EDAG

FINANCIAL YEAR 2019

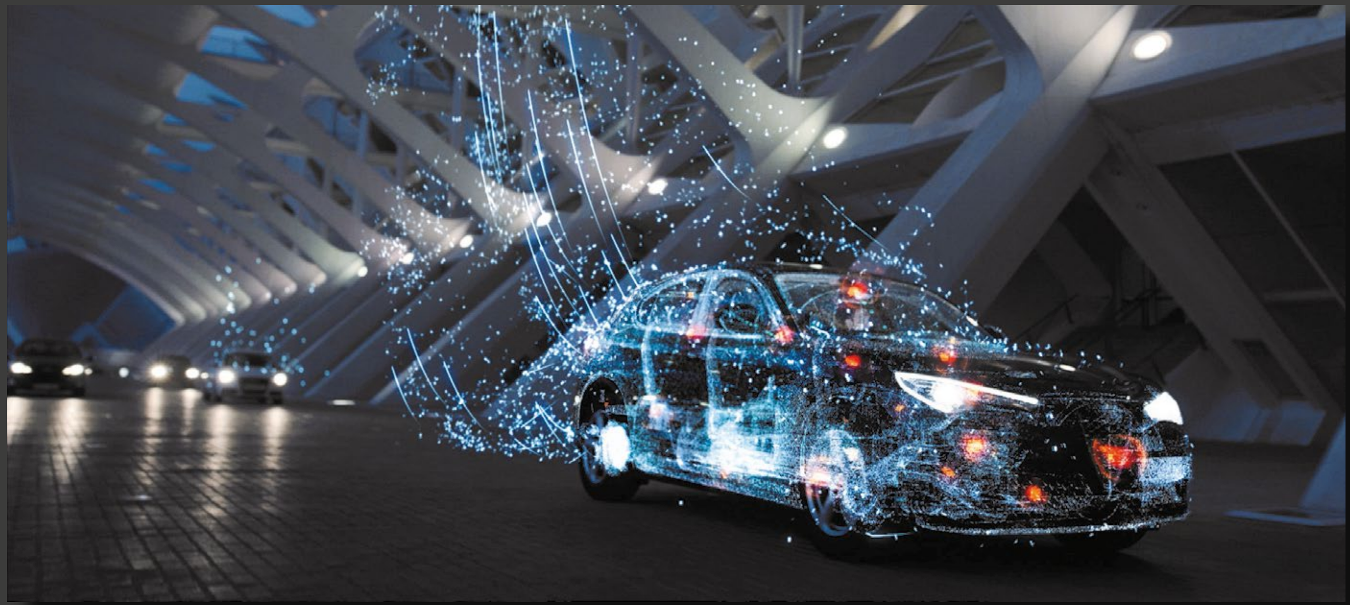
HALF-YEARLY FINANCIAL REPORT 2019

CONTENT

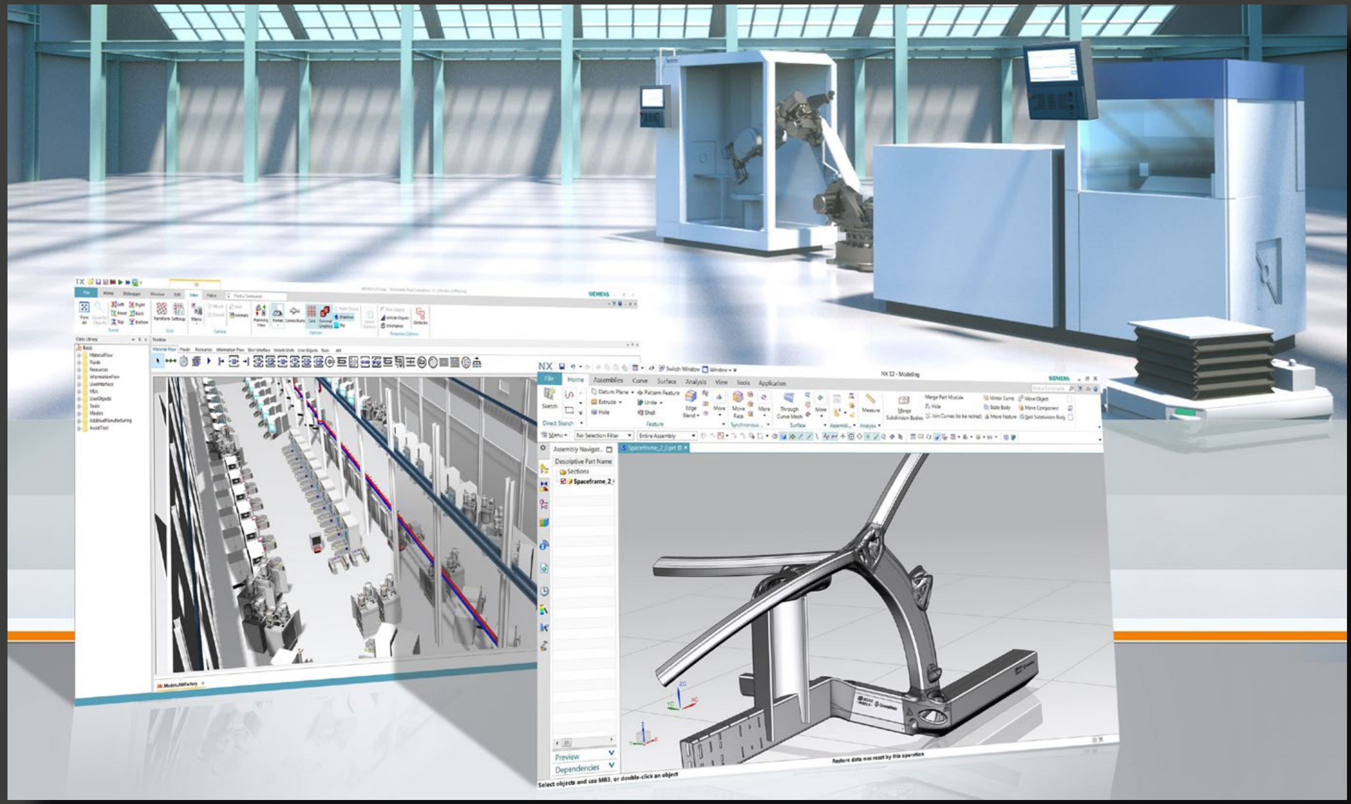
SUMMARY OF THE FIRST HALF OF THE 2019 FINANCIAL YEAR

EDAG COMMISSIONED BY BMW AS GENERAL DEVELOPER FOR A NEW VEHICLE GENERATION

The EDAG Group has been commissioned by BMW to develop an innovative vehicle of the next generation. In this project, EDAG will be the general developer for the entire body and interior process chain. The responsibilities range from the concept phase, development and simulation through to validation and integration into production. EDAG's wide range of competencies across all the development stages in the vehicle creation process and the company's many years of experience in complete vehicle development mean that EDAG is ideally qualified for this challenging project. The project represents the successful continuation of decades of mutual cooperation in vehicle and production plant development.



SIEMENS AND EDAG COOPERATE IN PROJECTS FOR THE INDUSTRIAL APPLICATION OF ADDITIVE MANUFACTURING



Siemens is intensifying its cooperation with the EDAG Group, the world's leading independent engineering company for the automotive industry, in order to further promote industrial applications of additive manufacturing (AM) while increasing the efficiency of engineering and production processes. On the basis of many years of successful project-specific collaboration in factory and production planning, the innovative project "NextGeneration Spaceframe 2.0" was exhibited at the Siemens stand at the Hanover Show in April 2019, as the visible result of this successful cooperation to the collaboration has now been added a fully integrated digital engineering process chain for additive manufacturing (3D printing), through to the implementation of a use case.

APRIL MAY JUNE

The know-how provided by the EDAG Group in the field of production processes has resulted in a significant expansion of the collaboration. Customized future factory concepts are created, permitting the efficient large-scale production of the components developed for additive manufacturing and their transfer to genuine series production. Siemens and EDAG aim to build on their respective strengths as project-specific partners, and position themselves as service providers in the future market for the industrial introduction of additive manufacturing for their respective customers.

NEW LOCATION FOR 600 EDAG ENGINEERS IN MUNICH: TURF CUTTING CEREMONY FOR EDAG DEVELOPMENT CENTER

The EDAG Group will be bundling its Munich-based competencies in a new building geared to future requirements which is being built on the Frankfurter Ring. The official turf cutting ceremony at Frankfurter Ring 73 to mark the start of this future-orientated new project was on April 16, 2019, in the same year as EDAG's 50th anniversary. Up to 600 EDAG engineers will be moving into the new building in the summer of 2021. With more than 1,000 employees, Munich is one of the EDAG Group's largest locations worldwide. With the new facility in Munich, EDAG can offer its customers all-round local engineering service capacities for the development of complete vehicles, production plants and electrics/electronics.

