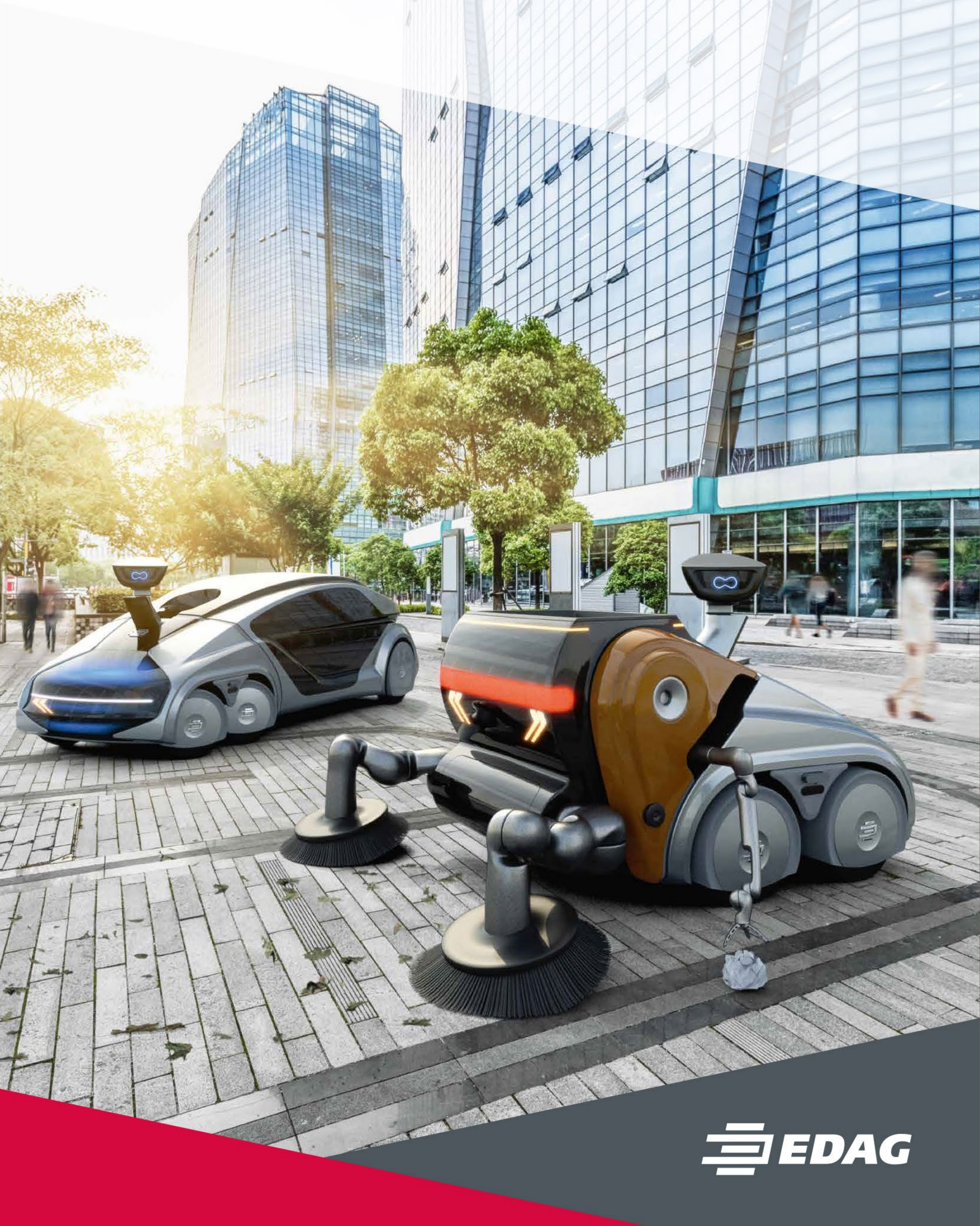
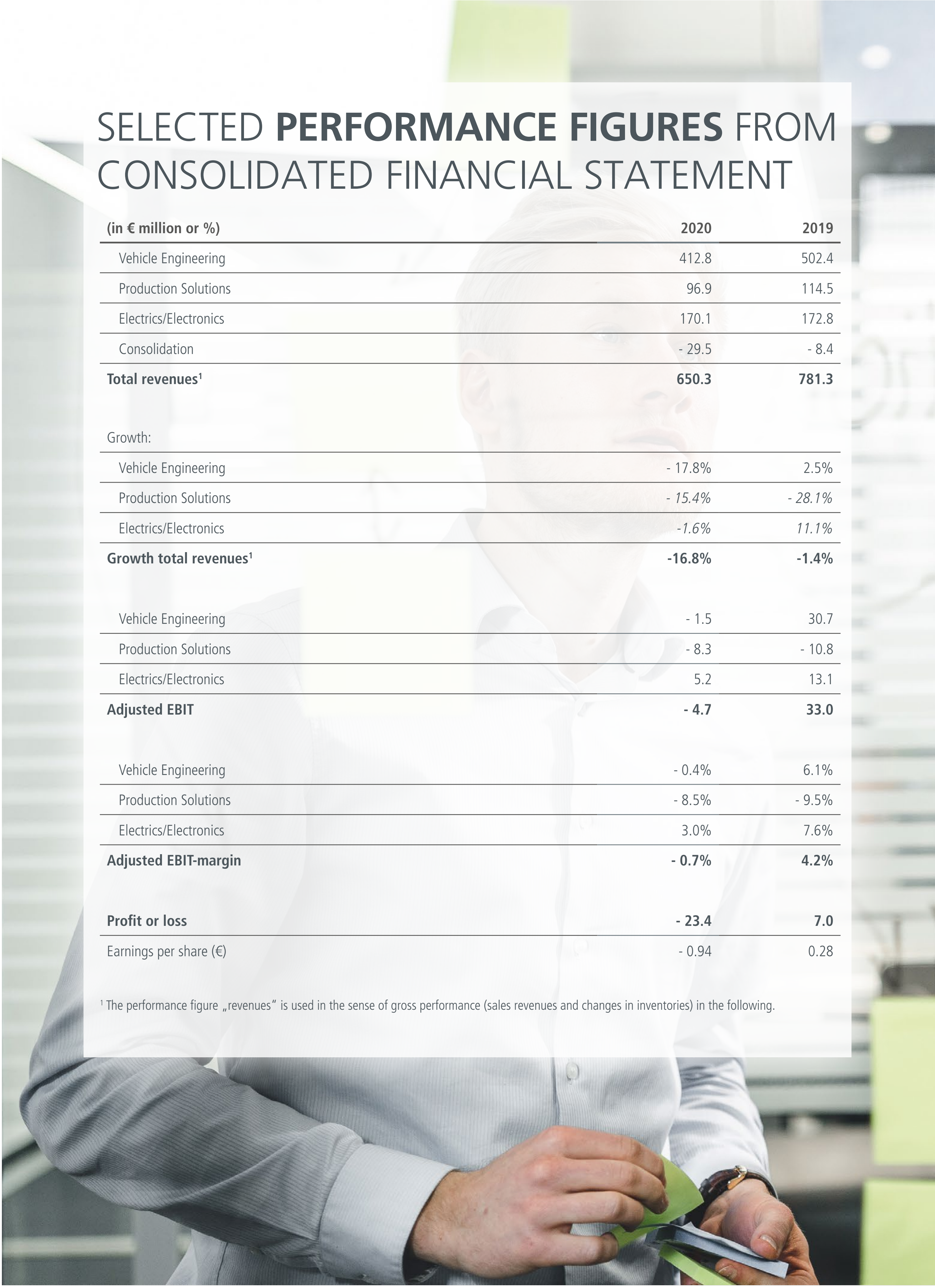
DEVELOPER OF DIGITAL AND SMART MOBILITY
EDAG ANNUAL REPORT 2020

