EDAG

2018 FINANCIAL YEAR

INTERIM REPORT AS OF SEPTEMBER 30, 2018

CONTENT

SUMMARY OF THE THIRD QUARTER OF THE 2018 FINANCIAL YEAR

DIGITAL, SUSTAINABLE, FUTURE-PROOF

EDAG PRESENTED SOLUTIONS FOR THE FUTURE OF COMMERCIAL VEHICLES AT THE IAA IN HANOVER

Once again, this year's IAA Commercial Vehicles was the meeting point where OEMs, suppliers and engineering service providers presented their latest developments and products. The EDAG Group presented its solutions for future-proof mobility and vehicle concepts in the commercial vehicle industry, taking as its main themes digitalization, sustainability and future mobility. Like other industries, the commercial vehicle sector is currently undergoing one of the most exciting and challenging transformations in its history. Developers and manufacturers are being called on to find ways of developing and producing trucks so that they are lighter, more flexible, more economical and - last but not least - geared to the requirements of the latest megatrend: digitalization.

As the world's leading engineering specialist for vehicles and production plants, EDAG has proactively developed new solutions to promote the ecosystem mobility. The EDAG Group took 15 solutions and concepts to Hanover, so furnishing impressive proof of the company's innovative strength. The following four engineering highlights represented the EDAG Group's innovative, fully integrated concept:

Digitalization: environmental data analysis
Autonomous driving, one of today's megatrends, is one of the most important topics for the future of the commercial vehicle industry in particular. To make this vision possible, extensive sensor systems capable of collecting and correctly interpreting environmental data need to be developed. With the "BFFT SRD Fusion Engine", the EDAG Group presented a system that can be used for sensing the environment of a vehicle on the basis of sensor raw data.

Radar, LIDAR[1] and camera data can be used to identify static and dynamic elements in the vehicle's environment, and can be employed to interpret or predict complex situations. Depending on the desired requirements, the SRD fusion engine can be utilized for benchmarking ADAS[2] sensors, as a reference model for safeguarding autopilots, or for data fusion for level 4 und autonomous driving (SAE J3016)[3].

This makes the SRD fusion engine a future-oriented tool for greater safety which lays the foundation for the future of autonomous driving in the commercial vehicle sector.

Future mobility: BatteRANGE, a modular, scalable chassis concept
For years, EDAG has been pursuing the vision of the commercial vehicle chassis 2.0. Taking into account the requirements of alternative drive trains, an innovative concept has been created: BatteRANGE offers full variability and scalability, and features a modular chassis architecture, which makes it possible to configure the appropriate chassis for every application from the diesel engine to the fuel cell. For the wheel formulas 4x2 and 6x2, it enables different drive trains to be fitted to everything from the semi-trailer truck to the motor coach, according to their specific requirements. To make this possible, the truck chassis is divided into three. As in the EDAG concept from the last IAA show, the front section is made up of large cast parts which create the space necessary for the integration of an independent wheel suspension. The scalable center section of the chassis accommodates the energy storage system and drive components. In the rear section, the axle combinations required are conventionally connected.

1 Light Detection and Ranging
2 Advanced Driver Assistance Systems
3 a norm of the Society of Automotive Engineers

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Digitalization: VR training tool for car body painters

Visitors to the IAA Commercial Vehicles show could test a new VR training tool for car body painters at the EDAG stand: state-of-the-art technology transports car body painters to a virtual paint shop where, holding a real though empty paint gun, they can practice their painting technique under realistic conditions – wherever they are, and without wasting resources. An integrated feedback system supplies notes on paint thickness, spray angle and speed.

Sustainability: economical lightweight door for commercial vehicles ("WiLeitNu")

Though it might sound simple at the outset, this is nevertheless a far-reaching change: the weight of a door for long-distance trucks designed to meet future legal requirements has been reduced by 20 percent - at no extra cost. The door gives the driver a maximum viewing angle, and has been optimized to provide pedestrian protection. "WiLeitNu" is a project sponsored by the Federal Ministry for Economic Affairs and Energy, on which EDAG worked in close cooperation with partners Fischer Hydroforming and Muhr Metalltechnik. A virtual model was presented for the first time at the IAA, and the physical prototype will follow in 2020.

EDAG WINS AUTOMOTIVE BRAND CONTEST WITH #COLLECTIVIO

In no other area are brands given such a skillful and lavish setting as in the automotive industry. The German Design Council's Automotive Brand Contest, the most important competition in the industry, honors outstanding product design and brand communication in the automotive sector. Having won over the high-caliber jury of experts, the EDAG Group's #collectivio project was awarded this year's coveted prize in the category "Concepts" at the Mondial de l'Automobile in Paris on October 2, 2018.

EDAG's stand at the IAA 2017 served as the development laboratory for what could well be Germany's first ever live engineering project. During the show, several development specialists from the fields of design, package, HMI, VR, app development and business cases developed a concept for robot vehicles with swarm intelligence for autonomous passenger transport. The general public were able to use the hashtag collectivio to send their ideas and wishes to the EDAG development team via social media. Using the Scrum method, the developers efficiently evaluated the approximately 1,000 contributions received and then integrated some of them into the ongoing development process. The visionary #collectivio project successfully transported and displayed the brand values of the EDAG Group as a proactive development service provider.

Comprehensive Carefree Solution for the Mobility of the Future

"Digitalization, connectivity, autonomous driving and artificial intelligence are becoming more and more important in vehicle development - as are alternative transport options. The response of visitors to the IAA and of our social media community has shown that, by integrating future technologies into engineering, we have captured the spirit of the times. The fact that #collectivio was presented with an award at the Automotive Brand Contest further underscores our ability to be thinking about the future today and reconciling society's the needs with the possibilities offered by technology and the automotive industry," says Cosimo De Carlo, EDAG Group CEO.

JULY *AUGUST* *SEPTEMBER*

STRESS-FREE PARKING WITH THE "TRIVE.PARK" MOBILE APP

Milestone in series development: September saw the beginning of a new pilot phase of the EDAG startup "trive.me" in Berlin

The fact that the networked automobile world can already simplify and add to the experience of mobility has already been proved by trive.me - the startup company of EDAG, the world's largest independent service provider - with their in-house development, the "trive.park" parking app. Before he even sets off, the driver can use the app to book and pay for a parking slot in the car park of his choice, and communicate with the barrier system via Bluetooth. Following the initial pilot phase in Munich, the app is now being tested in four more "Park One" car parks in the German capital, Berlin.

The "trive.park" app, which is currently exclusively available in the app store as a free download for iPhone users, enables the customer to book special parking offers and discounts in the car park of his choice for a precise date, with just a few clicks. This booking is directly input in the car park's software, guaranteeing that a space will be kept free for the selected period. Payment is effected by credit card. To this end, trive.me have integrated a certified payment system in the app. "A central element of our smart parking system is the communication between the trive.park app and the car park barrier system," explains Alexander Süssemilch, trive.me product owner. The barrier system is opened and closed via Bluetooth, straight from the app. The app solution means that drivers can avoid the hassle of parking tickets.

The product trive.park demonstrates that the increasing digitalization of the automotive industry is creating new business segments with enormous potential. In addition to our vehicle and production plant development activities, as international engineering specialists, we are continuing our dynamic growth in the field of mobility services, a fact which is highlighted by our current 'trive.park' project," explained Cosimo De Carlo, CEO of the EDAG Group.

This new form of smart parking is being tested in selected car parks, as part of an initial field trial that started at the beginning of 2018. Following Munich and Fürth, four additional car parks run by the car park provider "ParkOne" in Berlin are now being included in the field trial.

EDAG RESPONSIBLE FOR THE PRODUCTION OF THE EXTERIOR MODEL OF VOLVO'S "360C" CONCEPT CAR

The self-driving car is still a thing of the future. But Swedish car manufacturer Volvo is already preparing for the future, and in September presented the concept car "360c", its vision of an autonomous electric mobility solution, to the public. In this highly acclaimed flagship project, the EDAG Group was responsible for building the exterior model of the "360c" on behalf of Volvo Design, Gothenburg.

The futuristic exterior model features a huge, elegantly concave glass dome, produced to the highest levels of perfection and quality by the EDAG model building team. In addition, the team also integrated a rotating strip of over 3,000 individually controlled LED lights into the "360c". The light concept enables the various travel modes to be visually communicated to the outside world.

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With its cleverly integrated "directional sound speakers", the concept car also exhibits a new safety feature: cameras are able to sense pedestrians and then, having precisely aligned the speakers, produces acoustic signals so as to draw their attention to the quietly running electric vehicle.

Thanks to the many years of experience the EDAG model building team have acquired, they were also able to spray the "360c" in a new, future Volvo series color, something which cannot usually be achieved by manual spraying in a model building environment.

"We are proud to have been able to make a significant contribution to the success of this unusual and innovative concept car with our expertise in high-end model building. The project shows that, by combining traditional and future-oriented engineering expertise, the EDAG Group is well-positioned to actively contribute to shaping the transformation process of the car," stresses Cosimo De Carlo, CEO of the EDAG Group.