APRIL MAY JUNE

KEY FIGURES OF AND EXPLANATIONS BY THE EDAG GROUP AS PER JUNE 30, 2019

(in € million or %)	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*	4/1/2019 – 6/30/2019	4/1/2018 – 6/30/2018 revised*
Vehicle Engineering	250.2	242.7	126.4	124.2
Production Solutions	58.4	79.2	27.2	39.3
Electrics/Electronics	86.2	75.5	41.4	37.5
Consolidation	- 4.4	- 6.2	- 2.5	- 3.5
Total revenues[1]	**390.4**	**391.1**	**192.5**	**197.4**
Growth of core business:				
Vehicle Engineering	*3.1%*	*8.6%*	*1.8%*	*10.3%*
Production Solutions	*-26.3%*	*35.0%*	*-30.8%*	*34.6%*
Electrics/Electronics	*14.2%*	*0.5%*	*10.6%*	*7.7%*
Change of revenues[1]	***-0.2%***	***10.9%***	***-2.5%***	***13.5%***
Vehicle Engineering	16.5	17.2	8.6	9.5
Production Solutions	- 5.4	5.7	- 4.4	2.3
Electrics/Electronics	5.8	2.7	1.6	0.0
Adjusted EBIT	**16.9**	**25.6**	**5.8**	**11.9**
Vehicle Engineering	*6.6%*	*7.1%*	*6.8%*	*7.7%*
Production Solutions	*-9.2%*	*7.2%*	*-16.1%*	*5.8%*
Electrics/Electronics	*6.7%*	*3.6%*	*3.9%*	*0.1%*
Adjusted EBIT margin	***4.3%***	***6.5%***	***3.0%***	***6.0%***
Profit or loss	***4.5***	**11.1**	***- 0.4***	***5.0***
Earnings per share (€)	0.18	0.44	- 0.02	0.20

[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 %)	6/30/2019	12/31/2018 revised*
Fixed assets	329.9	335.7
Net working capital	139.1	91.3
Net financial debt	- 293.4	- 239.6
Provisions	- 49.2	- 43.4
Equity	**126.4**	**144.0**
Balance sheet total	**623.5**	**633.9**
Equity / BS total	*20.3%*	*22.7%*
Net financial debt / Equity	*232.1%*	*166.4%*
Net financial debt / adjusted EBITDA[2]	3.5	2.6

(in € million or %)	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*	4/1/2019 – 6/30/2019	4/1/2018 – 6/30/2018 revised*
Operating cash flow	- 12.9	31.6	- 25.5	7.0
Investing cash flow	- 12.4	- 10.4	- 6.7	- 5.3
Free cash flow	- 25.2	21.2	- 32.2	1.7
Financing cash flow	- 16.2	- 15.7	- 7.9	- 1.8
Adjusted cash conversion rate[3]	66.4%	77.5%	58.5%	77.7%
CapEx	12.2	10.0	6.5	4.8
CapEx/Revenues	*3.1%*	*2.6%*	*3.4%*	*2.4%*

[2] Considering the adjusted EBITDA of the last 12 months (LTM).

[3] 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.

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

	6/30/2019	12/31/2018
Headcount end of period	8,653	8,641
Trainees as %	*5.5%*	*6.2%*

At € 390.4 million, revenue in the first half of 2019 was slightly below the previous year's level of € 391.1 million. This represents a drop in revenues of 0.2 percent. While the Vehicle Engineering and Electric/Electronic segments reported increases compared to the previous year, the Production Solutions segment reported a 26.3 percent drop in revenues. In the reporting quarter just ended, revenue totaled € 192.5 million, which also represents a slight decrease of 2.5 percent compared to the same period in the previous year (€ 197.4 million).

The EBIT, which was primarily adjusted for the effects from the purchase price allocations and expenses from restructuring (adjusted EBIT) stood at € 16.9 million, which is below the value for the previous year (€ 25.6 million). This is equivalent to an adjusted EBIT margin of 4.3 percent (first half of 2018: 6.5 percent). The main reason for the fall in earnings is the Production Solutions segment. There is a more difficult market environment here compared to the previous year, which is reflected in unsatisfactory capacity utilization. The adjusted EBIT here decreased by € 11.1 million.

The unadjusted EBIT in the first six months of the year stood at € 11.4 million, compared to the previous year's value of € 22.9 million. In addition to the workload deficiencies in the Production Solutions segment, this also reflects the expenses from restructuring in the amount of € 3.2 million.

The headcount, including trainees, on June 30, 2019 was 8,653 employees (12/31/2018: 8,641 employees). 6,076 of these employees were employed in Germany, and 2,577 in the rest of the world (RoW) (12/31/2018: [Germany: 6,119; RoW: 2,522]).

In the first half of 2019, gross investments in fixed assets amounted to € 12.2 million, which was above the level of the same period in the previous year (first half of 2018: € 10.0 million). The equity ratio on the reporting date was 20.3 percent (12/31/2018: 22.7 percent).

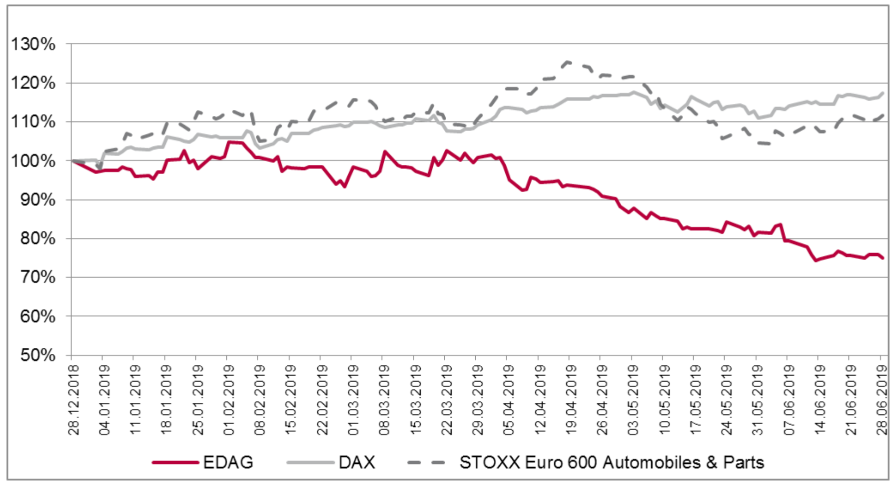
At € 293.4 million, the net financial debt is above the value on December 31, 2018 (€ 239.6 million). The increase compared to December 31, 2018 is due mainly to the pre-financing of high project deliverables and to the dividend payout in the amount of € 18.8 million.

THE EDAG SHARE

On January 2, 2019, the DAX started the first quarter of the financial year with 10,478 points. On January 3, the index fell to a closing price of 10,417 points, which was also its lowest level in the reporting period. The index subsequently rose to its highest closing rate of 12,413 points on May 3. The closing price on June 28 stood at 12,399 points. The STOXX Automobiles & Parts Index fluctuated between 430 and 551 points during the same period.

1 Price Development

On January 2, 2019, the opening price of the EDAG share in XETRA trading was € 15.92. The highest closing price in the reporting period, € 16.62, was reached on February 1. The lowest closing price in the reporting period, € 11.80, was reached on June 13. The share closed at € 11.90 at the end of the first half of 2019, on June 28. The ex dividend price was negotiated on June 6, with a drop in price of € 0.75. Payment of the dividend in the amount of € 0.75 per share was made on June 10. During the first half of 2019, the average XETRA trade volume was 9,819 shares a day.



Source: Comdirect

2 Key Share Data

	1/1/2019 – 6/30/2019
Prices and trading volume:	
Share price on June 28 (€)[4]	11.90
Share price, high (€)[4]	16.62
Share price, low (€)[4]	11.80
Average daily trading volume (number of shares)[5]	9,819
Market capitalisation on June 28 (€ million)	297.50

[4] Closing price on Xetra

[5] On Xetra

A current summary of the analysts' recommendations and target prices for the EDAG share, the current share price and financial calendar is available on our homepage, on http://ir.edag.com.

INTERIM GROUP MANAGEMENT REPORT

1 Basic Information on the Group

1.1 Business Model

Three Segments

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

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

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

Presentation of the Vehicle Engineering Segment

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

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

Presentation of the Production Solutions Segment

The Production Solutions (PS) segment - operating through the independent company EDAG Production Solutions GmbH & Co. KG, Fulda, its international subsidiaries and profit centers - is an all-round engineering partner which accepts responsibility for the development and implementation of production processes at 16 sites in Germany and at international sites in India, the Czech Republic, Russia, Hungary, Sweden, Brazil, Mexico, China and the USA. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide realization support. The "Industrie 4.0" methods and tools serve as the basis for the networked engineering between the product development and plant construction processes.

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 interfaces with other media, buildings and logistics. In the context of simultaneous engineering, concept engineering favors an integrative approach, with the Product Development, Systems Planning and Production Simulation departments all working together to design project interfaces.

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

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

Presentation of the Electrics/Electronics Segment

The range of services offered by the Electrics/Electronics segment ("E/E") covers the development of electrical and electronic systems for the complete vehicle. This includes in particular the growth domains eMobility, autonomous driving and digital networking both inside and outside of the car. Also included in the range of services are developments relating to comfort and safety systems. In order to provide these results, the organization encompasses the following key competencies:

The **E/E Architecture & Networks** division is responsible for the development of functions, the development of new electronic vehicle architectures beneficial to these, and the resulting networking and wiring. The range of tasks extends from the concept phase to production support.

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

E/E Embedded Systems develops and validates hardware and software for electronic control units, from the design, through model set-up and commissioning to production-ready development. In the process, EDAG accepts responsibility for all development activities. 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 trive.me brand, EDAG develops innovative software solutions and products for the networked mobility of tomorrow, and offers this digital transformation expertise on the market.