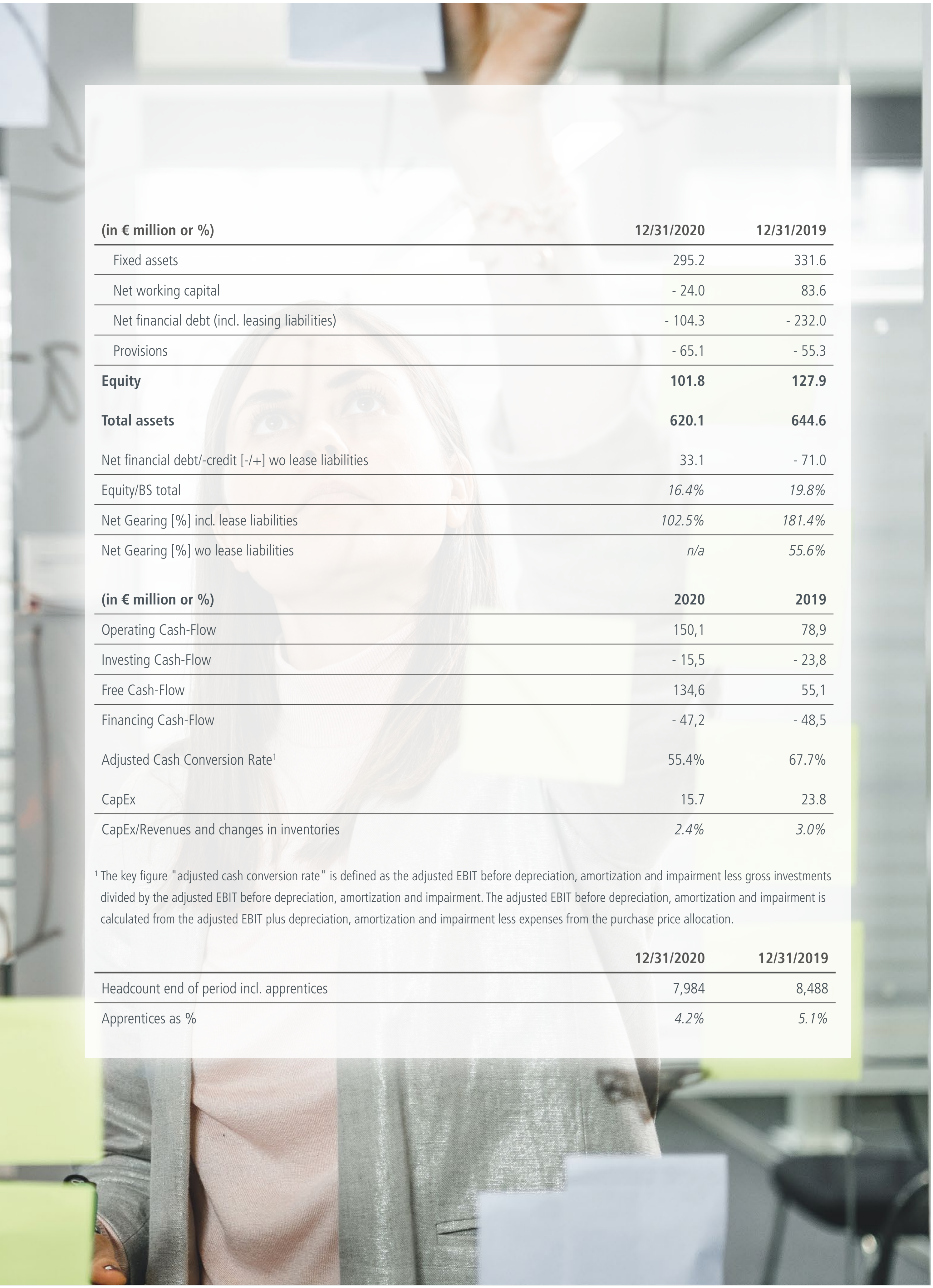




SELECTED **PERFORMANCE FIGURES** FROM CONSOLIDATED FINANCIAL STATEMENT

(in € million or %)	**2020**	**2019**
Vehicle Engineering	412.8	502.4
Production Solutions	96.9	114.5
Electrics/Electronics	170.1	172.8
Consolidation	- 29.5	- 8.4
Total revenues[1]	**650.3**	**781.3**
Growth:		
Vehicle Engineering	- 17.8%	2.5%
Production Solutions	*- 15.4%*	*- 28.1%*
Electrics/Electronics	*-1.6%*	*11.1%*
Growth total revenues[1]	**-16.8%**	**-1.4%**
Vehicle Engineering	- 1.5	30.7
Production Solutions	- 8.3	- 10.8
Electrics/Electronics	5.2	13.1
Adjusted EBIT	**- 4.7**	**33.0**
Vehicle Engineering	- 0.4%	6.1%
Production Solutions	- 8.5%	- 9.5%
Electrics/Electronics	3.0%	7.6%
Adjusted EBIT-margin	**- 0.7%**	**4.2%**
Profit or loss	**- 23.4**	**7.0**
Earnings per share (€)	- 0.94	0.28

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

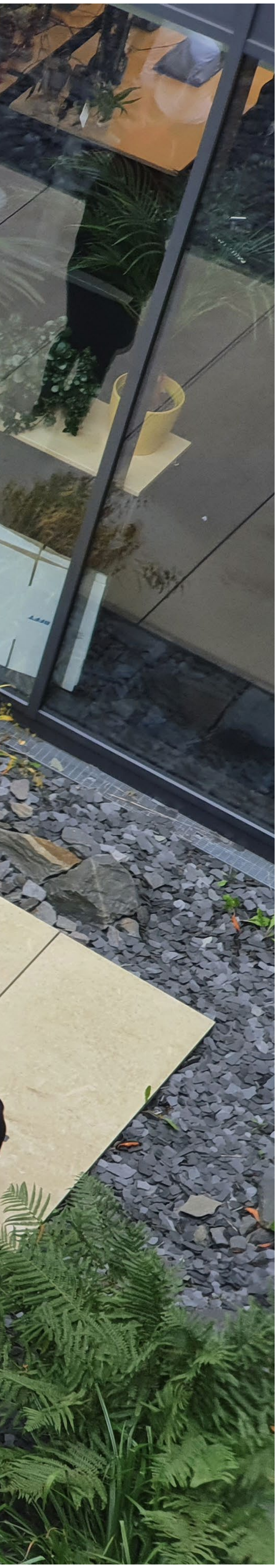


(in € million or %)	12/31/2020	12/31/2019
Fixed assets	295.2	331.6
Net working capital	- 24.0	83.6
Net financial debt (incl. leasing liabilities)	- 104.3	- 232.0
Provisions	- 65.1	- 55.3
Equity	**101.8**	**127.9**
Total assets	**620.1**	**644.6**
Net financial debt/-credit [-/+] wo lease liabilities	33.1	- 71.0
Equity/BS total	*16.4%*	*19.8%*
Net Gearing [%] incl. lease liabilities	*102.5%*	*181.4%*
Net Gearing [%] wo lease liabilities	*n/a*	*55.6%*

(in € million or %)	2020	2019
Operating Cash-Flow	150,1	78,9
Investing Cash-Flow	- 15,5	- 23,8
Free Cash-Flow	134,6	55,1
Financing Cash-Flow	- 47,2	- 48,5
Adjusted Cash Conversion Rate[1]	55.4%	67.7%
CapEx	15.7	23.8
CapEx/Revenues and changes in inventories	*2.4%*	*3.0%*

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

	12/31/2020	12/31/2019
Headcount end of period incl. apprentices	7,984	8,488
Apprentices as %	*4.2%*	*5.1%*



CONTENT

DEAR SHAREHOLDERS,

2020 was shaped by a pandemic, unprecedented in recent history, that governed virtually all political and economic decision-making. It presented our Group with many new challenges, too. At the start of 2020, therefore, we established a crisis team whose primary task was initially to protect employees and keep them informed, the aim being to preserve business operations in the changing circumstances and facilitate mobile working from home on a broad basis. A powerful IT infrastructure enabled us to provide some 6,000 employees around the world with mobile access very quickly. Thanks to the early roll-out of a comprehensive protection plan and the consistent implementation of our policies by staff, we succeeded in preventing infection clusters from forming within our company.

