to other selected measures, all measures with a statistical amortization period of no more than two years were implemented, or are currently still being implemented. The measures mainly involve replacing outdated lighting systems with more efficient LED lamps. The savings achieved by implementing these measures amount to an estimated € 150 thousand a year. This amount is based on the situation at the time the energy audit was carried out, and has not been adjusted to take into account any conditions that have since changed, for instance changes in use of branch offices and premises. The next scheduled energy audit is due to be held in the 2019 financial year, in line with the legally prescribed four-year rhythm.

We also include our suppliers in our environmental management system. The EDAG Supplier Code of Conduct (which can be downloaded at https://www.edag.de/en/services/corporate-services/GTC.html, Code of Conduct for Suppliers and Business Partners) sets out our expectations regarding the behavior of our suppliers and business partners in terms of working conditions, health and safety, the environment and business ethics. With regard to environmental issues, we expect our suppliers to comply with the national environmental laws, regulations and standards currently in force. Suppliers are also expected 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.

Details of the EDAG Group's environmental policy can be downloaded at https://www.edag.de/en/edag/edag-an-overview.html.

On account of our existing environmental management system, we rate environmental risks as low.

3.3 Employee Issues

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.

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 view of these facts, the following can be reported for 2017:

Recruiting, HR Marketing & Employer Branding

In 2017, the EDAG Group offered apprentices, career entrants and people with work experience a wide range of jobs in their various intended professions, thus offering continual career opportunities.

With the intention of presenting the EDAG Group as an attractive employer with numerous career opportunities for people with work experience and career entrants, the company implemented a new approach in its HR marketing program. Within the context of employer branding, employees are take on a more active role as brand ambassadors. The concept of a fully integrated employer branding campaign should also provide a basis for future viability.

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. Candidates were actively and intensively sourced. 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.

Training

Vocational training, which supports the future development of the company, is afforded high priority within the EDAG Group. For over 40 years, the EDAG Group has demonstrated particular responsibility in this area and in 2017, achieved a trainee quota of 8.6 percent in Germany (2016: 8.3 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 in Germany hired 130 young people as apprentices or work-study students (2016: 208). In 2017, 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.

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 Group 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 2017, the company also held a so-called MINT Girls Camp at its Fulda site for the sixth time in a row. In cooperation with various educational institutions, the focus was on familiarizing

APPRENTICE/TRAINEE QUOTA

Our apprentice/trainee quota of 8.6 % in Germany is an excellent value compared with other companies in this sector.

young girls with the various 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 so-called "EDAG MINT Car" - and thus were able to experience the various phases of the vehicle development process in an interactive, condensed format.

EDAG IS A TOP EMPLOYER

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

Awards

Once again, our apprentices achieved good to outstanding results in their final examinations in the reporting year. These grades are the result of an excellent training system. A number of awards presented to apprentices were particularly gratifying: Regional Champion for Hesse and National Champion in the "Vehicle Body Maintenance Technician" program. In addition, being awarded 6th place at the world championships of vocational skills in Abu Dhabi is an outstanding achievement on the part of EDAG's training department.

The company again won the "Top Automotive Employer 2017" - a clear acknowledgement of the excellence of our human resource management, and the EDAG group was again able to document its appeal to the public and present itself as a competitive employer.

Advanced Training

Steps were taken in the reporting year to re-align the training of our line managers. The leadership courses previously held were replaced by a modular system of training units. Coaching sessions, peer support and workshops complete our portfolio of training activities for employees with a supervisory function.

To qualify our project leaders, we set up an extensive project which, apart from the conception of educational and training measures for the members of the project management, also includes a review of our project planning and handling processes.

In the course of the reporting year, we provided a total of 2,363 in-house training days for our employees at the key German companies.

6,177 training days were provided externally. Of these, 726 training days are accounted for by the attendance of our employees at education and training programs offered by OEMs.

We invested approximately € 140 thousand in the improvement of our employees' foreign language skills at the key German companies. Due to the growing internationalization of our business, we intend to invest even more in the development of language and intercultural skills in the coming years.

Group-wide investments in training amounted to approximately € 2,647 thousand in 2017 (2016: € 2,755 thousand).

HR Development

The mentoring program implemented in 2016 was continued during the reporting year. There were 23 mentees taking part in the mentoring program on the reporting date. We intend to continue a modified form of this program in the future, and to develop it so that it becomes a systematic instrument for reviewing and assessing our high-potential employees.

Increasing the number of women in executive and managerial positions is a matter of great importance to us. As part of the Women@EDAG program, the female managerial staff have already held their first network meeting. A follow-up meeting is planned for 2018.

WOMEN@EDAG

EDAG continues its commitment to increasing the number of women in executive and managerial positions.

HR Consulting

In the reporting year, we intensified the active support and advice services for our employees. Above all, this was achieved by working with local HR business partners. At each of EDAG's major branches, there is now a competent contact partner available for employees and managerial staff to consult.

In 2017, we implemented a concept for employees returning to work after parental leave. The HR business partners keep in touch with absent fathers and mothers, and once their parental leave has ended, ensure that their return to work is as smooth as possible.

Our Company Integration Management was decentralized in 2017. The way in which our HR business partners actively approached employees who had been on long-term sick leave led to a significant increase in the satisfaction of the employees concerned and their supervisors with the work of the HR division.

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.

The intensification of HR consulting and the employment of regional HR business partners is one measure resulting from these findings.

The early transfer of responsibility within the context of small projects is a further measure targeted at meeting the expectations of our younger members of staff.

In 2017, we carried out a staff survey. The majority of our employees indicated that they can achieve a good work-life balance at EDAG. Very positive scores were obtained in the assessment of the work environment, cooperativeness among colleagues, and the acceptance of employees' direct superiors.

The concept for employees returning to work after parental leave guarantees mothers and fathers a smooth return to the workplace. EDAG almost always complies with requests for part-time work and individual structuring of working hours, to enable people to combine family and working life. Subsidies for childcare during school vacations is another measure which helps to establish EDAG as a family friendly company on the labor market. In 2017, we also looked into additional measures that might be implemented to further improve employees' work-life balance. Implementation is scheduled for 2018.

Coaching sessions for runners and a wide variety of fitness-related activities are offered at all the major branches, and EDAG employees receive company backing if they wish to participate in challenge runs, marathons or dragon boat races: all of which helps to promote team spirit.

As in previous years, we provided prevention and health promotion measures in 2017, in the form of health days held in cooperation with the health insurance companies, physiotherapy on the company premises, relaxation classes, vitality analyses and talks on health-related subjects. For the first time ever, we incorporated medically-based nutrition coaching in our training program for managerial staff.

Occupational health and safety

Annual health and 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. A certification program in accordance with OHSAS 18001 (health and safety management) was carried out for the central functions (Fulda and Wiesbaden) and for the Munich offices in the reporting year.

Age Structure and Continuous Employment

Besides pursuing the target of high qualification levels, EDAG also strives to maintain a diversified workforce. Our mix of experienced and young employees is an integral part of the EDAG Group's strategy for success. The average age of the employees at our key German companies is 38.2 years (2016: 38.0 years), which is representative of a young, dynamic team. 30 percent of the workforce are younger than 30.6 years old, and have been working for the EDAG Group for an average of 3.1 years. The average 7.5 years of continuous employment across the entire workforce at the key German companies (2016: 7.2 years) is an indication of high employee satisfaction and identification with the company.

EMPLOYEES@EDAG

Average age: 38.2 years
Average length of service: 7.5 years

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.

3.4 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 well qualified employees within the EDAG Group, 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.

3.5 Observation of Human Rights

EDAG CODE OF ETHICS

EDAG supports the ten UN Global Compact principles.

At EDAG, particular importance is attached to sustainability. It involves both a long-term business policy and the integration of ecological and social aspects in the management system. We see this as a contribution towards safeguarding the future of our company and towards long-term economical and social development. With the EDAG Code of Ethics, EDAG commits to the continued support of the ten UN Global Compact principles and to continual improvement in their implementation. The EDAG Code of Ethics can be accessed via: http://ir.edag.com/websites/edag/English/501040/code-of-conduct.html. 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 the company is not complicit in human rights abuses.

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.

We give particular priority to lawful conduct, particularly to the protection of human rights, and expect our business partners to do the same.

3.6 Combating Corruption and Bribery

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 growing challenges and 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 values.

To accommodate these exacting requirements, EDAG has set up a group-wide compliance management system (CMS). The objective of the EDAG CMS 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. To this end, the EDAG CMS outlines all organizational measures undertaken by the company to guarantee that the behavior of the company's executive bodies and employees is always legally compliant. 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.

Further, an internal compliance hotline is available to all EDAG employees worldwide, and can be used to report actual or suspected contraventions.

For a compliance management system to be effective, it is essential that the attention of the company's employees should be drawn to the subject of compliance, and an awareness of critical issues in the daily working environment be developed. This sensitivity for compliance can be brought about by providing staff training. In the 2017 financial year, we therefore expanded the compliance training program, a central element of our CMS, and continued to offer our web-based compliance training as an obligatory training activity. 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.

In addition to this long-established web-based compliance training, recommendations for action and concrete rules of conduct for practical individual cases have, from this year, also been included in EDAG's anti-corruption policy. The guidelines explain the various forms that corruption can take along with its consequences, draw attention to corruption risks, and define what steps to take if corruption is suspected. In this way, this additional instrument in the EDAG CMS plays a significant role in preventing and combating corruption at EDAG. In order to communicate the contents of these policy guidelines to our employees, there is a special training program to accompany the introduction of the policy.

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 secure or exceed 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 value < € 500 thousand
- Medium risk corresponds to an expected loss value ≥ € 500 thousand and < € 1,250 thousand
- High risk corresponds to an expected loss value ≥ €1,250 thousand

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 < € 2.5 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.

In the following, we will explain the risks and rewards to which EDAG Group AG is exposed on account of its wide and international range of services.

Risk and Reward Profile

Macroeconomic Risks and Rewards

MACROECONOMIC FORECAST UNTIL 2019

Global economic growth: 3.9 percent

After a period of several years of slow growth, there is an unmistakable gain in momentum in the global economy. International Monetary Fund (IMF) forecasts predict that, in the next two years, there will be an increase in global production of some 3.9 percent. For the USA, it is expected that the changes in US tax policy will have a positive effect on domestic growth. Brexit-related uncertainty is holding back productivity growth in Great Britain. As a result of the great uncertainty that exists with regard to future economic relations, a moderate increase of 1.5 percent is expected in the gross domestic product for the next two years. Growth in China is expected to slow down somewhat. Though economic expansion in the emerging markets is slowly beginning to pick up pace, no great momentum has yet developed due to the relatively low commodity price levels and numerous structural problems still to be resolved (see chapter "Macroeconomic and Industry-Specific Conditions", page 96).

Due to the political events of the last year, there is currently uncertainty about the future economic development in the world. The ongoing geopolitical crises result in risks to the economy, as does the increased political uncertainty in Europe and the USA. An unexpected downturn in the economic situation in China is just as likely to act as a constraint on the global economy as potential turbulence on the international financial market. We are therefore monitoring the relevant country-specific conditions very closely, so as to be able to quickly implement measures to minimize risks, should the need arise.

We estimate that the macroeconomic risks and rewards for our business are category C risks with a low probability of occurrence, which means they are unchanged compared to the previous year.

Industry Risks and Rewards

Worldwide, the development of the automotive market was positive in 2017. The markets in China and Europe picked up by 2.0 and 3.3 percent respectively, and although sales in the USA fell slightly, they still remain at a high level. For 2018, the VDA expects the world market for passenger cars to grow by 1 percent to 86 million units. According to a study by Lünendonk GmbH, the development of the market for engineering services continues to be seen in a positive light. It anticipates an average annual growth rate of 4.6 percent for the market between 2018 and 2022.

This creates opportunities for EDAG. Due to the growing number of models and powertrain variants, technological progress and shorter model cycles, there was in the past a continual increase in the volume of orders the OEMs awarded for engineering services. With its wide range of business activities, its focus on new business fields and future technologies, and its global presence as a strategic engineering service provider, EDAG enjoys a good market position. EDAG's aim is to further expand this leading market position with the major German OEMs and system suppliers, and to acquire new, international customers, particularly those entering the eMobility market. Should the German OEMs reverse their policy on outsourcing, this will enable EDAG to reduce the risks arising from dependency by building up know-how within the company on the one hand, and, having made massive investments in the development of electric fleets for instance, by saving money in other areas on the other.

Current issues such as the discussions concerning exhaust emission testing for passenger cars, the political dispute concerning the possibility of adapting the measuring methods and potential driving restrictions to reduce nitrogen oxide pollution in German cities continue to occupy the German automotive industry. Model planning and the drive technologies used therefore still feature as strongly as ever on our customers' agendas. A technological transition towards more eMobility in the industrial sector is becoming apparent in the long-term, strategic concept. Risks exist in the form of project stoppages, if the further development or model updates of conventionally driven models already on the market are to be discontinued. On the other hand, rewards can result from new models with alternative drive systems with no predecessors. In our opinion, it is still too early to be able to assess the full extent of the results of this reorientation for EDAG.

Conditions in the engineering service market remain highly competitive. As a result of measures to improve cost efficiency, the manufacturers are also attempting to further reduce their purchase prices. This means that the EDAG Group still faces considerable price pressure and calls to relocate development volumes to countries where wage levels are lower. In our opinion, these trends are long-term, and will continue to gather strength. We counter there market conditions by focusing workforce growth on the concrete requirements at home and abroad, and by continually improving our cost structure.

OUTLOOK FOR THE SECTOR

The transition towards greater use of alternative drive technologies offers chances for positive business development.

The trend towards outsourcing large work packages remains unchanged. Also, it is not yet possible to make a definitive assessment of the effects of the adjustments to the laws on temporary employment. However, a tendency to award more work contracts is becoming apparent, and this will increase the volume and responsibility in the projects for EDAG, thus leading to rewards and risks. On the one hand, contract awarding conditions and therefore requirements relating to the quotation process and drafting of contracts are being tightened up, while on the other hand, the manufacturers are advancing the consolidation of the potential suppliers as a result of these changes. The larger engineering service providers profit from this, as they have the know-how and capacity necessary to handle the increased volumes.

We now estimate that all risks and rewards in this risk category are category A risks with a low (2016: medium) probability of occurrence.

Rewards and Risks from Operative Business

OPERATIVE RISKS

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

There are always risks involved in the handling of long-term, large-scale projects. As a rule, these are highly complex and are often worked on simultaneously in different countries. Risks can occur as a result of technical divergences from guaranteed specifications. This can lead to costs being exceeded, staff shortages, technical difficulties and quality-related problems, all of which can reduce 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 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. Regular project evaluations and detailed reporting within the context of project steering committees place the EDAG Group in a position to counteract these kinds of risks, and take advantage of any opportunities that may arise.

Risks for the EDAG Group can occur if customers delay contract awards. The postponement of projects or even the complete discontinuation of development contracts lead to fluctuations in capacity which, depending on the order situation, cannot as a rule be completely balanced out. We try to safeguard a basic long-term workload by acquiring projects to cover longer periods of time. In addition, we are attempting to level off temporary volatile periods of capacity utilization by reducing external capacity, by employing flexible working time accounts and flexible deployment opportunities for our employees.

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 involves both opportunities and risks. 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 our competitors. This could have an adverse effect on our good market position. 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 target of EDAG Engineering Group AG is to belong to the technology and market leaders in their respective markets. We anticipate a future shift in customer enquiries towards innovative solutions in the fields of software, embedded systems, alternative drive technologies and eMobility. This means that we must come to grips with these new subjects and build up corresponding competencies. For years, the EDAG Group has successfully addressed this development with its competence centers. Through our cooperation with technology partners and research institutes, we have already built up our skills in future-relevant areas, while establishing our role on the market as an engineering partner competent to deal with these challenges. In our estimation, there is a growing need for know-how here, and this will be reflected in continuing price increases.

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

PERSONNEL RISKS

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 targeted recruiting, 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.

In order to introduce potential managerial staff to managerial tasks and solution strategies and ensure their loyalty to the company, an internal mentoring program was initiated.

During the past financial year, EDAG again received the German "Top Automotive Employer 2017" award. Awards like these confirm the effectiveness of the measures we undertake.

We therefore rate the personnel risks as a category B risk with a medium probability of occurrence, as in the previous year.

FINANCIAL RISKS

Overall, the financial debt in 2017 remains stable. 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 suitable security measures within the Group. For more details, see chapter "Financial Risk Management Objectives and Methods" in the notes.

Accounts receivable are generally 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. The risk of individual bad debts remained unchanged compared to the previous year.

The EDAG Group is primarily financed by related companies and lines of credit with house bank and bond insurers. As a result, and taking into account the financial debt, which remained generally stable in 2017, 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 available but 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 C risk with a medium probability of occurrence.

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. 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.

To counter the trend towards increasing fines being imposed on companies in various areas, the EDAG Group has 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 guarantee compliance with the relevant rules and regulations.

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.

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 therefore remains unchanged, and has been assigned a class C status with a low probability of occurrence.

Tax Risks

The EDAG Group operates worldwide, and is therefore 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. Comprehensive workshops are also held to raise the awareness of our staff.

There are no new tax risks in the EDAG Group that represent a substantial influence on the financial performance, cash flows and financial position for the reporting period.

Aggregated over the Group, this risk is assigned to category B status, as it was the year before. Given the numerous preventive regulations, the probability of occurrence continues to be considered as low.

COMPLIANCE SYSTEMS

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

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 "Non-Financial Performance Indicators and Corporate Social Responsibility (CSR)" (points: "Combating Corruption and Bribery", page 115 and "Observation of Human Rights", page 114) of the Group Management Report.

In view of our effective compliance management system, 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.

EDAG is subject to credit and liquidity risks. Management of these risks is the responsibility of company 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. Risk management also takes risk concentrations regarding individual transactions or group companies into account.

As only moderate use is made of variable interest bearing credit lines with banks, and due to the fact that the Group is primarily financed through fixed interest loans from a major shareholder or one of its subsidiaries and/or related companies and the VKE-Versorgungskasse EDAG-Firmengruppe e.V., we are of the opinion that any risk posed by fluctuations of market interest rates is not significant. Financial risks would therefore only result if credit lines were not extended.

Regarding leasing liabilities, the respective asset counts as security. 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 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. Foreign currency risks from financing activities result from financial liabilities in foreign currencies and foreign currency loans. These risks are covered by the Treasury

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.

Department. Currency derivatives are used to convert financial obligations and intra-group loans denominated in foreign currencies into the Group entities' functional currencies.

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. Here, too, EDAG hedges with foreign currency derivatives. Due to these hedging activities, EDAG 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.

As in the previous year, these risks are assigned to category C, associated with a 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.

APPRAISAL

Considering the measures taken and our position on the market, we are 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 does not believe that any of the reported risks will jeopardize the existence of the company. No individual or aggregate risks that might in the long term jeopardize the assets, financial position and financial performance, can currently be identified.

Findings indicate that our most significant risk exposure currently continues to relate to operative risks and industry risks (in terms of expected loss value).

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.

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.

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.
- Appropriate 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.

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

Following a 3.7 percent increase in global economic activity in 2017, the IMF's current forecast predicts growth rate of 3.9 percent for both 2018 and 2019. IMF experts see the present upswing in a number of European countries and Asia, and the US tax reform as the key forces behind this growth. For further growth forecasts in selected regions and countries, please see chapter "Basic Conditions and Overall Economic Development", page 96.

The 2018 forecast for the automobile industry remains positive. For more details, see the forecast expectations in chapter "Automotive Industry Development", page 97.

Technological and digital trends are, however, of far greater significance for our business model than sales figures. This means that the valid emission standards force the OEMs not only to further the development of classic powertrain types but also to intensify the integration of further alternative powertrain types, with BEV/PHEV[3] technologies becoming increasingly important. Software, sensor technology and autonomous driving are all becoming increasingly important and presenting the industry with immense challenges, but will ultimately increase the pace of technological change. The interconnectivity of vehicles necessitates increased engineering and capacity requirements, to enable new digital business fields and mobility services to be developed. What is more, the continuing consolidation of the engineering service providers and changed responsibility models in the drafting of work contracts will bring about lasting changes in the market for engineering services.

MACROECONOMIC FORECAST UNTIL 2019

Global economic growth 3.9 percent p.a.
Market development of engineering service sector until 2022: 4.6 percent p.a.

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

According to an analysis carried out by Lünendonk GmbH, these trends will lead to ongoing positive development in the market for technology consulting and engineering services. The market analysis anticipates a definite annual growth rate of 4.6 percent between 2018 and 2022.

Worldwide, EDAG is a solutions-oriented and competent partner to its customers, and, with innovative ideas and high levels of technological know-how, aims to operate successfully and achieve profitable growth rates under the conditions described. EDAG is one of the top three independent engineering service providers in the automotive sector, and this places us in a position where we are able to handle the changes in the market towards increasingly large and complex projects with more and more engineering responsibility. By making targeted investments in our performance and technology spectrum, we have further strengthened our international market position for fully integrated vehicle development and large module packages. We have already succeeded in fulfilling our customers' requirements for global, low cost projects incorporating "German engineering" by ensuring the flexible and mobile application of our expertise, by utilizing own internal, best-cost resources, and by performing the work under the direction of an international project management team. Qualified and committed employees are essential factors of the success on which we focus. By offering specific continuing training measures and above-average occupational training, the EDAG Group will continue to meet the high customer requirements in the future. This applies equally to both experienced and young professionals.