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

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

For a more detailed representation of the above-mentioned objectives, please see the Group Management Report in the Annual Report for 2018.

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.

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the latest forecasts made by the International Monetary Fund (IMF) in July 2019, the world economy exhibited 3.6 percent growth in 2018 (2017: 3.8 percent). For the current year, the IMF anticipates a growth rate of 3.2 percent, which is 0.1 percentage points down on the April forecast. This is primarily influenced by the open trade dispute between the USA and China, the threat of additional customs duties, uncertainty about the Brexit outcome, and increasing geopolitical tensions which were also the cause of increased energy prices.

The IMF's economic experts registered a growth rate in Germany that was slightly below the average for the eurozone as a whole last year (2018). According to the most recent IMF analysis, the economic performance in Germany increased by 1.4 percent in 2018 (2017: 2.2 percent), which is 0.1 percentage points down on the April forecast. The IMF registered a 1.9 percent increase in economic growth in all countries in the Euro Area for last year (2017: 2.4 percent); this is 0.1 percentage points up on the April forecast.

The US economy expanded by 2.9 percent in 2018 (2017: 2.2 percent). This reflects changes in US tax policy, which have stimulated short-term growth.

The IMF was more optimistic about China's growth in 2018. Last year saw an increase of 6.6 percent in the second largest national economy in the world (2017: 6.8 percent).

Please see the chapter "Forecast" in the Interim Group Management Report for the forecasts for the present year.

Automotive Industry Development

Whereas according to the forecast issued by the VDA in December 2018, the global growth rate for sales of new vehicles for 2019 was up by 1.0 percent up compared to the previous year and stood at 85.9 million new vehicles, global car sales are now, according to the latest study by Center Automotive Research (CAR), forecast to decrease by more than four million vehicles, or around 5 percent, to 79.5 million new cars.

In June 2019, the European passenger vehicle market (EU-28 + EFTA) reported a 7.9 percent decrease compared to the year before. There was a drop of 3.1 percent over the first half of 2019, or 8.4 million new vehicle registrations.

While the number of new vehicles registered in Germany in the first half of 2019 increased slightly by 0.5 percent, France saw a slight decline (-1.8 percent), and more severe losses were reported in Great Britain (-3.4 percent), Italy (-3.5 percent) and Spain (-5.7 percent).

In Germany, electric car sales remained high (+40 percent), with much the same growth rate as in 2018 (+44 percent). BEVs (Battery Electric Vehicles), sales of which grew by 44 percent in 2018, and have now increased to 80 percent, accounted for a significant share of sales growth. Overall, sales of electric passenger cars amounted to 8,700 in June, 2.7 percent of the total.

In the USA, the volume on the light vehicle market (passenger cars and light trucks) decreased by 1.9 percent to 1.5 million vehicles in June, compared to the same month in the previous year. The first half of 2019 ended at minus 1.9 percent, which was also down on the previous year's results. All together, a total of 8.4 million light vehicles were sold. Whereas there was a 9 percent downturn in the passenger car segment, sales of light trucks picked up by 1 percent. Compared to the same period in the previous year, China again recorded a downturn (-14.0 percent) in the first half of the year. Slight declines were also recorded by Japan (-0.3 percent), India (-10.3 percent) and Russia (-2.4 percent). The country with the greatest gains was Brazil, where sales increased by 10.9 percent in the first half of the year.

Development of the Engineering Market

The automotive market is in a period of transition, and undergoing major structural changes. Innovation drivers such as autonomous and connected driving, digitalization, eMobility and new mobility services are having a worldwide impact, and are also affecting the market for engineering services. These trends are creating great momentum, and consequently both opportunities and risks for the engineering service market. In the short term, budget shifts and the reprioritization of investment decisions on the part of customers will result in a very volatile market environment characterized by delays in the awarding of contracts and the re-scheduling of projects.

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

Financial Performance

Development of the EDAG Group

As of June 30, 2019, orders on hand amounted to € 360.7 million, a significant increase compared to € 298.5 million as of December 31, 2018 (first half of 2018: € 380.7 million). In the half year just ended, the EDAG Group generated incoming orders amounting to € 462.9 million, which, compared to the same quarter in the previous year (€ 433.6 million), represents an increase of € 29.3 million.

Due to developments in the Production Solutions segment, revenues fell slightly to € 390.4 million, a decrease of € 0.7 million or 0.2 percent compared to the same period in the previous year (first half of 2018: € 391.1 million). In the reporting quarter just ended, revenue totaled € 192.5 million, which also represents a slight decrease of 2.5 percent compared to the same period in the previous year (€ 197.4 million). Revenues in the Vehicle Engineering and Electrics/Electronics segments increased compared to the same period in the previous year.

Compared to the previous year, the EBIT in the reporting period decreased by € 11.4 million to € 11.4 million (first half of 2018: € 22.9 million). This means that an EBIT margin of 2.9 percent was achieved (first half of 2018: 5.8 percent). The main reason for the fall in earnings is under-utilization in the Production Solutions segment and the emergency action plan associated with this, which has a volume of some € 3.2 million and is shown in the other expenses.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations and the expenses from restructuring in the Production Solutions segment that were recorded in the reporting period in 2019, the adjusted EBIT figure was € 16.9 million (first half of 2018: € 25.6 million), which is equivalent to an adjusted EBIT margin of 4.3 percent (first half of 2018: 6.5 percent).

The materials and services expenses increased by € 8.5 million to € 61.5 million. At 15.8 percent, the materials and services expenses ratio was above the level of the same period of the previous year (first half of 2018: 13.6 percent). This effect was largely due to an increased volume of materials purchased for production orders. At 7.7 percent, the materials expenses ratio was above the level of the same period in the previous year (3.8 percent). At 8.1 percent, the ratio of service expenses in relation to the revenues is below the level of the same period in the previous year (first half of 2018: 9.7 percent).

The EDAG Group's personnel expenses decreased slightly by € 0.8 million or 0.3 percent to € 252.2 million compared to the same period in the previous year. The personnel expenses include Income relating to other periods in the amount of € 6.4 million and severance pay in the amount of € 1.3 million. Further severance payments made within the context of restructuring are shown in the other expenses. In the first half of this year, the company had a workforce of 8,680 employees on average, including apprentices (first half of 2018: 8,383 employees). At 64.6 percent, the ratio of personnel expenses decreased slightly compared with the same period in the previous year (first half of 2018: 64.7 percent).

Depreciation, amortization and impairments totaled € 22.2 million (first half of 2018: € 21.6 million). Due to the expenses from restructuring, the ratio for other expenses in relation to revenues was 13.0 percent and thus above last year's level (first half of 2018: 12.3 percent).

In the first half of 2019, the financial result was € -4.7 million (first half of 2018: € -6.2 million), an improvement of € 1.5 million compared with the same period in the previous year. Significant effects are a reduction in the interest expense as a result of improved interest conditions of a promissory note loan *(Schuldscheindarlehen)* that was issued in July 2018.

Development of the Vehicle Engineering Segment

Incoming orders amounted to € 291.2 million in the first half of 2019, which was 21.0 percent above the value for the same period in the previous year (first half of 2018: € 240.7 million). Revenues increased by 3.1 percent to € 250.2 million (first half of 2018: € 242.7 million). € 22.9 million from production orders is included in the revenues (first half of 2018: € 0.0 million). All in all, an EBIT of € 15.3 million was achieved for the Vehicle Engineering segment in the half year just ended (first half of 2018: € 15.5 million). The EBIT margin amounted to 6.1 percent and was thus below the level of the same period in the previous year (first half of 2018: 6.4 percent). The adjusted EBIT margin amounted to 6.6 percent (first half of 2018: 7.1 percent).

Development of the Production Solutions Segment

In this segment, incoming orders amounted to € 68.2 million, which was significantly below the level of the same period in the previous year (first half of 2018: € 106.1 million). Revenues decreased by 26.3 percent to € 58.4 million (first half of 2018: € 79.2 million). Overall, the EBIT for the Production Solutions segment stood at € -8.8 million in the half year just ended (first half of 2018: € 5.5 million). The sharp decline in the revenues and EBIT is attributable to continuing difficult market conditions in the half year just ended and the resulting under-utilization of resources. In view of this situation, the Executive Management of Engineering Group AG adopted an emergency action plan. The emergency measures have a volume of some € 3.2 million for the first half of 2019, and include the closure of smaller Production Solutions facilities. The aim is to bring about a sustainable improvement in the performance of the Production Solutions segment, so that, in the medium term, profitable growth can again be achieved. The adjusted EBIT margin was -9.2 percent and therefore well below the previous year's level (first half of 2018: 7.2 percent).

Development of the Electrics/Electronics Segment

Incoming orders increased by € 9.3 million to € 107.7 million compared to the same period in the previous year (first half of 2018: € 98.5 million). Revenue totaled € 86.2 million, an increase of 14.2 percent compared to the same period in the previous year (€ 75.5 million). The EBIT stood at € 5.0 million (first half of 2018: € 1.9 million). This meant that the EBIT margin amounted to 5.8 percent (first half of 2018: 2.5 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 6.7 percent (first half of 2018: 3.6 percent).

Cash Flows and Financial Position

Compared to December 31, 2018, the EDAG Group's total assets decreased by € 10.3 million to € 623.5 million. The non-current assets decreased by € 5.0 million to € 140.8 million (12/31/2018: € 145.8 million), primarily as a result of the depreciation of the rights of use from leasing. In the current assets, the reduction of current accounts receivable by € 10.8 million is countered by an increase in contract assets in the amount of € 38.1 million. The other non-financial assets increased by 3.7 percent to € 13.8 million. Cash and cash-equivalents decreased by € 41.2 million to € 22.7 million.