Meanwhile, the pace of change in the automobile industry has accelerated once more, with electromobility establishing itself firmly in the product portfolios of virtually all OEMs. Driven in part by state subsidies, sales of battery electric (BEV) and plug-in hybrid (PHEV) vehicles grew rapidly. That said, the passenger car market as a whole experienced one of the sharpest declines in its history, with around 17 percent fewer vehicles sold worldwide in 2020 than in the previous year. In light of this dramatic trend, our customers elected to revise their investment plans, focusing even more on major future issues such as e-mobility and connectivity in the field of development.

Key financial trends

This general economic backdrop made itself felt in the EDAG Group's books, too. The effect was particularly dramatic in the second quarter, which saw almost all major markets in lock-down and subject to regulatory restrictions.

Total revenue was approximately 17 percent down on the previous year, at around € 650 million. Adjusted EBIT stood at € -4.7 million.

Management introduced countermeasures at an early stage, including a significant increase in short-time work in Germany and other countries that provide similar instruments. Voluntary salary reductions at all management levels including Group Executive Management and the Board of Directors relieved the pressure on costs in the second half of the year. We also revised our investment plans, cut costs, and put strict working capital and cash flow management measures in place. Structural measures were also required, however. Special charges of around € 12 million were recognized in respect of the closure of several smaller business areas with poor utilization prospects. The acceptance of a previously unused KfW entrepreneurial loan of € 60 million at the end of the year gave us additional scope to secure financial stability and flexibility, in addition to the free cash flow generated in the course of the year.

Our three segments have been impacted to different degrees by the pandemic. Vehicle Engineering taking the biggest hit right at the start of the crisis. Some customer projects were postponed, while others were even terminated completely. Thankfully, this was compensated – at least to some degree – by the acquisition of new, predominantly international customers. All told, output fell by 17.8 percent in 2020, resulting in an adjusted segment EBIT margin of -0.4 percent.

Demand for the services of our Electrics/Electronics (E/E) segment was robust in 2020, even growing in some areas. We have further refined our competency profile and have trimmed the organization even more keenly toward future needs, particularly in the area of software and digitization. At € 170.1 million, revenue in E/E was just 1.6 percent down on the previous year's level. With adjusted EBIT of € 5.2 million, the segment remained profitable – even if, here too, volatility in capacity utilization gave rise to a year-on-year contraction in earnings.

Confronted by investment freezes in the automobile industry, our third segment, Production Solutions, posted a decline in revenue of 15.4 percent and adjusted EBIT of € -8.3 million. That being said, the restructuring initiative launched in 2019 has started to bear fruit, with Industrial Services acquiring several new customers. This bears out our strategy, and we will therefore continue to make Smart Factory, Industry 4.0, and, going forward, Smart City the focus of the segment's business activity with a more broadly diversified customer portfolio.

In 2020, the performance of our share reflected – albeit with a certain time lag – the uncertainty in the capital markets caused by the coronavirus pandemic. As a result, the share did not reach its lowest closing price of € 5.67 until the end of August. The significant recovery that followed, however, produced a closing price of € 9.05 on the final day of trading, thus recovering a large proportion of the losses.

Realizing visions – inspiring people

As a provider of development services to the global automobile industry, we transform the ideas and visions of our customers around the world into new products and production facilities. In 2020, our expertise enabled us to win over numerous new and existing customers, and we succeeded in expanding our position as a global champion in the area of integrated vehicle development. We also managed to develop our customer portfolio, particularly in the international environment.

The success of our technical innovations and project work is founded essentially on the know-how and commitment of our employees, which itself is based on sound training, interdisciplinary exchanges, global collaboration, and continuous professional development. In an effort to reinforce these foundations, we once again invested in the training and development of our engineers in 2020, imparting fresh knowledge and paving the way for future success in the market. We would like to express our sincere thanks to all our employees for their outstanding effort and commitment in the face of what were very special challenges in 2020.

Looking forward

The rampant coronavirus pandemic continues to leave its mark on the new financial year, with restrictions in public and private life in many countries continuing to have a negative impact on economic activity. In contrast to the start of the last financial year, the availability of different vaccines now promises hope of a gradual improvement in the situation and transition to a new reality.

We are therefore expecting an upswing in the economy in 2021, and this should also bring about a recovery in passenger car sales. However, experts do not expect sales to return to the 2019 level for another two to three years, and many of our customers will therefore realign themselves along the future value-added chains and allocate their research and development budgets accordingly. That being said, persistently low interest rates and a favorable IPO environment are attractive conditions for automotive start-ups, and funds are available with which to develop new, forward-looking mobility concepts.

The current market environment therefore calls for agility, dynamism, and cost leadership from the EDAG Group on the one hand, without sacrificing reliability, expertise, and innovative potency on the other. In this trade-off, we are consistently gearing our company to the challenges and markets of the future, while setting ourselves apart from the market through our unique selling proposition of integrated vehicle development plus production plant engineering. We are pushing ahead with digitization in all areas of expertise and aim to present a broader range of products in the field of software development. As our customer portfolio becomes more international in structure, we aim to further increase sales to customers outside Germany during the current year. We will also be targeting new customer groups in the Industrial Services and Smart City sectors, and this will require further selective investment in forward-looking trends and technologies. At the same time, we are working to continuously improve the efficiency of our entire service delivery process.

We are convinced that we are on the right strategic track for sustainable growth, and look to the year ahead with cautious optimism.

G. Denoke

Georg Denoke
Chairman of the Board of Directors

Cosimo De Carlo
CEO





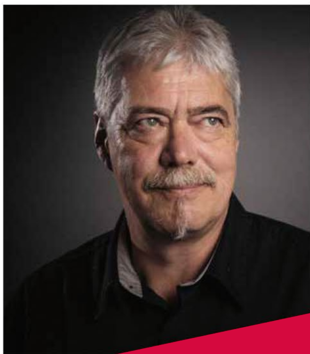
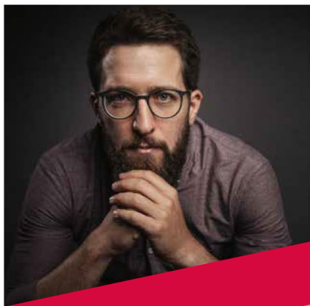