THE EDAG GROUP SECURES LONG-TERM FINANCING

The company's corporate financing has successfully been realigned, securing its further growth financially.

With the issue of a first-time promissory note loan *(Schuldscheindarlehen)* a total volume of € 120 million has been placed at the capital market. The loan has maturities of five to ten years. This transaction allowed the EDAG Group to attract completely new capital investors for the company.

"This successful debut transaction shows the trust of investors in our company and its strategic focus," explains Jürgen Vogt, CFO of the EDAG Group. "We took advantage of the favorable environment at the loan market, in order to secure our financing in the long term. In this way, we have aligned our financing to the dynamic growth in the currently changing environment within the automotive industry."

The pictures show the presentation of the tombstone by the financial institutions to Martin Müller (Head of Treasury) and Jürgen Vogt at an award dinner.

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KEY FIGURES OF AND EXPLANATIONS BY THE EDAG GROUP AS PER SEPTEMBER 30, 2018

(in € million or %)	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*	7/1/2018 – 9/30/2018	7/1/2017 – 9/30/2017 revised*
Vehicle Engineering	362.9	334.1	120.2	110.7
Production Solutions	119.1	93.8	39.9	35.1
Electrics/Electronics	114.8	110.3	39.3	35.2
Consolidation/Others	- 8.7	- 7.0	- 2.5	- 2.5
Total revenues[1]	**588.1**	**531.3**	**197.0**	**178.6**
Growth of core business:				
Vehicle Engineering	*8.6%*	*-1.3%*	*8.5%*	*1.4%*
Production Solutions	*27.0%*	*6.8%*	*13.7%*	*26.7%*
Electrics/Electronics	*4.1%*	*-3.0%*	*11.8%*	*-2.8%*
Change of revenues[1]	***10.7%***	***-0.4%***	***10.3%***	***4.5%***
Vehicle Engineering	24.8	16.9	9.1	7.2
Production Solutions	7.9	6.0	2.9	2.5
Electrics/Electronics	5.1	3.5	3.1	1.6
Adjusted EBIT	**37.8**	**26.3**	**15.1**	**11.2**
Vehicle Engineering	*6.8%*	*5.1%*	*7.6%*	*6.5%*
Production Solutions	*6.6%*	*6.4%*	*7.2%*	*7.1%*
Electrics/Electronics	*4.4%*	*3.2%*	*7.9%*	*4.4%*
Adjusted EBIT margin	***6.4%***	***5.0%***	***7.7%***	***6.3%***
Profit or loss	***20.4***	**12.2**	***8.3***	***5.7***
Earnings per share (€)	0.82	0.49	0.33	0.23

[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 %)	9/30/2018	12/31/2017 revised*
Fixed assets	192.4	195.1
Net working capital	120.7	93.0
Net financial debt	- 123.5	- 103.6
Provisions	- 40.9	- 40.2
Held for sale	-	3.2
Equity	**148.7**	**147.5**
Balance sheet total	**529.2**	**442.5**
Equity / BS total	*28.1%*	*33.3%*
Net financial debt / Equity	*83.1%*	*70.2%*

(in € million or %)	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*	7/1/2018 – 9/30/2018	7/1/2017 – 9/30/2017 revised*
Operating cash flow	20.8	25.4	0.0	20.7
Investing cash flow	- 15.6	- 21.0	- 5.2	- 6.6
Free cash flow	5.2	4.4	- 5.2	14.1
Financing cash flow	66.8	- 6.9	71.7	- 20.3
Adjusted cash conversion rate[2]	71.3%	67.6%	72.9%	70.9%
CapEx	15.5	14.1	5.6	5.2
CapEx/Revenues	*2.6%*	*2.7%*	*2.8%*	*2.9%*

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

** The previous year was adjusted due to amendments made to the international accounting standard IFRS 15. Comparability of the revenue changes from the first half of 2017 with the same period in the previous year (2016) is only marginally restricted by the first-time adoption of IFRS 15 on January 1, 2017.*

	9/30/2018	12/31/2017
Headcount end of period	8,599	8,404
Trainees as %	*6.5%*	*6.5%*

At € 588.1 million, revenue in the first three quarters of 2018 was significantly higher than the previous year's level of € 531.3 million. In the reporting quarter just ended, revenue totaled € 197.0 million, which also represents an increase of 10.3 percent compared to the same period in the previous year (€ 178.6 million). Among the main reasons for the increase are new acquisitions from 2017 and the particularly positive revenue performance of the Production Solutions segment.

The EBIT, which was primarily adjusted for the effects from the purchase price allocations (adjusted EBIT) stood at € 37.8 million, which is significantly higher than the value for the previous year (€ 26.3 million). The adjusted EBIT figure in the reporting quarter was € 15.1 million (Q3 2017: € 11.2 million); this is equivalent to an adjusted EBIT margin of 7.7 percent (Q3 2017: 6.3 percent). The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival. The unadjusted EBIT in the nine-month period just ended stood at € 33.8 million, compared to the previous year's value of € 22.8 million.

The headcount, including trainees, on September 30, 2018 was 8,599 employees (12/31/2017: 8,404 employees). 6,112 of these employees were employed in Germany, and 2,487 in the rest of the world (RoW) (12/31/2017: [Germany: 6,034; RoW: 2,370]).

In the first three quarters of 2018, gross investments in fixed assets amounted to € 15.5 million, which was above the level of the same period in the previous year (Q1-3 2017: € 14.1 million). The equity ratio on the reporting date was 28.1 percent (12/31/2017: 33.3 percent). The development mainly results from an increase in the statement of financial position total on the reporting date. Hoewever, due to the scheduled repayment of a loan in the amount of € 64.0 million (including interest) in the fourth quarter of 2018, the statement of financial position total will decrease sharply again on the next balance sheet date.

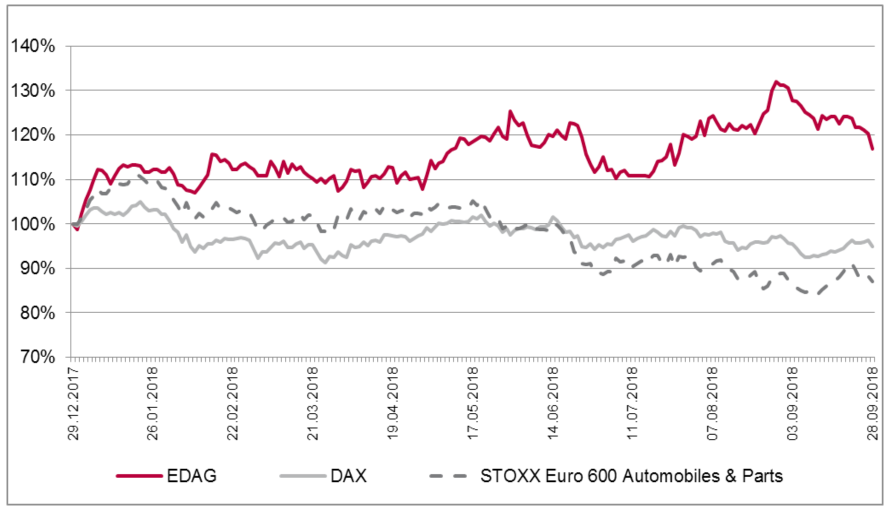
At € 123.5 million, the net financial debt is above the value on both June 30, 2017 (€ 119.5 million) and December 31, 2017 (€ 103.6 million). The increase compared to December 31, 2017 is due mainly to the dividend payout in the amount of € 18.8 million.

THE EDAG SHARE

On January 2, 2018, the DAX started the current financial year with 12,897 points. The index subsequently rose to its highest closing rate of 13,559 points on January 23. Later on, the DAX sank to its lowest level in the reporting period, namely 11,787 points on March 26. The closing price on September 28 stood at 12,339 points. The STOXX Automobiles & Parts Index fluctuated between 517 and 683 points during the same period, reaching its lowest level on September 11.

1 Price Development

On January 2, 2018, the opening price of the EDAG share in XETRA trading was € 14.82. The lowest closing price in the reporting period, € 14.50, was reached on January 2. Following this, a positive trend was observed in the development of the share. The highest closing price in the reporting period, € 19.40, was reached on August 28. The price fell slightly in the subsequent period, closing at € 17.18 on September 28. The EDAG share therefore outperformed the DAX and the STOXX Automobiles & Parts Index in the reporting period. During the first three quarters of 2018, the average XETRA trade volume was 9,355 shares a day.



Source: Comdirect

2 Key Share Data

	1/1/2018 – 9/30/2018
Prices and trading volume:	
Share price on September 28 (€)[3]	17.18
Share price, high (€)[3]	19.40
Share price, low (€)[3]	14.50
Average daily trading volume (number of shares)[4]	9,355
Market capitalisation on September 28 (€ million)	429.50

[3] *Closing price on Xetra*

[4] *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. Our special know-how, particularly at the largest subsidiary, EDAG Engineering GmbH Wiesbaden ("EDAG GmbH"), is in complete vehicle and module development, and in the guidance and support of customers from the initial idea through to the finished prototype. In addition, BFFT Gesellschaft für Fahrzeugtechnik mbH, Gaimersheim ("BFFT GmbH"), one of our subsidiaries, has specialized technical knowledge in the field of electrical and electronic development. EDAG Production Solutions GmbH & Co.KG, Fulda ("EDAG PS") offers particular expertise in the development of production facilities and their implementation.