On the equity, liabilities and provisions side, equity decreased by € 17.6 million to € 126.4 million, and the quota is now approximately 20.3 percent (12/31/2018: 22.7 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 € 4.5 million.

At € 298.6 million (12/31/2018: € 300.3 million), non-current liabilities and provisions remain slightly below the level of 12/31/2018. An increase of € 5.5 million in the provisions for pensions and similar obligations was countered by a reduction of € 4.8 million in the non-current lease liabilities and of € 1.1 million in the deferred tax liabilities. Current liabilities and provisions increased by € 8.9 million to € 198.5 million. The main effect on current liabilities and provisions was an increase of € 7.7 million in accounts payable and of € 16.5 million in financial liabilities. The opposite effect was seen primarily in the reduction of € 8.9 million in the contractual liabilities and of € 5.2 million in the other non-financial liabilities.

In the first half of 2019, the operating cash flow was € -12.9 million (first half of 2018: € 31.6 million). The reduction was primarily due to an increased effect in capital being tied up in the trade working capital from the pre-financing of high project deliverables compared to the same period in the previous year.

At € 12.2 million, gross investments in the reporting year were higher than in the previous year (first half of 2018: € 10.0 million). The ratio of gross investments in relation to revenues was therefore 3.1 percent (first half of 2018: 2.6 percent).

On the reporting date, unused lines of credit in the amount of € 84.3 million exist in the Group (12/31/2018: € 99.6 million). The Executive Management regards the overall economic situation of the EDAG Group as good. The company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 HR Management and Development

The success of the EDAG Group as one of the leading engineering service providers in the automotive sector is inextricably linked to the skills and motivation of its employees. Behind the company's comprehensive service portfolio are people with widely differing occupations and qualifications. In addition, the EDAG Group is also characterized by the special commitment and mentality of its employees. Throughout its 50-year history, EDAG has always ensured that both young and experienced employees are offered interesting and challenging activities and projects, and are provided with the prospect of and the necessary space for personal responsibility and decision-making. And this is the primary focus of both our human resources management and development. For a more detailed representation of personnel management and development, please see the Group Management Report in the Annual Report for 2018.

On June 30, 2019 the EDAG Group employed a workforce of 8,653 employees (12/31/2018: 8,641 employees). Personnel expenses amounted to € 252.2 million in the reporting period (first half of 2018: € 252.9 million).

3 Forecast, Risk and Reward Report

3.1 Risk and Reward Report

In our current risk assessment, we see the macroeconomic risks and rewards as category B risks, as we did in the first quarter of the year (2018: category C), with an unchanged low probability of occurrence compared with the first quarter and the previous year. This assessment is due to the growth forecast of the IMF, which has again been adjusted downwards, and to the continuing uncertainties concerning the Brexit situation. Compared to the previous year, we have assigned the financial risks to category A (2018: category C), and we now rate the probability of occurrence as low (2018: medium). The reason for this is the continuing high level of pre-financing of project deliverables with international customers. This means that, compared to the first quarter of 2019, the financial risks in the second quarter remain unchanged. As regards the other risks and rewards, there were no significant changes during the reporting period to the risks and rewards described in the Group Management Report for 2018. 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. For a more detailed representation of the Risk and Reward Report, please see the Group Management Report in the Annual Report for 2018.

3.2 Forecast

According to the International Monetary Fund's (IMF) latest July 2019 outlook, the world economy exhibited 3.6 percent growth in 2018. A somewhat lower growth rate of 3.2 percent is expected for 2019, while an increase of 3.5 percent is being forecast for 2020. For each year, this is 0.1 percentage points down on the IMF's April forecast. This makes the growth rate in 2019 the slowest since 2009, when economic output contracted as a result of the financial crisis. Among the critical factors for the anticipated development of global economic output in subsequent years are the open trade dispute between the USA and China, the threat of additional customs duties, uncertainty about the Brexit outcome, and increasing geopolitical tensions which were also the cause of increased energy prices.

According to current estimates, Germany can expect an increase in economic performance of just 0.7 percent in 2019, which is 0.1 percentage points down on the April forecast. In the coming year, on the other hand, the estimated growth rate of 1.7 percent for 2020 (0.3 percentage points up on the April forecast) is expected to exceed that of 2018. Essentially, the IMF's more conservative growth forecasts for Germany compared with 2018 are based on weaker than expected foreign demand, which is also weighing on investment. Within the eurozone, the IMF expects an increase of 1.3 percent in 2019 and of 1.6 percent in 2020 (0.1 percentage points up on the April forecast).

Growth of the US economy is expected to reach 2.6 percent in 2019 (0.3 percentage points more than in the most recent April forecast), and 1.9 percent in 2020.

China, with forecasts for a 6.2 percent increase in economic output in 2019 and 6.0 in 2020 (both figures 0.1 percentage points lower than in the April forecast), will continue to be a growth engine for the global economy.

The outlook for the automotive industry in 2019 has taken a turn for the worse. Whereas according to the forecast issued by the VDA in December 2018, the global growth rate for sales of new vehicles for 2019 was up by 1.0 percent up compared to the previous year and stood at 85.9 million new vehicles, global car sales are now, according to the latest study by Center Automotive Research (CAR), forecast to decrease by more than four million vehicles, or around 5 percent, to 79.5 million new cars. The trade conflict between the USA and China remains one of the strongest factors influencing the global sales and export values in the automotive industry.

According to VDA estimates, the number of new vehicles registered within Europe (EU-28 + EFTA) in 2019, a total of 15.5 million passenger cars, will remain at a high level only very slightly below that of the previous year (15.6 million). For Germany, the VDA continues to forecast a slight decline of 1 percent to 3.4 million passenger cars in 2019, although new diesel registrations did rise again slightly in the first six months (+3 percent).

Positive forecasts for 2019 for the European automotive economy have been issued only for countries in Eastern Europe, most of which are again experiencing growth. Both Spain (-6 percent) and Italy (-4 percent), where the April forecast anticipated increases of 3 percent and 2 percent respectively, have gone into reverse, as have Great Britain (-3 percent) and France (-2 percent). Although no hard Brexit has been forecast by the VDA, Brexit is still associated with risks. Following the unexpected decrease in China's sales figures in 2018 (-4 percent), the VDA anticipates a further drop of 4 percent to 22.3 million units in 2019; in its April forecast, the VDA was still predicting an increase of 2 percent to 23.7 million units.

Due to technological changes in the automotive industry and resulting demands being made on the automobile OEMs and suppliers, there will also be an increase in the volume of engineering services placed externally. According to an independent assessment by Lünendonk GmbH, the automobile engineering service sector will, until 2022, experience annual average growth of about 4.6 percent. For a detailed description of the latest trends and developments, please see the Group Management Report in the Annual Report for 2018.

Assuming that economic conditions will not deteriorate – that the economy will continue to grow, OEMs will maintain or expand their research and development expenditures and continue to outsource development services, and that qualified personnel are available – the EDAG Group expects positive business development.

In the short term, however, budget shifts and the reprioritization of investment decisions on the part of customers will result in a very volatile market environment characterized by delays in the awarding of contracts and the re-scheduling of projects. The EDAG Group has experienced this most acutely in the Production Solutions segment. Against this background, insider information in accordance with Article 17 of Regulation (EU) No. 596/2014 was published on July 29, 2019, and the forecast adjusted. The EDAG management now forecasts that revenues across the group will in 2019 remain at the same level as in the previous year (+/- about 1 percent), instead of increasing by up to 5 percent as previously predicted. We anticipate that the adjusted EBIT margin will be in the range of round 4 to 5 percent, instead of the 5 to 7 percent range previously foreseen. According to current estimates, the adjusted EBIT margin in the Production Solutions Segment is expected to be in the negative single-digit percentage range. On the other hand, forecasts for the Vehicle Engineering and Electrics/Electronics segments, which are shown in the Group Management Report in the 2018 Annual Report, remain unchanged.