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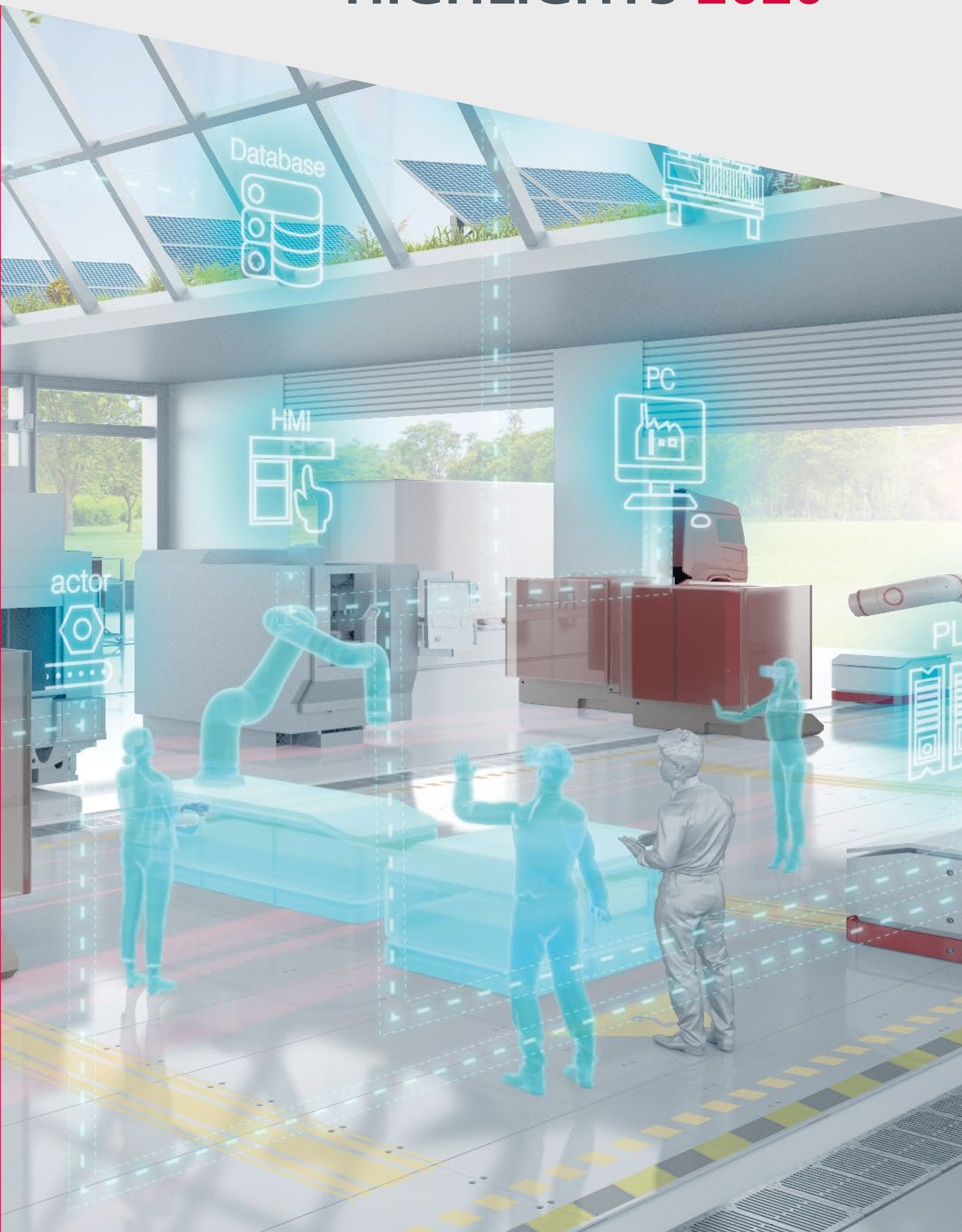
HIGHLIGHTS 2020



January

The EDAG Group opens its new Competence Center for Functional Safety & Cyber Security in Weinheim and bundles its functional safety and cyber security know-how there.

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In a research project funded by the Federal Ministry of Transport and Digital Infrastructure, the EDAG Group assumes responsibility for the development of specific power electronics for the inductive charging of taxis.

February

The EDAG Group acquires a new customer in the special commercial vehicles sector, namely KAMAG Transport-technik GmbH. The complete vehicle development for a logistics transporter is to be carried out in the Ohio project. The main areas of focus here are the development of a new cab and frame, and component integration. Despite the difficult conditions caused by the Corona pandemic, a first prototype is tested successfully and on schedule after just nine months.

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The EDAG Group is awarded development contracts by Rolls Royce.

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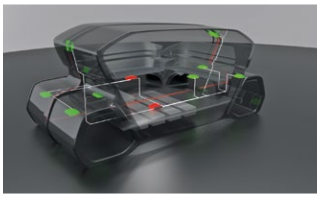
EDAG PS bundles its digitalization competencies in the field of digital manufacturing in its newly established department, „Digitalization Smart Factory". This department stands for the realignment of the EDAG PS segment and for the strategic goal of supplying more automotive and non-automotive customers in the field of Industrie 4.0.



March

EDAG and its partners develop a zone-based, updatable and scalable electric/electronic architecture for the EU-funded project ZOBAS.

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Within the scope of the BMBF-backed „CustoMat_3D" research project, the EDAG Group, together with eight partners, develops an aluminum alloy for use in the car, which is able to provide both higher strengths and higher elongations at break.

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The EDAG Group once again receives a „Top Employer" award in the category „Engineers". For the twelfth time in a row, the independent jury of the Top Employers Institute confirms the company's outstanding working conditions, and awards us with 3rd place.

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The EDAG Corona Crisis Team is established. In daily contact with the relevant authorities, the team provides employees with a continuous stream of up-to-date information about the COVID-19 virus by e-mail and on a specially set up information portal. In addition, a Corona hotline for EDAG employees is set up to answer any further questions they might have on a daily basis.

April

To relieve the critical supply situation resulting in shortages of masks , the EDAG Group develops the „mask4all" for everyday use and provides the 3D print data for the mask holders free of charge. Combined with standard household fabrics or the kind of medical non-woven materials that are available over the counter, they can be used to assemble face masks to help to contain COVID-19.

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The successful bundling of chassis and electrics/electronics skills enables the EDAG Group to acquire two major brake development projects in the first half of 2020.

May

Working on behalf of Volvo, the EDAG Group develops the exterior for future Volvo passenger car models. The project is handled by an international EDAG development team from Sweden and Poland.

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For a major South Korea-based system supplier, the EDAG Group tests high-voltage batteries for all fields and of all classes at the Ingolstadt for the necessary approvals, to be able to supply national and international OEMs with energy storage systems.

June

EDAG PS assumes responsible for the marriage and chassis assembly line for an electric-powered vehicle for Volkswagen, including preparation of the complete planning in digital form, simulation of all manual and automated processes, and finally the entire systems engineering. By making constant of the results of the preliminary analyses throughout this project , it is possible to guarantee very high engineering quality despite the tightness of the schedule.

July

The first EDAG facility in Turkey is opened on July 1. With the opening of the engineering center in Bilişim Vadisi, the EDAG Group extends its international presence to over 60 locations. Operating in the capacity of official engineering partner, the EDAG Group, with an international team of experts, has been working with the Turkish company TOGG on the development of the first Turkish battery electric vehicle since 2019.

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Working in collaboration with Brabus Automotive, development of the high-security vehicle with protection class VR6 Plus ERV is brought to a successful conclusion.

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The EDAG Group starts work on a massive extension of its site in Ingolstadt, which is to be developed into another fully integrated EDAG engineering center. In addition to the comprehensive range of services it offers in vehicle and production plant development, Ingolstadt will also become one of the largest software and digitalization hubs within the EDAG Group. This is the company's response to the steadily growing demand for digital services for the mobility industry.

August

Regardless of the current Corona situation, the EDAG Group continues to develop and advance its training program. For EDAG, investment in training has always been a tried and tested way of securing future talent. EDAG is therefore particularly pleased this year that, nationwide, some 75 young people are starting their apprenticeship or a dual courses of study with the EDAG Group.

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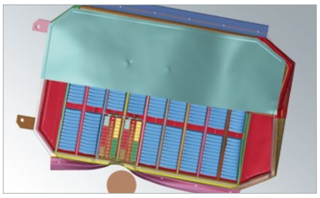
EDAG China supports major Chinese OEMs in numerous fields of complete vehicle development, and is to begin work on the development of a premium vehicle for a local OEM.



September

EDAG develops various low-voltage storage technologies for a premium German OEM, and will be taking these through to readiness for start of production. The project is planned for the period until 2025, and includes 12-volt and 48-volt battery storage for various applications, as well as supercapacitators and redundancy storage for highly automated driving.

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A simulation method for thermal calculation of lithium cells is developed and validated in a cooperation between CAE and the software provider of the „E-Drive and Battery" program.

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In agile sprints to international standard: EDAG PS develops software for the model factory supply chain for Continental.

October

The EDAG Group presents the AI prototype of the „EDAG CityBot" for the first time at the „EDAG Tech Summit 2020". The AI prototype, which constitutes the further development of the CityBot mobility concept presented at the IAA 2019, impressively underlines its technical feasibility. In the fields of artificial intelligence, autonomous driving, robotic technology and trajectory planning, the robot vehicle demonstrates concrete technical solutions for transferring the vision of the EDAG CityBot to the real world.