The influencing factors presented can represent not just opportunities, but also risks to EDAG's future business. Assuming favorable economic conditions – that the economy will continue to grow, manufacturers will maintain or expand their research and development expenditures at a high level and continue to outsource development services, and that qualified personnel are available – the EDAG Group expects positive business development. For 2018, the EDAG management sees opportunities for increasing revenues by up to 5 percent, and expects the increase in the E/E and PS segments to be ahead of the increase in the VE segment. With regard to the adjusted EBIT, we anticipate a margin of approximately 5 to 7 percent, given the challenges outlined above. The VE and E/E segments are expected to be within this range, with the PS segment slightly above it. Because of the sustained growth, we expect investments to be above the level of previous years. Despite this fact, however, we still anticipate an investment rate of less than 4 percent. Due to the continuing good financial performance, we also expect a positive development of our financial situation in the future.

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 section 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 January 26, 2018 in accordance with § 315d in conjunction with § 289f section 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 at: http://ir.edag.com/edag/pdf/289f_HGB-Erklaerung_2017_ENG.pdf)
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 at: http://ir.edag.com/edag/pdf/EDAG_Diversity_Concept_ENG.pdf)

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, 2017 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 holds 65.69 percent[4].

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

For the financial year ending December 31, 2017, 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 and Directors' Dealings

Information on directors' dealings pursuant to § 15a of the German Securities Trading Act (WpHG) or Art. 19 MAR are published on our website at http://ir.edag.com, under the heading "Announcements", menu item "Directors' Dealings".

Also published on this website are communications from the reporting year pursuant to § 21 et seq. of the German Securities Trading Act (WpHG). These can be found under the heading "Announcements", menu item "Voting Rights Announcements".

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 STATUTORY AUDITOR (JOINT MANAGEMENT REPORT)[1]

REPORT OF THE STATUTORY 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 December 31, 2017.

In our opinion, on the basis of the information gained during our audit, the accompanying joint manage-ment report provides an 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 statements, 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.

[1] *English translation – The German version prevails and is the only binding version.*

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 joint management report as a whole.

Deloitte AG

ROLAND MÜLLER
Accredited Audit expert
Auditor in charge

MARKUS PEYER
Accredited Audit expert

Zurich, April 10, 2018

CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	Notes	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Profit or loss			
Sales revenues and changes in inventories[1]		716,732	714,851
Sales revenues	(1)	716,679	714,955
Changes in inventories	(2)	53	- 104
Other income	(3)	18,711	16,839
Material expenses	(4)	- 97,213	- 99,087
Gross profit		**638,230**	**632,603**
Personnel expenses	(5)	- 467,372	- 454,859
Depreciation, amortization and impairment	(6)	- 28,734	- 27,692
Other expenses	(7)	- 114,532	- 112,216
Earnings before interest and taxes (EBIT)	**(8)**	**27,592**	**37,836**
Result from investments accounted for using the equity method	(9)	644	- 984
Financial income	(10)	318	488
Financing expenses	(11)	- 6,445	- 8,567
Financial result		**- 5,483**	**- 9,063**
Earnings before tax		**22,109**	**28,773**
Income taxes	(12)	- 7,755	- 10,677
Profit or loss		**14,354**	**18,096**

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

in € thousand	Notes	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
Profit or loss		14,354	18,096
Other comprehensive income			
Under certain conditions reclassifiable profits/losses			
Financial assets available for sale			
Profits/losses included in equity from valuation at fair value		- 17	1
Deferred taxes on financial assets available for sale		5	-
Currency conversion difference			
Profits/losses included in equity from currency conversion difference		- 1,494	426
Total under certain conditions reclassifiable profits/losses		**- 1,506**	**427**
Not reclassifiable profits/losses			
Revaluation of net obligation from defined benefit plans			
Revaluation of net obligation from defined benefit plans before taxes	(27)	1,040	- 3,112
Deferred taxes on defined benefit plans		- 308	947
Share of other comprehensive income of at-equity accounted investments, net of tax		33	- 55
Total not reclassifiable profits/losses		**765**	**- 2,220**
Total other comprehensive income before taxes		- 438	- 2,740
Total deferred taxes on the other comprehensive income		- 303	947
Total other comprehensive income		**- 741**	**- 1,793**
Total comprehensive income		**13,613**	**16,303**
From the profit or loss attributable to:			
Shareholders of the parent company		14,320	18,045
Minority shares (non-controlling interest)	(13)	33	52
Of the total comprehensive income attributable to:			
Shareholders of the parent company		13,580	16,251
Non-controlling interests		33	52
Earnings per share of sharholders of EDAG Group AG [diluted and basic in EUR]			
Eearnings per share	(14)	0.57	0.72

2 Consolidated Statement of Financial Position

in € thousand	Note	12/31/2017	12/31/2016
Assets			
Goodwill	(15)	74,359	64,521
Other intangible assets	(15)	31,436	35,053
Property, plant and equipment	(16)	73,003	71,648
Financial assets	(17)	150	158
Investments accounted for using the equity method	(18)	16,111	15,434
Non-current other financial assets	(17)	433	331
Non-current other non-financial assets	(21)	62	571
Deferred tax assets	(22)	2,513	1,109
TOTAL non-current assets		**198,067**	**188,825**
Inventories	(23)	2,545	1,584
Future receivables from construction contracts	(19)	69,104	86,881
Current accounts receivables	(20)	141,040	115,585
Current other financial assets	(17)	2,080	2,452
Current securities, loans and financial instruments	(17)	43	61
Current other non-financial assets	(21)	10,993	9,607
Income tax assets	(22)	2,020	2,298
Cash and cash-equivalents	(24)	13,485	19,067
Assets held for sale/discontinued operations	(25)	3,200	4,056
TOTAL current assets		**244,510**	**241,591**
TOTAL assets		**442,577**	**430,416**

in € thousand	Note	12/31/2017	12/31/2016
Equity, liabilities and provisions			
Subscribed capital		920	920
Capital reserves		40,000	40,000
Retained earnings		118,945	123,374
Reserves from profits and losses recognized directly in equity		- 9,201	- 9,954
Currency conversion differences		- 3,072	- 1,577
Equity attributable to shareholders of the parent company		**147,592**	**152,763**
Non-controlling interests		1	1
TOTAL equity	**(26)**	**147,593**	**152,764**
Provisions for pensions and similar obligations	(27)	27,606	27,038
Other non-current provisions	(28)	3,612	3,030
Non-current financial liabilities	(29)	1,158	88,080
Non-current other financial liabilities	(32)	2,243	-
Non-current income tax liabilities	(34)	-	1,460
Deferred tax liabilities	(34)	3,093	6,691
TOTAL non-current liabilities and provisions		**37,712**	**126,299**
Current provisions	(28)	8,440	9,485
Current financial liabilities	(29)	115,962	29,190
Future liabilities from construction contracts	(30)	41,278	29,689
Current accounts payable and other liabilities	(31)	24,745	23,327
Current other financial liabilities	(32)	3,348	3,417
Current other non-financial liabilities	(33)	51,785	49,273
Income tax liabilities	(34)	11,714	6,972
TOTAL current liabilities and provisions		**257,272**	**151,353**
TOTAL equity, liabilities and provisions		**442,577**	**430,416**

3 Consolidated Cash Flow Statement

	in € thousand	01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
	Profit or Loss	**14,354**	**18,096**
+	Income tax expenses	7,756	10,677
-	Income taxes paid	- 10,529	- 7,476
+	Financial result	5,483	9,064
+	Interest and dividend received	332	720
+/-	Impairment from revaluation at fair value less costs of disposal	1,042	-
+/-	Depreciation and amortisation/Write-ups on tangible and intangible assets	27,692	27,692
+/-	Other non-cash item expenses/income	1,511	- 1,746
+/-	Increase/decrease in non-current provisions	1,453	4,732
-/+	Profit/loss on the disposal of fixed assets	- 1,324	554
-/+	Increase/decrease in inventories	- 725	- 312
-/+	Increase/decrease in future receivables from construction contracts, receivables and other assets that are not attributable to investing or financing activities	- 7,205	- 9,279
+/-	Increase/decrease in current provisions	- 716	- 3,470
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	12,449	2,510
=	**Cash inflow/outflow from operating activities/operating cash flow**	**51,573**	**51,762**
+	Deposits from disposals of tangible fixed assets	6,458	1,238
-	Payments for investments in tangible fixed assets	- 16,794	- 23,222
+	Deposits from disposals of intangible fixed assets	-	29
-	Payments for investments in intangible fixed assets	- 4,921	- 4,681
+	Deposits from disposals of financial assets	61	30
-	Payments for investments in financial assets	- 54	- 33
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	- 21	-
-	Payments for investments in shares of fully consolidated companies/divisions	- 13,217	- 681
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 28,488**	**- 27,320**

in € thousand		01/01/2017 – 12/31/2017	01/01/2016 – 12/31/2016
-	Payments to shareholders/partners (prior year dividend, capital repayments, other distributions)	- 18,783	- 18,783
-	Interest paid	- 5,751	- 7,593
+	Borrowing of financial liabilities	29,161	82
-	Repayment of financial liabilities	- 29,637	- 47,796
-	Repayment of leasing liabilities	- 2,702	- 2,333
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 27,712**	**- 76,423**
	Net Cash changes in financial funds	**- 4,627**	**- 51,981**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 955	394
+	Financial funds at the start of the period	19,067	70,654
=	**Financial funds at the end of the period [cash & cash equivalents]**	**13,485**	**19,067**
=	**Free cash flow (FCF) – equity approach**	**23,085**	**24,442**

For a more detailed account of the cash flow statement, see chapter 5.6 "Notes on the Cash Flow Statement", page 238.

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Other retained earnings	Currency conversion	Revaluation from pension plans
As per 01/01/2017	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**
Profit or loss	-	-	14,321	-	-
Other comprehensive income	-	-	-	- 1,494	731
Total comprehensive income	-	-	**14,321**	**- 1,494**	**731**
Transaction under common control	-	-	-	-	-
Dividends	-	-	- 18,750	-	-
As per 12/31/2017	**920**	**40,000**	**118,945**	**- 3,071**	**- 9,139**

in € thousand	Subscribed capital	Capital reserves	Other retained earnings	Currency conversion	Revaluation from pension plans
As per 01/01/2016	**920**	**40,000**	**123,982**	**- 2,004**	**- 7,706**
Profit or loss	-	-	18,045	-	-
Other comprehensive income	-	-	-	427	- 2,164
Total comprehensive income	**-**	**-**	**18,045**	**427**	**- 2,164**
Transaction under common control	-	-	98	-	-
Dividends	-	-	- 18,750	-	-
As per 12/31/2016	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**

For explanations concerning equity, see "Equity [26]", on page 215.

in € thousand	Securities available for sale	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 01/01/2017	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Profit or loss	-	-	14,321	33	-
Other comprehensive income	- 12	33	- 742	-	- 742
Total comprehensive income	**- 12**	**33**	**13,579**	**33**	**13,612**
Transaction under common control	-	-	-	-	-
Dividends	-	-	- 18,750	- 33	- 18,783
As per 12/31/2017	**- 16**	**- 47**	**147,592**	**1**	**147,593**

in € thousand	Securities available for sale	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 01/01/2016	**- 4**	**- 25**	**155,163**	**80**	**155,243**
Profit or loss	-	-	18,045	52	18,097
Other comprehensive income	-	- 55	- 1,792	-	- 1,792
Total comprehensive income	**-**	**- 55**	**16,253**	**52**	**16,305**
Transaction under common control	-	-	98	- 98	-
Dividends	-	-	- 18,750	- 33	- 18,783
As per 12/31/2016	**- 4**	**- 80**	**152,763**	**1**	**152,764**

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 restrictions on voting rights with the majority shareholders ATON Austria Holding GmbH, Going am Wilden Kaiser ("ATON") and HORUS, according to which restrictions were placed, under certain circumstances, on their voting rights when the members of the Board of Directors were being elected, expired on July 2, 2017. In view of this fact, ATON gained "control" of the EDAG Group with effect from this date.

The Group Executive Management of EDAG Group AG compiled the consolidated financial statements on March 19, 2018. The Audit Committee of the Board of Directors of EDAG Group AG dealt with the consolidated financial statements during its meeting on April 10,

2018. The Board of Directors approved the consolidated financial statements in its meeting on April 10, 2018.

For the financial year ending December 31, 2017, the company shares fully qualify for dividends.

The 2017 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, 2017 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, 2017 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", page 155.

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. For reasons of clarity and transparency, the structure of the statement of financial position has been adjusted compared to the previous year. In the course of these adjustments, advance payments (12/31/2016: € 335 thousand) have been reclassified from inventories to other current non-financial assets. In addition, a differentiation has been made between financial and non-financial assets and liabilities in the presentation of the assets and liabilities: the current and non-current accounts receivable and other receivables reported in the previous year (12/31/2016: € 127,309 thousand current, € 902 thousand non-current) have been subdivided into the items current accounts receivable (€ 115,585 thousand current), current/non-current other financial assets (€ 2,452 thousand current, € 331 thousand non-current) and current/non-current other non-financial assets (€ 9,272 thousand current, € 571 thousand non-current). Analogously, the current accounts payable and other liabilities reported in the previous year (12/31/2016: € 76,017 thousand) have been subdivided into the items current accounts payable (€ 23,327 thousand), current other financial liabilities (€ 3,417 thousand) and current other non-financial liabilities (€ 49,273 thousand).

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 2017

EDAG Group AG has applied the following accounting standards adopted by the EU and legally required to be applied since January 1, 2017, although they did not have any significant effect on the assets, financial position and financial performance of the consolidated financial statements:

- IAS 12: Change to recognition of deferred tax assets for unrealized losses
- IAS 7: Change: Disclosure initiative

b) Standards, interpretations and changes to published standards, which are not yet mandatory for 2017, 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 9	Financial instruments	07/24/2014	01/01/2018	11/22/2016	
IFRS 15	Revenue	05/28/2014	01/01/2018	09/22/2016	
IFRS 15	Revenue: Clarifications	04/12/2016	01/01/2018	10/09/2017	
IFRS 2	Classification and Measurement of Share-based Payment Transactions	06/20/2016	01/01/2018		Q1 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	09/12/2016	01/01/2018	10/09/2017	
IFRS 16	Leases	01/13/2016	01/01/2019	10/09/2017	
Various	Annual Improvements to IFRS Standards 2014 – 2016 Cycle	12/08/2016	01/01/2017/ 01/01/2018		Q1 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	12/08/2016	01/01/2018		Q1 2018
IAS 40	Amendments to IAS 40: Transfers of Investment Property	12/08/2016	01/01/2018		Q1 2018
IFRS 17	Insurance Contracts	05/18/2017	01/01/2021		open
IFRIC 23	Uncertainty over Income Tax Treatments	06/07/2017	01/01/2019		2018
IFRS 9	Prepayment Features with negative Compensation	10/12/2017	01/01/2019		2018
IAS 28	Long-term Interests in Associates and Joint Ventures	10/12/2017	01/01/2019		2018
Various	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	12/12/2017	01/01/2019		2018

[1] *Until 12/31/2017*

IFRS 15 – Recognition of revenue should be applied for reporting periods beginning on or after January 1, 2018:

The regulations and definitions set out in IFRS 15 will in future replace the contents of IAS 18 "Revenue" and of IAS 11 "Construction Contracts". According to IFRS 15, revenue is to be recognized when the customer obtains control of the promised goods and services, and can benefit from them. The critical point is no longer the transfer of significant chances and risks set out in the old regulations in IAS 18 "Revenue". Revenue is to be evaluated with the amount of consideration the company expects to receive. The new 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. Following this, the transaction price of the contract with the customer must be determined and the separate performance obligations allocated. Finally, the new 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). Predetermined criteria are applied to determine whether the satisfaction of a performance obligation occurs at a point in time or over time. The EDAG Group plans a complete retrospective application of the new standard, in compliance with IFRS 15.C3. No use is to be made of the exceptions. Application of the IFRS 15 standard will not have any material effect on the presentation of the assets, financial position and financial performance of the EDAG Group. The effects will result from the conversion of contracts with customers, for which the revenue will in the future be recognized with reference to a point in time. In such cases, unfinished goods and services will in future be recognized as inventories until the revenue is recognized. The cumulative preliminary effect on earnings on January 1, 2017 amounts to € 1,242 thousand, and is recognized directly in consolidated equity and retained earnings. The changeover effect is equivalent to 0.8 percent of the consolidated equity.

IFRS 16 – Leases should be applied for reporting periods beginning on or after 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 financing 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, sale and leaseback transactions. EDAG Group AG and its companies act both as lessees and as lessors.

The application of IFRS 16 – Leases will have far-reaching effects on the financial figures of the EDAG Group:
The general obligation to prepare accounts for leases, for instance, is expected to lead to a significant extension of the Group statement of financial position total. Further, due to the typical faster reduction of the rights of use (straight-line depreciation) compared to the lease liability (effective interest method), a reduction of the Group's equity ratio is anticipated, and with it a higher debt ratio.

Due to the elimination of operating leasing (in the lessee model) and the future inclusion of an amortization and interest rate component in the statement of comprehensive income, a positive effect on the Group EBIT is generally anticipated, compared with the application of IAS 17.

EDAG Group AG is currently planning the complete retrospective application of the new leasing standard.

As the quantitative effect on the presentation of the net assets, financial position and financial performance is currently still being reviewed, it is not yet possible to make a valid statement regarding the effects the change-over will have. With regard to lessee accounting in the future, please also see the other financial obligations from operating leases described in the notes under chapter 5.7 "Other Notes".

IFRS 9 – Financial instruments should be applied for reporting periods beginning on or after January 1, 2018:
On July 24, 2014, IASB published the standard IFRS 9 "Financial instruments", which replaces IAS 39. IFRS 9 includes amended specifications for the classification and valuation of financial assets and a new risk prevention model, which will now take expected losses into account for the calculation of the provisions for risks. In addition, the new hedge accounting provisions published in November 2013 have now been included in the final version of IFRS 9.

The EDAG Group plans a complete retrospective application of the new standard, in compliance with IFRS 9.7.2.1. In conformity with the applicable transitional provisions, the figures for the previous year have not been adjusted. Application of the IFRS 9 standard will not have any material effect on the presentation of the assets, financial position and financial performance of the EDAG Group. The effects will result from the conversion of the impairment model. The impairment model under IAS 39 is based on the incurred loss model, whereas IFRS 9 introduces the expected credit loss model. No material effects are anticipated from the first-time adoption of the classification and valuation principles outlined in IFRS 9. The cumulative preliminary effect on earnings on January 1, 2018 amounts to € 114 thousand, and is recognized directly in consolidated equity and retained earnings. The changeover effect is equivalent to 0.1 percent of the consolidated equity.

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.

Annual Improvements 2014-2016 (IASB publication: December 8, 2016; EU endorsement: 1st quarter 2018): Amendment and clarification in

- IFRS 12 - Disclosure of Interests in Other Entities

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 Engineering & Design 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, the attributable share of the goodwill is taken into account when calculating the result of the disposal.

Non-controlling interest represents the proportion of the result and the net assets which is not attributable to the shareholders of the Group. Shares of other shareholders 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 IAS 39 (see chapter 5.8 “Shareholdings” 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 section 1 HGB (German Commercial Code) in conjunction with § 291 section 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
- BFFT Holding GmbH, Munich
- BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim

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, 2016 to December 31, 2017, the group of combined or consolidated companies developed as follows:

	Switzerland	Germany	Others	Total
Fully consolidated companies				
Included as of 01/01/2016	**3**	**10**	**24**	**37**
Included for the first time in current financial year	-	-	1	1
Withdrawn in current financial year	-	1	-	1
Included as of 12/31/2016	**3**	**9**	**25**	**37**
Included for the first time in current financial year	-	-	5	5
Withdrawn in current financial year	-	1	3	4
Included as of 12/31/2017	**3**	**8**	**27**	**38**
Companies accounted for using the equity method				
Included as of 01/01/2016	**-**	**1**	**-**	**1**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2016	**-**	**1**	**-**	**1**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2017	**-**	**1**	**-**	**1**
Companies included at acquisition cost				
Included as of 01/01/2016	**-**	**3**	**-**	**3**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	1	-	1
Included as of 12/31/2016	**-**	**2**	**-**	**2**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2017	**-**	**2**	**-**	**2**

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.

VR-Leasing Malakon GmbH & Co Immo. VR-Leasing Malakon GmbH & Co Immo. KG is included as a fully consolidated company, although the Group holds only 25 percent of the voting rights. On the other hand, it has an almost 100 percent share in the capital. Agreements under company law, however, result in control by EDAG in accordance with IFRS 10.7. EDAG is under no obligation to grant the company financial assistance. EDAG has not in the past voluntarily granted any such financial assistance, nor does the company have any intention of doing so in the future.