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. A closely integrated EDAG Group global network of some 60 facilities ensures our customers of our local presence.

Presentation of the Vehicle Engineering Segment

The Vehicle Engineering segment ("VE") consists of services along the vehicle development process as well as responsibility for derivative and complete vehicles. The segment is divided into the following divisions:

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

Presentation of the Production Solutions Segment

The Production Solutions segment ("PS") - operating through the independent company EDAG PS, its international subsidiaries and profit centers - is an all-round engineering partner which accepts responsibility for the development and implementation of production processes at 15 sites in Germany and at international sites in South Korea, 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 the realization from a single source. The "Industrie 4.0" methods and tools are an important basis here, as well as being an effective catalyst for innovative, networked engineering, ideally synchronized with the processes first for product development and later for plant construction.

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

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

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

Presentation of the Electrics/Electronics Segment

The range of services offered by the Electrics/Electronics 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 vehicle architectures beneficial to these, and the resulting networking and wiring. The range of tasks extends from the concept phase to production support. EDAG is leading the way in the development of the new architectural concepts necessary for highly networked, digitized vehicles.

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.

To conclude, the **E/E Integration & Validation** division combines validation and testing skills. Apart from specific test stand construction, this also calls for a sound 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 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 eMobility, car IT, software solutions and connectivity
- Customer enthusiasm on account of our technological know-how and innovative ability
- Attractiveness as an employer
- Profitability through professional project and resource management
- Systematic expansion of activities in "best cost countries", in order to meet growing customer requirements on competitive terms

For a more detailed representation of the above-mentioned objectives, please see the Group Management Report in the Annual Report for 2017.

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

Compared to April, the International Monetary Fund (IMF) in its October 2018 forecast has lowered its projection for global economic growth by 0.2 percentage points. Economic growth is now projected at 3.7 percent for this year and the year ahead. In other words, it will remain steady at its 2017 level.

The negative effects of trade measures implemented in the customs dispute between the two largest national economies the USA and China, increasing financial difficulties for a number of developing economies and emerging markets arising from tighter financial conditions and higher oil prices are, according to the IMF, key factors for the adjustment of its forecast. Uncertainties - both old and new - such as the upcoming Brexit or the consequences for many emerging markets of the changing interest policy in the USA are additional factors.

There will be a decline in growth in the USA when the fiscal incentives level off in 2020. Although growth remained robust in China, this is expected to decline gradually. The IMF has kept its forecast for the USA's GDP growth in 2018 unchanged (2.9 percent). However, in 2019 he anticipates 2.5 percent. China's forecast also remains at a constant 6.6 percent in 2018 and has been reduced to 6.2 percent for the following year.

For Germany, too, the outlook has been moderated. In its current projection, the IMF forecasts that the gross domestic product (GDP) will increase by 1.9 percent both this year and next. Compared to the IMF's April forecast, this is a decrease of 0.6 and 0.1 percentage points respectively. According to the International Monetary Fund, the reasons for this are a slowdown in export trade and weaker industrial output.

In the eurozone as a whole, growth rates of 2.0 percent in 2018 (previously 2.4 percent) and 1.9 percent in 2019 (previously 2.0 percent) are forecast, in France 1.6 percent (previously 2.1 percent) and 1.6 percent (previously 2.0 percent), in Spain 2.7 percent (previously 2.8 percent) and 2.2 percent (previously 2.2 percent), Italy 1.2 percent (previously 1.5 percent) and 1.0 percent (previously 1.1 percent). This shows that the eurozone, with its important industrial nations, is being regarded with growing skepticism, which is likewise reflected in the uncertainty relating to the rapidly approaching Brexit.

Among the Latin American emerging markets, Brazil experienced a downturn of 0.9 percentage points in the economic forecast to 1.4 percent in 2018 due to the nationwide truck drivers' strike, political uncertainty and tighter financing conditions. For 2019, 2.4 percent are anticipated. In Mexico, the April forecast for 2018 has been reduced by 0.1 percentage points to 2.2 percent. As a result of trade tensions and their effect on investment and domestic demand, the forecast for 2019 has been reduced by 0.5 percentage points to 2.5 percent.

With regard to oil prices, starting from an average price of USD 52.81 a barrel in 2017, a barrel price of USD 69.38 is forecast for 2018, (IMF in April 2018: USD 62.30) and USD 68.76 for 2019 (IMF in April 2018: USD 58.20).

Automotive Industry Development

According to the VDA, the forecast global growth rate for sales of new vehicles for 2018 is 1 percent up compared to the previous year. A growth rate of 1 percent is anticipated for the eurozone (EU-28 + EFTA) in 2018.

In September 2018, the European passenger vehicle market (EU-28 + EFTA) reported a 23.4 percent decline in sales compared to the year before. Following a 30 percent increase in August (pull-forward effects), the market lost ground as expected in September, due to the impact of the introduction of the new WLTP[5] test procedure. There was an increase of 2.3 percent, or 12.3 million new vehicle registrations, over the first nine months of 2018.

New registrations in the first nine months of the year increased by 2.4 percent in Germany, by 6.5 percent in France, and by an impressive 11.7 percent in Spain. In Italy (-2.8 percent) and Great Britain (-7.5 percent), on the other hand, the number of new vehicles registered decreased.

[5] *Worldwide Harmonized Light-Duty Vehicles Test Procedure*

In Germany, electric car sales continued to level out in the first nine months of the reporting year (+36 percent) compared to the dynamic growth rate of the previous year (+117 percent). At just 1.9 percent, the proportion of electric cars sold is still low (previous quarter: 1.8 percent). The proportion of diesel vehicles sold in the first nine months stood at 32.0 percent (2017: 38.8 percent; first half of 2018: 32.1 percent). Domestic orders decreased by 2 percent in the period ending September, and orders from abroad increased by 1 percent.

In the first nine months of 2018, approx. 12.8 million light vehicles were sold in the US, a slight rise of 0.3 percent. In the light vehicle sector, sales in the car segment are down (14 percent), while the light truck segment can report increased growth of 8 percent. Compared to the previous year, the Chinese passenger car market contracted in September for the third time in succession (-11.9 percent). 16,9 million new vehicles were sold (+1.1 percent) over the first nine months of 2018. Double-digit growth was enjoyed in both Russia (+14.9 percent) and Brazil (+13.1 percent) in the nine-month period just ended, while Japan on the other hand experienced a 1.3 percent fall in figures.

Development of the Engineering Market

The volume of engineering services externally awarded by the automotive OEMs and their suppliers will continue to increase in the future. According to an independent market analysis carried out by Lünendonk GmbH, market growth between 2018 and 2022 will, on average, be around the 4.6 percent mark. McKinsey anticipate that the market for software and electronics engineering services will on average increase by as much as 14 percent per annum until 2020. The market for engineering services remains positive due to the rapid progress being made in technological vehicle development (digitalization and eMobility). More than anything else, the driver assistance system field is one of the central drivers, as OEMs are investing heavily in the development of self-driving cars, for which assistance systems are absolutely essential. Infotainment and connectivity are also becoming increasingly important to the end user. These developments or transformation processes can involve both risks and opportunities for the engineering service market.

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 September 30, 2018, orders on hand slightly decreased to € 336.4 million compared to € 340.0 million as per December 31, 2017. In the nine-month period just ended, the EDAG Group generated incoming orders amounting to € 589.1 million which, compared to the same period in the previous year (€ 537.0 million), represents an increase of € 52.0 million.

At € 588.1 million, the revenues increased significantly by € 56.8 million or 10.7 percent compared to the same period in the previous year (Q1-3 2017: € 531.3 million). In the reporting quarter just ended, revenue totaled € 197.0 million, which also represents an increase of 10.3 percent compared to the same period in the previous year (€ 178.6 million). Among the main reasons for the increase are new acquisitions from 2017 and the particularly positive revenue performance of the Production Solutions segment.

Compared to the previous year, the EBIT in the reporting period increased by € 11.0 million to € 33.8 million (Q1-3 2017: € 22.8 million). This means that an EBIT margin of 5.7 percent was achieved (Q1-3 2017: 4.3 percent). The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations that were recorded in the reporting period in 2018, the adjusted EBIT figure was € 37.8 million (Q1-3 2017: € 26.3 million), which is equivalent to an adjusted EBIT margin of 6.4 percent (Q1-3 2017: 5.0 percent). The adjusted EBIT figure in the reporting quarter was € 15.1 million (Q3 2017: € 11.2 million); this is equivalent to an adjusted EBIT margin of 7.7 percent (Q3 2017: 6.3 percent).

The materials and services expenses increased by 25.2 percent to € 84.2 million. At 14.3 percent, the materials and services expenses ratio was above the level of the same period in the previous year (Q1-3 2017: 12.7 percent). This effect was largely due to an increased volume of engineering services being purchased. At 9.8 percent, the ratio of service expenses in relation to the revenues is above the level of the same period in the previous year (Q1-3 2017: 8.0 percent). At 4.5 percent, the materials expenses ratio was slightly below the level of the same period in the previous year (4.7 percent).