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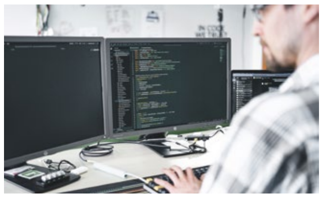
The EDAG Group has installed a new organisational structure for the for the future field of Software & Digitalization. With a central sales department to coordinate the joint activities of the Electrics/Electronics and Production Solutions segments, EDAG is clearly positioned as an expert in software development and integration in the vehicle and infrastructure. Using know-how acquired in the fields of Mobility & Cloud Services, Smart Factory and Smart City, EDAG actively supports the digital revolution our customers are undertaking. At the same time, EDAG is also driving the fields of agile development, artificial intelligence and IoT.



November

On behalf of a German premium manufacturer, EDAG takes responsibility for the development of the floor assembly, fuel tank, side frame, exterior and the closures of four derivative vehicles in the compact and mid-range.

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Wacker Chemie AG awards EDAG PS a contract for the incorporation of its digitalization competencies in production control.

December

Outstanding success in staff training: On account of his excellent final examination results, a 21-year-old EDAG apprentice from Fulda is declared the National Champion, making him the best Industrial Mechanic apprentice in Germany in 2020.

In addition, the EDAG Group in Fulda also produced two Regional Champions for Hesse, one in the „Technical Product Designer" program, and the other in the „Vehicle Body and Structure Mechanic" program.

WORLD PREMIERE AT THE EDAG TECH SUMMIT 2020: THE NEXT STAGE IN THE EVOLUTION OF THE „EDAG CITYBOT"

AI PROTOTYPE MAKES AN IMPRESSIVE IMPACT WITH NEW SKILLS AND TECHNOLOGIES

What will the mobility of the future look like? Among the general public, this question is frequently equated with the discussion about the right kind of drive system. Certainly, from the viewpoint of Germany as a center of technology and the automotive industry, this concept is not unfounded. But in fact the question of the mobility of the future is far more multifaceted than just that. Technical developments mean that, regardless of drive technology, new mobility scenarios such as autonomous driving or large cities where neither congestion nor parking are a problem are becoming increasingly important. Because in the final outcome, if we switch only private transport to autonomous and e-drive systems, we gain nothing that will enable us to successfully address the traffic problems in inner cities. It is, after all, not just a matter of less noise and lower emissions in the cities.
The factor „space" becomes the third and decisive factor. We need to create more space for living and housing! Today's transport system is not efficient.

Motivated by these considerations, the EDAG Group presented its CityBot mobility concept with great success at the IAA 2019. The CityBot does not belong to one particular type of vehicle – in fact, what it represents is an all-round, networked and radically different mobility concept. EDAG CityBots are networked, autonomous robot vehicles which are coupled up with various utility modules such as trailer and rucksack modules, to enable them to master all kinds of transport and work situations in urban or industrial areas. Far from being a stand-alone solution, they are an integral part of a demand-oriented, fully integrated transport system: permanently in motion, and therefore enormously efficient. With everything operating under a self-contained software system, to facilitate the intelligent interlinking and effective coordination of the diverse tasks and logistic processes in the smart city. A visionary concept with enormous potential – but is it also technically feasible?

With the presentation of the AI prototype of the EDAG CityBot, the EDAG Group delivered initial, impressive proof that this is indeed the case. In the fields of artificial intelligence, autonomous driving, robotic technology and trajectory planning, the robot vehicle demonstrates concrete technical solutions for transferring the vision of the EDAG CityBot to the real world.

To enable it to perform a wide variety of tasks in even the tightest of spaces in the future, a chassis and drive concept that ensures maximum manoeuvrability was developed for the AI prototype: as a result, the CityBot is capable of driving straight ahead and around bends, as well as diagonally and transversely, and can turn on the spot if necessary. These are functions that no standard road vehicle in the world has yet been able to offer.

During the „EDAG Tech Summit" held in October 2020, trade visitors were able to see for themselves – either in person at the Fulda site or via live stream – the extended skills of the CityBot as it handled the task of waste disposal in a playground (test area). By means of innovative trajectory planning and self-localization, the AI prototype can autonomously move around the playground and approach an identified waste object with pinpoint accuracy. Thanks to AI and machine learning, the EDAG specialists have developed an object recognition system by means of which the CityBot can identify objects such as a ball of scrunched up paper, a beverage can or a bottle, and then use its robotic arm to pick it up and dispose of it accordingly.

„We are proud of the fact that, with the AI prototype, we have demonstrated the technical feasibility of the vision of our fully integrated „EDAG CityBot" mobility concept. What is more, it is a competence carrier and a visible sign of the successful transformation process of the EDAG Group. With our software and digitalization expertise, we offer exactly the right skills that will be needed for the vehicles of tomorrow: networked, autonomously driven and versatile. This puts us in an excellent position to provide our customers not just with our acknowledged expertise in 360-degree engineering for vehicles and production plants, but also with all-round support in the future fields of mobility," summed up Cosimo De Carlo, CEO of the EDAG Group.

Outstanding response to the world premiere of the AI prototype

Interest following the „EDAG Tech Summit", which ended on November 5, 2020, was exceptionally high, and was accompanied by an extremely positive response from participants.
There were 5,200 visitors to the EDAG Tech Summit event website, and more than 200 webinar participants. More than 150 high-ranking representatives including vehicle manufacturers, system suppliers, the trade press and representatives from politics and local authorities took part in the one-hour live

presentations, which were followed by discussions with EDAG'S engineering experts. Participants included Dr. Michael Güntner, State Secretary in the Federal Ministry of Transport and Digital Infrastructure (BMVI), and Prof. Dr. Kristina Sinemus, Hessian Minister of State for Digital Strategy and Development. Just a few days after the visit of the political representatives, further talks and thought gathering sessions were held with BMVI and others. These were held to identify and promote specific use cases in the form of „living laboratories" for the testing of CityBots in Germany.

„We were able to inspire the visitors with the EDAG CityBot concept. The centrally controlled mobility concept consisting of a fleet of multifunctional robot vehicles with swarm intelligence captured the participants' imagination and won them over," explains Johannes Barckmann, EDAG CityBot concept & product owner. „For the further roadmap of the EDAG CityBot concept, it was important to take the AI prototype and demonstrate that a multifunctional, autonomously driven robot vehicle is a technical feasibility."

Thee CityBot story continues

The EDAG Group will be working on the continual development of the CityBot concept. The roadmap provides for a first application in a „living laboratory".
The engineering company is at present in advanced discussions with a major Spanish city which has already indicated a very clear interest in carrying out an initial test run using „EDAG CityBots".
On a timescale up until 2025, the EDAG Group considers the industrial use of CityBots at airports or in the field of distribution/logistics to be a realistic goal, as there is no mixed traffic in these areas, and the influencing factors are easier to control than in real city traffic.
The year targeted for its first deployment in urban areas is 2030.


EDAG

EDAG ON THE CAPITAL MARKET

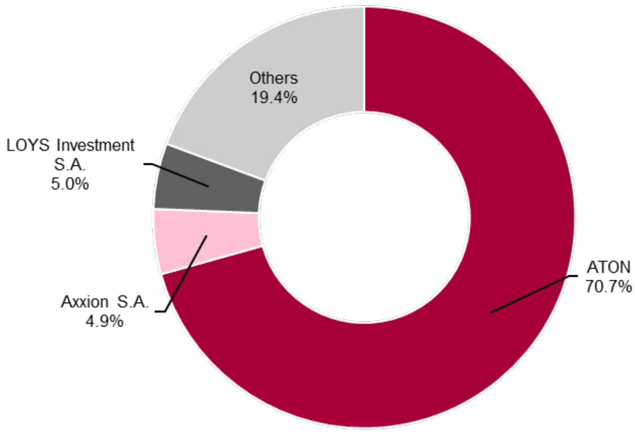
EDAG ON THE CAPITAL MARKET

1 Basic Share Information

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

2 Shareholder Structure

The largest individual shareholder of EDAG Engineering Group AG is ATON Austria Holding GmbH, which holds 70.66 percent. Further shareholders with holdings of more than three percent are LOYS Investment S.A. with 5.03 percent and Axxion S.A. with 4.98 percent. This information is based on voting rights notifications as per §§ 33 et seq. of the WpHG (German Securities Trading Law), received by the company on or before January 15, 2021.