4 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.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*	4/1/2019 – 6/30/2019	4/1/2018 – 6/30/2018 revised*
Profit or loss				
Sales revenues and changes in inventories[1]	390,447	391,132	192,546	197,435
Sales revenues	392,139	389,981	192,279	196,500
Changes in inventories	- 1,692	1,151	267	935
Other income	7,632	7,757	3,394	4,453
Material expenses	- 61,537	- 53,017	- 31,764	- 27,730
Gross Profit	**336,542**	**345,872**	**164,176**	**174,158**
Personnel expenses	- 252,153	- 252,912	- 125,081	- 127,197
Depreciation, amortization and impairment	- 22,188	- 21,590	- 11,178	- 10,839
Net result from impairments or reversals on financial instruments	- 143	- 212	- 123	- 72
Other expenses	- 50,623	- 48,278	- 26,096	- 25,513
Earnings before interest and taxes (EBIT)	**11,435**	**22,880**	**1,698**	**10,537**
Result from investments accounted for using the equity method	563	495	269	379
Financial income	201	176	89	97
Financing expenses	- 5,432	- 6,835	- 2,691	- 3,485
Financial result	**- 4,668**	**- 6,164**	**- 2,333**	**- 3,009**
Earnings before taxes	**6,767**	**16,716**	**- 635**	**7,528**
Income taxes	- 2,253	- 5,618	210	- 2,540
Profit or loss	**4,514**	**11,098**	**- 425**	**4,988**

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

in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*	4/1/2019 – 6/30/2019	4/1/2018 – 6/30/2018 revised*
Profit or loss	**4,514**	**11,098**	**- 425**	**4,988**
Other Comprehensive Income				
Under certain conditions reclassifiable profits/losses				
Currency conversion difference				
Profits/losses included in equity from currency conversion difference	45	- 851	- 347	- 95
Total under certain conditions reclassifiable profits/losses	**45**	**- 851**	**- 347**	**- 95**
Not reclassifiable profits/losses				
Revaluation of net obligation from defined benefit plans				
Revaluation of net obligation from defined benefit plans before taxes	- 4,796	20	- 1,667	- 267
Deferred taxes on defined benefit plans and obligations	1,447	- 3	504	82
Share of other comprehensive income of at-equity accounted investments, net of tax	- 24	-	**8**	**- 3**
Total not reclassifiable profits/losses	**- 3,373**	**17**	**- 1,155**	**- 188**
Total other comprehensive income before taxes	- 4,775	- 831	- 2,006	- 365
Total deferred taxes on the other comprehensive income	1,447	- 3	504	82
Total other comprehensive income	**- 3,328**	**- 834**	**- 1,502**	**- 283**
Total comprehensive income	**1,186**	**10,264**	**- 1,927**	**4,705**
From the profit or loss attributable to:				
Shareholders of the parent company	4,514	11,080	- 425	4,979
Minority shares (non-controlling interest)	-	18	-	9
Of the total comprehensive income attributable to:				
Shareholders of the parent company	1,186	10,246	- 1,927	4,696
Minority shares (non-controlling interest)	-	18	-	9
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]				
Earnings per share	0.18	0.44	- 0.02	0.20

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

2 Consolidated Statement of Financial Position

in € thousand	6/30/2019	12/31/2018 revised*	1/1/2018 revised*
Assets			
Goodwill	74,179	74,339	74,359
Other intangible assets	23,354	25,921	31,436
Property, plant and equipment	74,293	72,281	70,129
Rights of use from leasing	140,837	145,846	139,264
Financial assets	145	158	150
Investments accounted for using the equity method	17,134	17,165	16,135
Non-current other financial assets	1,150	521	433
Non-current other non-financial assets	65	64	62
Deferred tax assets	8,468	6,077	5,587
Non-current assets	**339,625**	**342,372**	**337,555**
Inventories	8,699	9,260	3,888
Current contract assets	123,821	85,753	67,641
Current accounts receivables	108,387	119,219	140,922
Current other financial assets	2,515	1,703	2,077
Current securities, loans and financial instruments	38	38	43
Current other non-financial assets	13,785	10,052	10,993
Income tax assets	3,968	1,619	2,020
Cash and cash-equivalents	22,700	63,862	13,485
Assets held for sale	-	-	3,200
Current assets	**283,913**	**291,506**	**244,269**
Assets	**623,538**	**633,878**	**581,824**

in € thousand	6/30/2019	12/31/2018 revised*	1/1/2018 revised*
Equity, liabilities and provisions			
Subscribed capital	920	920	920
Capital reserves	40,000	40,000	40,000
Retained earnings	100,990	115,226	110,271
Reserves from profits and losses recognized directly in equity	- 11,977	- 8,605	- 9,186
Currency conversion differences	- 3,493	- 3,536	- 3,071
Equity attributable to shareholders of the parent company	**126,440**	**144,005**	**138,934**
Non-controlling interests	1	1	1
Equity	**126,441**	**144,006**	**138,935**
Provisions for pensions and similar obligations	35,356	29,845	27,606
Other non-current provisions	3,204	3,492	3,612
Non-current financial liabilities	120,000	120,000	-
Non-current lease liabilities	139,289	144,081	136,786
Non-current other financial liabilities	255	1,230	2,243
Deferred tax liabilities	495	1,616	2,643
Non-current liabilities and provisions	**298,599**	**300,264**	**172,890**
Current provisions	10,649	10,093	8,931
Current financial liabilities	39,594	23,082	114,215
Current lease liabilities	17,243	16,343	14,466
Current contract liabilities	32,580	41,465	39,291
Current accounts payable	37,434	29,696	24,745
Current other financial liabilities	4,577	4,230	3,348
Current other non-financial liabilities	52,769	57,996	53,289
Income tax liabilities	3,652	6,703	11,714
Current liabilities and provisions	**198,498**	**189,608**	**269,999**
Equity, liabilities and provisions	**623,538**	**633,878**	**581,824**

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

3 Consolidated Cash Flow Statement

	in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*
	Profit or loss	**4,514**	**11,098**
+	Income tax expenses	2,254	5,618
-	Income taxes paid	- 9,710	- 10,057
+	Financial result	4,668	6,164
+	Interest and dividend received	769	164
+/-	Depreciation and amortization/write-ups on tangible and intangible assets	22,188	21,590
+/-	Other non-cash item expenses/income	- 5,617	- 178
+/-	Increase/decrease in non-current provisions	5,164	2,188
-/+	Profit/loss on the disposal of fixed assets	115	- 147
-/+	Increase/decrease in inventories	358	- 1,948
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	- 31,118	1,625
+/-	Increase/decrease in current provisions	508	- 893
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	- 6,957	- 3,659
=	**Cash inflow/outflow from operating activities/operating cash flow**	**- 12,864**	**31,565**
+	Deposits from disposals of tangible fixed assets	137	387
-	Payments for investments in tangible fixed assets	- 9,641	- 7,957
-	Payments for investments in intangible fixed assets	- 2,597	- 2,027
+	Deposits from disposals of financial assets	29	10
-	Payments for investments in financial assets	- 16	- 35
-	Payments for investments in shares of fully consolidated companies/divisions	- 295	- 790
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 12,383**	**- 10,412**

	in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised*
-	Payments to shareholders/partners (dividend for prior years, capital repayments, other distributions)	- 18,750	- 18,750
-	Interest paid	- 4,350	- 4,813
+	Borrowing of financial liabilities	17,559	20,757
-	Repayment of financial liabilities	- 1,807	- 5,304
-	Repayment of leasing liabilities	- 8,850	- 7,634
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 16,198**	**- 15,744**
	Net Cash changes in financial funds	**- 41,445**	**5,409**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	283	- 286
+	Financial funds at the start of the period	63,862	13,485
=	**Financial funds at the end of the period [cash & cash equivalents]**	**22,700**	**18,608**
=	**Free cash flow (FCF) – equity approach**	**- 25,247**	**21,153**

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

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 12/31/2018 revised*	920	40,000	115,226	- 3,536	- 8,583	- 22	144,005	1	144,006
Application of IFRS 16	-	-	-	-	-	0	-	-	-
As per 1/1/2019 revised*	920	40,000	115,226	- 3,536	- 8,583	- 22	144,005	1	144,006
Profit or loss	-	-	4,514	-	-	-	4,514	-	4,514
Other comprehensive income	-	-	-	44	- 3,349	- 24	- 3,329	-	- 3,329
Total comprehensive income	-	-	4,514	44	- 3,349	- 24	1,185	-	1,185
Dividends	-	-	- 18,750	-	-	-	- 18,750	-	- 18,750
As per 6/30/2019	920	40,000	100,990	- 3,492	- 11,932	- 46	126,440	1	126,441

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 1/1/2018	920	40,000	118,779	- 3,071	- 9,139	- 47	147,442	1	147,443
Application of IFRS 16	-	-	- 8,508	-	-	-	- 8,508	-	- 8,508
As per 1/1/2018 revised*	920	40,000	110,271	- 3,071	- 9,139	- 47	138,934	1	138,935
Profit or loss	-	-	11,080	-	-	-	11,080	18	11,098
Other comprehensive income	-	-	-	- 851	17	-	- 834	-	- 834
Total comprehensive income	-	-	11,080	- 851	17	-	10,246	18	10,264
Dividends	-	-	- 18,750	-	-	-	- 18,750	-	- 18,750
As per 6/30/2018 revised*	920	40,000	102,601	- 3,922	- 9,122	- 47	130,430	19	130,449

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

5 Selected Explanatory 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 financial statements of the subsidiaries included in the consolidated interim financial statements were prepared using uniform accounting and valuation principles as of EDAG Group AG's financial reporting date (June 30).

The unaudited consolidated half-year financial report has 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 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 half-year financial report of the EDAG Group AG for the period ending June 30, 2019 has been prepared in accordance with IAS 34 "Interim financial reporting". As the scope of the consolidated half-year financial report has been reduced, making it shorter than the consolidated financial statement, it should be read in conjunction with the consolidated financial statement for December 31, 2018. The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2018 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 IFRS Interpretations Committee (IFRS IC) and those of the former Standing Interpretations Committee (SIC). The requirements of all accounting standards and interpretations resolved as of June 30, 2019 and adopted in national law by the European Commission have been fulfilled.

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. The separate report on the risks of future development is included in the management report.

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.

The Condensed Consolidated Financial Statements and the Half-Year Group Management Report have not been subjected to an audit review in accordance with ISRE 2410, nor have they been audited in accordance with § 317 of the German Commercial Code.