Haus Kurfürst GmbH was sold with effect from January 1, 2017. The resulting deconsolidation profit amounts to € 3 thousand.

HRM Engineering i Trestad AB, Sweden was merged to form HRM Engineering AB, Sweden on July 18, 2017.

EDAG Slovakia, spol. s.r.o. , Slovakia was sold with effect from December 8, 2017. The resulting deconsolidation profit amounts to € 0 thousand.

EDAG Engineering SRL, Romania was liquidated on December 19, 2017.

Acquisition of HRM Engineering AB, Sweden and its two subsidiaries on May 31, 2017

The purchase price allocation was adjusted compared to the previous quarter, as adjusting events occurred in the target figures and the valuation of the contributory assets (workforce). The fair values of the other intangible assets (customer relations) increased by € 74 thousand. The resulting deferred taxes amount to € 16 thousand.

The cash outflows due to the acquisition of the company are as follows:

CASH OUTFLOW DUE TO THE ACQUISITION OF THE COMPANY

in € thousand	2017
Outflow of cash and cash equivalents, total	6,207
Cash and cash equivalents acquired with the subsidiary	260
Actual cash outflow	5,947

The following table sets out the assets, liabilities and provisions identified for the acquisition of the company and assumed at the time of acquisition.

in € thousand	Fair values at time of acquisition
Intangible Assets	1,158
Property, plant and equipment	117
Non-current assets	**1,275**
Accounts receivable and other receivables	3,536
Other current assets	42
Cash and cash-equivalents	260
Current assets	**3,838**
TOTAL assets	**5,113**
Financial liabilities	0
Trade payables	944
Other current liabilities	1,861
Deferred tax liabilities	241
TOTAL liabilities and provisions	**3,045**
Acquired net assets	**2,068**

The fair value of the acquired amounts receivable is equal to the gross amounts.

in € thousand	2017
Attributable fair value of the purchase price for net assets	**7,538**
Net assets at fair value	2,068
Capitalized goodwill	**5,470**

The incidental acquisition costs amounted to € 175 thousand.

On May 31, 2017, the EDAG Group acquired a total of 100 percent of the shares in HRM Engineering AB, which has its head office in Sweden. HRM Engineering AB for its part holds 100 percent of the shares in both Müller HRM Engineering AB, Sweden and HRM Engineering i Trestad AB, Sweden. This acquisition enabled the EDAG Group to significantly expand its market presence on the Swedish market. The corporate group, which has been active in Sweden since the 1980s, is already a well-established engineering partner to the Swedish automotive industry, working with Volvo and other companies. Approximately 120 employees at the Gothenburg branch offer an extensive range of services in the fields of electronics and software development, product engineering and quality engineering. Its range of business activities - particularly in the fields of Electrics/Electronics and software development - are an ideal addition to the activities of our team in Sweden.

The Swedish market is characterized by a highly dynamic development of motor vehicles and commercial vehicles, and offers good prospects for future growth. This new line-up, which expands both our competence base and team size, is therefore an important step towards achieving the growth targets we have set ourselves and further extending our good position. The fair value of the purchase price is composed of the basic purchase price in the amount of € 6,570 thousand, € 363 thousand of which was still to be paid on the reporting date, and the net cash value of the contingent consideration in the amount of € 968 thousand. The contingent consideration in the undiscounted range from € 0 thousand to € 1,025 thousand is due to the original shareholders, when certain milestones relating to sales revenue and earnings performance are achieved. The resulting goodwill in the amount of € 5,470 thousand is not tax-deductible, and primarily consists of non-separable values for the knowledge of the employees and benefits from the expected synergies with EDAG Engineering AB, our existing subsidiary in Sweden. The goodwill has been assigned proportionally to the "Vehicle Engineering" CGU (€ 4,405 thousand) and the "Electrics/Electronics" CGU (€ 1,065 thousand). The sales revenues of HRM Engineering AB and its subsidiaries included in the consolidated statement of comprehensive income since the acquisition date amount to € 6,594 thousand, recognized loss to € 207 thousand.

Acquisition of CKGP/PW & Associates Inc., USA on July 3, 2017

The purchase price allocation was adjusted compared to the previous quarter, as adjusting events occurred in the valuation of the contributory assets (workforce). The fair values of the other intangible assets (customer relations) increased by € 606 thousand. The resulting deferred taxes amount to € 236 thousand.

The cash outflows due to the acquisition of the company are as follows:

CASH OUTFLOW DUE TO THE ACQUISITION OF THE COMPANY

in € thousand	2017
Outflow of cash and cash equivalents, total	7,458
Cash and cash equivalents acquired with the subsidiary	212
Actual cash outflow	7,246

The following table sets out the assets, liabilities and provisions identified for the acquisition of the company and assumed at the time of acquisition.

in € thousand	Fair values at time of acquisition
Intangible Assets	1,690
Property, plant and equipment	119
Non-current assets	**1,809**
Accounts receivable and other receivables	3,632
Cash and cash-equivalents	212
Current assets	**3,844**
TOTAL assets	**5,653**
Trade payables	347
Other current liabilities	421
Deferred tax liabilities	642
TOTAL liabilities and provisions	**1,409**
Acquired net assets	**4,244**

The fair value of the acquired amounts receivable is equal to the gross amounts.

in € thousand	2017
Attributable fair value of the purchase price for net assets	**9,127**
Net assets at fair value	4,244
Capitalized goodwill	**4,883**

The incidental acquisition costs amounted to € 319 thousand.

On July 3, 2017, the EDAG Group acquired a total of 100 percent of the shares in CKGP/PW & Associates Inc., which has its head office in the USA. The target company, which employs a workforce of approx. 68, has firmly established its position among the North American vehicle manufacturers as an engineering partner for production plants, and offers a comprehensive range of services in the fields of conveyor technology/paint shop planning, material flow and logistics planning as well as manufacturing and process engineering.

Through this acquisition, EDAG has broadened access to the US market and expanded its range of skills in the Production Solutions segment, particularly in the fields of production planning and systems engineering, both of which are relevant to "Industrie 4.0". After the acquisition, CKGP/PW & Associates Inc. will gain access to the EDAG Group's global capacities and international customer base. In return, the EDAG Group will also profit from the excellent customer relations enjoyed by the traditional American company on the US market.

The fair value of the purchase price is composed of the basic purchase price in the amount of € 7,458 thousand and the net cash value of the contingent consideration in the amount of € 1,669 thousand. The contingent consideration in the undiscounted range from € 0 thousand to € 1,753 thousand is due to the original shareholders, when certain milestones relating to sales revenue and earnings performance and employee retention are achieved. The resulting goodwill in the amount of € 4,883 thousand is not tax-deductible, and consists primarily of non-separable values for the knowledge of the employees and benefits from the expected synergies with other companies. The goodwill has been fully assigned to the "Production Solutions" CGU. The sales revenues of CKGP/PW & Associates Inc. included in the consolidated statement of comprehensive income since the acquisition date amount to € 6,866 thousand, recognized profit to € 386 thousand.

Had the HRM Group and CKGP/PW & Associates Inc. already been included with effect from January 1, 2017, the combined group sales revenues for the 2017 financial year would have amounted to € 729,046 thousand, and earnings after taxes to € 15,113 thousand.

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 1 EUR = Nat. currency	12/31/2017 Spot rate on balance sheet date	2017 Average exchange rate for period	12/31/2016 Spot rate on balance sheet date	2016 Average exchange rate for period
Great Britain	GBP	0.8872	0.8762	0.8562	0.8189
Brazil	BRL	3.9729	3.6043	3.4305	3.8616
USA	USD	1.1993	1.1294	1.0541	1.1066
Malaysia	MYR	4.8536	4.8502	4.7287	4.5842
Australia	AUD	1.5346	1.4704	1.4596	1.4886
Hungary	HUF	310.3300	309.2538	309.8300	311.4593
India	INR	76.6055	73.5002	71.5935	74.3553
China	CNY	7.8044	7.6265	7.3202	7.3496
Mexico	MXN	23.6612	21.3316	21.7719	20.6550
Czech Republic	CZK	25.5350	26.3265	27.0210	27.0343
Switzerland	CHF	1.1702	1.1116	1.0739	1.0902
Poland	PLN	4.1770	4.2561	4.4103	4.3636
Romania	RON	4.6585	4.5688	4.5390	4.4908
Russia	RUB	69.3920	65.8864	64.3000	74.2224
Sweden	SEK	9.8438	9.6364	9.5525	9.4673
Japan	JPY	135.0100	126.6617	123.4000	120.3138
South Korea	KRW	1,279.6100	1,275.8247	1,269.3600	1,284.5640

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, 2017, the same basic accounting and valuation methods were applied as for calculating the comparative figures.

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 within the context of the ordinary business activity, 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.

With the sale of goods and services, this is the point in time at which ownership and risk are transferred, or the service is performed.

Income from service business and construction contracts is reported as income with reference to the stage of completion, if the result of the construction contract can be reliably estimated (percentage of completion method, PoC method). This is the case if the total income, any costs incurred up to the balance sheet date, any costs anticipated until the order has been completed, and the degree of completion can all be reliably ascertained, and it is probable that the economic benefits resulting from the business will flow to the EDAG Group. The degree 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) 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 and and has therefore generally entered into work contracts in accordance with § 631 et seq. BGB with its customers, or performs a contract for labor and materials in accordance with § 651 BGB.

In the statement of financial position, the parts of the order - both for services and for construction contracts - for which income has been accounted for with the PoC method are posted to "future receivables from construction contracts", after deducting the advance payments received. Should the down payments received in relation to the individual customer project exceed the accumulated contract revenue, this is reported under "future liabilities from work contracts". Losses from customer-specific construction contracts are initially offset on the asset side with the status as of the reference date and the remainder is immediately posted in its full amount as pending loss.

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.

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 € 5,088 thousand (2016: € 3,302 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 orders on hand	1
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. Depreciation is on a straight-line basis over their estimated useful lives, which as a rule is not longer than five years.

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 8.20 percent (2016: 8.82 percent). The borrowing costs used amount to 2.49 percent (2016: 2.38 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 is 10.23[3] percent before taxes (2016: 11.51 percent). There are no specific capitalization rates for the segments, as the peer group is identical in all cases.

[3] *WACC = Weighted Average Cost of Capital*

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.

in € thousand	**2017**	**2016**
Vehicle engineering	48,783	44,622
Production solutions	5,168	521
Electrics/electronics	20,408	19,378
Total	**74,359**	**64,521**

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 disposal of the asset.

Leasing

Group as the Lessee

Leasing transactions are classified either as finance leases or operating leases. Leasing transactions in which the Group, as the lessee, bears all the significant risks and rewards associated with ownership are treated as finance leases. Accordingly, the Group capitalizes the leasing object at the time of concluding the leasing relationship at either the fair value or the net present value of the minimum leasing installments, whichever is lower, and then depreciates the leasing object over the estimated useful economic life or the shorter contractual period. At the same time, a corresponding liability is created which is repaid and carried forward during the subsequent period, according to the effective interest method. All other leasing transactions in which the Group acts as lessee are treated as operating leases. In this case, leasing payments are recognized as expenses on a straight line basis, throughout the contract period.

Group as the Lessor

Leases which do not substantially transfer all the risks and rewards associated with ownership from the Group to the lessee are classified as operating leases. Initial direct costs incurred on account of the negotiations relating to and the conclusion of an operating leasing contract are added to the book value of the leased object and recognized as expenses corresponding to the income from rents, throughout the contract period.

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 company and a financial liability or equity capital instrument for another company.

Financial instruments in the sense of IAS 39 include financial assets which are valued at fair value through profit and loss, loans and receivables, financial investments held until maturity or financial assets available for disposal. 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 IAS 39, these include financial liabilities valued at fair value through profit or loss, and financial liabilities that are valued at carried-forward acquisition cost. In particular, these include accounts payable, liabilities due to credit institutions, bonded 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 company defines the categorization of its financial assets and/or financial liabilities upon their initial recognition and reviews this classification at the end of each financial year, to the extent that this is admissible and appropriate. Reclassifications are carried out at the end of the financial year if these are admissible and appear necessary.

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

Financial assets which are valued at fair value through profit and loss and *financial investments held until maturity* are not relevant to the EDAG Group and are therefore not explained in detail in the following.

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 are valued at carried-forward acquisition cost, using the effective interest method (net method) if applicable. The value adjustments which are carried out in the form of allowances for doubtful accounts sufficiently satisfy the risks of default; concrete defaults result in the derecognition of the relevant receivables.

Some of the value adjustments to accounts receivable and other receivables are 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. EDAG does not carry out any generalized or portfolio adjustments.

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

Financial Investments Available for Sale

The other original financial assets are categorized as "available for sale" and are always valued at either book value or fair value. Financial assets available for disposal are non-derivative financial assets which are classified as being available for disposal and do not come under one of the above-mentioned categories. The profits and losses resulting from the valuation at fair value are included directly in equity. This does not apply if permanent and/or significant impairments and currency-related changes in value of debt capital instruments which are posted through profit or loss are involved. The accumulated profits and losses from the valuation of the fair value included in equity are not posted to the statement of comprehensive income until the financial assets have been disposed of. Non-listed equity capital instruments are valued at their acquisition costs (less impairments, if applicable). Under certain circumstances, other investments (e.g. non-operational companies) and certain securities, the acquisition cost of any one of which must not exceed € 30 thousand, also come under this category.

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

On each reporting date, the book values of the financial assets which cannot be valued at the fair value affecting net income are checked to see whether there are substantial, objective indications of impairment (such as 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). Any impairment on account of a lower fair value, compared to the book value, is posted to profit or loss. Should any impairments of the fair value of financial assets available for disposal have been included in equity without affecting income, then the value of the impairment calculated for these is to be eliminated from equity and posted to the statement of comprehensive income. If, during valuations carried out at a later date, it should transpire that the fair value has objectively increased as a result of circumstances occurring after the impairment was determined, then the impairment is withdrawn from equity instruments accordingly, without affecting net income; impairments of debt instruments, on the other hand, are withdrawn through profit and loss. Impairments pertaining to non-listed equity capital instruments which are available for disposal and posted with the acquisition costs must not be withdrawn. The fair value of securities to be held until maturity and the fair value of loans and receivables valued with the carried-forward acquisition costs, both to be defined during the impairment test, are equivalent to the cash value of the estimated future cash flows discounted at the value of the original effective annual interest rate. The fair value of non-listed equity capital instruments valued with the carried-forward acquisition costs is the cash value of the expected future cash flows discounted at the value of the current interest rate, equivalent to the investment's specific risk situation.

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 39.19 ("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 in accordance with IFRS 13.

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.

EDAG therefore carries out hedging measures which, while not fulfilling the strict requirements of IAS 39, still contribute towards effectively hedging the financial risk, as per 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 12 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.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset are to be capitalized as a part of the acquisition or production costs of this asset. As in the previous year, no interest on borrowed capital was capitalized. Other borrowing costs are to be recognized as expenses in the period in which they occur.

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 IAS 11. 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.

Assets, liabilities and provisions held for sale are subject to two fundamental uncertainty factors: firstly, the way in which negotiations develop, with possible loss of control; and secondly changes in value from ongoing activities, with possible loss of control.

When accounting for *leases*, an assessment must be made of whether or not the main risks and rewards associated with the ownership have been transferred. On the basis of this assessment, the leasing object is then allocated to either the lessee or the lessor. If they are being recognized for the first time, assets and liabilities from finance leases are recorded at fair value or, if this is lower, at the present value of the minimum leasing payments. The determination of fair value is regularly associated with estimates regarding the cash flows resulting from utilization of the leasing object and the discount rate used.

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.

5.3 Notes on the Statement of Comprehensive Income

[1] Sales Revenues

Sales revenues are realized with the provision of the service and/or the transfer of the risk to the customer. 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. Due to the fact that services not constituting construction contracts as defined in IAS 11.3 are immaterial within the EDAG Group, they are not recognized separately from the construction contracts; particularly as the recognition methods described in IAS 18.20 and IAS 11.25 are identical. Therefore, the sales revenues are essentially equivalent to the contract revenues, and amounted to € 716,679 thousand (2016: € 714,955 thousand) in the financial year.

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	2017		2016	
Sales revenue by markets (sales related)				
Germany	519,989	73%	557,719	78%
Switzerland	2,858	0%	1,966	0%
Rest of Europe	102,899	14%	82,969	12%
North America	52,919	7%	30,344	4%
South America	10,166	1%	9,212	1%
Asia	27,835	4%	32,247	5%
Australia	13	0%	493	0%
Africa	-	0%	5	0%
Total	**716,679**	**100%**	**714,955**	**100%**

[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 2017 increased by € 53 thousand (2016: decreased by € 104 thousand).

[3] Other Income

Other income is classified as follows:

in € thousand	2017	2016
Operating income		
Non-cash benefit from car leasing	3,930	3,935
Income from currency gains	2,658	2,518
Land and rental income	2,536	2,447
Cost transfer income	1,856	1,503
Catering/cafeteria income	1,283	1,129
Income from currency hedging transactions	255	-
Income from compensation payments	135	92
Income from recycling/scrap	44	21
Miscellaneous operating income	640	667
Total operating income	**13,337**	**12,312**
Non-operating income		
Income from the disposal/subsequent capitalization of fixed assets	1,824	433
Public sector benefits	1,645	1,168
Income from the reversal of provisions	1,022	1,658
Income from impaired receivables	195	44
Deconsolidation income	3	-
Miscellaneous non-operating income	685	1,224
Total non-operating income	**5,374**	**4,527**
Total other income	**18,711**	**16,839**

During the reporting year, public sector benefits of € 1,645 thousand (2016: € 1,168 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 € 1,022 thousand (2016: € 1,658 thousand) are made up of the unwinding of other provisions for personnel, taxes and miscellaneous provisions (see Chapter "Other Provisions [28]"). Other items cover income from onerous contracts in the amount of € 192 thousand (2016: € 28 thousand).

Earnings in the amount of € 252 thousand (2016: € 1,229 thousand) are included in the earnings from the reversal of provisions, and also in the amount of € 1,544 thousand (2016: € 138 thousand) in the earnings from the disposal/subsequent capitalization of fixed assets; these are included in the adjusted EBIT reconciliation.

[4] Material Expenses

in € thousand	**2017**	**2016**
Expenses for materials and supplies and for purchased goods	33,110	34,675
Expenses for purchased goods and services	64,103	64,412
Total	**97,213**	**99,087**

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.

[5] Personnel Expenses

in € thousand	2017	2016
Wages and salaries	389,147	378,586
Social security contributions	72,417	71,261
Expenses on retirement pension plans and support	5,065	4,432
Wage-related and salary-related taxes	743	580
Total	**467,372**	**454,859**

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 on page 216 in chapter "Pensions and Other Post-Employment Benefits [27]".

Personnel expenses include public sector subsidies for short-time working benefit, which are shown in their balanced state, as per IAS 20.29 - 31. Subsidies in the amount of €254 thousand (2016: € 1,173 thousand) are reported under wages and salaries, and subsidies in the amount of € 305 thousand (2016: € 1,473 thousand) under social security contributions. 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 € 5,036 thousand (2016: € 3,512 thousand).

In the financial year ended December 31, 2017, an average of 8,235 employees were employed in the EDAG Group (2016: 8,260 employees). The following table provides a detailed overview.

	2017	2016
Breakdown according to contractual relationship		
Salaried employees	7,707	7,754
Apprentices	528	506
Total	**8,235**	**8,260**
Geographical breakdown		
Germany	6,045	6,339
Rest of Europe	1,274	1,065
North America	277	217
South America	180	198
Asia	459	441
Total	**8,235**	**8,260**

[6] Depreciation, Amortization and Impairment

The depreciation and amortization of fixed assets in the amount of € 28,734 thousand (2016: € 27,692 thousand) include both amortization of intangible assets and depreciation of property, plant and equipment.

Besides the scheduled depreciation and amortization in the amount of € 21,912 thousand (2016: € 21,096 thousand), they also include depreciation and amortization from the purchase price allocation totaling € 5,781 thousand (2016: € 6,596 thousand) which were also included in the adjusted EBIT reconciliation.

In addition, they include impairment costs for a property which was qualified as an asset held for sale in accordance with IFRS 5.6 and was valued at fair value less costs to sell, in accordance with IFRS 5.15. In this context, impairment costs totaling € 1,042 thousand (2016: € 0 thousand) were recognized in the reporting year. This was also settled in the adjusted EBIT.