The EDAG Group's personnel expenses increased by € 21.0 million or 6.0 percent to € 372.7 million compared to the same period in the previous year. The company had an average workforce of 8,425 employees, including apprentices, in the nine-month period of 2018 just ended (Q1-3 2017: 8,186 employees). The ratio of personnel expenses, which stood at 63.4 percent, decreased compared with the same period in the previous year (Q1-3 2017: 66.2 percent).

Depreciation, amortization and impairments totaled € 20.4 million (Q1-3 2017: € 21.4 million). The ratio for other expenses in relation to revenues was 15.0 percent and thus slightly below last year's level (Q1-3 2017: 15.3 percent).

In the first three quarters of 2018, the financial result was € -3.2 million (Q1-3 2017: € -4.5 million), an improvement of € 1.3 million compared with the same period in the previous year. Significant effects are a reduction in the interest expense due to the early repayment of a loan to ATON Group Finance GmbH in the amount of € 26.0 million in the 2017 financial year, and an improved equity result compared with the same period in the previous year.

Development of the Vehicle Engineering Segment

Incoming orders amounted to € 338.6 million in the first nine months of 2018, which was 3.4 percent below the value for the same period in the previous year (Q1-3 2017: € 350.5 million). Revenues increased by 8.6 percent to € 362.9 million (Q1-3 2017: € 334.1 million). This includes small series revenues from individual special vehicle conversions (Special Vehicle Manufacturing) in the amount of € 4.0 million (Q1-3 2017: € 0 million). All in all, an EBIT of € 22.3 million was achieved for the Vehicle Engineering segment in the nine-month period just ended (Q1-3 2017: € 14.2 million). The EBIT margin amounted to 6.2 percent (Q1-3 2017: 4.2 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 6.8 percent (Q1-3 2017: 5.1 percent). The increase in earnings compared to the same period in the previous year is due to more effective project management in large-scale projects and to the use of best-cost resources.

Development of the Production Solutions Segment

In this segment, incoming orders amounted to € 139.4 million, which was significantly above the level of the same period in the previous year (Q1-3 2017: € 102.8 million) and represents an increase of 35.6 percent. Revenues increased by 27.0 percent to € 119.1 million (Q1-3 2017: € 93.8 million). Overall, an EBIT of € 7.6 million (Q1-3 2017: € 5.6 million) was generated for the Production Solutions segment in the nine-month period just ended. The sharp increase in the revenues is due in particular to the acquisition of CKGP/PW in July 2017 and to a major order in Mexico. Price pressure has lessened to some degree in Germany, though capacity utilization is not yet at a satisfactory level. Consequently, the adjusted EBIT margin was 6.6 percent and therefore above the previous year's level (Q1-3 2017: 6.4 percent).

Development of the Electrics/Electronics Segment

Incoming orders increased by € 30.0 million to € 125.5 million compared to the same period in the previous year (Q1-3 2017: € 95.5 million). Revenue totaled € 114.8 million, an increase of 4.1 percent compared to the same period in the previous year (€ 110.3 million). The EBIT stood at € 3.9 million (Q1-3 2017: € 2.3 million). The EBIT margin amounted to 3.4 percent (Q1-3 2017: 2.1 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 4.4 percent (Q1-3 2017: 3.2 percent).

Cash Flows and Financial Position

Compared to December 31, 2017, the EDAG Group's statement of financial position total increased by € 86.7 million to € 529.2 million. Due to the scheduled repayment of a loan in the amount of € 64.0 million (including interest) in the fourth quarter of 2018, however, the statement of financial position total will decrease sharply again on the next balance sheet date. The non-current assets decreased by € 3.5 million to € 194.6 million (12/31/2017: € 198.1 million), primarily as a result of the depreciation of the other intangible assets. In the current assets, the reduction of current accounts receivable by € 58.8 million is countered by an increase in contract assets in the amount of € 71.5 million. Cash and cash-equivalents increased by € 71.5 million to € 85.0 million.

On the equity, liabilities and provisions side, equity increased by € 1.2 million to € 148.7 million, and the quota is now approximately 28.1 percent (12/31/2017: 33.3 percent). This increase is primarily due to current profits in the amount of € 20.4 million. The opposite effect was had above all by the dividend payout to the shareholders in the amount of € 18.8 million.

Non-current liabilities and provisions increased by € 123.2 million to € 160.9 million, (12/31/2017: € 37.7 million). This increase is primarily due to the placement of the promissory note loan *(Schuldscheindarlehen)* in the amount of € 120 million. On the other hand, current liabilities and provisions decreased by € 37.7 million to € 219.6 million mainly due to the reduction of current financial liabilities by € 29.0 million.

In the first three quarters of 2018, the operating cash flow was € 20.8 million (Q1-3 2017: € 25.4 million). The reduction was primarily due to an increased effect in capital being tied up in the trade working capital compared to the same period in the previous year.
At € 15.5 million, gross investments in the reporting year were higher than in the previous year (Q1-3 2017: € 14.1 million). The ratio of gross investments in relation to revenues was therefore 2.6 percent (Q1-3 2017: 2.7 percent).

On the reporting date, unused lines of credit in the amount of € 98.0 million exist in the Group. The Executive Management regards the overall economic situation of the EDAG Group as good. With an equity ratio of 28.1 percent, the company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 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 49-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 2017.

On September 30, 2018 the EDAG Group employed a workforce of 8,599 employees (12/31/2017: 8,404 employees). Personnel expenses amounted to € 372.7 million in the 2018 reporting period (Q1-3 2017: € 351.6 million).

3 Forecast, Risk and Reward Report

There were no significant changes during the reporting period to the risks and rewards described in the Annual Report for 2017. For a more detailed representation of the Risk and Reward Report, please see the Group Management Report in the Annual Report for 2017. The only exception are the risks and rewards from operative business. As the potential extent of net loss has increased, we rate the nature of these risks as category A again. However, we now rate their total probability of occurrence as low (2017 and first half of 2018: medium).

Assuming favorable economic conditions – that the economy will continue to grow, manufacturers will maintain or expand their research and development expenditures at a high level and continue to outsource development services, and that qualified personnel are available – the EDAG Group expects positive business development.

For 2018, the Group Executive Management anticipates an increase in revenues in the upper single-digit percentage range of at least 8 percent across all segments. The VE segment will remain within this scale. A stronger, double-figure growth rate is anticipated for the PS segment, whereas the E/E segment will be well below the scale mentioned. With regard to the adjusted EBIT, we continue to anticipate a margin of 5 to 7 percent, given the challenges outlined above. The VE and PS segments are expected to be within this range, with the E/E segment slightly below it. Because of the sustained growth, we expect investments to be above the level of previous years. Despite this fact, however, we still anticipate an investment rate of less than 4 percent. Due to the continuing good financial performance, we also expect a positive development of our financial situation in the future.

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	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*	7/1/2018 – 9/30/2018	7/1/2017 – 9/30/2017 revised*
Profit or loss				
Sales revenues and changes in inventories[1]	588,105	531,315	196,973	178,567
Sales revenues	583,608	534,657	193,627	179,188
Changes in inventories	4,497	- 3,342	3,346	- 621
Other income	11,450	13,153	3,693	5,396
Material expenses	- 84,159	- 67,237	- 31,142	- 25,172
Gross Profit	**515,396**	**477,231**	**169,524**	**158,791**
Personnel expenses	- 372,672	- 351,648	- 119,760	- 112,706
Depreciation, amortization and impairment	- 20,412	- 21,401	- 6,704	- 8,191
Net result from impairments or reversals on financial instruments	- 320	-	- 108	-
Other expenses	- 88,206	- 81,419	- 29,152	- 27,693
Earnings before interest and taxes (EBIT)	**33,786**	**22,763**	**13,800**	**10,201**
Result from investments accounted for using the equity method	668	457	173	168
Financial income	250	318	74	86
Financing expenses	- 4,070	- 5,260	- 1,596	- 1,863
Financial result	**- 3,152**	**- 4,485**	**- 1,349**	**- 1,609**
Earnings before taxes	**30,634**	**18,278**	**12,451**	**8,592**
Income taxes	- 10,201	- 6,089	- 4,146	- 2,861
Profit or loss	**20,433**	**12,189**	**8,305**	**5,731**