New, Changed or Revised Accounting Standards

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

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

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

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

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

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

in € thousand	1/1/2018	IFRS 16	1/1/2018 revised	12/31/2018	IFRS 16	12/31/2018 revised
Assets						
Non-current assets	**198,133**	**139,422**	**337,555**	**196,475**	**145,898**	**342,373**
thereof Property, plant and equipment	73,003	- 2,874	70,129	75,956	- 3,675	72,281
thereof Rights of use from leasing	-	139,264	139,264	-	145,846	145,846
thereof Deferred tax assets	2,555	3,032	5,587	2,351	3,727	6,078
Current assets	**244,269**	**-**	**244,269**	**291,505**	**-**	**291,505**
Assets	**442,402**	**139,422**	**581,824**	**487,980**	**145,898**	**633,878**

in € thousand	1/1/2018	IFRS 16	1/1/2018 revised	12/31/2018	IFRS 16	12/31/2018 revised
Equity, liabilities and provisions						
Equity	**147,443**	**- 8,508**	**138,935**	**154,313**	**- 10,308**	**144,005**
thereof Retained earnings	118,779	- 8,508	110,271	125,501	- 10,275	115,226
thereof Currency conversion differences	- 3,072	-	- 3,072	- 3,504	- 33	- 3,537
Non-current liabilities and provisions	**37,680**	**135,210**	**172,890**	**158,385**	**141,878**	**300,263**
thereof Non-current financial liabilities	1,158	- 1,158	-	121,714	- 1,714	120,000
thereof Non-current lease liabilities	-	136,786	136,786	-	144,081	144,081
thereof Deferred tax liabilities	3,061	- 418	2,643	2,104	- 489	1,615
Current liabilities and provisions	**257,279**	**12,720**	**269,999**	**175,283**	**14,327**	**189,610**
thereof Current financial liabilities	115,962	- 1,747	114,215	25,101	- 2,017	23,084
thereof Current lease liabilities	-	14,466	14,466	-	16,344	16,344
Equity, liabilities and provisions	**442,402**	**139,422**	**581,824**	**487,981**	**145,897**	**633,878**

in € thousand	1/1/2018 – 6/30/2018	IFRS 16	1/1/2018 – 6/30/2018 revised
Profit or loss			
thereof Depreciation, amortization and impairment	- 13,708	- 7,882	- 21,590
thereof Other expenses	- 59,054	10,776	- 48,278
thereof Financing expenses	- 2,474	- 4,361	- 6,835
thereof Income taxes	- 6,055	437	- 5,618
Profit or loss	**12,128**	**- 1,030**	**11,098**
Other Comprehensive Income			
thereof Currency conversion differences	- 831	- 20	- 851
Other Comprehensive Income	**- 814**	**- 20**	**- 834**
Total comprehensive income	**11,314**	**- 1,050**	**10,264**
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]			
Earnings per share	0.49	- 0.04	0.44

in € thousand	1/1/2018 – 6/30/2018	IFRS 16	1/1/2018 – 6/30/2018 revised
Cash inflow/outflow from operating activities/ operating cash flow	20,791	10,774	31,565
Cash inflow/outflow from investing activities/ investing cash flow	- 10,412	-	- 10,412
Cash inflow/outflow from financing activities/ financing cash flow	- 4,970	- 10,774	- 15,744
Free cash flow (FCF) – equity approach	10,379	10,774	21,153

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

- **IFRIC 23** – Uncertainty over Income Tax Treatments (IASB publication: June 7, 2017; EU endorsement: October 23, 2018)

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

The accounting standard **IFRS 14**, which has been published by IASB and is required to be applied with effect from 2018, (IASB publication: January 30, 2014 - Regulatory Deferral Accounts) has not yet been adopted by the EU. The application would not have any significant effect on the financial position, financial performance and cash flow of EDAG Group AG in the consolidated half-year financial report.

At the present time, we assume that the use of the other accounting standards and interpretations that have been published but are not yet in use will not have any material effect on the presentation of the financial position, financial performance and cash flow of the EDAG Group.

Accounting and Valuation Principles

For this consolidated half-year financial report, a discount rate of 1.32 percent has been used for pension provisions in Germany (12/31/2018: 2.06 percent). A discount rate of 0.38 percent has been used for pension provisions in Switzerland (12/31/2018: 1.10 percent). The personnel expenses include income relating to other periods in the amount of € 6.4 million and severance pay in the amount of € 1.3 million. Expenses from restructuring measures in the Production Solutions segment in the amount of € 3.2 million are included in the other expenses. Among other things, the plan of action includes the closure of smaller Production Solutions facilities and further severance payments.

In accordance with the objective of financial statements set out in F.12 et seq., IAS 1.9 and IAS 8.10 et seq., IAS 34.30(c) was applied when determining income tax expense for the reporting period. Accordingly, the weighted average expected annual tax rate in the amount of 33 percent (12/31/2018: 33 percent effective reported tax charge) was used.

Otherwise, with the exception of the changed accounting standards (primarily IFRS 16), the same accounting and valuation methods and consolidation principles as were used in the 2018 Consolidated Financial Statements for EDAG Group AG were applied when preparing the Consolidated Half-Year Financial Report and determining comparative figures. A detailed description of these methods has been published in the Notes to the Consolidated Financial Statement in the Annual Report for 2018. This consolidated half-year financial report should therefore be read in conjunction with the consolidated financial statement of EDAG Group AG for December 31, 2018.

Presentation of the consolidated half-year financial report in accordance with IFRS requires competent estimates for several balance sheet 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 that is subject to wear and tear, intangible assets or rights of use from leased assets, the measurement of provisions and lease liabilities, and 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.

Irregular expenses incurred during the financial year are reported in cases where reporting would also be effected at the end of the financial year.

The EDAG Group's operating activities are not subject to any significant seasonal influences.

5.3 Changes in the Scope of Consolidation

On June 30, 2019, the group of combined or consolidated companies is composed as follows:

	Switzerland	Germany	Other Countries	Total
Fully consolidated companies	3	6	26	35
Companies accounted for using the equity method	-	1	-	1
Companies included at acquisition cost [not included in the scope of consolidation]	-	3	-	3

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

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

5.4 Currency Conversion

Currency conversion in the consolidated half-year financial report was based on the following exchange rates:

Country	Currency	6/30/2019	1st half year 2019	12/31/2018	1st half year 2018
	1 EUR = Nat. currency	Spot rate on balance sheet date	Average exchange rate for period	Spot rate on balance sheet date	Average exchange rate for period
Great Britain	GBP	0.8966	0.8736	0.8945	0.8796
Brazil	BRL	4.3511	4.3407	4.4440	4.1411
USA	USD	1.1380	1.1298	1.1450	1.2112
Malaysia	MYR	4.7082	4.6539	4.7317	4.7685
Hungary	HUF	323.3900	320.3916	320.9800	314.0637
India	INR	78.5240	79.1182	79.7298	79.5186
China	CNY	7.8185	7.6670	7.8751	7.7114
Mexico	MXN	21.8201	21.6539	22.4921	23.0787
Czech Republic	CZK	25.4470	25.6838	25.7240	25.4946
Switzerland	CHF	1.1105	1.1294	1.1269	1.1696
Poland	PLN	4.2496	4.2919	4.3014	4.2195
Russia	RUB	71.5975	73.7215	79.7153	71.9693
Sweden	SEK	10.5633	10.5187	10.2548	10.1494
Japan	JPY	122.6000	124.2933	125.8500	131.6129

5.5 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). Adjustments include income from initial consolidations and deconsolidations, restructuring and all effects of purchase price allocations on EBIT.

in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018 revised	4/1/2019 – 6/30/2019	4/1/2018 – 6/30/2018 revised
Earnings before interest and taxes (EBIT)	**11,435**	**22,880**	**1,698**	**10,537**
Adjustments:				
Expenses (+) from purchase price allocation	2,599	2,703	1,291	1,327
Income (-) from reversal of provisions for contingent considerations from business combinations	- 701	-	- 476	-
Expenses (+) from additional costs from M&A transactions	297	-	97	-
Expenses (+) from restructuring	3,236	-	3,236	-
Total adjustments	**5,431**	**2,703**	**4,148**	**1,327**
Adjusted earnings before interest and taxes (adjusted EBIT)	**16,866**	**25,583**	**5,846**	**11,864**

The "expenses (+) from the purchase price allocation" are stated under the amortization. The "income (-) from the reversal of provisions for contingent considerations from business combinations" is shown in the other income. The "expenses (+) from additional costs from M&A transactions" and "expenses (+) from restructuring" are shown in the other expenses.

5.6 Segment Reporting

The segment reporting was prepared in accordance with IFRS 8 "Operating segments". Individual consolidated results are reported by company divisions in conformity with the internal reporting and organizational structure of the group. The key performance indicator for the Group Executive Management at segment level is the EBIT/adjusted EBIT. The segment presentation is designed to show the profitability as well as the assets and financial situation of the individual business activities. Intercompany sales are accounted for at customary market prices and are equivalent to sales towards third parties (arm's length principle).

As at June 30, 2019, the non-current assets amounted to € 339.6 million (12/31/2018: € 342.4 million). Of these, € 1.1 million are domestic, € 295.3 million are German, and € 43.1 million are non-domestic (12/31/2018: [domestic: € 1.2 million; Germany: € 297.4 million; non-domestic: € 43.8 million]).

The assets, liabilities and provisions are not reported by segments, as this information is not part of the internal reporting.