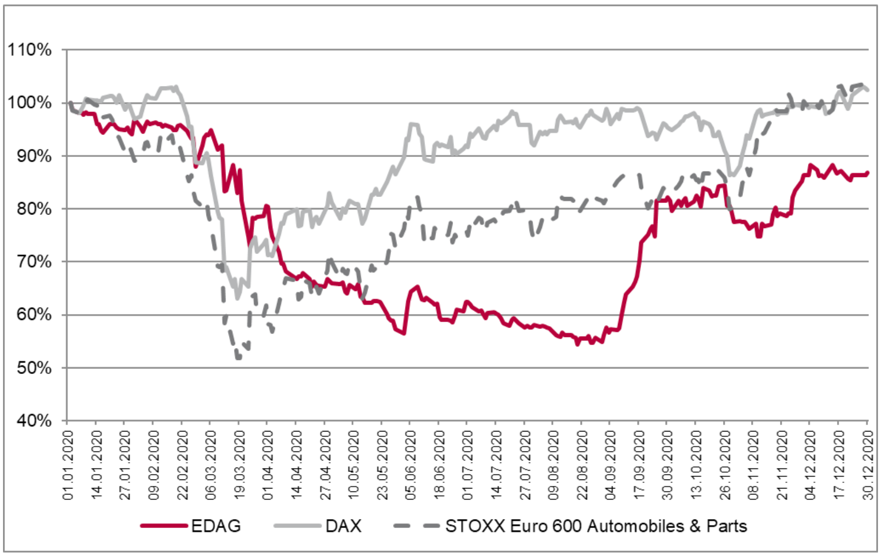


Ownership structure of EDAG Engineering Group AG. All information is based on notifications as per § 33 et seq. of the WpHG (German Securities Trading Law), received by the company on or before January 15, 2021.

3 Price Development

On January 2, 2020, the opening price of the EDAG share in XETRA trading was € 10.14. The highest closing price in the reporting period, € 10.42, was reached on the same day. Following this, the stock markets, in particular values from the automotive sector, came under pressure. As a result of the Corona pandemic, the stock markets then fell sharply, especially in March. Like others, the EDAG share price was unable to escape the impact of the Corona pandemic and the negative developments in the automotive industry. The lowest closing price in the reporting period, € 5.67, was reached on August 20. Following this, the share recovered significantly, closing at € 9.05 on December 30. In 2020, the average XETRA trade volume was 8,371 shares a day.

The German Stock Index (DAX) exhibited almost 3.5 percent growth, while STOXX Euro 600 Automobiles & Parts rose by some 3.8 percent in the same period. The current EDAG share price is available on our homepage, on http://ir.edag.com.



Source: Comdirect

4 Key Share Data

	01/01/2020 – 12/31/2020
Prices and trading volume:	
Share price on 30 December (€)[1]	9.05
Share price, high (€)[1]	10.42
Share price, low (€)[1]	5.67
Average daily trading volume (number of shares)[2]	8,371
Performance per share:	
Earnings per share (€)	- 0.94
Dividend per share (€)[3]	-
Operating cash flow per share (€)	6.00
P/E ratio	- 9.67
Market capitalization on 30 December (Mio. €)	226.3

[1] Closing price on Xetra

[2] On Xetra

[3] Proposed by Group Executive Management and the Board of Directors

5 Analysts' Recommendations

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

Bank	Analyst	Recommendation	Target Price	Published	Source
Deutsche Bank	Christoph Laskawi	Hold	9 €	03 Feb 21	Research Report
Morgan Stanley	Harald Hendrikse	Hold	9 €	02 Feb 21	Research Report
M. M. Warburg & CO 1798	Marc-René Tonn	Hold	9 €	13 Nov 20	Research Report
Hauck & Aufhäuser Privatbankiers seit 1796	Christian Glowa	Hold	5,6 €	03 Nov 20	Research Report
Berenberg Privatbankiers seit 1590	Gerhard Orgonas	Hold	6,3 €	28 Aug 20	Research Report

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

6 Dividends

In view of the annual loss accumulated in the course of 2020 and the restrictions of the additional KfW financing, the Board of Directors will, at the annual shareholder's meeting for 2020, propose that no dividend will be paid. Our focus is currently centered on ensuring a sound financial basis and continuously increasing our profitability. In this way, we aim to create sustainable values, also in the interest of our shareholders. We are confident that we have set the right strategic course to be able to achieve this aim, and are looking to the year ahead with cautious optimism.

7 Financial Calendar

Mar 24, 21	- Publication Annual Report 2020 - Analyst-Call for Annual Report 2020 - Annual press briefing
May 6, 21	Publication Interim Report Q1/2021
Jun 23, 21	General shareholder meeting
Aug 26, 21	- Publication Half Year Report 2021 - Analyst-Call H1/2021
Nov 11, 21	- Publication Interim Report Q3/2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

EDAG regards Corporate Governance as crucial in order to be able to perform successfully in international business and to promote the company's long-term and sustainable profitability.

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

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

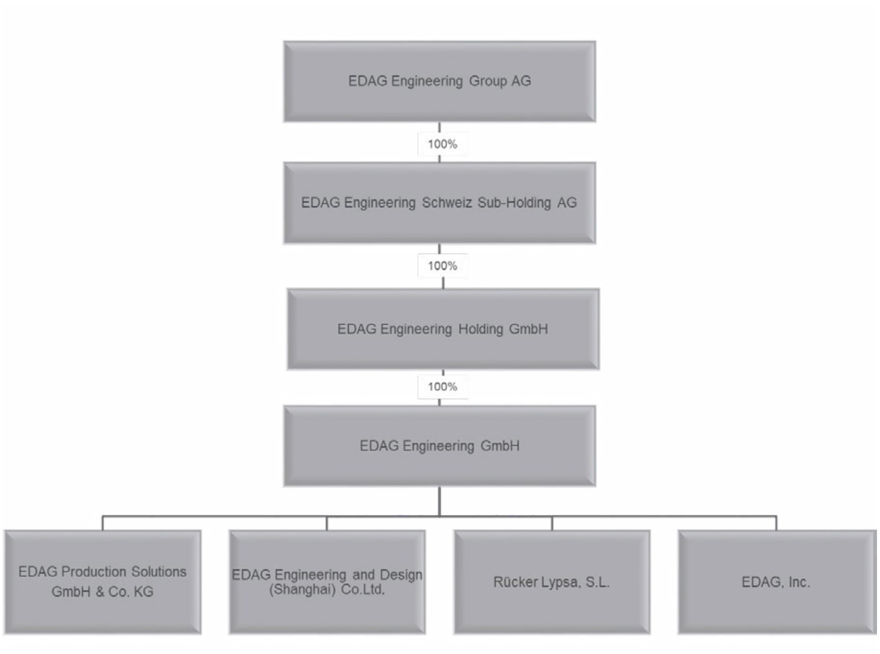
The Articles of Association can be downloaded at https://ir.edag.com/edag/pdf/satzung.pdf, and the Code of Conduct at https://www.edag.com/fileadmin/user_upload/Group/Unternehmen/Compliance/EDAG_Code_of_Conduct.pdf.

1 Group Structure and Shareholders

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

1.1 Group Structure

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



1.2 Stocklisted Companies

None of the subsidiaries is publicly traded. The subsidiaries and affiliated companies are listed in "Shareholdings" in the notes. The country of origin as defined in § 5 of the German Securities Trading Law (WpHG) is Germany.

1.3 Significant Shareholdings

The shareholder structure can be seen in the chapter "EDAG on the Capital Market".

The shares of ATON Austria Holding GmbH ("ATON") are attributed to their shareholder, Dr. Lutz Helmig.