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

in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*	7/1/2018 – 9/30/2018	7/1/2017 – 9/30/2017 revised*
Profit or loss	**20,433**	**12,189**	**8,305**	**5,731**
Other Comprehensive Income				
Under certain conditions reclassifiable profits/losses				
Financial assets available for sale				
Profits/losses included in equity from valuation at fair value	-	- 17	-	- 10
Deferred taxes on financial assets available for sale	-	5	-	3
Currency conversion difference				
Profits/losses included in equity from currency conversion difference	- 836	- 1,042	- 5	- 517
Total under certain conditions reclassifiable profits/losses	**- 836**	**- 1,054**	**- 5**	**- 524**
Not reclassifiable profits/losses				
Revaluation of net obligation from defined benefit plans				
Revaluation of net obligation from defined benefit plans before taxes	639	1,896	619	- 43
Deferred taxes on defined benefit plans and obligations	- 187	- 560	- 184	15
Share of other comprehensive income of at-equity accounted investments, net of tax	5	19	**5**	**-**
Total not reclassifiable profits/losses	**457**	**1,355**	**440**	**- 28**
Total other comprehensive income before taxes	- 192	856	619	- 570
Total deferred taxes on the other comprehensive income	- 187	- 555	- 184	18
Total other comprehensive income	**- 379**	**301**	**435**	**- 552**
Total comprehensive income	**20,054**	**12,490**	**8,740**	**5,179**
From the profit or loss attributable to:				
Shareholders of the parent company	20,401	12,157	8,291	5,717
Minority shares (non-controlling interest)	32	32	14	14
Of the total comprehensive income attributable to:				
Shareholders of the parent company	20,022	12,458	8,726	5,165
Minority shares (non-controlling interest)	32	32	14	14
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]				
Earnings per share	0.82	0.49	0.33	0.23

** The previous year was adjusted due to amendments made to the international accounting standard IFRS 15.*

2 Consolidated Statement of Financial Position

in € thousand	9/30/2018	12/31/2017 revised*	1/1/2017 revised*
Assets			
Goodwill	74,239	74,359	64,521
Other intangible assets	27,179	31,436	35,053
Property, plant and equipment	74,231	73,003	71,648
Financial assets	171	150	158
Investments accounted for using the equity method	16,611	16,111	15,434
Non-current other financial assets	506	433	331
Non-current other non-financial assets	63	62	571
Deferred tax assets	1,604	2,513	1,109
Non-current assets	**194,604**	**198,067**	**188,825**
Inventories	10,270	3,888	9,175
Current contract assets	139,121	67,659	80,426
Current accounts receivables	82,254	141,040	115,585
Current other financial assets	2,268	2,081	2,452
Current securities, loans and financial instruments	44	43	61
Current other non-financial assets	12,750	10,993	9,607
Income tax assets	2,842	2,020	2,298
Cash and cash-equivalents	85,016	13,485	19,067
Assets held for sale	-	3,200	4,056
Current assets	**334,565**	**244,409**	**242,727**
Assets	**529,169**	**442,476**	**431,552**

in € thousand	9/30/2018	12/31/2017 revised*	1/1/2017 revised*
Equity, liabilities and provisions			
Subscribed capital	920	920	920
Capital reserves	40,000	40,000	40,000
Retained earnings	120,430	118,869	122,133
Reserves from profits and losses recognized directly in equity	- 8,728	- 9,201	- 9,955
Currency conversion differences	- 3,907	- 3,072	- 1,577
Equity attributable to shareholders of the parent company	**148,715**	**147,516**	**151,521**
Non-controlling interests	1	1	1
Equity	**148,716**	**147,517**	**151,522**
Provisions for pensions and similar obligations	29,591	27,606	27,038
Other non-current provisions	3,348	3,612	3,030
Non-current financial liabilities	121,593	1,158	88,080
Non-current other financial liabilities	1,212	2,243	-
Non-current income tax liabilities	-	-	1,460
Deferred tax liabilities	5,108	3,061	6,159
Non-current liabilities and provisions	**160,852**	**37,680**	**125,767**
Current provisions	8,018	8,931	9,837
Current financial liabilities	86,973	115,962	29,190
Current contract liabilities	33,995	39,290	26,999
Current accounts payable	23,298	24,745	23,327
Current other financial liabilities	4,002	3,348	3,417
Current other non-financial liabilities	56,368	53,289	54,521
Income tax liabilities	6,947	11,714	6,972
Current liabilities and provisions	**219,601**	**257,279**	**154,263**
Equity, liabilities and provisions	**529,169**	**442,476**	**431,552**

** The previous year was adjusted due to amendments made to the international accounting standard IFRS 15.*

3 Consolidated Cash Flow Statement

	in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*
	Profit or loss	**20,433**	**12,189**
+	Income tax expenses	10,201	6,089
-	Income taxes paid	- 13,126	- 8,289
+	Financial result	3,152	4,486
+	Interest and dividend received	246	322
+/-	Depreciation and amortization/write-ups on tangible and intangible assets	20,412	20,359
+/-	Other non-cash item expenses/income	- 234	1,018
+/-	Increase/decrease in non-current provisions	1,984	112
-/+	Profit/loss on the disposal of fixed assets	- 164	- 1,356
-/+	Increase/decrease in inventories	- 6,564	1,881
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	- 11,915	- 7,381
+/-	Increase/decrease in current provisions	- 771	- 760
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	- 2,830	- 4,285
=	**Cash inflow/outflow from operating activities/ operating cash flow**	**20,824**	**25,427**
+	Deposits from disposals of tangible fixed assets	739	6,233
-	Payments for investments in tangible fixed assets	- 12,021	- 12,133
-	Payments for investments in intangible fixed assets	- 3,519	- 1,951
+	Deposits from disposals of financial assets	17	33
-	Payments for investments in financial assets	- 38	- 54
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	-	- 21
-	Payments for investments in shares of fully consolidated companies/divisions	- 790	- 13,134
=	**Cash inflow/outflow from investing activities/ investing cash flow**	**- 15,612**	**- 21,027**

	in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised*
-	Payments to shareholders/partners (dividend for prior years, capital repayments, other distributions)	- 18,782	- 18,750
-	Interest paid	- 578	- 757
+	Borrowing of financial liabilities	123,025	18,043
-	Repayment of financial liabilities	- 35,111	- 3,422
-	Repayment of leasing liabilities	- 1,803	- 2,032
=	**Cash inflow/outflow from financing activities/ financing cash flow**	**66,751**	**- 6,918**
	Net Cash changes in financial funds	**71,963**	**- 2,518**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 432	- 761
+	Financial funds at the start of the period	13,485	19,067
=	**Financial funds at the end of the period [cash & cash equivalents]**	**85,016**	**15,788**
=	**Free cash flow (FCF) – equity approach**	**5,212**	**4,400**

** The previous year was adjusted due to amendments made to the international accounting standard IFRS 15.*

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 12/31/2017 revised*	**920**	**40,000**	**118,869**	**- 3,071**	**- 9,139**	**- 16**	**- 47**	**147,516**	**1**	**147,517**
Application of IFRS 9	-	-	- 114	-	-	16	-	- 98	-	- 98
Application of IFRS 15	-	-	24	-	-	-	-	24	-	24
As per 1/1/2018 revised	**920**	**40,000**	**118,779**	**- 3,071**	**- 9,139**	**-**	**- 47**	**147,442**	**1**	**147,443**
Profit or loss	-	-	20,401	-	-	-	-	20,401	32	20,433
Other comprehensive income	-	-	-	- 836	452	-	6	- 378	-	- 378
Total comprehensive income	**-**	**-**	**20,401**	**- 836**	**452**	**-**	**6**	**20,023**	**32**	**20,055**
Dividends	-	-	- 18,750	-	-	-	-	- 18,750	- 32	- 18,782
As per 9/30/2018	**920**	**40,000**	**120,430**	**- 3,907**	**- 8,687**	**-**	**- 41**	**148,715**	**1**	**148,716**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 12/31/2016	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Application of IFRS 15	-	-	- 1,242	-	-	-	-	- 1,242	-	- 1,242
As per 1/1/2017 revised*	**920**	**40,000**	**122,132**	**- 1,577**	**- 9,870**	**- 4**	**- 80**	**151,521**	**1**	**151,522**
Profit or loss	-	-	12,158	-	-	-	-	12,158	32	12,190
Other comprehensive income	-	-	-	- 1,043	1,335	- 11	19	300	-	300
Total comprehensive income	**-**	**-**	**12,158**	**- 1,043**	**1,335**	**- 11**	**19**	**12,458**	**32**	**12,490**
Dividends	-	-	- 18,750	-	-	-	-	- 18,750	- 32	- 18,782
As per 9/30/2017 revised*	**920**	**40,000**	**115,540**	**- 2,620**	**- 8,535**	**- 15**	**- 61**	**145,229**	**1**	**145,230**

** The previous year was adjusted due to amendments made to the international accounting standards IFRS 15.*

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 (September 30).

The unaudited consolidated interim 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 interim report of the EDAG Group AG for the period ending September 30, 2018 has been prepared in accordance with IAS 34 "Interim financial reporting". As the scope of the Consolidated Interim 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, 2017. The Consolidated Financial Statement of EDAG Group AG and its subsidiaries for December 31, 2017 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. In addition to the International Financial Reporting Standards, the term IFRS also includes the still valid International Accounting Standards (IAS), the Interpretations of the 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 September 30, 2018 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 Interim Group Management Report have been neither subjected to an audit review in accordance with ISRE 2410, nor audited in accordance with § 317 of the German Commercial Code.