The **Vehicle Engineering** segment ("VE") consists of services along the vehicle development process as well as responsibility for derivative and complete vehicles. For descriptions of the individual departments in this segment, please see the chapter "Business Model" in the Interim 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 Interim 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 five departments; these are described in greater detail in the chapter "Business Model" in the Interim Group Management Report.

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

in € thousand	1/1/2019 - 6/30/2019					
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	249,496	56,999	85,644	392,139	-	392,139
Sales revenues with other segments	2,829	1,089	452	4,370	- 4,370	-
Changes in inventories	- 2,091	266	133	- 1,692	-	- 1,692
Total revenues [1]	**250,234**	**58,354**	**86,229**	**394,817**	**- 4,370**	**390,447**
EBIT	**15,313**	**- 8,838**	**4,960**	**11,435**	**-**	**11,435**
EBIT margin [%]	6.1%	-15.1%	5.8%	2.9%	n/a	2.9%
Purchase price allocation (PPA)	1,642	149	808	2,599	-	2,599
Other adjustments	- 475	3,307	-	2,832	-	2,832
Adjusted EBIT	**16,480**	**- 5,382**	**5,768**	**16,866**	**-**	**16,866**
Adjusted EBIT margin [%]	6.6%	-9.2%	6.7%	4.3%	n/a	4.3%
Depreciation, amortization and impairment	- 14,186	- 3,440	- 4,562	- 22,188	-	- 22,188
Ø Employees per segment	5,075	1,575	2,030	8,680		8,680

in € thousand	1/1/2018 - 6/30/2018 revised*					
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	240,841	73,831	75,309	389,981	-	389,981
Sales revenues with other segments	2,175	4,015	59	6,249	- 6,249	-
Changes in inventories	- 346	1,370	127	1,151	-	1,151
Total revenues[2]	**242,670**	**79,216**	**75,495**	**397,381**	**- 6,249**	**391,132**
EBIT	**15,503**	**5,492**	**1,885**	**22,880**	**-**	**22,880**
EBIT margin [%]	6.4%	6.9%	2.5%	5.8%	n/a	5.8%
Purchase price allocation (PPA)	1,659	236	808	2,703	-	2,703
Other adjustments	-	-	-	-	-	-
Adjusted EBIT	**17,162**	**5,728**	**2,693**	**25,583**	**-**	**25,583**
Adjusted EBIT margin [%]	7.1%	7.2%	3.6%	6.4%	n/a	6.5%
Depreciation, amortization and impairment	- 13,456	- 3,608	- 4,526	- 21,590	-	- 21,590
Ø Employees per segment	5,006	1,557	1,820	8,383		8,383

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

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

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

in € thousand	1/1/2019 – 6/30/2019*							
	Vehicle Engineering		**Production Solutions**		**Electrics/ Electronics**		**Total**	
Customer sales division A	40,947	16%	10,435	18%	26,661	31%	78,043	20%
Customer sales division B	16,439	7%	2,692	5%	25,784	30%	44,915	11%
Customer sales division C	6,852	3%	751	1%	2,930	3%	10,533	3%
Customer sales division D	38,841	16%	7,109	12%	9,534	11%	55,484	14%
Customer sales division E	40,369	16%	9,076	16%	1,158	1%	50,603	13%
Customer sales division F	44	0%	3,074	5%	-	0%	3,118	1%
Customer sales division G	5,601	2%	30	0%	336	0%	5,967	2%
Customer sales division H	46,300	19%	3,228	6%	2,788	3%	52,316	13%
Customer sales division I	16,220	7%	3,185	6%	4,756	6%	24,161	6%
Miscellaneous	37,883	15%	17,419	31%	11,697	14%	66,999	17%
Sales revenue with third parties	**249,496**	**100%**	**56,999**	**100%**	**85,644**	**100%**	**392,139**	**100%**

in € thousand	1/1/2018 – 6/30/2018*							
	Vehicle Engineering		**Production Solutions**		**Electrics/ Electronics**		**Total**	
Customer sales division A	41,448	17%	9,365	13%	20,032	27%	70,845	18%
Customer sales division B	5,932	2%	2,923	4%	25,445	34%	34,300	9%
Customer sales division C	6,653	3%	785	1%	2,254	3%	9,692	2%
Customer sales division D	36,073	15%	6,092	8%	7,812	10%	49,977	13%
Customer sales division E	32,882	14%	16,957	23%	1,340	2%	51,179	13%
Customer sales division F	91	0%	4,188	6%	119	0%	4,398	1%
Customer sales division G	4,687	2%	340	0%	1,257	2%	6,284	2%
Customer sales division H	51,745	21%	3,934	5%	3,309	4%	58,988	15%
Customer sales division I	16,164	7%	4,690	6%	2,532	3%	23,386	6%
Miscellaneous	45,166	19%	24,557	33%	11,209	15%	80,932	21%
Sales revenue with third parties	**240,841**	**100%**	**73,831**	**100%**	**75,309**	**100%**	**389,981**	**100%**

** Due to developments in EDAG's customer mix, including with new international OEMs, adjustments were made in the second quarter to the differentiation made between the customer sales division H and Other.*

In the Electrics/Electronics segment, the EDAG Group generates over 50 percent of its sales revenues with one corporate group.

The following table reflects the revenue recognition of the EDAG Group, divided according to segments:

in € thousand	1/1/2019 – 6/30/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	220,794	57,360	85,930	364,084	-	364,084
Point in time revenue recognition	31,531	728	166	32,425	-	32,425
Sales revenue with other segments	- 2,829	- 1,089	- 452	- 4,370	-	- 4,370
Sales revenue with third parties	**249,496**	**56,999**	**85,644**	**392,139**	**-**	**392,139**
Sales revenue with other segments	2,829	1,089	452	4,370	- 4,370	-
Changes in inventories	- 2,091	266	133	- 1,692	-	- 1,692
Total revenues	**250,234**	**58,354**	**86,229**	**394,817**	**- 4,370**	**390,447**

in € thousand	1/1/2018 – 6/30/2018					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	235,815	76,680	74,385	386,880	-	386,880
Point in time revenue recognition	7,201	1,166	983	9,350	-	9,350
Sales revenue with other segments	- 2,175	- 4,015	- 59	- 6,249	-	- 6,249
Sales revenue with third parties	**240,841**	**73,831**	**75,309**	**389,981**	**-**	**389,981**
Sales revenue with other segments	2,175	4,015	59	6,249	- 6,249	-
Changes in inventories	- 346	1,370	127	1,151	-	1,151
Total revenues	**242,670**	**79,216**	**75,495**	**397,381**	**- 6,249**	**391,132**

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

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

Other Financial Obligations

In addition to the provisions and liabilities, there are also other financial obligations, and these are composed as follows:

in € thousand	06/30/2019	12/31/2018 revised
Obligations from renting and leasing contracts	5,752	6,235
Open purchase orders	3,141	2,522
Other miscellaneous financial obligations	39	16
Total	**8,932**	**8,773**

The obligations from renting and leasing contracts relate primarily to IT equipment and software.

Contingent Receivables

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

5.8 Financial Instruments

Net Financial Debt/Credit

The Group Executive Management's aim is to keep the net financial debt as low as possible in relation to equity (net gearing).

in € thousand	6/30/2019	12/31/2018 revised
Non-current financial liabilities	- 120,000	- 120,000
Non-current leasing liabilities	- 139,289	- 144,081
Current financial liabilities	- 39,594	- 23,083
Current leasing liabilities	- 17,243	- 16,344
Current securities, loans and financial instruments	38	38
Cash and cash equivalents	22,700	63,862
Net financial debt/-credit [-/+]	**- 293,388**	**- 239,608**
Equity	126,441	144,006
Net Gearing [%]	**232.0%**	**166.4%**

On June 30, 2019, the net financial debt was € 293,388 thousand. The major creditor is a well-known credit institution in the form of a promissory note loan (*Schuldscheindarlehen*) with a total volume of € 120 million. The promissory note loan is composed of several tranches with various interest rates and terms to maturity of four to nine years. As of June 30, 2019, there is a current loan, including interest, in the amount of € 20,702 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V., the other major creditor, (12/31/2018: € 20,876 thousand).

A further component of the net financial debt are liabilities from leases. As IFRS 16 Leasing is now being applied, assets and liabilities are now recognized for agreements previously classified as operating leases in accordance with IAS 17. The liabilities from leases primarily include leasing payments for office buildings, warehouses, production facilities and cars measured using the effective interest method.

The EDAG Group has unused lines of credit in the amount of € 84.3 million on the reporting date (12/31/2018: € 99.6 million).

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

	in € thousand	6/30/2019	12/31/2018 revised
	Inventories	8,699	9,260
+	Current contract assets	123,821	85,753
+	Current accounts receivable	108,387	119,219
-	Current contract liabilities	- 32,580	- 41,465
-	Current accounts payable	- 37,434	- 29,696
=	**Trade Working Capital (TWC)**	**170,893**	**143,071**
+	Non-current other financial assets	1,150	521
+	Non-current other non-financial assets	65	64
+	Deferred tax assets	8,468	6,078
+	Current other financial assets excl. Interest-bearing receivables	2,514	1,703
+	Current other non-financial assets	13,784	10,051
+	Income tax assets	3,968	1,619
-	Non-current other financial liabilities	- 255	- 1,230
-	Deferred tax liabilities	- 495	- 1,615
-	Current other financial liabilities	- 4,577	- 4,230
-	Current other non-financial liabilities	- 52,769	- 57,995
-	Income tax liabilities	- 3,652	- 6,703
=	**Other working capital (OWC)**	**- 31,799**	**- 51,737**
	Net working capital (NWC)	**139,094**	**91,334**

The trade working capital increased from € 143,071 thousand to € 170,893 thousand, compared to December 31, 2018. The decrease of € 10,832 thousand in current accounts receivable and the increase of € 7,738 thousand in current accounts payable was more than compensated for by the increase of € 38,068 thousand in current contract assets.