The notifications of major shareholdings received by EDAG Group AG in the 2020 financial year, each disclosed promptly pursuant to § 40 para. 1 WpHG (German Securities Trading Law), can be downloaded at https://www.edag.com/en/edag-group/investor-relations/financial-notifications.

The company does not hold shares in treasury itself.

1.4 Cross-Shareholdings

There are no cross-shareholdings.

2 Capital Structure

2.1 Capital

The share capital of the company on December 31, 2020 amounted to CHF 1,000,000, and was divided into 25,000,000 bearer shares (Inhaberaktien) with a nominal value of CHF 0.04 each. The share capital has been fully paid up. On November 2, 2015, the company was incorporated and was entered into the Commercial Register on November 3, 2015 as a stock corporation under Swiss law. The original share capital of CHF 1,000,000 was procured by the selling shareholder via cash contribution. At the annual shareholders' meeting held on June 24, 2020, a resolution not to change the share capital was passed.

2.2 Authorized and Conditional Capital

The company has neither authorized nor conditional capital.

2.3 Transferability of Shares

Legal regulations apply without statutory restrictions.

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

2.4 Nominee Registrations

Legal regulations apply without statutory restrictions.

2.5 Options

No options program exists.

3 Board of Directors

3.1 Members of the Board

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

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

Georg Denoke is the President of the Board of Directors of EDAG Group AG, Arbon. He is the CEO and Managing Director of ATON GmbH, Munich. Between 2004 and 2017, Georg Denoke was employed by Linde AG, first serving as a member of the

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

He currently holds the following offices outside of the EDAG Group:
In accordance with Article 23 Paragraph 1.1 of the Articles of Association:
- SGL Carbon SE (listed, Wiesbaden, Germany) member of the supervisory board, vice-chairman of the supervisory board

In accordance with Article 23 Paragraph 1.2 of the Articles of Association:
- Redpath Mining Inc. (non-listed; North Bay, Canada), member of the board of directors

Manfred Hahl, German Citizen

Non-executive member
Born in: 1962
First elected: 2019

After graduating as a mechanical engineer, he joined the company as a planning engineer and, having served as Head of the Planning Department at EDAG from 1992 to 1996, accepted the position of Head of Sales and Project Management at FFT Flexible Fertigungstechnik GmbH & Co. KG, Mücke. He was CEO of FFT GmbH & Co. KGaA from 2001, and a member of the Extended Executive Management of EDAG (Manufacturing Equipment segment) from 2006. In 2008 he was promoted to COO of EDAG, where he remained until the carve-out of the FFT Group from the EDAG Group (2012). Mr. Hahl held the position of CEO of the FFT Group until 2020, and has since been working as an independent consultant.

He currently holds the following offices outside of the EDAG Group:
In accordance with Article 23 Paragraph 1.2 of the Articles of Association:
- FFT GmbH & Co. KGaA (non-listed; Fulda, Germany), member of the supervisory board, vice-chairman of the supervisory board
- R+S Group AG (non-listed; Fulda, Germany), member of the supervisory board, vice-chairman of the supervisory board

Dr. Philippe Weber, Swiss Citizen

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

He holds a degree in law and a doctoral degree in law from the University of Zürich and an LL.M. from the European University Institute (EUI) in Fiesole, Italy. He is admitted to the bar (Rechtsanwalt) in Zurich. From 1990 to 1992 he was a research assistant at the University of Zurich, before joining the foreign affairs committees of two chambers of the Swiss parliament as a legal clerk. In 1994, he joined the law firm Niederer, Kraft Frey, Zurich, where he became an associate in 1996. In 2002, he was made a partner at Niederer, Kraft Frey AG. From 2009 until March 2021, he was a member of the executive committee of Niederer, Kraft Frey AG, which he chaired (Managing Partner) from 2015 until March 2021.

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

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

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

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

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

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

Sylvia Schorr, German Citizen

Non-executive member
Born in: 1980
First elected: 2015

She holds a degree in Business Administration from the Furtwangen University (previously University of Applied Sciences), and was appointed as an auditor in 2010. From 2005 to 2010, she worked at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Eschborn, before joining PHOENIX Pharmahandel GmbH & Co. KG in Mannheim until 2011. From 2011 to 2013, Sylvia Schorr worked at Fresenius Medical Care AG & Co. KGaA in Bad Homburg before joining ATON

GmbH, where, after holding managerial positions in Group Accounting and Treasury, she has been working as an investment manager since 2017.

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

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

3.2 Cross-Involvements

There are no cross-involvements.

3.3 Composition, Election and Duration

The members of the Board of Directors were individually elected at the company's annual shareholders' meeting held on June 24, 2020; this also applies to the office of President of the Board of Directors and to the members of the Nomination and Compensation Committee. Only members of the board are eligible for election to these offices.

3.4 Internal Organizational Structure

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

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

Committees

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

Audit Committee (AC)

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

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

Nomination and Compensation Committee (NCC)

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

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

3.5 Authority and Responsibility

In accordance with the law and the Articles of Association, the Board of Directors is the ultimate decision-making authority for EDAG Group AG in all matters except those decisions reserved by law or the Articles of Association for the shareholders. The Board of Directors has sole authority particularly for the following, in accordance with and supplementary to article 716a of the Swiss Code of Obligations (non-transferable and inalienable duties of the Board of Directors) and Article 17 of the Articles of Association:
- to ultimately direct the company and issue the necessary directives
- to determine the organization
- to organize the accounting, the internal control system (ICS), the financial control

and the financial planning, the approval of the annual budget and the business plans, and to perform a risk assessment
- to appoint and recall the persons entrusted with the management and representation of the company and to grant signatory power
- to ultimately supervise the persons entrusted with the management of the company, in particular with respect to compliance with the law, the Articles of Association, regulations and directives
- to prepare the business report and the annual shareholders' meeting, and to implement the latter's resolutions
- to prepare the compensation report
- to inform the judge in the event of over-indebtedness
- to pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares
- to pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby
- to examine compliance with legal requirements regarding the appointment, election and professional qualifications of the auditors
- to execute the agreements pursuant to Articles 12, 36 and 70 of the Merger Act

3.6 Working Method

The Board of Directors met on the following days in 2020:
January 22, 2020 (physical), February 19, 2020 (physical), April 1, 2020, May 6, 2020, June 24, 2020 (constituting session of the newly elected Board of Directors, physical), July 22, 2020 (physical), August 26, 2020 (physical), September 30, 2020 (physical), November 11, 2020 and December 10, 2020. The members were either present in person, or took part on the telephone or by means of video. A number of the meetings held in 2020 were virtual-only, due to travel restrictions imposed from time to time on account of the Covid-19 pandemic.

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

The AC met on March 31, 2020, May 5, 2020, August 21, 2020, November 10, 2020 and December 2, 2020. Due to Covid-19, these meetings were either virtual or on the telephone.

The NCC met on February 19, 2020 and on June 24, 2020.

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

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

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

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

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

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

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

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

4 Group Executive Management

4.1 Members of the Group Executive Management

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

Cosimo De Carlo, German and Italian citizen

Chief Executive Officer (CEO)
Born in: 1973

He holds Master's degrees in Business Engineering and Computer Science Engineering. Cosimo De Carlo began his career in the Research & Development department at Daimler AG in 1998, before serving as a Senior Consultant at RSI Sistemi S.p.A between 2001 and 2005. From 2005 to 2008, he was Business Unit Manager at Berata GmbH, and from 2009 to 2018 worked in various capacities for the Altran group, where his last assignment was that of CEO Germany, Austria and the Czech Republic and Group Vice President with responsibility for global automotive business. Since April 2018, has been CEO of EDAG Engineering GmbH, and a member of the Group Executive Management of EDAG Group AG.