New, Changed or Revised Accounting Standards

EDAG Group AG has applied the following accounting standards adopted by the EU and legally required to be applied since January 1, 2018, although they did not have any significant effect on the assets, financial position and financial performance of the EDAG Group in the Consolidated Interim Report:

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

  The regulations and definitions set out in IFRS 15 will in future replace the contents of IAS 18 "Revenue" and of IAS 11 "Construction Contracts". According to IFRS 15, revenue is to be recognized when the customer obtains control of the promised goods and services, and can benefit from them. The critical point is no longer the transfer of significant chances and risks set out in the old regulations in IAS 18 "Revenue". Revenue is to be evaluated with the amount of consideration the company expects to receive. The new standard establishes a five-step model for recognizing revenue, and first of all requires identification of the contract with a customer and of the performance obligations in the contract. Following this, the transaction price of the contract with the customer must be determined and the separate performance obligations allocated. Finally, the new standard requires recognition of revenue for each performance obligation in the amount of the allocated proportionate transaction price as soon as the promised goods have been delivered or services rendered, or the customer has obtained control of the goods/services (control model). Predetermined criteria are applied to determine whether the satisfaction of a performance obligation occurs at a point in time or over time.

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

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

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

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

  The EDAG Group has undertaken a complete retrospective application of the new standard, in compliance with IFRS 15.C3. No use was made of the exceptions. Application of the IFRS 15 standard did not have any material effect on the presentation of the assets, financial position and financial performance of the EDAG Group. The effects resulted from the conversion of contracts with customers, for which the revenue will from now on be recognized with reference to a point in time. In such cases, unfinished goods and services will in future be recognized as inventories until the revenue is recognized. The cumulative effect on earnings on January 1, 2017 amounts to € 1,242 thousand, and is recognized directly in consolidated equity and retained earnings. The changeover effect is equivalent to 0.8 percent of the consolidated equity.

- **IFRS 9** – Financial Instruments shall be applied for the reporting period beginning on or after January 1, 2018:
  On July 24, 2014, IASB published the standard IFRS 9 "Financial Instruments", which replaces IAS 39. IFRS 9 includes amended specifications for the classification and valuation of financial assets and a new risk prevention model, which will now take expected losses into account for the calculation of the provisions for risks. In addition, the new hedge accounting provisions published in November 2013 have now been included in the final version of IFRS 9.
  The EDAG Group has undertaken a complete retrospective application of the new standard, in compliance with IFRS 9.7.2.1. In conformity with the applicable transitional provisions, the figures for the previous year have not been adjusted. Application of the IFRS 9 standard did not have any material effect on the presentation of the assets, financial position and financial performance of the EDAG Group. The effects resulted from the conversion of the impairment model. The impairment model under IAS 39 was based on the incurred loss model, whereas IFRS 9 introduces the expected credit loss model. These amended valuation methods lead to an increase in the provisions for risks. No material effects resulted from the first-time adoption of the classification and valuation principles outlined in IFRS 9. The cumulative effect on earnings on January 1, 2018 amounts to € 114 thousand, and is recognized directly in consolidated equity and retained earnings. The changeover effect is equivalent to 0.1 percent of the consolidated equity.
- **IFRS 2** – Classification and valuation of share/based payment transactions (IASB publication: June 20, 2016; EU endorsement: February 26, 2018)
- **IFRS 4** – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts (IASB publication: September 12, 2016; EU endorsement: October 9, 2017)
- Annual improvements to IFRS standards 2014 – 2016 (IASB publication: December 8, 2016; EU endorsement: February 7, 2018)
- **IFRIC 22** – Foreign Currency Transactions and Advance Consideration (IASB publication: December 8, 2016; EU endorsement March 28, 2018)
- **IAS 40** – Amendment: Classification as investment property (IASB publication: December 8, 2016; EU endorsement March 14, 2018)

The following summary outlines the adjustment amounts from the first-time adoption of IFRS 15 and IFRS 9:

in € thousand	**1/1/2017**	**IFRS 15**	**1/1/2017 revised**	**1/1/2018**	**IFRS 15**	**IFRS 9**	**1/1/2018 revised**
Assets							
Non-current assets	**188,825**	**-**	**188,825**	**198,067**	**24**	**42**	**198,133**
thereof Investments accounted for using the equity method	15,434	-	15,434	16,111	24	-	16,135
thereof Deferred tax assets	1,109	-	1,109	2,513	-	42	2,555
Current assets	**241,591**	**1,136**	**242,727**	**244,409**	**-**	**- 140**	**244,269**
thereof Inventories	1,584	7,591	9,175	3,888	-	-	3,888
thereof Future receivables from construction contracts	86,881	- 86,881	-	-	-	-	-
thereof Current contract assets	-	80,426	80,426	67,659	-	- 18	67,641
thereof Current accounts receivables	115,585	-	115,585	141,040	-	- 118	140,922
thereof Current other financial assets	2,452	-	2,452	2,081	-	- 4	2,077
Assets	**430,416**	**1,136**	**431,552**	**442,476**	**24**	**- 98**	**442,402**

in € thousand	**1/1/2017**	**IFRS 15**	**1/1/2017 revised**	**1/1/2018**	**IFRS 15**	**IFRS 9**	**1/1/2018 revised**
Equity, liabilities and provisions							
Equity	**152,764**	**- 1,242**	**151,522**	**147,517**	**24**	**- 98**	**147,443**
thereof Retained earnings	123,375	- 1,242	122,133	118,869	24	- 114	118,779
thereof Reserves from profits and losses recognized directly in equity	- 9,955	-	- 9,955	- 9,201	-	16	- 9,185
Non-current liabilities and provisions	**126,299**	**- 532**	**125,767**	**37,680**	**-**	**-**	**37,680**
thereof Deferred tax liabilities	6,691	- 532	6,159	3,061	-	-	3,061
Ccurrent liabilities and provisions	**151,353**	**2,910**	**154,263**	**257,279**	**-**	**-**	**257,279**
thereof Current provisions	9,485	352	9,837	8,931	-	-	8,931
thereof Future liabilities from construction contracts	29,689	- 29,689	-	-	-	-	-
thereof Current contract liabilities	-	26,999	26,999	39,290	-	-	39,290
thereof Current other non-financial liabilities	49,273	5,248	54,521	53,289	-	-	53,289
Equity, liabilities and provisions	**430,416**	**1,136**	**431,552**	**442,476**	**24**	**- 98**	**442,402**

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 Interim Report.

Analyses of the effects of the **IFRS 16** "Leases" accounting standard, which has been published but is not yet legally required to be used, have not yet been completed. For explanations of the effects of using this ac-counting standard, please see the notes to the Consolidated Financial Statement for December 31, 2017. On-going analysis in 2018 confirms the statements made there.

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 posi-tion, financial performance and cash flow of the EDAG Group.

Accounting and Valuation Principles

For this consolidated interim report, a discount rate of 1.93 percent has been used for pension provisions in Germany (12/31/2017: 1.85 percent). A discount rate of 0.98 percent has been used for pension provisions in Switzerland (12/31/2017: 0.80 percent).

At the beginning of 2017, one property was qualified as a non-current asset held for sale according to IFRS 5.6 and valued at its book value according to IFRS 5.15. In the subsequent valuation during the second half of 2017, a change in value was noted, as a result of which it was valued at fair value less costs to sell. The resulting impairment costs in the amount of € 1,042 thousand were already recognized in depreciation, amortization and impairments in 2017. A sales agreement was signed in the second quarter of 2018. The rights and obligations were transferred upon receipt of payment in July 2018.

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 interim reporting period. Accordingly, the weighted average expected annual tax rate in the amount of 33.3 percent (12/31/2017: 33.3 percent) was used.

Otherwise, with the exception of the changed accounting standards (IFRS 9, IFRS 15), the same accounting and valuation methods and consolidation principles as were used in the 2017 Consolidated Financial Statements for EDAG Group AG were applied when preparing the Consolidated Interim 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 2017. This Consolidated Interim Report should therefore be read in conjunction with the Consolidated Financial Statement of EDAG Group AG for December 31, 2017.

Presentation of the Consolidated Interim Report in accordance with IFRS requires qualified 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 or intangible assets that are subject to wear and tear, the measurement of provisions, 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 September 30, 2018, the group of combined or consolidated companies is composed as follows:

	Switzer-land	Germany	Other Countries	Total
Fully consolidated companies	3	8	27	38
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 (3; December 31, 2017: 2) 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.