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] Other expenses

The breakdown of the other expenses results in:

in € thousand	2017	2016
Operating expenses		
Rents and leases	38,864	38,971
Maintenance	17,534	17,187
Travel expenses	14,647	13,679
Miscellaneous ancillary personnel expenses	8,576	7,476
General administration expenses	6,054	6,413
Consulting, contributions and fees	5,773	5,042
Sales and marketing expenses	3,491	3,462
Expenses from currency losses	3,252	3,047
Personnel training and development expenses	2,647	2,755
Vehicle fuel expenses/miscellaneous vehicle expenses	1,901	1,737
Insurance	1,630	1,600
Miscellaneous taxes and duties	1,055	1,102
Surveillance and security expenses	1,004	1,178
Guarantees	277	-
Expenses from currency hedging transactions	-	358
Miscellaneous operating expenses	5,574	5,268
Total operating expenses	**112,279**	**109,275**
Non-operating expenses		
Expenses from impaired receivables	1,502	**1,179**
Expenses from the disposal of assets/scrapping	396	**675**
Expenses from bad debt loss	257	**80**
Miscellaneous non-operating expenses	98	**1,007**
Total non-operating expenses	**2,253**	**2,941**
Total other expenses	**114,532**	**112,216**

Expenses in the amount of € 0 thousand (2016: € 688 thousand) were included in the non-operating expenses, which are included in the adjusted EBIT reconciliation.

[8] 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	2017	2016
Earnings before interest and taxes (EBIT)		**27,592**	**37,836**
Adjustments:			
Expenses (+) from purchase price allocation	(6)	5,781	6,596
Income (-)/expenses (+) from deconsolidation	(3)	- 3	-
Income (-) from reversal of provisions	(3)	- 252	- 1,229
Expenses (+) from restructuring	(7)	-	214
Income (-) from the sale of real estate	(3)	- 1,544	- 138
Expenses (+) from the sale of real estate	(7)	-	474
Expenses (+) from impairment of real estate	(6)	1,042	-
Total adjustments		**5,024**	**5,917**
Adjusted earnings before interest and taxes (adjusted EBIT)		**32,616**	**43,753**

The "expenses (+) from the purchase price allocation" and the "expenses (+) from impairment of real estate" are stated under the amortization. The "income (-)/expenses (+) from deconsolidations“ are each shown separately in the non-operating expenses and non-operating income. The "income (-) from the reversal of provisions" and the "income (-) from the sale of real estate" is shown under the non-operating income. The "expenses (+) from restructuring“ and the "expenses (+) from the sale of real estate" are reported under the non-operating expenses in the positions of "miscellaneous non-operating expenses".

[9] Result from Investments Accounted for Using the Equity Method

The result from investments accounted for using the equity method in the amount of € 644 thousand in the 2017 financial year (2016: € -984 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 "Investments Accounted for Using the Equity Method" [18], page 208.

[10] Financial Income

in € thousand	2017	2016
Interest income earned from discounting	25	55
Interest and similar income	293	433
Total	**318**	**488**

[11] Financing Expenses

in € thousand	2017	2016
Interest and similar expenses	6,437	8,545
Miscellaneous financial expenses	8	22
Total	**6,445**	**8,567**

Of the interest and similar expenses, € 392 thousand (2016: € 430 thousand) is related to the interest percentage for pension provisions.

[12] 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 2016 and 2017 are composed as follows:

in € thousand	2017	2016
Actual income tax expense/income	13,967	12,544
Adjustment for actual income taxes attributable to prior periods	159	- 65
Deferred tax expense/income		
from the emergence and/or reversal of temporary differences	- 5,061	- 1,929
from losses carried forward	- 1,310	127
Income taxes	**7,755**	**10,677**

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 € 7,755 thousand (2016: € 10,677 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 33.00 percent (2016: 31.00 percent). Due to a shift in the results in the different tax law systems, the weighted average combined tax rate for EDAG Group AG increased compared to the previous year.

	2017		2016	
	in € thousand	in %	in € thousand	in %
Earnings before tax	**22,109**		**28,773**	
Expected tax rate	-	33.00%	-	31.00%
Expected tax expense	**7,296**		**8,920**	
Tax-free earnings and non-deductible expenses, and effects of § 8a and § 8b of the German Corporate Tax Law	2,027	9.17%	1,655	5.75%
Tax effects from equity investments (+)	- 212	-0.96%	305	1.06%
Tax rate deviations	- 1,247	-5.64%	- 1,146	-3.98%
Tax effects from losses carried forward	- 261	-1.18%	942	3.27%
Taxes for previous year	159	0.72%	- 65	-0.23%
Miscellaneous tax effects	- 7	-0.03%	66	0.23%
Income taxes as disclosed in the statement of comprehensive income	**7,755**		**10,677**	
Effective tax rate	-	35.08%	-	37.11%

Deferred taxes developed as follows in the consolidated statement of financial position:

in € thousand	2017	2016
Deferred tax assets	2,513	1,109
Deferred tax liabilities	- 3,093	- 6,691
Net	**- 580**	**- 5,582**
Difference to previous year	5,002	2,846
Through profit or loss	6,370	1,803
Recognized directly in equity	- 303	947
Acquisitions	- 883	- 43
Currency differences	- 182	139

Deferred taxes are allotted to the following statement of financial position positions, losses carried forward, and tax credits:

in € thousand	12/31/2017 Deferred tax assets	12/31/2017 Deferred tax liabilities	12/31/2016 Deferred tax assets	12/31/2016 Deferred tax liabilities
Assets				
Other intangible assets	-	- 6,664	-	- 7,527
Property, plant and equipment	-	- 1,970	-	- 3,058
Financial assets	73	-	11	- 7
Inventories, receivables, other financial assets	7,304	- 16,779	13,352	- 23,242
Liabilities and provisions				
Provisions	6,813	- 9,014	6,669	- 9,412
Liabilities	18,828	- 584	16,642	- 204
Tax losses carried forward	1,413	-	1,194	-
Gross amount	**34,431**	**- 35,011**	**37,868**	**- 43,450**
Offsetting	- 31,918	31,918	- 36,759	36,759
Statement of financial position valuation	**2,513**	**- 3,093**	**1,109**	**- 6,691**

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.

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 € 306 thousand (12/31/2016: € 251 thousand) no deferred tax asset was recorded in the statement of financial position, since no tax relief is to be expected.

As at December 31, 2017, the corporate income tax losses carried forward amount to € 17,454 thousand (12/31/2016: € 20,068 thousand).

The full amount of the 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 losses carried forward can be seen in the following table:

in € thousand	**12/31/2017**	**12/31/2016**
Losses carried forward from corporate business tax (not usable)	10,878	15,750
Expiry within		
1 year	56	173
2 – 3 years	147	99
4 – 5 years	355	163
6 – 10 years	1,966	742
more than 10 years	6,728	11,502
able to be carried forward for an unlimited period	1,626	3,071

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. Due to their holding privilege and the attendant tax status, neither of the companies is subject to cantonal and municipal taxes. Accordingly, it will not be possible to realize the accrued losses carried forward in the amount of € 5,544 thousand on December 31, 2017 (12/31/2016: € 181,012 thousand) in subsequent years. The difference between the reporting year and the previous year is due to the withdrawal of the amortization of an investment in the tax balance sheet.

In the USA, there were state income taxes losses carried forward amounting to € 1,864 thousand (12/31/2016: € 1,417 thousand). These were not recognized as losses carried forward.

[13] Non-controlling interests

The non-controlling interest includes shares held by third-parties in initial and generated equity of the fully consolidated subsidiaries.

The total comprehensive income to be attributed to non-controlling interests for the 2017 financial year is € 33 thousand (2016: € 52 thousand).

The dividends to be allocated to the controlling shares for 2017 are € 179 thousand (2016: € 179 thousand).

The following table shows the fundamental financial information of VR-Leasing Malakon GmbH & Co Immo. KG, Eschborn, which is not controlled in full.

in € thousand	12/31/2017	12/31/2016
Current assets	241	241
of which cash	241	241
Non-current assets	5,339	5,721
Total assets	**5,580**	**5,962**
Current liabilities and provisions	4,293	4,080
of which financial liabilities	931	877
Non-current liabilities and provisions	443	1,198
of which financial liabilities	-	740
Total liabilities and provisions	**4,736**	**5,278**
Net assets	**844**	**684**

[14] 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 TEUR	2017	2016
Basic Earnings per Share (EPS)		
Earnings after tax	14,354	18,096
less non-controlling interest (monority shares)	- 33	- 52
Earnings after tax, attributable to shareholders of EDAG Group AG	14,320	18,045
Earnings after tax from continuing operations, attributable to shareholders of EDAG Group AG	14,320	18,045
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	0.57	0.72
Diluted earnings per share	0.57	0.72

5.4 Notes on the Statement of Financial Position

[15] 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 12/31/2015 / 1/1/2016	**30**	**39,385**	**64,235**	**2,262**	**41,200**	**147,112**
Currency conversion difference	-	230	- 79	-	- 2	149
Additions	-	3,207	-	1,493	-	4,700
Disposals	-	- 29	-	-	-	- 29
Transfers	-	18	-	-	-	18
Changes in the scope of consolidation	-	187	365	-	80	632
As per 12/31/2016 / 1/1/2017	**30**	**42,998**	**64,521**	**3,755**	**41,278**	**152,582**
Currency conversion difference	-	- 373	- 517	-	- 333	- 1,223
Additions	-	4,739	-	55	-	4,794
Disposals	-	- 5,706	-	-	- 174	- 5,880
Transfers	-	14	-	-	-	14
Changes in the scope of consolidation	-	802	10,355	-	2,045	13,202
As per 12/31/2017	**30**	**42,474**	**74,359**	**3,810**	**42,816**	**163,489**

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 12/31/2015 / 1/1/2016	**- 16**	**- 25,928**	**-**	**- 937**	**- 14,597**	**- 41,478**
Currency conversion difference	-	- 210	-	-	- 2	- 212
Additions (scheduled amortization)	- 2	- 6,470	-	- 230	- 4,605	- 11,307
Tranfers	-	- 11	-	-	-	- 11
As per 12/31/2016 / 1/1/2017	**- 18**	**- 32,619**	**-**	**- 1,167**	**- 19,204**	**- 53,008**
Currency conversion difference	-	279	-	-	153	432
Additions (scheduled amortization)	- 3	- 5,124	-	- 889	- 4,949	- 10,965
Disposals	-	5,672	-	-	174	5,846
Changes in the scope of consolidation	-	2	-	-	-	2
As per 12/31/2017	**- 21**	**- 31,790**	**-**	**- 2,056**	**- 23,826**	**- 57,693**
Book value 12/31/2016	**12**	**10,379**	**64,521**	**2,588**	**22,074**	**99,574**
Book value 12/31/2017	**9**	**10,684**	**74,359**	**1,754**	**18,990**	**105,796**

No ownership restrictions exist on intangible assets. No assets acquired within the context of leasing arrangements and lease-to-buy contracts are included in intangible assets. During the 2017 financial year, public sector benefits in the amount of € 9 thousand were offset from the acquisition costs for intangible assets (2016: € 0 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, 2017, the remaining amortization period for customer lists amounts to 6 years.

in € thousand	Customer list
Book value 12/31/2017	**18,989**
Remaining amortization period	
2016	4,883
2017	4,883
2018	4,685
2019	2,473
2020	1,923
2021	142

[16] Property, Plant and Equipment

Ownership restrictions in the amount of € 440 thousand (2016: € 510 thousand) exist on property, plant and equipment.

Property, plant and equipment includes all leased assets, where the Group companies are the economic owners of the assets. The book values of technical equipment and operating and office equipment held within the context of financing leases and lease-to-buy contracts amounted to € 2,874 thousand as at December 31, 2017 (12/31/2016: € 2,362 thousand). During the financial year, additions in the amount of € 3,209 thousand (2016: € 2,487 thousand) were recorded. These result from hardware leasing.

In the 2017 financial year, impairment costs in the amount of € 1,042 thousand were incurred on a property held for sale in accordance with IFRS 5.6 (2016: € 0 thousand).

During the reporting year, no public sector benefits in the amount of € 107 thousand were offset from acquisition costs for property, plant and equipment (2016: € 0 thousand). No repayments were made on public sector benefits.

As at December 31, 2017 - as at December 31, 2016, no investment property was held.

Property, plant and equipment have developed as follows:

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and construction in progress	Total property plant and equipment
(Historical) Cost					
As per 12/31/2015 / 1/1/2016	**32,495**	**44,690**	**62,794**	**4,207**	**144,186**
Currency conversion difference	323	283	261	- 376	491
Additions	4,212	5,510	14,620	1,502	25,844
Disposals	- 353	- 564	- 6,614	- 12	- 7,543
Transfers	730	2,289	891	- 3,928	- 18
Changes in the scope of consolidation	-	-	10	-	10
Assets held for sale/discontinued operations	- 5,243	-	- 157	-	- 5,400
As per 12/31/2016 / 1/1/2017	**32,164**	**52,208**	**71,805**	**1,393**	**157,570**
Currency conversion difference	- 346	- 370	- 620	- 14	- 1,350
Additions	2,949	4,690	11,280	1,008	19,927
Disposals	- 566	- 397	- 6,263	- 9	- 7,235
Tranfers	129	905	291	- 1,339	- 14
Changes in the scope of consolidation	-	83	136	-	219
Assets held for sale	- 990	-	- 251	-	- 1,241
As per 12/31/2017	**33,340**	**57,119**	**76,378**	**1,039**	**167,876**

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 12/31/2015 / 1/1/2016	**- 11,452**	**- 25,654**	**- 39,172**	**-**	**- 76,278**
Currency conversion difference	- 145	- 258	- 244	-	- 647
Additions (scheduled depreciation)	- 1,999	- 4,200	- 10,186	-	- 16,385
Disposals	13	-	6,021	-	6,034
Transfers	- 151	135	27	-	11
Changes in the scope of consolidation	-	-	-	-	-
Assets held for sale/discontinued operations	1,269	-	74	-	1,343
As per 12/31/2016 / 1/1/2017	**- 12,465**	**- 29,977**	**- 43,480**	**-**	**- 85,922**
Currency conversion difference	153	219	493	-	865
Additions (scheduled depreciation)	- 1,900	- 4,730	- 10,098	-	- 16,728
Disposals	354	334	5,794	-	6,482
Transfers	-	80	- 80	-	-
Changes in the scope of consolidation	-	-	14	-	14
Assets held for sale	263	-	153	-	416
As per 12/31/2017	**- 13,595**	**- 34,074**	**- 47,204**	**-**	**- 94,873**
Book value 12/31/2016	**19,699**	**22,231**	**28,325**	**1,393**	**71,648**
Book value 12/31/2017	**19,745**	**23,045**	**29,174**	**1,039**	**73,003**

[17] Non-current Financial Assets, Financial Receivables and Current Other Financial Assets

in € thousand	12/31/2017			12/31/2016		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Shares in affiliated companies	-	52	52	-	52	52
Loans	-	98	98	-	106	106
Securities – available for sale	43	-	43	61	-	61
Other receivables due from related parties	2	-	2	73	-	73
Other miscellaneous financial receivables	2,078	433	2,511	2,379	331	2,710
Total	**2,123**	**583**	**2,706**	**2,513**	**489**	**3,002**

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.

As at December 31, 2017, net lending amounted to € 98 thousand (12/31/2016: € 106 thousand) and was primarily the result of loans extended to employees. The loans were not past due on the balance sheet date and are being repaid as scheduled.

Where securities positions are concerned, securities of € 43 thousand (12/31/2016: € 61 thousand) are available for sale. These are marketable debt and equity securities.

[18] Investments Accounted for Using the Equity Method

As at December 31, 2017, 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	2017	2016
Book value 1/1/	**15,434**	**16,733**
Dividends	-	- 259
Disposals	-	-
Subsequent valuation	677	- 1,040
Book value 12/31/	**16,111**	**15,434**

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	12/31/2017	12/31/2016
Current assets	21,270	23,856
of which cash	19	20
Non-current assets	10,948	12,106
Total assets	**32,218**	**35,962**
Current liabilities and provisions	13,498	14,631
of which financial liabilities	5,062	2,523
Non-current liabilities and provisions	869	4,862
of which financial liabilities	12	4,041
Total liabilities and provisions	**14,367**	**19,493**
Net assets	**17,851**	**16,469**
Sales revenues	44,792	76,083
Scheduled depreciation and amortization	1,807	1,776
Interest income	113	3
Interest expenses	259	286
Income tax expenses/income [+/-]	655	- 891
Profit or loss	**1,314**	**- 2,009**
Other comprehensive income	68	- 112
Totel comprehensive income	**1,382**	**- 2,121**

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	2017	2016
Opening net assets 1/1/	16,469	19,119
Profit/Loss for the period	1,314	- 2,009
Other comprehensive income	68	- 112
Dividends paid	-	- 529
Closing net assets 12/31/	**17,851**	**16,469**

[19] Future Receivables from Construction Contracts

The gross amount due from construction contracts is composed of the following net amounts:

in € thousand	12/31/2017	12/31/2016
Accrued costs including partial profits and losses	878,213	905,547
Partial invoices	- 779,234	- 783,574
Total amount due from customers for construction contracts	**98,979**	**121,973**
Advance payments received from construction contracts with positive balance	29,875	35,092
Future receivables from construction contracts	**69,104**	**86,881**

While taking the gross amount due to customers for construction contracts into account, the accrued costs including partial profits and losses on December 31, 2017 amount to € 1,014,245 thousand (12/31/2016: € 1,007,342 thousand).

As in the previous year, future receivables from construction contracts are classified as current, in accordance with their terms.

[20] Accounts Receivable

The accounts receivable are classified as follows:

in € thousand	12/31/2017	12/31/2016
Accounts receivable		
due from third parties	136,182	112,319
due from affiliated companies	3,554	-
due from related parties	1,304	3,266
Total	**141,040**	**115,585**

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 246.

[21] Other Non-Financial Assets

The other non-financial assets are classified as follows:

in € thousand	12/31/2017			12/31/2016		
	short-term	long-term	Total	short-term	long-term	Total
Other non-financial receivables						
due from employees	953	-	953	1,171	1	1,172
due from plan assets (unpledged)	-	62	62	-	570	570
from value added tax	1,999	-	1,999	1,820	-	1,820
from other taxes	947	-	947	460	-	460
Payments on account	86	-	86	335	-	335
Accrued items	7,008	-	7,008	5,821	-	5,821
Total	**10,993**	**62**	**11,055**	**9,607**	**571**	**10,178**

[22] Current and Deferred Income Tax Assets

in € thousand	12/31/2017	12/31/2016
Deferred tax assets	2,513	1,109
Income tax assets	2,020	2,298
Total	**4,533**	**3,407**

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 12, "Income Taxes", page 196. Of the deferred tax assets, € 7,199 thousand will be realizable after more than twelve months (12/31/2016: € 6,738 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position set off against deferred tax liabilities.

[23] Inventories

The book value of the inventories in the amount of € 2,545 thousand (12/31/2016: € 1,584 thousand) is broken down as follows:

in € thousand	12/31/2017	12/31/2016
Raw materials and supplies	2,365	1,457
Unfinished goods and services	146	102
Finished goods	34	25
Total	**2,545**	**1,584**

The difference to 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 consolidation and 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 € 99 thousand (2016: € 59 thousand) were carried out on inventories with a book value before impairment of € 229 thousand (2016: € 223 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.

[24] Cash and Cash-equivalents

The cash and cash-equivalents are composed as follows:

in € thousand	12/31/2017	12/31/2016
Deposits with banks and cash in hand	13,480	19,064
Cash equivalents	5	3
Statement of financial position valuation/ financial funds	**13,485**	**19,067**

As in the previous year, the Group held cash or cash-equivalents in the amount of € 85 thousand (CHF 100 thousand) which are not at its unrestricted disposal. Deposits with credit institutions are held at banks with first class credit ratings.

[25] Assets Held for Sale

in € thousand	12/31/2017			12/31/2016		
	Book value	Value-adjust-ment	Fair value	Book value	Value-adjust-ment	Fair value
Assets classified as held for disposal	**4,242**	**- 1,042**	**3,200**	**4,056**	**-**	**5,600**

At the beginning of 2017, one property was qualified as a non-current asset held for sale according to IFRS 5.6 and valued at its book value according to IFRS 5.15. In the subsequent valuation during the second half of 2017, a change in value was noted, as a result of which it was valued at fair value less costs to sell. The resulting impairment costs in the amount of € 1,042 thousand were recognized in depreciation, amortization and impairments. Owing to unforeseen, unfavorable market conditions, it was not possible to sell the property within twelve months. However, as there are still continuing, direct and active plans to sell and intensive sales negotiations are consequently being held, the Group Executive Management assumes that the sale of the property will occur in the first half of 2018.

A further property which in 2016 qualified as a non-current asset held for sale according to IFRS 5.6 was sold in the course of 2017. All expenses and revenues from non-current assets held for sale are shown in the adjusted EBIT in the segment "Others".

[26] Equity

Subscribed Capital

The fully paid-in subscribed capital of EDAG Engineering Group AG in the amount of € 920 thousand as at December 31, 2017 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 2016 and 2017 is shown in the Group's statement of changes in equity.

Retained earnings comprise the other retained earnings, the reserve 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)

As per IAS 39, unrealized profits and losses from changes to market values of securities available for disposal are posted to a separate item in equity capital, provided no impairments exist. Furthermore, this 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 May 31, 2017 it was decided that, for the 2016 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 5, 2017.