At € -31,799 thousand, the other working capital increased compared to December 31, 2018 (€ -51,737 thousand), primarily due to an increase of € 3,733 thousand in other current non-financial amounts receivable from prepaid expenses and employee receivables, a reduction of € 5,227 thousand in other current non-financial liabilities, and the payment of income taxes and/or accrual of deferred taxes.

Book values, valuation rates and fair values of the financial instruments as per measurement category

The principles and methods for assessing at fair value have not changed compared to last year. Detailed explanations of the valuation principles and methods can be found in the Notes to the Consolidated Financial Statement in the Annual Report of EDAG Group AG for 2018.

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.

The fair values of other receivables with a remaining term of more than a year correspond to the net present values of the payments associated with the assets, taking into account the relevant interest parameters, which reflect the market and counterparty-related changes in conditions and expectations.

The investments and securities are valued at fair value. In the case of equity interests for which no market price is available, the acquisition costs are applied as a reasonable estimate of the fair value. In the financial assets, shares in non-consolidated subsidiaries and other investments are recognized at acquisition cost, taking impairments into account, as no observable fair values are available and other admissible methods of evaluation do not produce reliable results. There are currently no plans to sell these financial instruments.

Accounts payable and other financial liabilities regularly have short remaining terms to run, and the values posted are close approximations of the fair values.

The book values or fair values of all financial instruments recorded in the condensed Consolidated Financial Statements are shown in the following table:

in € thousand	Valuation category as per IFRS 9	6/30/2019	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IFRS 16/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	22,700	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	111,229	-
Receivables from leases	[n.a.]	-	821
Contract assets	[n.a.]	-	123,821
Loans	[AC]	66	-
Investments and securities	[FVtPL]	118	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	138,830	-
Other interest-bearing liabilities	[AC]	20,702	-
Liabilities from leases	[n.a.]	-	156,532
Derivative financial liabilities	[FVtPL]	62	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	41,030	-
Other liabilities in terms of IAS 32.11	[FVtPL]	1,236	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	133,995	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	118	-
Financial Liabilities measured at Amortized Cost	[AC]	200,562	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	1,298	-

in € thousand	Valuation category as per IFRS 9	12/31/2018 revised	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IFRS 16/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	63,862	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	121,444	-
Future receivables from construction contracts	[n.a.]	-	85,753
Loans	[AC]	78	-
Investments and securities	[FVtPL]	118	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	122,186	-
Other interest-bearing liabilities	[AC]	20,876	-
Liabilities from leases	[n.a.]	-	160,425
Derivative financial liabilities	[FVtPL]	22	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	32,930	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,226	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	185,384	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	118	-
Financial Liabilities measured at Amortized Cost	[AC]	175,992	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,248	-

The fair values of securities correspond to the nominal value multiplied by the exchange quotation on the reporting date.

The attributable fair values of liabilities due to credit institutions, loans, other financial liabilities and other interest-bearing liabilities are calculated as present values of the debt-related payments, based on the EDAG current yield curve valid at the time. By and large, the fair value of the financial liabilities corresponds to the book value. As at June 30, 2019 however, the fair value of the financial liabilities to credit institutions [AC] amounted to € 140,847 thousand (12/31/2018: € 122,456 thousand), with a book value of € 138,830 thousand (12/31/2018: € 122,186 thousand). The valuation of the fair value took place according to the "Level 2" measurement category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

The information for the determination of attributable fair value is given in tabular form, based on a three-level fair value hierarchy for each class of financial instrument. There are three measurement categories:

Level 1: At level 1 of the fair value hierarchy, the attributable fair values are measured using listed market prices, as the best possible fair values for financial assets or liabilities can be observed in active markets.

Level 2: If there is no active market for a financial instrument, a company uses valuation models to determine the attributable fair value. Valuation models include the use of current business transactions between competent, independent business partners willing to enter into a contract; comparison with the current attributable fair value of another, essentially identical financial instrument; use of the discounted cash flow method; or of option pricing models. The attributable fair value is estimated on the basis of the results achieved using one of the valuation methods, making the greatest possible use of market data and relying as little as possible on company-specific data.

Level 3: The valuation models used at this level are not based on observable market data.

in € thousand	Assessed at fair value 6/30/2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	38	-	-	38
Financial liabilities				
Derivative financial liabilities	-	62	-	62
Other liabilities	-	-	1,236	1,236

in € thousand	Assessed at fair value 12/31/2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	38	-	-	38
Financial liabilities				
Derivative financial liabilities	-	22	-	22
Other liabilities	-	-	2,226	2,226

The other liabilities with fair values valuated according to level 3 are contingent considerations. These are evaluated on the basis of the defined sales revenue, EBIT and employee retention targets, taking into account the likelihood of their occurrence. With the valuation technique used, the expected value of the contingent consideration is determined according to the discounted cash flow method. The valuation model takes into account the present value of the contingent consideration, discounted using a risk-adjusted discount rate.

The material non-observable input factors include the predicted sales revenues, the predicted EBIT, the predicted employee retention and the risk-adjusted discount rate.

The estimated fair values of the contingent considerations would drop if the expected sales revenues and the EBIT turned out to be lower than the defined target figures or the risk-adjusted discount rate were to rise. On the other hand, the fair values of the contingent considerations increase if the risk-adjusted discount rate falls.

The following table shows the reconciliation of the level 3 fair values:

in € thousand	2019	2018
As per 1/1/	**2,226**	**2,627**
Loss recognized in financial expenses		
Net change of fair value	21	27
Profit recognized in other income		
Net change of fair value	- 702	- 25
Cash Flows	- 294	- 447
Currency conversion difference	- 15	- 25
As per 6/30/	**1,236**	**2,157**

5.9 Related Parties

In the course of its regular business activities, the EDAG Group correlates either directly or indirectly not only with the subsidiaries included in the condensed Consolidated Financial Statements, but also with EDAG subsidiaries which are affiliated but not consolidated, with affiliated companies of the ATON Group, and with other related companies and persons.

For a more detailed account of the type and extent of the business relations, please see the Notes to the Consolidated Financial Statement in the annual report of EDAG Group AG for 2018.

The following table gives an overview of ongoing business transactions with related parties:

in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	428	415
Travel and other expenses	13	15
Rental expenses	-	136
Consulting expenses	3	1
EDAG Group with supervisory boards (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	20	26
Compensation costs	558	331

in € thousand	1/1/2019 – 6/30/2019	1/1/2018 – 6/30/2018
EDAG Group with ATON companies (affiliated companies)*		
Goods and services rendered	7,522	13,512
Goods and services received	1,136	1,260
Interest expense	-	1,528
Other operating income	208	364
Other operating expenses	212	306
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	4	2
EDAG Group with associated companies		
Goods and services rendered	928	1,440
Goods and services received	1	75
Other operating income	278	325
Other operating expenses	25	26
Income from investments	563	495
EDAG Group with other related companies and persons		
Goods and services rendered	398	432
Interest expense	154	259
Other operating income	6	29
Paid leases for rights of use	2,459	1,843

** On May 30, 2019, Fosun International Limited announced the completion of the acquisition of 100 percent of the shares in the FFT Group, Fulda, from ATON GmbH. As a result, expenses and income from business relationships with the FFT Group will now, with effect from 1 June 2019, be reported as business relationships with third parties, and no longer under relationships with ATON companies.*

5.10 Subsequent Events

No important events took place after the reporting period.

AFFIRMATION OF THE LEGAL REPRESENTATIVE

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles for the consolidated interim financial report, the condensed consolidated financial statements convey a proper picture of the assets, financial position and financial performance of the Group, and that the interim 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, August 27, 2019
EDAG Engineering Group AG

Cosimo De Carlo, Chief Executive Officer (CEO)

Holger Merz, Chief Financial Officer (CFO)

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors

Dr. Philippe Weber, Member of the Board of Directors

Manfred Hahl, Member of the Board of Directors

Clemens Prändl, Member of the Board of Directors

LEGAL NOTICE

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Legal Notice
The consolidated half-year financial report includes statements about future developments. Like any form of entrepreneurial activity in a global environment, these statements are always associated with a degree of uncertainty. Our descriptions are based on the convictions and assumptions of the management, which in turn are based on currently available information. The following factors may, however, affect the success of our strategic and operative measures: geopolitical risks, changes in general economic conditions, in particular a prolonged economic recession, changes to exchange rates and interest rates, the launch of products by competitors, including increasing competitive pressure. Should any of these factors or other uncertainties materialize, or the assumptions on which the statements are based prove to be inaccurate, the actual results may differ from the forecast results. EDAG does not intend to continuously update predictive statements and information items, as they relate to the circumstances that existed on the date of their publication.

The English version of the half-yearly financial report is a translation of the German version. The German version is legally binding.

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