5.4 Currency Conversion

Currency conversion in the Consolidated Interim Report was based on the following exchange rates:

Country	Currency	9/30/2018	Q3 2018	12/31/2017	Q3 2017
	1 EUR = Nat. cur-rency	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	0.8873	0.8838	0.8872	0.8725
Brazil	BRL	4.6535	4.2955	3.9729	3.5311
USA	USD	1.1576	1.1952	1.1993	1.1132
Malaysia	MYR	4.7890	4.7664	4.8536	4.8351
Hungary	HUF	324.3700	317.4243	310.3300	308.4743
India	INR	83.9160	80.2276	76.6055	72.5875
China	CNY	7.9662	7.7801	7.8044	7.5721
Mexico	MXN	21.7800	22.7436	23.6612	20.9970
Czech Republic	CZK	25.7310	25.5681	25.5350	26.5530
Switzerland	CHF	1.1316	1.1610	1.1702	1.0946
Poland	PLN	4.2774	4.2475	4.1770	4.2648
Romania	RON	4.6638	4.6520	4.6585	4.5517
Russia	RUB	76.1422	73.4171	69.3920	64.9077
Sweden	SEK	10.3090	10.2348	9.8438	9.5826
Japan	JPY	131.2300	130.9606	135.0100	124.5624
South Korea	KRW	1,285.7500	1,303.8053	1,279.6100	1,267.0597

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). Among the adjustments, initial and deconsolidation income, restructuring in the scope of the company merger and all effects from the purchase price allocations on the EBIT are shown.

in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017 revised	7/1/2018 – 9/30/2018	7/1/2017 – 9/30/2017 revised
Earnings before interest and taxes (EBIT)	**33,786**	**22,763**	**13,800**	**10,201**
Adjustments:				
Expenses (+) from purchase price allocation	4,008	4,280	1,305	1,548
Income (-) / expenses (+) from deconsolidation	-	- 3	-	-
Income (-) from reversal of provisions	-	- 191	-	-
Income (-) from the sale of real estate	-	- 1,544	-	- 1,544
Expenses (+) from impairment of real estate	-	1,042	-	1,042
Total adjustments	**4,008**	**3,584**	**1,305**	**1,046**
Adjusted earnings before interest and taxes (adjusted EBIT)	**37,794**	**26,347**	**15,105**	**11,247**

The "expenses (+) from the purchase price allocation" and the "expenses (+) from impairment of real estate" are stated under the amortization. The "income (-) / expenses (+) from deconsolidations", "income (-) from the reversal of provisions" and "income (-) from the sale of real estate" are shown in the other income.

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, as the adjusted effects are presented under "Others". Therefore at segment level, the EBIT shown is basically equal to the adjusted EBIT. The only exception to this rule are the effects of the purchase price allocation shown in the segment EBIT. The segment presentation is designed to show the profitability as well as the assets and financial situation of the individual business activities. Intercompany sales are accounted for at customary market prices and are equivalent to sales towards third parties (arm's length principle).

As at September 30, 2018, the non-current assets amounted to € 194.6 million (12/31/2017: € 198.1 million). Of these, € 1.2 million are domestic, € 164.7 million are German, and € 28.7 million are non-domestic (12/31/2017: [domestic: € 1.4 million; Germany: € 166.6 million; non-domestic: € 30.0 million]).

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

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

The three operative segments Vehicle Engineering, Production Solutions and Electrics/ Electronics together represent the core business of the EDAG Group.

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

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

in € thousand	**1/1/2018 - 9/30/2018**						
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	355,299	113,692	114,617	-	583,608	-	583,608
Sales revenues with other segments	3,154	5,435	119	-	8,708	- 8,708	-
Changes in inventories	4,402	12	83	-	4,497	-	4,497
Total revenues[1]	**362,855**	**119,139**	**114,819**	**-**	**596,813**	**- 8,708**	**588,105**
EBIT	**22,324**	**7,581**	**3,881**	**-**	**33,786**	**-**	**33,786**
EBIT margin [%]	6.2%	6.4%	3.4%	n/a	5.7%	n/a	5.7%
Purchase price allocation (PPA)	2,488	308	1,212	-	4,008	-	4,008
Other adjustments	-	-	-	-	-	-	-
Adjusted EBIT	**24,812**	**7,889**	**5,093**	**-**	**37,794**	**-**	**37,794**
Adjusted EBIT margin [%]	6.8%	6.6%	4.4%	n/a	6.3%	n/a	6.4%
Depreciation, amortization and impairment	- 14,245	- 2,361	- 3,806	-	- 20,412	-	- 20,412
Ø Employees per segment	4,980	1,572	1,873	-	8,425		8,425

in € thousand	**1/1/2017 - 9/30/2017 revised***						
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	333,116	91,519	110,022	-	534,657	-	534,657
Sales revenues with other segments	4,125	2,767	77	-	6,969	- 6,969	-
Changes in inventories	- 3,093	- 481	232	-	- 3,342	-	- 3,342
Total revenues[1]	**334,148**	**93,805**	**110,331**	**-**	**538,284**	**- 6,969**	**531,315**
EBIT	**14,152**	**5,641**	**2,274**	**696**	**22,763**	**-**	**22,763**
EBIT margin [%]	4.2%	6.0%	2.1%	n/a	4.2%	n/a	4.3%
Purchase price allocation (PPA)	2,732	336	1,212	-	4,280	-	4,280
Other adjustments	-	-	-	- 696	- 696	-	- 696
Adjusted EBIT	**16,884**	**5,977**	**3,486**	**-**	**26,347**	**-**	**26,347**
Adjusted EBIT margin [%]	5.1%	6.4%	3.2%	n/a	4.9%	n/a	5.0%
Depreciation, amortization and impairment	- 14,002	- 2,544	- 3,813	- 1,042	- 21,401	-	- 21,401
Ø Employees per segment	4,987	1,425	1,773	-	8,185		8,185

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

** The previous year was adjusted due to amendments made to the international accounting standard IFRS 15.*

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

in € thousand	1/1/2018 – 9/30/2018							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	62,118	17%	15,805	14%	30,671	27%	108,594	19%
Customer sales division B	9,250	3%	4,319	4%	38,727	34%	52,296	9%
Customer sales division C	10,541	3%	1,170	1%	3,493	3%	15,204	3%
Customer sales division D	52,955	15%	10,608	9%	12,073	11%	75,636	13%
Customer sales division E	46,639	13%	22,737	20%	1,978	2%	71,354	12%
Customer sales division F	83	0%	6,033	5%	-	0%	6,116	1%
Customer sales division G	6,134	2%	451	0%	1,712	1%	8,297	1%
Customer sales division H	1,971	1%	17,700	16%	428	0%	20,099	3%
Customer sales division I	25,060	7%	6,678	6%	4,195	4%	35,933	6%
Miscellaneous (OEMs and system suppliers)	140,548	40%	28,191	25%	21,340	19%	190,079	33%
Sales revenue with third parties	**355,299**	**100%**	**113,692**	**100%**	**114,617**	**100%**	**583,608**	**100%**

in € thousand	1/1/2017 – 9/30/2017							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	61,107	18%	13,149	14%	23,356	21%	97,612	18%
Customer sales division B	17,001	5%	5,803	6%	42,303	38%	65,107	12%
Customer sales division C	14,309	4%	910	1%	2,644	2%	17,863	3%
Customer sales division D	57,492	17%	8,650	9%	8,796	8%	74,938	14%
Customer sales division E	44,701	13%	11,947	13%	3,160	3%	59,808	11%
Customer sales division F	1,351	0%	3,834	4%	1,472	1%	6,657	1%
Customer sales division G	14,925	4%	789	1%	1,951	2%	17,665	3%
Customer sales division H	2,213	1%	23,497	26%	875	1%	26,585	5%
Customer sales division I	18,624	6%	6,531	7%	4,292	4%	29,447	6%
Miscellaneous (OEMs and system suppliers)	101,393	30%	16,409	18%	21,173	19%	138,975	26%
Sales revenue with third parties	**333,116**	**100%**	**91,519**	**100%**	**110,022**	**100%**	**534,657**	**100%**

In the Electrics/Electronics segment, the EDAG Group generates over 50 percent of its sales revenues with one corporate group. In the Production Solutions segment, an affiliated company in relation to the ATON Group is a further key customer.

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

in € thousand	1/1/2018 – 9/30/2018					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	346,149	117,636	113,324	577,109	-	577,109
Point in time revenue recognition	12,304	1,491	1,412	15,207	-	15,207
Sales revenue with other segments	- 3,154	- 5,435	- 119	- 8,708	-	- 8,708
Sales revenue with third parties	**355,299**	**113,692**	**114,617**	**583,608**	**-**	**583,608**
Sales revenue with other segments	3,154	5,435	119	8,708	- 8,708	-
Changes in inventories	4,402	12	83	4,497	-	4,497
Total revenues	**362,855**	**119,139**	**114,819**	**596,813**	**- 8,708**	**588,105**

in € thousand	1/1/2017 – 9/30/2017					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	315,493	90,254	103,265	509,012	-	509,012
Point in time revenue recognition	21,748	4,032	6,834	32,614	-	32,614
Sales revenue with other segments	- 4,125	- 2,767	- 77	- 6,969	-	- 6,969
Sales revenue with third parties	**333,116**	**91,519**	**110,022**	**534,657**	**-**	**534,657**
Sales revenue with other segments	4,125	2,767	77	6,969	- 6,969	-
Changes in inventories	- 3,093	- 481	232	- 3,342	-	- 3,342
Total revenues	**334,148**	**93,805**	**110,331**	**538,284**	**- 6,969**	**531,315**

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

As in the same period in 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 liabilities, and these are composed as follows:

in € thousand	9/30/2018	12/31/2017
Obligations from the renting of property	148,499	148,060
Obligations from miscellaneous renting and leasing contracts	8,718	9,052
Open purchase orders	3,255	1,486
Other miscellaneous financial obligations	26	29
Total	**160,498**	**158,627**

Contingent Receivables

As in the same period in 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	9/30/2018	12/31/2017 revised
Non-current financial liabilities	- 121,593	- 1,158
Current financial liabilities	- 86,973	- 115,962
Securities/derivative financial instruments	43	43
Cash and cash equivalents	85,016	13,485
Net financial debt/-credit [-/+]	**- 123,507**	**- 103,592**
Equity	148,716	147,517
Net Gearing [%]	**83.0%**	**70.2%**

By resolution of the general meeting of June 5, 2018, EDAG Group AG effected a dividend payout of € 18,750 thousand, which corresponds to € 0.75 per share.
EDAG Engineering GmbH, Wiesbaden, the major company in the EDAG Group, has placed a promissory note loan *(Schuldscheindarlehen)* in several tranches with a total volume of € 120 million, with varying interest rates and maturities of five to ten years, in order to secure strategic, long-term liquidity. Sole contractual partner of the promissory note loan is a renowned financial institution. The funds raised in this way are to serve as a low-cost means of refinancing existing financial liabilities on the one hand, and to secure further growth of the EDAG Group on the other.