Subject to approval of the annual shareholders' meeting, the Board of Directors of EDAG Group AG recommends paying a dividend of € 0.75 (CHF 0.88) per share for the 2017 financial year, which will result in an overall payout of € 18,750 thousand (CHF 21,941 thousand). The Board of Directors recommends that the entire dividend payout in the amount of € 0.75 (CHF 0.88) per share proposed for 2017 should be withdrawn from the capital reserves of EDAG Group AG. Subject to this proposal being passed at the annual shareholders' meeting, any such payout will not be subject to Swiss withholding tax.

Non-controlling Interests

The non-controlling interest includes shares held by third-parties in initial and generated equity of the fully consolidated subsidiaries.

[27] 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 € 36,711 thousand were paid (2016: € 36,911 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 related 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
- EDAG Werkzeug + Karosserie GmbH, Fulda[4]
- FFT GmbH & Co. KG, Fulda[5]

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.

[4] *Associated company*

[5] *Affiliated company in relation to the ATON Group*

In **Switzerland**, the Group's company pension scheme is handled by AXA Stiftung Berufliche Vorsorge. Assets are invested jointly for all accounts in a collective fund. This collective fund may change its financing system at any time. For the duration of a coverage deficit, and provided other measures do not lead to the desired result, the collective fund can levy restructuring contributions from the employer and the employees.

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.

In **South Korea**, employees who have been working for a company for at least a year are entitled to compensation. For every subsequent service year, thirty days' average salary is paid on termination of the employment contract.

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 plus twenty days per service year.

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	12/31/2017	12/31/2016
Present value of obligations financed through a fund	39,777	39,161
Fair value of plan assets	25,082	25,451
Financing deficit/surplus	**14,695**	**13,710**
Present value of obligations not financed through a fund	12,911	13,328
Total deficit of the defined benefit obligations [Recognized pension provision]	**27,606**	**27,038**

The pension provision developed as follows:

in € thousand	12/31/2017	12/31/2016
Pension provision at the beginning of the financial year	27,038	21,991
Ongoing service cost	1,747	1,760
Net interes expenses (+)/income (-)	483	509
Revaluations	- 1,040	3,112
Effects of currency conversion	- 100	17
Benefits payments from company assets	- 458	- 420
Employer contributions to the fund	- 129	- 100
Employer contributions from the fund	-	118
Administration costs	2	2
Other Changes	63	49
Recognized pension provision	**27,606**	**27,038**

The vested net present value of the pension obligation and the fair value of the plan assets developed as follows:

in € thousand	2017			2016		
	Total	VKE	Direct benefits	Total	VKE	Direct Benefits
Changes to vested net present value						
Vested net present value as at January 1,	**52,488**	**34,674**	**17,814**	**46,773**	**30,698**	**16,075**
Ongoing service period cost	1,747	1,175	572	1,759	1,092	667
Interest expense	893	601	292	1,039	702	337
Revaluations of defined benefit plans						
from changes to the financial assumptions	- 1,180	- 450	- 730	3,839	2,424	1,415
from changes in demographic assumptions	300	175	125	- 295	6	- 301
Effects of currency conversion	- 328	-	- 328	43	-	43
Contributions from plan participants	126	-	126	96	-	96
Benefit payments from company assets	- 458	-	- 458	- 420	-	- 420
Benefit payments from the fund	- 965	- 549	- 416	- 397	- 248	- 149
Administration costs	2	-	2	2	-	2
Other Changes	63	-	63	49	-	49
Vested net present value as at December 31,	**52,688**	**35,626**	**17,062**	**52,488**	**34,674**	**17,814**
Change in plan assets						
Fair value as at January 1,	**25,450**	**20,964**	**4,486**	**24,783**	**20,364**	**4,419**
Interest income	**410**	361	49	**529**	464	65
Profit (+)/loss (-) from plan assets excluding the amount included in the interest income	**159**	155	4	**432**	384	48
Effects of currency conversion	**- 228**	-	- 228	**26**	-	26
Employer contributions to the fund	**218**	-	218	**188**	-	188
Repayment from the funds	**-**	-	-	**- 118**	-	- 118
Contributions from plan participants	**130**	-	130	**96**	-	96
Benefit payments from the fund	**- 1,057**	- 548	- 509	**- 486**	- 248	- 238
Fair value as at December 31,	**25,082**	**20,932**	**4,150**	**25,450**	**20,964**	**4,486**
Total deficit of the defined benefit obligations [Recognized pension provision]	**27,606**	**14,694**	**12,912**	**27,038**	**13,710**	**13,328**

The fair value of the plan assets is distributed as follows across the individual asset categories:

	12/31/2017		12/31/2016	
in € thousand	**Values**	**%**	**Values**	**%**
Debt securities (Germany)	20,932	83%	20,964	82%
of which investments in the employer or related parties (without quoted market price)	20,932	-	20,964	-
Reinsurance cover asset values (Germany)	1,668	7%	1,569	6%
of which without quoted market price in an active market	1,668	-	1,569	-
Collective fund (Switzerland)	2,482	10%	2,917	11%
of which without quoted market price in an active market	2,482	-	2,917	-
Total plan assets	**25,082**	**100%**	**25,450**	**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	**2017**	**2016**
Ø Actuarial interest rate		
+0,50%	49,211	48,670
- 0,50%	56,242	56,239
Ø Life expectancy		
+ 1 year	53,247	52,799
- 1 year	52,139	51,668

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 evaluation methodology 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, 2017 was 13.8 years (2016: 14.7 years).

For the 2018 financial year, the Group is expecting disbursements from company assets for pension commitments in the amount of € 646 thousand (2017: € 527 thousand).

For the 2018 financial year, the Group is expecting disbursements from the pension fund in the amount of € 710 thousand (2017: € 688 thousand).

The following key actuarial assumptions are the basis of the calculation of the vested net present value:

	12/31/2017	12/31/2016
Ø Discount rate		
Germany	1.85%	1.72%
Switzerland	0.80%	0.80%
Italy	1.45%	1.31%
India	7.50%	7.11%
Mexico	7.80%	n.a.
South Korea	2.85%	2.48%
Vested trend		
Switzerland	1.00%	1.00%
Italy	2.50%	2.50%
India	8.00%	8.00%
Mexico	5.80%	n.a.
South Korea	1.00%	n.a.
Pension trend		
Germany	0.00%	0.00%
Italy	2.63%	2.50%
Inflation rate		
Germany	1.50%	1.50%
Switzerland	0.50%	0.50%
Italy	1.50%	1.50%
Biometric basis for calculation		
Germany	Heubeck tables 2005 G	Heubeck tables 2005 G
Switzerland	BVG 2010 GT	BVG 2010 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).

[28] Other Provisions

The development of other provisions is shown in the following provision schedule:

in € thousand	As at 01/01/2017	Changes in the scope of consolidation	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	As at 12/31/2017
Non-current provisions								
Personnel	913	-	- 72	10	528	- 86	-	1,293
Taxes	-	-	- 38	-	413	-	-	375
Other provisions	2,117	- 1	- 103	-	23	-	- 92	1,944
Total non-current provisions	**3,030**	**- 1**	**- 213**	**10**	**964**	**- 86**	**- 92**	**3,612**
Current provisions								
Taxes	2,297	-	- 1	-	105	- 1,011	- 252	1,138
Personnel	3,140	- 20	- 112	-	2,356	- 1,993	- 434	2,937
Warranty obligations	200	-	-	-	-	- 28	-	172
Onerous contracts	1,135	-	- 94	-	838	- 56	- 192	1,631
Legal disputes	676	-	- 75	-	13	- 14	- 191	409
Disinvestments	100	-	-	-	-	-	-	100
Other current provisions	1,936	-	- 27	-	466	- 270	- 52	2,053
Total current provisions	**9,484**	**- 20**	**- 309**	**-**	**3,778**	**- 3,372**	**- 1,121**	**8,440**

in € thousand	As at 01/01/2016	Changes in the scope of consolidation	Currency conversion differences	Unwinding of discount	Addition	Utilisation	Reversal	As at 12/31/2016
Non-current provisions								
Personnel	856	-	49	9	120	- 121	-	913
Disinvestments	343	-	-	-	-	-	- 343	-
Other provisions	2,045	-	41	1	38	- 1	- 7	2,117
Total non-current provisions	**3,244**	**-**	**90**	**10**	**158**	**- 122**	**- 350**	**3,030**
Short-term provisions								
Taxes	6,981	-	-	-	46	- 3,771	- 959	2,297
Personnel	2,259	-	149	-	2,184	- 1,359	- 93	3,140
Warranty obligations	356	-	-	-	-	-	- 156	200
Onerous contracts	158	-	34	-	971	-	- 28	1,135
Restructuring	-	-	-	-	-	-	-	-
Legal disputes	535	-	138	-	3	-	-	676
Disinvestments	100	-	-	-	-	-	-	100
Other current provisions	2,073	-	- 9	-	108	- 135	- 101	1,936
Total current provisions	**12,462**	**-**	**312**	**-**	**3,312**	**- 5,265**	**- 1,337**	**9,484**

The **other tax provisions** include possible obligations from other taxes (including but not limited to land transfer tax and tax on wages).

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 € 4,230 thousand (12/31/2016: € 4,053 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 **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 2–25 years. Where the remaining non-current provisions are concerned, we work on the basis that these will be paid out within the next 2–4 years.

[29] Financial Liabilities

in € thousand	12/31/2017	12/31/2016
Liabilities due to credit institutions	31,908	6,048
Liabilities from loans	82,197	108,456
due to third parties	1	4
due to affiliated companies	61,264	-
due to related parties	20,932	108,452
Liabilities from financing leases	2,905	2,401
Liabilities from derivative financial instruments	110	365
Total	**117,120**	**117,270**

The liabilities due to credit institutions (current) include a property loan in the amount of € 931 thousand (12/31/2016: € 1,446 thousand, current and non-current). This property loan is interest-bearing at an unchanged average interest rate of 4.82 percent p.a. and has been repaid with an unchanged monthly annuity installment of € 64 thousand. As at December 31, 2017, there are liabilities in the amount of € 26,553 thousand (12/31/2016: € 118 thousand) from current account agreements. Bank liabilities exist with credit institutions with first class credit ratings.

The Group has provided the following securities as collateral for the bank liabilities:

in € thousand	12/31/2017	12/31/2016
Registered land charges		
Nominal	-	1,350
Cash deposit	85	93

In 2017, the liabilities due to related companies decreased due to the reclassification of the ATON Group Finance loan to the liabilities due to affiliated companies. Following repayment in the amount of € 26 million, as at December 31, 2017, the loan shows a net book value of € 61,264 thousand including accrued interest (12/31/2016: € 87,488 thousand), and is to be fully classified as current (12/31/2016: € 86,800 thousand classified as non-current, € 688 thousand as current).

As of December 31, 2017, there are also current loans, including interest, in the amount of € 20,932 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2016: € 20,964 thousand). The average applicable interest rate in the reporting year is 2.5 percent.

The liabilities from leases exist primarily due to hardware financing. The average interest rate is 5.5 percent. See Chapter "Leases", page 240, for additional information on leases.

Derivatives include 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.

in € thousand	Liabilities due to credit institutions	Liabilities from loans to			Liabilities from Financing-lease	Liabilities from derivative financial instruments	Total
		third parties	affiliated companies	related parties			
Term to maturity as at 12/31/2017							
≤ 1 year	31,908	1	61,264	20,932	1,747	110	115,962
> 1 year	-	-	-	-	1,158	-	1,158
Total	**31,908**	**1**	**61,264**	**20,932**	**2,905**	**110**	**117,120**
Term to maturity as at 12/31/2016							
≤ 1 year	5,307	4	-	21,652	1,862	365	29,190
> 1 year	741	-	-	86,800	539	-	88,080
Total	**6,048**	**4**	**-**	**108,452**	**2,401**	**365**	**117,270**

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-to-buy contracts.

The following table shows the liquidity risk of EDAG. 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, 2017, 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 12/31/2017	Cash-Flows 2018			Cash-Flows 2019			Cash-Flows 2020 – 2022			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		
Liabilities due to credit institutions	31,908	158	9	5,355	-	-	-	-	-	-	26,553
Liabilities from loans	82,197	3,082	-	60,801	-	-	-	-	-	-	20,932
due to third parties	1	-	-	1	-	-	-	-	-	-	-
due to affiliated companies	61,264	3,082	-	60,800	-	-	-	-	-	-	-
due to related parties	20,932	-	-	-	-	-	-	-	-	-	20,932
Liabilities from financing leases	2,905	112	-	1,748	42	-	866	6	-	291	-
Liabilities from derivative financial instruments	110	-	-	110	-	-	-	-	-	-	-
Total	**117,120**	**3,352**	**9**	**68,014**	**42**	**-**	**866**	**6**	**-**	**291**	**47,485**

in € thousand	Book value 12/31/2016	Cash-Flows 2017			Cash-Flows 2018			Cash-Flows 2019 – 2021			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		
Liabilities due to credit institutions	6.048	282	-	5.307	22	-	741	-	-	-	-
Liabilities from loans	108.456	3.712	-	692	4.400	-	86.800	-	-	-	20.964
due to third parties	4	-	-	4	-	-	-	-	-	-	-
due to related parties	108.452	3.712	-	688	4.400	-	86.800	-	-	-	20.964
Liabilities from financing leases	2.401	86	-	1.862	20	-	450	5	-	89	-
Liabilities from derivative financial instruments	365	-	-	365	-	-	-	-	-	-	-
Total	**117.270**	**4.080**	**-**	**8.226**	**4.442**	**-**	**87.991**	**5**	**-**	**89**	**20.964**

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.

[30] Future Liabilities from Construction Contracts

The gross amount due to customers for construction contracts is composed of the following net amounts:

in € thousand	12/31/2017	12/31/2016
Accrued costs including partial profits and losses	136,032	101,795
Partial settlements and advance payments received from construction contracts with a negative balance	- 177,310	- 131,484
Future liabilities from construction contracts	**- 41,278**	**- 29,689**

As in the previous year, future liabilities from construction contracts are classified as current, in accordance with their terms.

[31] Accounts Payable

The accounts payable are classified as follows:

in € thousand	12/31/2017	12/31/2016
Accounts payable		
due to third parties	22,090	21,553
due to affiliated companies	2,655	-
due to related parties	-	1,774
Total	**24,745**	**23,327**

As in the previous year, the accounts payable are classified as current, on account of their terms.

[32] Other Financial Liabilities

The other financial liabilities are classified as follows:

in € thousand	12/31/2017			12/31/2016		
	short-term	long-term	Total	short-term	long-term	Total
Other financial liabilities						
due to related companies	478	-	478	**476**	-	476
Liabilities from business acquisitions	744	2,243	2,987	**-**	-	-
other remaining liabilities	2,127	-	2,127	**2,941**	-	2,941
Total	**3,349**	**2,243**	**5,592**	**3,417**	**-**	**3,417**

The other financial liabilities primarily include overpayments and deposits received.

[33] Other Non-Financial Liabilities

The other non-financial liabilities are classified as follows:

in € thousand	12/31/2017	12/31/2016
Other non-financial liabilities		
due to employees	22,346	20,719
within the context of social security	1,992	1,287
deferred income	387	235
from value-added tax	18,388	18,734
from other taxes	6,556	6,070
other remaining liabilities	2,116	2,228
Total	**51,785**	**49,273**

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 (€ 565 thousand; 12/31/2016: € 6 thousand), obligations from overtime and flexi-time credits (€ 9,570 thousand; 12/31/2016: € 9,730 thousand), obligations from outstanding vacation allowances (€ 4,379 thousand; 12/31/2016: € 5,637 thousand), profit share obligations (€ 5,325 thousand; 12/31/2016 € 3,988 thousand) and obligations from vacation pay and Christmas bonuses (€ 798 thousand; 12/31/2016: € 482 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.

[34] Current and Deferred Income Tax Liabilities

in € thousand	**12/31/2017**	**12/31/2016**
Deferred tax liabilities	3,093	6,691
Non-current income tax liabilities	-	1,460
Current income tax liabilities	11,714	6,972
Total	**14,807**	**15,123**

In addition to the deferred taxes explained on page 196, under section 12 "Income Tax", the income tax liabilities include income taxes from the current year and the previous years. Of the deferred tax liabilities, € 7,276 thousand will be realizable after more than twelve months (12/31/2016: € 5,867 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position set off 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, as the adjusted effects are presented under "Others". Therefore at segment level, the EBIT shown is basically equal to the adjusted EBIT. The only exception to this rule are the effects of the purchase price allocation shown in the segment 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 € 198.1 million (12/31/2016: € 188.8 million). Of these, € 1.4 million are domestic, € 166.6 million are German, and € 30.0 million are non-domestic (12/31/2016: domestic: € 1.9 million; Germany: € 170.9 million; non-domestic: € 16.0 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, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization 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 for the comfort, driver assistance and safety functions of a vehicle, and the development of cable harnesses. These services are performed in four departments; 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.

All the adjustments referred to in the chapter "Reconciliation of the Adjusted Operating Profit (Adjusted EBIT) [8]" are also given under **"Others"**.

in € thousand	01/01/2017 – 12/31/2017						
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total Segments**	**Consolidation**	**Total Group**
Sales revenue	444,731	123,662	148,287	-	716,680	-	716,680
Sales revenue with other segments	5,973	6,896	92	-	12,961	- 12,961	-
Changes in inventories	8	-	44	-	52	-	52
Total revenues[1]	**450,712**	**130,558**	**148,423**	**-**	**729,693**	**- 12,961**	**716,732**
EBIT	**14,542**	**8,206**	**4,086**	**758**	**27,592**	**-**	**27,592**
EBIT margin [%]	3.2%	6.3%	2.8%	n/a	3.8%	-	3.8%
Purchase price allocation (PPA)	3,582	583	1,616	-	5,781	-	5,781
Other adjustments	-	-	-	- 758	- 758	-	- 758
Adjusted EBIT	**18,124**	**8,789**	**5,702**	**-**	**32,615**	**-**	**32,615**
Adjusted EBIT margin [%]	4.0%	6.7%	3.8%	n/a	4.5%	-	4.6%
Depreciation, amortization and impairment	- 19,018	- 3,568	- 5,106	- 1,042	- 28,734	-	- 28,734
ø Employees by segment	5,006	1,448	1,781	-	8,235		8,235

in € thousand	01/01/2016 – 12/31/2016						
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total Segments**	**Consolidation**	**Total Group**
Sales revenue	448,494	114,027	152,118	316	714,955	-	714,955
Sales revenue with other segments	5,945	4,396	194	174	10,709	- 10,709	-
Changes in inventories	- 92	-	- 12	-	- 104	-	- 104
Total revenues[1]	**454,347**	**118,423**	**152,300**	**490**	**725,560**	**- 10,709**	**714,851**
EBIT	**23,435**	**11,575**	**2,589**	**237**	**37,836**	**-**	**37,836**
EBIT margin [%]	5.2%	9.8%	1.7%	n/a	5.2%	-	5.3%
Purchase price allocation (PPA)	4,689	291	1,616	-	6,596	-	6,596
Other adjustments	-	-	-	- 679	- 679	-	- 679
Adjusted EBIT	**28,124**	**11,866**	**4,205**	**- 442**	**43,753**	**-**	**43,753**
Adjusted EBIT margin [%]	6.2%	10.0%	2.8%	n/a	6.0%	-	6.1%
Depreciation, amortization and impairment	- 20,484	- 2,895	- 4,311	- 2	- 27,692	-	- 27,692
ø Employees by segment	5,074	1,365	1,821	-	8,260		8,260

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

Income and expenses as well as results between the segments are eliminated in the consolidation.

The following table reflects the concentration risk of the EDAG Group, divided according to the customer sales divisions and segments:

in € thousand	**01/01/2017 – 12/31/2017**									
	Vehicle Engineering		**Production Solutions**		**Electrics/ Electronics**		**Others**	**Total**	
Customer sales division A	78,436	18%	18,408	15%	32,140	22%	-	128,984	18%
Customer sales division B	19,135	4%	7,409	6%	56,401	38%	-	82,945	12%
Customer sales division C	18,211	4%	1,290	1%	3,662	2%	-	23,163	3%
Customer sales division D	74,801	17%	10,613	8%	12,553	8%	-	97,967	14%
Customer sales division E	59,371	13%	17,224	14%	4,432	3%	-	81,027	11%
Customer sales division F	1,499	0%	6,450	5%	1,808	1%	-	9,757	1%
Customer sales division G	18,469	4%	1,045	1%	2,632	2%	-	22,146	3%
Customer sales division H	2,824	1%	29,783	24%	1,272	1%	-	33,879	5%
Customer sales division I	27,824	6%	9,710	8%	5,619	4%	-	43,153	6%
Miscellaneous (OEMs and system suppliers)	144,161	33%	21,730	18%	27,768	19%	-	193,659	27%
Total	**444,731**	**100%**	**123,662**	**100%**	**148,287**	**100%**	**-**	**716,680**	**100%**

in € thousand	**01/01/2016 – 12/31/2016**									
	Vehicle Engineering		**Production Solutions**		**Electrics/ Electronics**		**Others**	**Total**	
Customer sales division A	83,845	19%	20,725	18%	27,088	18%	-	131,658	18%
Customer sales division B	45,031	10%	8,925	8%	64,044	42%	-	118,000	16%
Customer sales division C	20,071	4%	2,004	2%	3,536	3%	-	25,611	3%
Customer sales division D	78,379	17%	15,075	13%	14,619	10%	-	108,073	15%
Customer sales division E	47,919	11%	10,743	9%	7,918	5%	-	66,580	9%
Customer sales division F	6,959	2%	835	1%	3,502	2%	-	11,296	2%
Customer sales division G	15,812	4%	107	0%	2,642	2%	-	18,561	3%
Customer sales division H	3,827	1%	29,579	26%	440	0%	-	33,846	5%
Customer sales division I	23,737	5%	4,135	4%	4,833	3%	-	32,705	5%
Miscellaneous (OEMs and system suppliers)	122,913	27%	21,899	19%	23,497	15%	316	168,625	24%
Total	**448,493**	**100%**	**114,027**	**100%**	**152,119**	**100%**	**316**	**714,955**	**100%**

In the Electrics/Electronics segment, the EDAG Group generates over 50 percent of its sales revenues with two corporate groups. In the Production Solutions segment, an affiliated company in relation to the ATON Group is a further key customer. The EDAG Group generated over 50 percent of its sales revenues with two corporate groups in the previous year. In the reporting year, the EDAG Group is just below the 50 percent mark.

5.6 Notes on the Cash Flow Statement

At € 51.6 million, the positive operating cash flow achieved in the reporting year remained at the same level as in the previous year (€ 51.8 million).The reduced net income compared to the previous year was compensated for by a positive effect in the trade working capital (€ 4.4 million), mainly from customers' prepayments.

The investing cash flow was € -28.5 million (2016: € -27.3 million). At € 21.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 22.2 percent and therefore well below the previous year's level (2016: € 27.9 million). The ratio of gross investments in relation to revenues was therefore 3.0 percent (2016: 3.9 percent). Deposits from disposals of tangible fixed assets totaling € 6.5 million resulted from the receipt of payments for a building sold in the reporting year. Cash outflows in the amount of € 13.2 million from the acquisition of HRM Engineering AB, Sweden, and CKGP/PW & Associates Inc., USA, are also included in the investing cash flow.

The financing cash flow in the amount of € -27.7 million was primarily influenced by the dividend payout of € 18.8 million, to the shareholders and by cash outflows due to the repayment of a loan in the amount of € 26.0 million (excluding interest) to ATON Group Finance GmbH. Financial liabilities to credit institutions in the amount of € 25.9 million were taken out in order to be able to fulfil our payment obligations.

The financial liabilities developed as follows:

in € thousand	short-term financial liabilities	long-term financial liabilities	total
As per 12/31/2015 / 1/1/2016	**28,942**	**135,167**	**164,109**
Cash effective payments	- 4,047	- 46,000	**- 50,047**
Currency effects	- 161	-	**- 161**
Increase in finance-leasing	1,527	960	**2,487**
Maturity reclassification	2,047	- 2,047	**-**
Other changes	882	-	**882**
As per 12/31/2016 / 1/1/2017	**29,190**	**88,080**	**117,270**
Cash effective payments	22,823	- 26,000	- 3,177
Currency effects	- 218	- 3	- 221
Increase in finance-leasing	1,617	1,591	3,208
Maturity reclassification	62,510	- 62,510	-
Other changes	40	-	40
As per 12/31/2017	**115,962**	**1,158**	**117,120**

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, liabilities and contingent liabilities, there are also other financial liabilities, and these are composed as follows:

in € thousand	12/31/2017	12/31/2016
Obligation from the renting of property	148,060	160,370
Obligations from miscellaneous renting and leasing contracts	9,052	8,855
Open purchase orders	1,486	4,893
Other miscellaneous financial obligations	29	167
Total	**158,627**	**174,285**

The increase in obligations from miscellaneous renting and leasing contracts is due to an increased volume in the field of IT leasing.

Contingent Receivables

As in the previous year, there were no material contingent receivables on the reporting date.

Leases

EDAG as the lessee

Financing Leases

If the lessee bears the main rewards and risks associated with the leasing object, then the economic ownership of the leased objects is attributed to the lessee. The Group has concluded financing leases and lease-to-buy contracts for various items of technical equipment and operating and office equipment. The net book values of the leasing objects capitalized within the context of financing leasing activity on the reporting date are shown in the following schedule:

in € thousand	12/31/2017	12/31/2016
Other equipment, operating and office equipment	2,874	2,362
Total	**2,874**	**2,362**

The payment obligation resulting from finance leasing as of the reporting date is posted as a liability in the amount of the net present value of the future minimum leasing payments. In subsequent years, this liability will be reduced by the repayment portion as part of the leasing installments. The interest share of the payments is posted to the statement of comprehensive income. In individual detail, the following future obligations result for the balance sheet date:

in € thousand	12/31/2017			12/31/2016		
	Minimum leasing payments	Interest portion	Present values	Minimum leasing payments	Interest portion	Present values
Due date						
up to 1 year	1,859	112	1,747	1,947	86	1,861
1 to 5 years	1,207	49	1,158	564	25	539
over 5 years	-	-	-	-	-	-
Total	**3,066**	**161**	**2,905**	**2,511**	**111**	**2,400**

As at the balance sheet date, there are no obligations from sale and leaseback contracts.

Operating Leases

The economic ownership of leasing transactions is attributed to the lessor if the lessor bears the main rewards and risks associated with the leasing object. The obligations of EDAG from noncancelable operating leases mainly exist for commercial property rental agreements, motor vehicles and technical equipment. At the year-end, the expenses of operating leases posted to profit or loss amounted to € 38,864 thousand (2016: € 38,971 thousand).

The future minimum leasing payments from operating-leasing business areas are as follows:

in € thousand	2017	2016
future expenses up to 1 year	30,472	28,450
future expenses 1 to 5 years	63,850	55,005
future expenses over 5 years	63,105	85,824
Total	**157,427**	**169,279**

Of these, as at the balance sheet date the following future minimum leasing payments exist which result from sale and leaseback transactions:

in € thousand	2017	2016
future expenses up to 1 year	3,169	3,159
future expenses 1 to 5 years	9,507	9,477
future expenses over 5 years	27,597	30,670
Total	**40,273**	**43,306**

The obligations from noncancelable operating leases mainly exist for commercial property rental agreements, IT leasing, motor vehicles and technical equipment.

As at the balance sheet date, the anticipated future minimum payments from non-cancelable sub-leases amount to € 1,333 thousand (12/31/2016: € 1,352 thousand).

As in the previous year, neither contingent lease payments nor expenses from non-cancelable sub-leases were posted as costs.

EDAG as the Lessor

Financing Leases

EDAG does not act as a lessor with regard to financing leases.

Operating Leases

EDAG acts as a lessor with regard to operating leases, and continues to include the assets let in this respect in its 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 € 2,536 thousand (2016: € 2,447 thousand). The future minimum leasing payments from noncancelable operating leases are as follows:

in € thousand	2017	2016
future income up to 1 year	1,594	1,743
future income 1 to 5 years	35	368
future income over 5 years	-	-
Total	**1,629**	**2,111**

As in the previous year, no contingent rental income was recorded through profit or loss in the 2017 financial year.

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 committee considers the cost of capital and the risks connected with each capital category. 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	12/31/2017	12/31/2016
Non-current financial liabilities	- 1,158	- 88,080
Current financial liabilities	- 115,962	- 29,190
Securities/derivative financial instruments	43	61
Cash and cash-equivalents	13,485	19,067
Net financial debt/-credit [-/+]	**- 103,592**	**- 98,142**
Equity	147,593	152,764
Net Gearing [%]	**70.2%**	**64.2%**

At € 103,592 thousand, the net financial debt on December 31, 2017 is € 5,450 thousand above the previous year's value (€ 98,142 thousand).

Apart from ATON Group Finance GmbH, Going am Wilden Kaiser, Austria, the other major creditor of the EDAG Group is VKE Versorgungskasse EDAG-Firmengruppe e.V.

As of December 31, 2017, there were loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 61,264 thousand (12/31/2016: € 87,488 thousand), which, on account of the due date at the end of 2018 are now to be classified as current (12/31/2016: € 688 thousand classified as current). As of December 31, 2017, there is a current loan, including interest, in the amount of € 20,932 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2016: € 20,964 thousand). The company is engaged in constructive discussions with existing and potential financial backers with regard to long-term follow-on financing. EDAG assumes that these discussions will be brought to a successful conclusion in the next few months, so that the stable corporate financing can be continued.

The EDAG Group reported unused lines of credit in the amount of € 72.0 million on the reporting date (12/31/2016: € 98.4 million).

One of the major factors influencing the net financial debt is the working capital, which developed as follows:

	in € thousand	12/31/2017	12/31/2016
	Inventories	2,545	1,584
+	Future receivables from construction contracts	69,104	86,881
+	Current accounts receivable	141,040	115,585
-	Future liabilities from construction contracts	- 41,278	- 29,689
-	Current accounts payable	- 24,745	- 23,327
=	**Trade Working Capital (TWC)**	**146,666**	**151,034**
+	Non-current other financial receivables	433	331
+	Non-current other non-financial receivables	62	571
+	Deferred tax assets	2,513	1,109
+	Current other financial receivables excl. Interest-bearing receivables	2,080	2,452
+	Current other non-financial receivables	10,993	9,607
+	Income tax assets	2,020	2,298
-	Non-current other financial liabilities	- 2,243	-
-	Non-current income tax liabilities	-	- 1,460
-	Deferred tax liabilities	- 3,093	- 6,691
-	Current other financial liabilities	- 3,348	- 3,417
-	Current other non-financial liabilities	- 51,785	- 49,273
-	Income tax liabilities	- 11,714	- 6,972
=	**Other working capital (OWC)**	**- 54,082**	**- 51,445**
	Net working capital (NWC)	**92,584**	**99,589**

The trade working capital decreased from € 151,034 thousand to € 146,666 thousand, compared to December 31, 2016. The decrease of € 17,777 thousand in future receivables from construction contracts was more than compensated for by the increase of € 25,455 thousand in current accounts receivable. The opposite effect was had by the increase in future liabilities from construction contracts totaling € 11,589 thousand.

Compared to December 31, 2016, there was a change in the other working capital from € -51,445 thousand to € -54,082 thousand. This effect was largely due to an increase in current and non-current other 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 financial assets, none of the other financial instruments are either overdue or impaired on the reporting date.

As at December 31, 2017, the analysis of overdue, non-impaired accounts receivable and other financial assets was as follows:

in € thousand	12/31/2017 Terms to maturity		12/31/2016 Terms to maturity	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Book value, net	143,120	433	118,036	332
of which at reporting date				
neither impaired nor overdue	112,869	433	96,935	332
not impaired but overdue				
≤ 1 month	22,114	-	18,117	-
1 – 2 months	4,773	-	1,107	-
2 – 3 months	2,157	-	1,160	-
3 – 6 months	873	-	301	-
6 – 9 months	280	-	158	-
9 – 12 months	4	-	157	-
1 – 2 years	4	-	101	-
2 – 4 years	46	-	-	-
> 4 years	-	-	-	-

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 security deposits, amongst other things. We still expect to receive payment as the customers have good credit ratings.

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.

As at December 31, 2017, accounts receivable with a nominal value of € 2,035 thousand (12/31/2016: € 1,869 thousand) and other financial assets with a nominal value of € 1,052 thousand (12/31/2016: € 1,050 thousand) were impaired.

The development of the valuation allowances is shown in the following table:

in € thousand	2017			2016		
	Trade receivables	Other financial receivables	Total	Trade receivables	Other financial receivables	Total
As per 1/1/	1,869	1,050	2,919	1,132	1,042	2,174
Currency conversion difference	- 170	2	- 168	4	1	5
Additions	1,502	-	1,502	1,172	7	1,179
Utilization	- 984	-	- 984	- 396	-	- 396
Reversals	- 182	-	- 182	- 43	-	- 43
As per 12/31/	**2,035**	**1,052**	**3,087**	**1,869**	**1,050**	**2,919**

The total amount of the additions, € 1,502 thousand (2016: € 1,179 thousand), consists in its entirety of additions from specific valuation allowances. Should there be clear evidence of customers failing to fulfill their payment obligations, this is taken into due account.

The financial assets that are available for sale (AfS) are valued at fair value. In the case of equity interests, for which no market price is available, accounting is carried out at acquisition cost. 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 remaining terms to run, and the values posted are close approximations of the fair values.

A distinction is made between the following financial assets and financial liabilities, aggregated as per valuation category:

- [LaR] Loans and Receivables
- [HtM] Held-to-Maturity Investments
- [FAHfT] Financial Assets Held for Trading
- [AfS] Available-for-Sale financial assets
- [FLAC] Financial Liabilities measured at Amortized Cost
- [FLHfT] Financial Liabilities Held for Trading
- [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 IAS 39	Book value 12/31/2017	Valuation category of balance sheet as per IAS 39				Valuation statement of financial position as per IAS 17/ IAS 11
			Amortized Costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets							
Cash and cash-equivalents	[LaR]	13,485	13,485	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	143,553	143,553	-	-	-	-
Future receivables from construction contracts	[n.a.]	69,104	-	-	-	-	69,104
Loans	[LaR]	98	98	-	-	-	-
Assets available for sale	[AfS]	95	52	-	43	-	-
Financial liabilities							
Financial liabilities							
Credit institutions	[FLAC]	31,908	31,908	-	-	-	-
Other interest-bearing liabilities	[FLAC]	82,197	82,197	-	-	-	-
Liabilities from financing leases	[n.a.]	2,905	-	-	-	-	2,905
Derivative financial liabilities	[FLHfT]	110	-	-	-	110	-
Accounts payable and other liabilities in terms of IAS 32.11	[FLAC]	27,709	27,709	-	-	-	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,627	-	-	-	2,627	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	157,136	157,136	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	95	52	-	43	-	-
Financial Liabilities measured at Amortised Cost	[FLAC]	141,814	141,814	-	-	-	-
Financial Liabilities at Fair Value through profit and loss	[FVtPL]	2,627	-	-	-	2,627	-
Financial Liabilities Held for Trading	[FLHfT]	110	-	-	-	110	-

in € thousand	Valuation category as per IAS 39	Book value 12/31/2016	Valuation balance sheet as per IAS 39				Valuation statement of financial position as per IAS 17/ IAS 11
			Amortized Costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets							
Cash and cash-equivalents	[LaR]	19,067	19,067	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	118,369	118,369	-	-	-	-
Future receivables from construction contracts	[n.a.]	86,881	-	-	-	-	86,881
Loans	[LaR]	106	106	-	-	-	-
Assets available for sale	[AfS]	113	52	-	61	-	-
Financial liabilities							
Financial liabilities							
Credit institutions	[FLAC]	6,048	6,048	-	-	-	-
Other interest-bearing liabilities	[FLAC]	108,456	108,456	-	-	-	-
Liabilities from financing leases	[n.a.]	2,400	-	-	-	-	2,400
Derivative financial liabilities	[FLHfT]	365	-	-	-	365	-
Accounts payable and other liabilities in terms of IAS 32.11		26,646	26,646	-	-	-	-
Other liabilities in terms of IAS 32.11	[FVtPL]	98	-	-	-	98	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	137,542	137,542	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	113	52	-	61	-	-
Financial Liabilities measured at Amortised Cost	[FLAC]	141,150	141,150	-	-	-	-
Financial Liabilities at Fair Value through profit and loss	[FVtPL]	98	-	-	-	98	-
Financial Liabilities Held for Trading	[FLHfT]	365	-	-	-	365	-

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 and other financial 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. This also applied to the other interest-bearing liabilities [FLAC], the fair value of which amounted to € 110,287 thousand with a book value of € 82,197 thousand in the previous year. The valuation of the fair value took place according to the "Level 2" valuation 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 evaluation 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 12/31/2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets available for sale	43	-	-	43
Financial liabilities				
Derivative financial liabilities	-	110	-	110
Other liabilities	-	-	2,627	2,627

in € thousand	Assessed at fair value 12/31/2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Assets available for sale	61	-	-	61
Financial liabilities				
Derivative financial liabilities	-	365	-	365
Other liabilities	-	-	98	98

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 TEUR	2017	2016
As per 1/1/	**98**	**195**
Aquired in a business combination	2,637	-
Loss recognized in financial expenses		
Net change of fair value	32	3
Profit recognized in other income		
Net change of fair value	25	5
Transfers from Level 3 to other Levels	-	-
Cash Flows	25	95
Currency conversion difference	- 90	-
As per 12/31/	**2,627**	**98**

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, 2016 and 2017, 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 non-operating expenses (see chapter "Other Expenses [7]", page 193) or non-operating revenues (see chapter "Other Income [3]", page 189), 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, but also interest paid or received on these financial instruments.

The net profit or loss from financial assets held for sale includes, but is not limited to, earnings from investments and profits from the disposal of such shares.

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 valuation category, are as follows:

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2017
		At fair value	Currency conversion	Value adjustment		
Loans and Receivables (LaR)	285	-	- 594	- 1,320	- 244	- 1,873
Financial Insruments Held for Trading (FAHfT und FLHfT)	-	255	-	-	-	255
Available-for-Sale Financial Assets (AfS)	-	-	-	-	-	-
Financial Liabilities measured at Amortised Cost (FLAC)	- 5,871	-	-	-	-	- 5,871
Financial Liabilities at Fair Value through profit and loss (FVtPL)	- 32	-	-	-	-	- 32
Total	**- 5,618**	**255**	**- 594**	**- 1,320**	**- 244**	**- 7,521**

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2016
		At fair value	Currency conversion	Value adjustment		
Loans and Receivables (LaR)	466	-	- 529	- 1,136	- 79	- 1,278
Financial Insruments Held for Trading (FAHfT und FLHfT)	-	- 358	-	-	-	- 358
Available-for-Sale Financial Assets (AfS)	-	-	-	-	-	-
Financial Liabilities measured at Amortised Cost (FLAC)	- 7,961	-	-	-	-	- 7,961
Financial Liabilities at Fair Value through profit and loss (FVtPL)	-	-	-	-	-	-
Total	**- 7,495**	**- 358**	**- 529**	**- 1,136**	**- 79**	**- 9,597**

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. Foreign exchange futures and interest rate caps are two of the main derivative financial instruments. 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, accounts receivable are continually monitored by the divisions, not centrally, which means that the Group is not at any great risk of default.

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. For further details, see chapter "Contingent Liabilities/Receivables and Other Financial Obligations", page 240.

Liquidity Risk

The liquidity risk is shown separately in chapter "Financial Liabilities [29]", page 227.

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 current account overdraft, 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. Each week, 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 appropriate lines of credit from external sources.

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 primarily financed through fixed interest loans from related companies such as ATON Group Finance GmbH and 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 [29]", page 227, 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.

There are no material, variable interest-bearing financial instruments. The interest rate for current account overdraft is derived from a standard, fluctuating reference rate and a company-specific credit margin. 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 [29]", page 227, 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, PLN, GBP and MXN. 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 33.00 percent was anticipated (previous year 31.00 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	12/31/2017	12/31/2016
Currency sensitivities		
10% appreciation		
EUR/USD	- 195	- 22
EUR/CHF	71	- 146
EUR/CZK	176	- 332
MXN/USD	70	125
Total revaluation	**123**	**- 375**
10% devaluation		
EUR/USD	239	27
EUR/CHF	- 87	179
EUR/CZK	- 215	406
MXN/USD	- 86	- 153
Total devaluation	**- 150**	**459**

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", page 157.

EDAG Group AG is the ultimate group company and therefore the parent company of the EDAG Group. With a 65.69 percent share, the major shareholder in the EDAG Group is ATON Austria Holding GmbH, Going am Wilden Kaiser, Austria. The second-largest shareholder is HORUS Vermögensverwaltungs-GbR, Munich, with a 4.98 percent share. Both companies are wholly owned by the family of Dr. Helmig. The voting agreement they had entered into, restricting their voting rights under certain circumstances, expired on July 1, 2017.

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	2017	2016
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	818	818
Travel and other expenses	15	16
Rental expenses	317	303
Consulting expenses	11	27
Liabilities from remuneration	478	476
EDAG Group with supervisory boards (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	47	177
Travel and other expenses	3	7
Compensation costs	647	821
Consulting expenses	33	-
Liabilities	-	2
EDAG Group with group executive management		
Liabilities from remuneration	293	265
Goods and services received	13	13

in € thousand	2017	2016
EDAG Group with ATON companies		
Goods and services rendered	34,296	28,824
Goods and services received	1,553	928
Interest expenses	4,202	6,206
Other operating income	1,158	785
Other operating expenses	493	516
Receivables	3,414	2,709
Advance payments made (posted as liabilities)	-	6,086
Advance payments received	240	940
Liabilities	2,461	16
Current loan obligations	61,264	687
Non-current loan obligations	-	86,800
EDAG Group with unconsolidated subsidiaries		
Other operating income	-	1
Other operating expenses	3	3
EDAG Group with associated companies		
Goods and services rendered	783	2,065
Goods and services received	307	2,036
Other operating income	732	741
Other operating expenses	61	62
Other nonoperating income	1	-
Income from investments	644	- 984
Receivables	139	608
Liabilities	194	1,755

in € thousand	2017	2016
EDAG Group with other related companies and persons		
Goods and services rendered	1,477	240
Goods and services received	10	17
Interest expense	516	849
Other operating income	37	16
Other operating expenses	4,152	4,141
Other nonoperating income	-	13
Receivables	1,307	91
Advance payments received	30	171
Current loan obligations	20,932	20,964

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.