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

As of September 30, 2018, there were current loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 63,570 thousand (12/31/2017: € 61,264 thousand). On account of their due date at the beginning of November 2018, they were redeemed. As of September 30, 2018, there is a current loan, including interest, in the amount of € 20,888 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2017: € 20,932 thousand).

The EDAG Group reported unused lines of credit in the amount of € 98.0 million on the reporting date (12/31/2017: € 72.0 million).

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

	in € thousand	9/30/2018	12/31/2017 revised
	Inventories	10,270	3,888
+	Current contract assets	139,121	67,659
+	Current accounts receivable	82,254	141,040
-	Current contract liabilities	- 33,995	- 39,290
-	Current accounts payable	- 23,298	- 24,745
=	**Trade Working Capital (TWC)**	**174,352**	**148,552**
+	Non-current other financial assets	507	433
+	Non-current other non-financial assets	62	62
+	Deferred tax assets	1,604	2,513
+	Current other financial assets excl. Interest-bearing receivables	2,268	2,081
+	Current other non-financial assets	12,751	10,993
+	Income tax assets	2,842	2,020
-	Non-current other financial liabilities	- 1,212	- 2,243
-	Deferred tax liabilities	- 5,108	- 3,061
-	Current other financial liabilities	- 4,002	- 3,348
-	Current other non-financial liabilities	- 56,368	- 53,289
-	Income tax liabilities	- 6,947	- 11,714
=	**Other working capital (OWC)**	**- 53,603**	**- 55,553**
	Net working capital (NWC)	**120,749**	**92,999**

The trade working capital increased from € 148,552 thousand to € 174,352 thousand, compared to December 31, 2017. The increase of € 71,462 thousand in current contract assets was not entirely compensated for by the decrease of € 58,786 thousand in current accounts receivable. On the equity, liabilities and provisions side, moreover, the current accounts payable and current contractual liabilities decreased by € 6,742 thousand in the same period.

At € -53,603 thousand, the other working capital increased compared to December 31, 2017 (€ -55,553 thousand), mainly due to the payment of income tax liabilities.

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

IFRS 9 introduces new accounting regulations for the classification and measurement of financial assets and for the accounting for impairments of financial assets. Classification as "at acquisition cost [AC]", "at fair value through profit and loss [FVtPL]" or "fair value reported in other comprehensive income [FVOCI]" is on the basis of the entity's business model and the structure of the cash flows. The following tables show the measurement categories of financial assets under IAS 39, the transfer to the new classification and measurement categories under IFRS 9, and the respective book values as per January 1, 2018. The first-time adoption of IFRS 9 did not have any effects of the classification and measurement of financial liabilities.

Transfer of the measurement categories for financial assets from IAS 39 to IFRS 9 on January 1, 2018:

in € thousand Category according to IAS 39	Book value according to IAS 39 12/31/2017	Measurement adjustment IFRS 9	Book value according to IFRS 9 1/1/2018	Category according to IFRS 9
Loans and Receivables [LaR]				
Cash and cash-equivalents	13,485		13,485	Amortized Cost [AC]
Accounts receivable and other receivables in terms of IAS 32.11	143,553	- 122	143,431	Amortized Cost [AC]
Loans	98		98	Amortized Cost [AC]
Available-for-Sale Financial Assets [AfS]				
Investments and securities	95		95	Fair Value through Profit or Loss [FVtPL]

Transfer of the risk provisions following the simplified procedure for accounts receivable and contract assets in accordance with IFRS 15 from IAS 39 to IFRS 9 on January 1, 2018:

in € thousand	former Loans and Receivables [LaR]	No category acc. to IAS 39 [n.a.]
to Financial assets/liabilities measured at amortized cost		
12/31/2017	3,087	
Adjustments	122	
1/1/2018	3,208	
to Contract assets IFRS 15		
12/31/2017		-
Adjustments		18
1/1/2018		18

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 2017.

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 Consolidated Financial Statements are shown in the following table.

in € thousand	Valuation category as per IFRS 9	9/30/2018	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IAS 17/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	85,016	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	85,028	-
Contract assets	[n.a.]	-	139,121
Loans	[AC]	91	-
Investments and securities	[FVtPL]	124	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	120,556	-
Other interest-bearing liabilities	[AC]	84,458	-
Liabilities from financing leases	[n.a.]	-	3,413
Derivative financial liabilities	[FVtPL]	140	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	26,319	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,193	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	170,135	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	124	-
Financial Liabilities measured at Amortized Cost	[AC]	231,333	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,333	-

The book values or fair values of all financial instruments for the comparative period recorded in the Consolidated Financial Statements in accordance with IAS 39 are shown in the following table.

in € thousand	Valuation category as per IAS 39	Book value 12/31/2017 revised	Valuation balance sheet as per IAS 39				Valuation statement of financial position as per IAS 17/IFRS 15
			Amortized costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets							
Cash and cash-equivalents	[LaR]	13,485	13,485	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	143,553	143,553	-	-	-	-
Contract assets	[n.a.]	67,659	-	-	-	-	67,659
Loans	[LaR]	98	98	-	-	-	-
Assets available for sale	[AfS]	95	52	-	43	-	-
Financial liabilities							
Financial liabilities							
Credit institutions	[FLAC]	31,908	31,908	-	-	-	-
Other interest-bearing liabilities	[FLAC]	82,197	82,197	-	-	-	-
Liabilities from financing leases	[n.a.]	2,905	-	-	-	-	2,905
Derivative financial liabilities	[FLHfT]	110	-	-	-	110	-
Accounts payable and other liabilities in terms of IAS 32.11		27,709	27,709	-	-	-	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,627	-	-	-	2,627	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	157,136	157,136	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	95	52	-	43	-	-
Financial Liabilities measured at Amortized Cost	[FLAC]	141,814	141,814	-	-	-	
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,627	-	-	-	2,627	-
Financial Liabilities Held for Trading	[FLHfT]	110	-	-	-	110	-

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. 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 9/30/2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	44	-	-	44
Financial liabilities				
Derivative financial liabilities	-	140	-	140
Other liabilities	-	-	2,193	2,193

in € thousand	Assessed at fair value 12/31/2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	43	-	-	43
Financial liabilities				
Derivative financial liabilities	-	110	-	110
Other liabilities	-	-	2,627	2,627

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	2018	2017
As per 1/1/	**2,627**	**98**
Aquired in a business combination	-	2,637
Loss recognized in financial expenses		
Net change of fair value	42	18
Profit recognized in other income		
Net change of fair value	- 25	- 25
Cash Flows	- 447	- 25
Currency conversion difference	- 4	- 45
As per 3/31/	**2,193**	**2,658**

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 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 the Notes to the Consolidated Financial Statement in the annual report of EDAG Group AG for 2017.

As of September 30 there were still two long-term, unsecured fixed interest loans with the ATON Group Finance GmbH which were due on November 6, 2018. After balance sheet date, these were completely redeemed on November 6, 2018.

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

in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	619	621
Travel and other expenses	21	17
Rental expenses	136	238
Consulting expenses	19	4
EDAG Group with supervisory boards (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	53	26
Travel and other expenses	2	1
Compensation costs	491	429
EDAG Group with group executive management		
Goods and services received	-	9

in € thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017
EDAG Group with ATON companies (affiliated companies)		
Goods and services rendered	20,402	25,707
Goods and services received	2,001	890
Interest expense	2,305	3,291
Other operating income	506	461
Other operating expenses	418	372
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	2	2
EDAG Group with associated companies		
Goods and services rendered	1,903	580
Goods and services received	80	148
Interest income	5	-
Other operating income	486	451
Other operating expenses	38	47
Income from investments	688	457
EDAG Group with other related companies and persons		
Goods and services rendered	432	806
Goods and services received	-	7
Interest expense	388	388
Other operating income	41	31
Other operating expenses	2,825	3,107

5.10 Subsequent Events

No important events took place after the reporting period.

Arbon, November 7, 2018

EDAG Engineering Group AG

Jürgen Vogt, Chief Financial Officer (CFO)

Georg Denoke, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors

LEGAL NOTICE

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