On September 9, 2015, five properties and their operating facilities belonging to EDAG were transferred to six subsidiaries of KINREFD GmbH, Munich, as part of a sale and leaseback agreement effective until September 15, 2030. On February 23, 2016 a further long-term real estate lease with a fixed term until March 31, 2026 was also entered into with a subsidiary of KINREFD GmbH. A company and a person closely associated with EDAG have shares in KINREFD GmbH and its wholly-owned subsidiaries, with which EDAG has entered into long-term rental contracts: HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share, and the Chairman of the Board of Directors of EDAG Group AG, has a 7.6 percent share. On the reporting date, other financial obligations totaling € 41.3 million (including incidental expenses) arise from the leases for EDAG.

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. A company and a person closely associated with EDAG have shares in both MD 7 Immobilien GmbH and MD 7 BV GmbH: HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share, and the Chairman of the Board of Directors of EDAG Engineering Group AG, has a 10.1 percent share. On the reporting date, other financial obligations totaling € 10.6 million arise from the two leases for EDAG.

Since January 25, 2017, a real estate lease with a fixed term until December 31, 2018 has existed with FR 105 Immo GmbH, Munich. HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share in this company, and the Chairman of the Board of Directors of EDAG Engineering Group AG, has a 7.6 percent share. On the reporting date, other financial obligations totaling € 125 thousand arise from the lease for EDAG.

There are two long-term, unsecured fixed interest loans with the ATON Group Finance GmbH which are due on November 6, 2018. These loans carry an interest rate of 5 percent, and can be redeemed in part prior to maturity. On the reporting date, the book value, including interest, amounts to € 61.3 million.

Group liquidity was maintained with a current, unsecured loan from 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 € 20.9 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 2017 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 following persons are members of the **Board of Directors** of EDAG Group AG:

- Thomas Eichelmann
  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, Arbon, Switzerland (chairman of the board of directors)
  - EDAG Engineering Holding GmbH, Munich, Germany (chairman of the supervisory board)
  - EDAG Engineering GmbH, Wiesbaden, Germany (chairman of the supervisory board)
  - HAEMA AG, Leipzig, Germany (member of the supervisory board)
  - J.S. Redpath Holdings Inc., North Bay, Canada (member of the board of directors)
  - V-Bank AG, Munich, Germany (vice-chairman of the supervisory board)
  - ATON US Inc., Wilmington, USA (member of the board of directors)
  - FFT GmbH & Co. KGaA, Fulda, Germany (member of the supervisory board)
  - Bankhaus Ellwanger & Geiger KG, Stuttgart, Germany (chairman of the board of directors)
  - OrthoScan Inc., Scottsdale, USA (member of the board of directors)

- Sylvia Schorr
  Member of the audit committee
  Investment manager ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG, Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering Holding GmbH, Munich, Germany (member of the supervisory board)
  - EDAG Engineering GmbH, Wiesbaden, Germany (member of the supervisory board)

- Dr. Michael Hammes
  Chairman of the audit committee
  Management consultant, Frankfurt/Main
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG, Arbon, Switzerland (member of the board of directors)

- EDAG Engineering Holding GmbH, Munich, Germany (member of the supervisory board)
- EDAG Engineering GmbH, Wiesbaden, Germany (member of the supervisory board)
- Bankhaus Ellwanger & Geiger KG, Stuttgart, Germany (member of the board of directors)
- V-Bank AG, Munich, Germany (member of the supervisory board)
- Spiekermann & Co. AG, Osnabrück, Germany (chairman 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, Arbon, Switzerland (member of the board of directors)
  - Newron Suisse SA, Zurich, Switzerland (member of the board of directors)
  - NorthStar Holding AG, Schindellegi, Switzerland (member of the board of directors)
  - Banca del Ceresio SA, Lugano, Switzerland (member of the board of directors)

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 2017 financial year, these amounted to € 813 thousand (2016: € 866 thousand). Employer's social security contributions amounted to € 18 thousand (2016: € 18 thousand). For the personal performance of services above and beyond board activities, particularly consulting and rental services, the members of the board of directors are remunerated at the usual market rates. In the reporting year, costs of € 329 thousand (2016: € 330 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** consisted of the following persons in the financial year:

- Jürgen Vogt, Diplom-Kaufmann
  Member of the Group Executive Management, CEO (since September 6, 2017), CFO
  Mandates in other management committees:
  - None

- Harald Poeschke, Diplom-Kaufmann
  Member of the Group Executive Management, COO (since September 19, 2017)
  Mandates in other management committees:
  - None

- Jörg Ohlsen, Diplom-Ingenieur
  Member of the Group Executive Management, CEO (in each case, until September 6, 2017)
  Mandates in other management committees (at the time he left the Group Executive Management):
  - Verband der Automobilindustrie e.V. [Association of the German Automotive Industry], Berlin, Germany (member of the advisory board)
  - Automobiltechnische Zeitschrift magazine, Wiesbaden, Germany (member of the advisory board)

In the reporting year, the short-term compensation of the Group Executive Management (payments due at short notice) amounted to € 2,115 thousand (2016: € 1,708 thousand). The compensation of a member of the Group Executive Management who left the company in the course of the reporting year is included in this amount. Any continuation of payments made to the departing member of the Group Executive Management until the end of his period of notice (severance pay) is likewise included in the total amount.

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 (2016: € 151 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As at December 31, 2017, the present value of current pension obligations for active members of the Group Executive Management totaled € 2,787 thousand (2016: € 3,046 thousand). For members of the Group Executive Management leaving the company that year, it totaled € 61 thousand as at December 31, 2017. In 2017, the current service cost for the pension obligations according to IFRS amounted to € 0 thousand, as in the previous year.

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	12/31/2017	12/31/2016
Board of Directors		
Thomas Eichelmann	87,500	87,500
Sylvia Schorr	-	-
Dr. Michael Hammes	-	-
Dr. Philippe Weber	-	-
Total Board of Directors	**87,500**	**87,500**
Group Executive Management		
Jürgen Vogt	3,631	3,631
Harald Poeschke	-	-
Total Group Executive Management [1]	**3,631**	**3,631**

[1] Jörg Ohlsen left the Group Executive Management in 2017. On the date on which he left the Group Executive Management, Jörg Ohlsen held a total of 13,157 shares in EDAG Engineering Group AG.

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	2017			2016		
	Total	thereof		Total	thereof	
		Switzerland	Germany		Switzerland	Germany
Auditing services	458	(67)	(330)	437	(81)	(321)
Miscellaneous auditing services	-	-	-	-	-	(0)
Tax consulting services	15	-	-	11	-	(11)
Miscellaneous services	56	-	-	13	-	(13)
Total	**529**	**(67)**	**(330)**	**461**	**(81)**	**(345)**

In particular, the fees for the auditing services include fees for the statutory auditing of annual and consolidated financial statements.

Tax consulting fees primarily include fees for tax consulting services performed in connection with transfer pricing documentation.

The other services include the payroll accounting for Rücker Lypsa S.L. in the reporting year. In the previous year, this item included mainly project-related consulting services as well as the payroll accounting of federal guarantees.

Subsequent Events

No important events took place after the reporting period.

Arbon, April 10, 2018

EDAG Engineering Group AG

Thomas Eichelmann, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors and
Chairman of the Audit Committee

Jürgen Vogt, Chairman of the Group Executive Management, CEO, 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
9.	BFFT Gesellschaft für Fahrzeugtechnik mbH	Gaimersheim	Germany	-	100
10.	BFFT aeromotive GmbH	Gaimersheim	Germany	-	100
11.	BFFT Holding GmbH	Munich	Germany	-	100
12.	Rücker Akademie GmbH	Wiesbaden	Germany	-	100
13.	EDAG Engineering Schweiz GmbH	Arbon	Switzerland	-	100
14.	VR-Leasing Malakon GmbH & Co. Immo. KG [4]	Eschborn	Germany	-	100

	Registered in Switzerland and Germany	Voting right	Currency	Equity[1] 12/31/2017	Result[1] 2017
1.	EDAG Engineering Group AG [2]	-	EUR	431,530,817	- 2,090,034
2.	EDAG Engineering Schweiz Sub-Holding AG	100	EUR	476,113,465	- 18,006
3.	EDAG Engineering Holding GmbH	100	EUR	93,912,682	17,110,819
4.	EDAG Engineering GmbH	100	EUR	248,759,316	-
5.	EDAG-Beteiligung GmbH [3]	100	EUR	36,977	- 1,840
6.	EDAG Production Solutions GmbH & Co. KG	100	EUR	10,000,000	6,399,821
7.	EDAG Production Solutions Verwaltungs GmbH [3]	100	EUR	16,517	- 2,094
8.	EDAG Werkzeug + Karosserie GmbH	49	EUR	17,556,785	2,456,124
9.	BFFT Gesellschaft für Fahrzeugtechnik mbH	100	EUR	21,048,864	-
10.	BFFT aeromotive GmbH	100	EUR	373,328	289,741
11.	BFFT Holding GmbH	100	EUR	4,067,449	596,384
12.	Rücker Akademie GmbH	100	EUR	212,432	-
13.	EDAG Engineering Schweiz GmbH	100	CHF	2,163,829	240,986
14.	VR-Leasing Malakon GmbH & Co. Immo. KG [4]	25	EUR	34,561	212,652

	Registered in other countries	City	Domicile	Capital share in %	
				Direct	Indirect
15.	EDAG Engineering Limited	Markyate	Great Britain	-	100
16.	EDAG do Brasil Ltda.	São Bernardo do Campo	Brazil	-	100
17.	EDAG, Inc.	Troy	USA	-	100
18.	EDAG HOLDING SDN. BHD.	Shah Alam	Malaysia	-	100
19.	EDAG Hungary Atófejlesztö Méröki Kft.	Györ	Hungary	-	100
20.	EDAG Production Solutions India Pvt. Ltd.	New Delhi	India	-	100
21.	EDAG Technologies India Priv. Ltd.	New Delhi	India	-	100
22.	EDAG Production Solutions CZ s.r.o.	Mladá Boleslav	Czech Republic	-	100
23.	EDAG Japan Co., Ltd.	Yokohama	Japan	-	100
24.	EDAG Production Solutions Korea Ltd.	Seoul	South Korea	-	100
25.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	Shanghai	China	-	100
26.	EDAG México S.A. de C.V.	Puebla City	Mexico	-	100
27.	EDAG Servicios México S.A. de C.V.	Puebla City	Mexico	-	100
28.	EDAG Production Solutions, Inc.	Troy	USA	-	100
29.	CKGP/PW & Associates, Inc.	Troy	USA	-	100
30.	BFFT Italia Srl	Bolzano	Italy	-	100
31.	BFFT of America, Inc.	Belmont	USA	-	100
32.	Rücker Vehicle Design (Shanghai) Co.,Ltd.	Shanghai	China	-	100
33.	EDAG Italia S.R.L.	Turin	Italy	-	100
34.	EDAG Engineering CZ spol. s r.o.	Mladá Boleslav	Czech Republic	-	100
35.	EDAG Engineering Polska Sp.z.o.o.	Warsaw	Poland	-	100
36.	Rücker Lypsa S.L.	Cornellá de Llobregat	Spain	-	100
37.	HRM EDAG Engineering AB	Gothenburg	Sweden	-	100
38.	HRM Engineering AB	Gothenburg	Sweden	-	100
39.	Müller HRM Engineering AB	Gothenburg	Sweden	-	100
40.	OOO EDAG Production Solutions RU	Kaluga	Russia	-	100
41.	EDAG Netherlands B.V.	Helmond	Netherlands	-	100

	Registered in other countries	Voting right	Currency	Equity[1] 12/31/2017	Result[1] 2017
15.	EDAG Engineering Limited	100	GBP	- 589,799	42,219
16.	EDAG do Brasil Ltda.	100	BRL	16,539,133	- 1,226,425
17.	EDAG, Inc.	100	USD	7,303,405	- 136,685
18.	EDAG HOLDING SDN. BHD.	100	MYR	1,929,250	371,370
19.	EDAG Hungary Atófejlesztö Méröki Kft.	100	EUR	2,409,442	305,572
20.	EDAG Production Solutions India Pvt. Ltd.	100	INR	214,569,110	39,457,754
21.	EDAG Technologies India Priv. Ltd.	100	INR	34,939,864	- 2,359,563
22.	EDAG Production Solutions CZ s.r.o.	100	CZK	26,576,779	14,633,471
23.	EDAG Japan Co., Ltd.	100	JPY	62,826,778	- 8,819,120
24.	EDAG Production Solutions Korea Ltd.	100	KRW	- 16,918,711	- 173,027,293
25.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	100	CNY	23,901,378	571,112
26.	EDAG México S.A. de C.V.	100	MXN	1,350,660	- 115,014,172
27.	EDAG Servicios México S.A. de C.V.	100	MXN	140,407	-
28.	EDAG Production Solutions, Inc.	100	USD	8,642,108	- 358,892
29.	CKGP/PW & Associates, Inc.	100	USD	4,143,066	910,089
30.	BFFT Italia Srl	100	EUR	210,146	- 85,312
31.	BFFT of America, Inc.	100	USD	308,697	31,015
32.	Rücker Vehicle Design (Shanghai) Co.,Ltd.	100	CNY	2,527,856	- 39,739
33.	EDAG Italia S.R.L.	100	EUR	772,186	34,765
34.	EDAG Engineering CZ spol. s r.o.	100	CZK	33,139,838	3,525,548
35.	EDAG Engineering Polska Sp.z.o.o.	100	PLN	6,121,846	1,873,388
36.	Rücker Lypsa S.L.	100	EUR	13,957,160	2,969,934
37.	HRM EDAG Engineering AB	100	SEK	66,428,943	- 10,825,452
38.	HRM Engineering AB	100	SEK	9,800,271	1,447,240
39.	Müller HRM Engineering AB	100	SEK	1,449,313	- 420,633
40.	OOO EDAG Production Solutions RU	100	RUB	- 785,155	- 3,257,145
41.	EDAG Netherlands B.V.	100	EUR	270,655	150,689

[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 para. 2 Ziff. 3 OR.

[3] Companies included at acquisition cost.

[4] VR-Leasing Malakon GmbH & Co Immo. KG is included as a fully consolidated company, although only 25 percent of voting rights are held. For a more detailed explanation, see chapter "Scope of Consolidation", page 157.

REPORT OF THE STATUTORY AUDITOR (CONSOLIDATED FINANCIAL STATEMENTS)[1]

REPORT OF THE STATUTORY AUDITOR TO 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 December 31, 2017 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 139 to 275) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 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.

[1] *English translation – The German version prevails and is the only binding version.*

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.

Key audit matters	How our audit addressed the key audit matters
Valuation of goodwill (including investment in an associated company)	
The consolidated financial statements of EDAG Engineering Group AG disclose goodwill in the amount of EUR 74,3 million (17,0% of the Group's total assets). This goodwill is tested for impairment in accordance with IAS 36. 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. Additionally, the Group has a 49% interest in a company, which is presented as an investment in an associated company, in the amount of EUR 16.1 million (3.6% of the Group's total assets). The goodwill included in this item is tested for impairment in accordance with IAS 28.42, which is consistent with the requirements of IAS 36 regarding impairment testing. For this purpose, this company is considered a cash-generating unit. The basis for the valuation of goodwill is generally the net present value 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 net present value is calculated using the discounted cash flow	During our audit, we examined the method used to test the investment for impairment and assessed the calculation of the weighted average cost of capital. We were able to confirm the appropriateness of the future cash inflows used for the valuation, in particular by comparing these with the latest budget figures taken from the three-year plan 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 as determined by this method. Hence, we focussed on the parameters, including the average weighted cost of capital, used in the determination of the discount rate 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.

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 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 rate 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 in the section 'Result from investments accounted for using the equity method' [18]' of the notes to the consolidated financial statements.

Key audit matters

Recognition of sales revenue from construction contracts

The consolidated financial statements of EDAG Engineering Group AG disclose sales revenue from construction contracts in the amount of EUR 716.6 million. The Group's income is influenced signifi-cantly by the recognition and measurement of construction contracts. After concluding a contract, the Group decides on what basis the revenue should be recognised. Provided the requirements of IAS 11 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.

How our audit addressed the key audit matters

In the context of our audit, we first appraised the internal control system implemented by EDAG Engineering Group AG relating to revenue recognition from construction contracts. To this end, we assessed, in particular, the appropriateness and effectiveness of the implemented internal control system, 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

The Group disclosures regarding construction contracts are set out in the section 'Accounting and valuation principles', under 'Realisation of income and expenses' and in the section 'Future receivables from construction contracts [19]' and 'Future liabilities from construction contracts [30]' of the notes to the consolidated financial statements.

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. 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 fully comply with the requirements of IAS 11. 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 construction contracts.

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 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 materially 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.

Other matter

The consolidated financial statements of EDAG Engineering Group AG for the year ended at December 31, 2016 have been audited by a different statutory auditor which pronounced an unmodified opinion theron on April 4, 2017.

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.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG

ROLAND MÜLLER	MARKUS PEYER
Accredited Audit expert	Accredited Audit expert
Auditor in charge	

Zurich, April 10, 2018

STATUTORY FINANCIAL STATEMENT

EDAG Engineering Group AG

From January to December 2017

ANNUAL FINANCIAL STATEMENT

1 Statement of Financial Position

in €/CHF thousand	Note	12/31/2017 € thousand	12/31/2017 CHF thousand	12/31/2016 € thousand	12/31/2016 CHF thousand
Assets					
Current assets					
Cash and cash equivalents		129	151	355	381
Current accounts receivables	(A1)	-	-	4	4
Other current receivables	(A1)	3	4	837	899
Accrued items	(A2)	105	123	22	24
TOTAL current assets		**237**	**277**	**1,218**	**1,308**
Non-current assets	(A3)				
Investment		452,060	529,001	452,060	485,467
Property, plant and equipment		55	64	63	68
Intangible assets		-	-	1	1
TOTAL non-current assets		**452,115**	**529,065**	**452,124**	**485,536**
TOTAL assets		**452,352**	**529,342**	**453,342**	**486,844**

in €/CHF thousand	Note	12/31/2017 € thousand	12/31/2017 CHF thousand	12/31/2016 € thousand	12/31/2016 CHF thousand
Liabilities, Provisions and Equity					
Current liabilities and provisions					
Current accounts payable	(A4)	170	199	109	117
Current financial liabilities	(A4)	19,900	23,287	-	-
Other current liabilities	(A4)	558	653	481	517
Current tax provisions	(A5)	-	-	275	295
Other current provisions	(A5)	153	179	106	114
Accrued items	(A6)	40	47	-	-
TOTAL current liabilities and provisions		**20,821**	**24,365**	**971**	**1,043**
Equity					
Share capital	(A7)	920	1,000	920	1,000
Capital reserves	(A8)	437,080	473,137	455,830	493,570
thereof capital insertion reserves		(437,160)	(473,224)	(455,910)	(493,657)
thereof other reserves		(- 80)	(- 87)	(- 80)	(- 87)
Retained earnings		- 6,469	- 7,079	- 4,379	- 4,756
Currency conversion difference		-	37,920	-	- 4,013
TOTAL equity		**431,531**	**504,978**	**452,371**	**485,801**
TOTAL liabilities, provisions and equity		**452,352**	**529,342**	**453,342**	**486,844**

2 Income Statement

in €/CHF thousand	Note	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
Other operating income	(A9)	124	138	215	234
Personnel expenses	(A10)	- 1,346	- 1,496	- 1,275	- 1,390
Other expenses	(A11)	- 613	- 681	- 604	- 658
Depreciation and impairment	(A12)	- 10	- 11	- 9	- 10
Financial income and financial expenses	(A13)	- 229	- 255	- 221	- 241
Direct taxes	(A14)	- 16	- 18	- 15	- 16
Profit or Loss		**- 2,090**	**- 2,323**	**- 1,909**	**- 2,081**

3 Cash Flow Analysis

	in €/CHF thousand	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
	Profit or Loss	**- 2,090**	**- 2,323**	**- 1,909**	**- 2,081**
+/-	Depreciation and amortization/Write-ups on tangible and intangible assets	10	11	9	10
-/+	Increase/Decrease in future receivables from construction contracts, receivables and other assets that are not attributable to investing or financing activities	- 45	- 50	- 13	- 14
+/-	Increase/Decrease in current provisions	- 228	- 253	- 225	- 245
+/-	Increase/Decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	178	198	- 1,247	- 1,359
=	**Cash inflow/outflow from operating activities (indirect determination)/operating cash flow**	**- 2,175**	**- 2,418**	**- 3,385**	**- 3,690**
-	Payments for investments in tangible fixed assets	- 1	- 1	- 14	- 15
+	Received dividends	-	-	22,600	24,465
=	**Cash inflow/outflow from investing activities (indirect determination)/investing cash flow**	**- 1**	**- 1**	**22,586**	**24,450**
-	Payments to shareholders/partners (prior year dividend, capital repayments, other distributions)	- 18,750	- 20,434	- 18,750	- 20,723
+/-	Deposits/Payments from financing activities to affiliated companies	20,700	24,223	- 800	- 859
=	**Cash inflow/outflow from financing activities (direct determination)/financing cash flow**	1,950	**3,789**	**- 19,550**	**- 21,582**
	Net cash changes in financial funds	**- 226**	**1,370**	**- 349**	**- 823**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	-	- 1,601	-	441
+	Financial funds at the start of the period	355	381	704	763
=	**Financial funds at the end of the period [cash & cash equivalents]**	**129**	**151**	**355**	**381**
=	**Free cash flow (FCF) – equity approach**	**- 2,176**	**- 2,419**	**19,201**	**20,759**

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. On December 31, 2017, the largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which holds 65.69 percent.

For the financial year ending December 31, 2017, 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, 2017 to December 31, 2017. 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. Balance sheet items are valued as follows on the reporting date:

Current foreign currency liabilities and receivables and liquid funds or other current assets in foreign currencies are converted using the spot exchange rate on the balance sheet date.

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:

		2017	**2016**	
Statement of financial position	EUR into CHF	1.1702	1.0739	(spot exchange rate on accounting date)
Income statement	EUR into CHF	1.1116	1.0902	(average exchange rate for the financial year)

For initial recognition, foreign currency transactions 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.

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]). Should the book value of the investment be lower than the recoverable amount[1] of the investment, then no impairment is required. Investments are subject to the principle of separate valuation (in accordance with article 960 para. 1 of the Swiss Code of Obligations [OR]).

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 equipment, operating and office equipment	3 – 13

[1] Recoverable amount = the lower of the two values utility value (overall company value) and net market value (market value less selling costs)

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	12/31/2017 € thousand	12/31/2017 CHF thousand	12/31/2016 € thousand	12/31/2016 CHF thousand
Current accounts receivable	**-**	**-**	**4**	**4**
affiliated companies and related parties	-	-	4	4
Other current receivable	**3**	**4**	**837**	**899**
third parties	3	4	37	40
affiliated companies and related parties	-	-	800	859
Total	**3**	**4**	**841**	**903**

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) * 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 extraordinary general meeting of EDAG Engineering Schweiz Sub-Holding AG of October 24, 2016, it was decided that a dividend payout in the amount of € 22,600 thousand (CHF 24,465 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 € 452,060 thousand (CHF 529,001 thousand) [previous year: € 452,060 thousand (CHF 485,467 thousand)].

The shares **in affiliated companies and holdings** (shareholdings) reported under financial assets – 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	12/31/2017 € thousand	12/31/2017 CHF thousand	12/31/2016 € thousand	12/31/2016 CHF thousand
Current accounts receivable	**170**	**199**	**109**	**117**
third parties	64	75	49	52
affiliated companies and related parties	107	125	60	65
Other interest-bearing current liabilties	**19,900**	**23,287**	**-**	**-**
affiliated companies and related parties	19,900	23,287	-	-
Other current liabilities	**558**	**653**	**481**	**517**
third parties	61	71	5	5
affiliated companies and related parties	19	22	-	-
Board of Directors	478	559	476	511
Total	**20,628**	**24,139**	**590**	**634**

All **liabilities** have a term to maturity of less than a year.

Provisions (A5)

in €/CHF thousand	12/31/2017 € thousand	12/31/2017 CHF thousand	12/31/2016 € thousand	12/31/2016 CHF thousand
Provisions for taxes	-	-	275	295
Other provisions	153	179	106	114
Total	**153**	**179**	**381**	**409**

The tax provisions in the amount of € 0 thousand (CHF 0 thousand) [previous year: € 275 thousand (CHF 295 thousand)] consist of a real estate transfer tax obligation resulting from the non-cash contribution of the holding EDAG Engineering Schweiz Sub-Holding AG. The **other provisions** include personnel expenses in the amount of € 111 thousand

(CHF 130 thousand) [previous year: € 39 thousand (CHF 42 thousand)] accounting and auditing costs in the amount of € 43 thousand (CHF 50 thousand) [previous year: € 67 thousand (CHF 72 thousand)].

Deferred Income (A6)

Expenses relating to the following year in the amount of € 40 thousand (CHF 47 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 € 437,080 thousand (CHF 473,137 thousand) [previous year: € 455,830 thousand (CHF 493,570 thousand)], and are composed of the **capital contribution reserves** in the amount of € 437,160 thousand (CHF 473,224 thousand) [previous year: € 455,910 thousand (CHF 493,657 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 € 124 thousand (CHF 138 thousand) [previous year: € 215 thousand (CHF 234 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	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
Salaries	1,270	1,412	1,209	1,318
Social security contributions	76	85	66	72
Total	**1,346**	**1,497**	**1,275**	**1,390**

The salaries of the Executive Management, Board of Directors and administrative employees are listed under Salaries. Also included in the salaries are settlement expenses in the amount of € 56 thousand (CHF 63 thousand) [previous year: € 0 thousand (CHF 0 thousand)] and bonuses in the amount of € 42 thousand (CHF 47 thousand) [previous year: € 52 thousand (CHF 56 thousand)].

Other Operating Expenses (A11)

Other operating expenses are mainly made up of:

in €/CHF thousand	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
Consulting, contributions and fees	250	278	277	302
General administration expenses	116	129	83	90
Travel expenses	68	76	47	51
Insurance	65	72	68	74
Sales and marketing expenses	37	41	40	44
Rents and leases	36	40	32	35
Expenses from group services affiliated companies	18	20	21	23
Maintenance	3	3	20	22
Miscellaneous ancillary personnel expenses	2	2	-	-
Personnel training and development expenses	2	2	-	-
Other operating expenses	1	1	-	-
Expenses from currency losses	15	17	16	17
Total	**613**	**681**	**604**	**658**

No material expenses for other accounting periods were incurred.

Depreciation, Amortization and Impairment (A12)

Depreciation was carried out on intangible assets and on property, plant and equipment.

Financial Expense and Financial Income (A13)

in €/CHF thousand	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
Interest and similar income	2	2	2	2
(thereof from affiliated companies)	(2)	(2)	(2)	(2)
Interest and similar expenses	231	257	223	243
(thereof to affiliated companies)	(231)	(257)	(223)	(243)
Total	**- 229**	**- 255**	**- 221**	**- 241**

No interest income or interest expense for other accounting periods is included.

Direct Taxes (A14)

The **direct taxes** in the amount of € 16 thousand (CHF 18 thousand) [previous year: € 15 thousand (CHF 16 thousand)] include real estate transfer tax and the proportionate capital tax for the 2017 financial year (previous year 2016).

4.5 Other Information

Employees

The company employed no more than an annual average of 10 employees during the financial year.

Contingent Liabilities

No **contingent liabilities** exist, according to article 959c para. 2 No. 10 of the Swiss Code of Obligations (OR).

Other Financial Obligations

Other financial obligations due to affiliates exist; these amount to € 133 thousand [previous year: (CHF 156 thousand) € 136 thousand (CHF 148 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

Executive Management

The members of the Executive Management represent the company jointly, in twos. The Executive Management consisted of the following persons "in the financial year":

- Jürgen Vogt, Wiesbaden, Chairman of the Executive Management, CEO (since September 6, 2017), CFO
- Jörg Ohlsen, Fulda, Chairman of the Executive Management, CEO (until September 6, 2017)
- Harald Poeschke, Düsseldorf, Member of the Executive Management (from September 19, 2017)

The compensation of the Executive Management amounts to € 137 thousand (CHF 152 thousand) [previous year: € 128 thousand (CHF 139 thousand)] plus bonus payments in the amount of € 42 thousand (CHF 47 thousand) [previous year: € 52 thousand (CHF 56 thousand)] and a fixed one-off payment in the amount of € 25 thousand (CHF 28 thousand), which is shown proportionally [previous year: € 0 thousand (CHF 0 thousand)].

Board of Directors

The Board of Directors consisted of the following persons:

- Thomas Eichelmann, Munich, Chairman of the Board of Directors (single signatory)
  [Chairman of the Nomination and Compensation Committee]
- Dr. Michael Hammes, Frankfurt am Main, Member of the Board of Directors
  (joint signatory, two signatures required)
  [Chairman of the Audit Committee]
- Dr. Philippe Weber, Pura, Member of the Board of Directors
  (single signatory)
  [Member of the Nomination and Compensation Committee]

- Sylvia Schorr, Munich, Member of the Board of Directors
  (joint signatory, two signatures required)
  [Member of the Audit Committee]

The proportional compensation of the Board of Directors amounts to € 800 thousand (CHF 889 thousand) [previous year: € 800 thousand (CHF 872 thousand)].

Further information on the compensation of the 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	2017 € thousand	2017 CHF thousand	2016 € thousand	2016 CHF thousand
Balance brought forward	**- 4,379**	**- 4,756**	**- 2,470**	**- 2,675**
Appropriation of earnings in accordance with resolution of the Annual Shareholders' Meeting	-	-	-	-
Removal from legal capital reserve	18,750	20,434	18,750	**20,723**
Dividend payout to shareholders	- 18,750	- 20,434	- 18,750	**- 20,723**
Net income of the year	**- 2,090**	**- 2,323**	**- 1,909**	**- 2,081**
Total available earnings at the disposal of the Annual Shareholders' Meeting	**- 6,469**	**- 7,079**	**- 4,379**	**- 4,756**

Appropriation of reserves proposed by the Board of Directors

in € thousand/ CHF thousand	2017 Proposal of Board of Directors € thousand	2017 Proposal of Board of Directors CHF thousand	2016 Resolution of Annual Shareholders' Meeting € thousand	2016 Resolution of Annual Shareholders' Meeting CHF thousand
Total available earnings	**- 6,469**	**- 7,079**	**- 4,379**	**- 4,756**
Allocation to legal retained earnings	-	-	-	**-**
Removal from legal retained earnings	-	-	-	**-**
Allocation to legal capital reserve	-	-	-	**-**
Removal from legal capital reserve	18,750	21,941	18,750	**20,136**
Dividend payout to shareholders	- 18,750	- 21,941	- 18,750	**- 20,136**
Balance to be carried forward	**- 6,469**	**- 7,079**	**- 4,379**	**- 4,756**

Subject to approval of the annual shareholders' meeting, the Board of Directors recommends that the net loss of € 6,469 thousand (CHF 7,079 thousand) should be carried forward to the new statement as a negative retained profit, and is in favor of a dividend payout of € 0.75 (CHF 0.88) per share, which will result in an overall payout of € 18,750 thousand (CHF 21,941 thousand). The Board of Directors recommends that the entire dividend payout in the amount of € 0.75 (CHF 0.88) per share proposed for 2017 should be withdrawn from the capital reserves. Subject to this proposal being passed at the annual shareholders' meeting, any such payout will not be subject to Swiss withholding tax.

The dividend falls due on June 30, 2018 at the latest, and is payable in euros. The dividend will be converted from euros into Swiss francs (CHF) at the rate applying on the date of the annual shareholders' meeting. The resolution approving dividends in CHF will therefore differ from the above amount in CHF. The CHF/EUR conversion rate must not exceed 1.50, at which rate the dividend payout total could amount to CHF 28,125 thousand, with corresponding adjustment of the capital contribution reserves in the new statement.

Arbon, April 10, 2018

EDAG Engineering Group AG

Thomas Eichelmann, Chairman of the Board of Directors

Dr. Michael Hammes, member of the Board of Directors and
Chairman of the Audit Committee

Jürgen Vogt, Chairman of the Executive Management, CEO, CFO

4.6 Appendices

Development of assets

in € thousand	(Historical) Cost			
	01/01/2017	Additions	Currency translation	12/31/2017
Intangible assets				
Software	1	-	-	1
Total intangible assets	**1**	**-**	**-**	**1**
Property, plant and equipment				
Other equipment, operating and office equipment	73	1	-	74
Total property, plant and equipment	**73**	**1**	**-**	**74**
Financial assets				
Shares in affiliated companies	452,060	-	-	452,060
Total financial assets	**452,060**	**-**	**-**	**452,060**
TOTAL	**452,134**	**1**	**-**	**452,135**

in CHF thousand	(Historical) Cost			
	01/01/2017	Additions	Currency translation	12/31/2017
Intangible assets				
Software	2	-	0	2
Total intangible assets	**2**	**-**	**0**	**2**
Property, plant and equipment				
Other equipment, operating and office equipment	78	1	7	86
Total property, plant and equipment	**78**	**1**	**7**	**86**
Financial assets				
Shares in affiliated companies	485,467	-	43,533	529,001
Total financial assets	**485,467**	**-**	**43,533**	**529,001**
TOTAL	**485,547**	**1**	**43,541**	**529,089**

in € thousand	Accumulated depreciation				Carrying amount	
	01/01/2017	Additions	Currency translation	12/31/2017	01/01/2017	12/31/2017
Intangible assets						
Software	0	0	-	1	**1**	**0**
Total intangible assets	**0**	**0**	**-**	**1**	**1**	**0**
Property, plant and equipment						
Other equipment, operating and office equipment	10	10	-	19	**63**	**55**
Total property, plant and equipment	**10**	**10**	**-**	**19**	**63**	**55**
Financial assets						
Shares in affiliated companies	-	-	-	-	**452,060**	**452,060**
Total financial assets	**-**	**-**	**-**	**-**	**452,060**	**452,060**
TOTAL	**10**	**10**	**-**	**20**	**452,124**	**452,115**

in CHF thousand	Accumulated depreciation				Carrying amount	
	01/01/2017	Additions	Currency translation	12/31/2017	01/01/2017	12/31/2017
Intangible assets						
Software	1	1	- 0	1	**1**	**0**
Total intangible assets	**1**	**1**	**- 0**	**1**	**1**	**0**
Property, plant and equipment						
Other equipment, operating and office equipment	11	11	- 1	22	**68**	**64**
Total property, plant and equipment	**11**	**11**	**- 1**	**22**	**68**	**64**
Financial assets						
Shares in affiliated companies	-	-	-	-	**485,467**	**529,001**
Total financial assets	**-**	**-**	**-**	**-**	**485,467**	**529,001**
TOTAL	**11**	**11**	**- 1**	**23**	**485,536**	**529,065**

Changes in Equity

in € thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Profit or loss	Others	Total equity
As per 01/01/2017	**920**	**455,910**	**- 80**	**455,830**	**- 4,379**	**-**	452,371
Profit or loss	-	-	-	-	- 2,090	-	- 2,090
Removal	-	- 18,750	-	- 18,750	-	-	- 18,750
As per 12/31/2017	**920**	**437,160**	**- 80**	**437,080**	**- 6,469**	**-**	**431,531**

					Retained earnings		
in CHF thousand	**Subscribed capital**	**Capital reserve**	**Other capital reserve**	**Total capital reserve**	**Profit or loss**	**Others**	**Total equity**
As per 01/01/2017	**1,000**	**493,657**	**- 87**	**493,570**	**- 4,756**	**- 4,013**	**485,801**
Currency conversion difference	-	-	-	-	-	41,933	41,933
Profit or loss	-	-	-	-	- 2,322	-	- 2,322
Removal	**-**	- 20,434	**-**	- 20,434	**-**	**-**	- 20,434
As per 12/31/2017	**1,000**	**473,224**	**- 87**	**473,137**	**- 7,079**	**37,920**	**504,978**

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.	BFFT Gesellschaft für Fahrzeugtechnik mbH	Germany	-	100	100
9.	BFFT aeromotive GmbH	Germany	-	100	100
10.	BFFT Holding GmbH	Germany	-	100	100
11.	Rücker Akademie GmbH	Germany	-	100	100
12.	EDAG Engineering Schweiz GmbH	Switzerland	-	100	100
13.	VR-Leasing Malakon GmbH & Co Immo. KG	Germany	-	100	25

	Registered in other countries	Domicile	Capital share in %		Voting right
			Direct	Indirect	
14.	EDAG Engineering Limited	Great Britain	-	100	100
15.	EDAG do Brasil Ltda.	Brazil	-	100	100
16.	EDAG, Inc.	USA	-	100	100
17.	EDAG HOLDING SDN. BHD.	Malaysia	-	100	100
18.	EDAG Hungary Atófejlesztö Méröki Kft.	Hungary	-	100	100
19.	EDAG Production Solutions India Pvt. Ltd.	India	-	100	100
20.	EDAG Technologies India Priv. Ltd.	India	-	100	100
21.	EDAG Production Solutions CZ s.r.o.	Czech Republic	-	100	100
22.	EDAG Japan Co., Ltd.	Japan	-	100	100
23.	EDAG Production Solutions Korea Ltd.	South Korea	-	100	100
24.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	China	-	100	100
25.	EDAG México S.A. de C.V.	Mexico	-	100	100
26.	EDAG Servicios México S.A. de C.V.	Mexico	-	100	100
27.	EDAG Production Solutions, Inc.	USA	-	100	100
28.	CKGP/PW & Associates, Inc.	USA	-	100	100
29.	BFFT Italia Srl	Italy	-	100	100
30.	BFFT of America	USA	-	100	100
31.	Rücker Vehicle Design (Shanghai) Co.,Ltd.	China	-	100	100
32.	EDAG Italia S.R.L.	Italy	-	100	100
33.	EDAG Engineering CZ spol. s r.o.	Czech Republic	-	100	100
34.	EDAG Engineering Polska Sp.z.o.o.	Poland	-	100	100
35.	Rücker Lypsa S.L.	Spain	-	100	100
36.	EDAG Engineering AB	Sweden	-	100	100
37.	HRM Engineering AB	Sweden	-	100	100
38.	Müller HRM Engineering AB	Sweden	-	100	100
39.	OOO EDAG Production Solutions RU	Russia	-	100	100
40.	EDAG Netherlands B.V.	Netherlands	-	100	100

REPORT OF THE STATUTORY AUDITOR (STATUTORY FINANCIAL STATEMENT)[1]

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 December 31, 2017 and income statement for the year then ended and notes.

In our opinion, the accompanying financial statements (pages 284 – 307) as at December 31, 2017 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.

[1] English translation – The German version prevails and is the only binding version.

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.

Key audit matters	How our audit addressed the key audit matters
Valuation of the investment in the subsidiary	
We consider the impairment testing of the investment in the subsidiary to be a key audit matter for the following two reasons: The investments in EDAG Engineering Schweiz Sub-Holding AG in the amount of CHF 452 million represents the largest asset on the balance sheet (99% of total assets). If this investment had to be written down, 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, 'Information on accounting, valuation and disclosure methods', 4.2.3 (Accounting for and valuation of assets) and the 'Notes on balance sheet items', 4.3.3 (Fixed assets).	We performed audit procedures on the valuation of the investment as at December 31, 2017. Management carried out an impairment test on the investment in EDAG Engineering Schweiz Sub-Holding AG. We performed the following: • We verified the method used to test the investment for impairment and assessed the calculation of the weighted average cost of capital. • We checked the appropriateness of the future cash inflows used for the valuation by comparing these with the latest budget figures taken from the three-year plan prepared by the Board of Directors and by reconciling them to general and industry-specific market expectations of the company. • We checked the parameters, including the weighted average cost of capital, used in calculating the discount rate and examined the calculation model. On the basis of the audit procedures described above, we have addressed the risk of the impairment of the investment in the subsidiary. We have no findings to report.

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.

Other matter

The financial statements of EDAG Engineering Group AG for the year ended at December 31, 2016 have been audited by a different statutory auditor which pronounced an unmodified opinion theron on April 4, 2017.

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.

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	MARKUS PEYER
Accredited Audit expert	Accredited Audit expert
Auditor in charge	

Zurich, April 10, 2018

AFFIRMATION OF THE LEGAL REPRESENTATIVE (BALANCE SHEET OATH)

LEGAL NOTICE

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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 10, 2018

EDAG Engineering Group AG

Jürgen Vogt, Chairman of the Group Executive Management, CEO, CFO

Harald Poeschke, Member of the Group Executive Management, COO

Thomas Eichelmann, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors

Sylvia Schorr, Member of the Board of Directors

Dr. Philippe Weber, 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:
EDAG Engineering GmbH · Dept.: Marketing
Reesbergstraße 1 · 36039 Fulda

The English version of the Annual Report is a translation of the German version. The German version is legally binding.

Contacts

Christoph Horvath · Press Spokesman for EDAG Engineering GmbH
+49 661 6000-570 · christoph.horvath@edag.de

Issued by

EDAG Engineering Group AG
Schlossgasse 2 · 9320 Arbon/Switzerland

Editor-in-chief

Christoph Horvath

Pictures

EDAG Group, Fotolia

EDAG ENGINEERING GROUP AG
SCHLOSSGASSE 2
9320 ARBON
SWITZERLAND
IR.EDAG.COM