Holger Merz, German citizen

Chief Operations Officer (CFO)
Born in: 1975

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

4.2 Management Contracts

Management Contracts with Third Parties

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

Contractual Arrangements with Members of the Group Executive Management

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

Compensation, Shareholdings and Loans

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

5 Shareholders' Participation Rights

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

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

5.1 Voting Right Restrictions

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

5.2 Proxy Voting

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

At the annual shareholders' meeting held on June 24, 2020, ADROIT Attorneys at-law, Kalchbühlstrasse 4, CH-8038 Zürich, Switzerland were elected as the independent proxy for the term ending at the conclusion of the next annual shareholders' meeting.

5.3 Statutory Quorums

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

5.4 Convocation of the Annual Shareholders' Meeting

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

5.5 Agenda

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

6 Change of Control and Defensive Measures

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

7 Information Policy

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

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

7.1 Financial Calendar

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

7.2 Annual Shareholders' Meeting

The next regular annual shareholders' meeting is scheduled for June 23, 2021.

7.3 Publications

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

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

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

8 Auditors

8.1 Duration of the Mandate and Term of Office

Deloitte AG has held the mandate since the annual shareholders' meeting on May 31, 2017. The auditors were elected for the 2020 fiscal year until the end of the annual shareholders' meeting on June 23, 2021.

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

8.2 Auditing Fees

The fee received by Deloitte AG for auditing the annual financial statements for 2020 is shown in the notes.

8.3 Additional Fees

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

8.4 Supervisory and Control Instruments Regarding the Auditors

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

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

In 2020, two meetings were held with the representatives of Deloitte AG, the external auditors. These meetings were attended by members of the AC, partners and senior manager of Deloitte AG, and the CFO. Telephone calls were also made between the representatives of the auditors Deloitte AG, the members of the AC, and the CFO.

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

COMPENSATION REPORT

COMPENSATION REPORT

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

According to article 13 paragraph 2 of the Compensation Ordinance (VegüV), among other things, the specifications for financial reporting set out in articles 958c, 958d paragraphs 2-4 and 958f of the Swiss Code of Obligations (OR) apply accordingly for the compensation report. According to article 958d No. 3 of the Swiss Code of Obligations (OR) in conjunction with article 13 paragraph 2 of the Compensation Ordinance (VegüV), if the house currency is not the Swiss franc, values in the compensation report must also be given in the national currency. In this case, the following conversion rates are used:

		2020	2019	
Flow variables	EUR to CHF	1.0703	1.1127	(average exchange rate for the financial year)
Stock variables	EUR to CHF	1.0802	1.0854	(Stock exchange rate at the end of the financial year)

Differences may occur in the amounts given in the compensation report due to rounding.

1 Compensation Principles of the Company

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

- the **fixed compensation of the Board of Directors** for the period until the next ordinary annual shareholders' meeting and any possible additional reimbursement of the Board of Directors for the financial year just ended, as defined in article 25 paragraph 1 of the Articles of Association (i.e. at the 2020 ordinary annual shareholders' meeting, the shareholders decided on the compensation of the Board of Directors and on the period between the 2020 ordinary annual shareholders' meeting and the 2021 ordinary annual shareholders' meeting, and authorized this up to a maximum amount of € 1,100 thousand [CHF 1,177 thousand]);
- the **fixed compensation of the Group Executive Management** for the

subsequent financial year, as defined in article 26, paragraph 1 of the Articles of Association (i.e. at the 2020 ordinary annual shareholders' meeting, the shareholders decided on the fixed compensation of the Group Executive Management for the 2021 financial year, and authorized this up to a maximum amount of € 1,250 thousand [CHF 1,338 thousand]), and
- the **variable compensation of the Group Executive Management**, based on the results and tar-gets achieved in the previous year (in accordance with article 26, paragraph 2 f. of the Articles of Association), which is generally paid once it has been approved (i.e. at the 2020 ordinary annual shareholders' meeting, the shareholders decided on the variable compensation of the Group Executive Management for 2019, and authorized this to the amount of € 209 thousand [CHF 233 thousand]).

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

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

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

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

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

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

Article 29 of the Articles of Association of EDAG Group AG provides for a possible additional amount for compensation for new members of the Group Executive Management. Should new members of the Group Executive Management be nominated, or members be promoted within the Group Executive Management, and take up their position after the annual shareholders' meeting has approved the maximum total compensation for members of the Group Executive Management for the coming financial year, then these new or promoted members may, for the period until the next ordinary annual shareholders' meeting, be paid a total compensation of a maximum of 50 percent of the total payment most recently approved for the Group Executive Management by the annual shareholders' meeting.

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

2 Compensation of the Board of Directors

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

The members of the Board of Directors receive a fixed compensation and additional fixed compensation for memberships in committees of the Board of Directors that is determined by the full Board of Directors based on the proposal of the Nomination and Compensation Committee and subject to and within the limits of the aggregate amounts approved by the shareholders' meeting. Compensation is paid in cash. In exceptional cases and subject to and within the limits of the approval by the annual shareholders' meeting, the members of the Board of Directors may be awarded an additional bonus. The annual fixed compensation of the members of the Board of Directors has been set at € 300 thousand (CHF 321 thousand) for the Chairman and € 100 thousand (CHF 107 thousand) for each other member, plus € 50 thousand

(CHF 54 thousand) for each committee membership.
In the period July 1, 2020 to December 31, 2020 the members of the Board of Directors voluntarily agreed to waive a 10% portion of their fixed compensation.
For the financial year ended December 31, 2020, the fixed compensation of the members of the Board of Directors therefore amounted to € 333 thousand (CHF 356 thousand) for the Chairman and € 143 thousand (CHF 153 thousand) for each other member of the Board of Directors (plus Swiss social insurance contributions, if applicable). It also includes the compensation for each committee membership during that period. Departing from the above, if members of the Board of Directors were not in office for the entire period of the financial year, the fixed compensation is shown pro rata temporis.

The Chairman of the Board of Directors, Georg Denoke, is also the Chairman of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering GmbH. The member of the Board of Directors Sylvia Schorr, Manfred Hahl and Clemens Prändl, are also a members of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering GmbH. As such, they each receive a fixed compensation according to the Articles of Association.

The following was set by shareholder resolution for the members of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering GmbH:

- The fixed compensation for the members of the Supervisory Board of EDAG Engineering Holding GmbH and of EDAG Engineering GmbH will continue to be € 0 thousand (CHF 0 thousand) in each case.
- The additional attendance fee received by the members of the Supervisory Board of EDAG Engineering GmbH amounts to € 0.5 thousand (CHF 0.5 thousand) per physical participation. For EDAG Engineering GmbH, this will continue to amount to € 1 thousand (CHF 1 thousand) per physical participation.
- Should the Chairman of the Supervisory Board schedule a virtual session instead of a physical session for an ordinary or extraordinary meeting, the attendance fee will, by way of exception, also be paid for virtual participation. Excluded from this arrangement are urgent extraordinary meetings scheduled within three working days.

For the period from January 1, 2020 until December 31, 2020, the total amount of the additional compensation paid to Sylvia Schorr, Manfred Hahl and Clemens Prändl for membership in the Supervisory Board of EDAG Engineering GmbH and of EDAG Engineering Holding GmbH amounted to € 21 thousand (CHF 21 thousand) (2019: € 14 thousand [CHF 14 thousand] including Dr. Michael Hammes). Georg Denoke has, since the beginning of his term of office and until further notice, waived payment of any compensation to which he is entitled for his membership in the Supervisory Board of EDAG Engineering GmbH and EDAG Engineering Holding GmbH.

Based on the above, the total fixed compensation paid to the members of the Board of Directors for their term of office until December 31, 2020 amounted to € 935 thousand (CHF 999 thousand) (incl. Swiss social insurance contributions, where applicable), of which € 333 thousand (CHF 356 thousand) was the highest fixed compensation paid to an individual member during that period. (For further details, see the table "Compensation of Board of Directors"). In accordance with the Articles of Association of EDAG Group AG, the compensation paid to the members of the Board of Directors for their term of office until the ordinary annual shareholders' meeting in 2021 was already approved by the shareholders' meeting in 2020, and the annual shareholders' meeting in 2021 will be asked to approve a maximum aggregate amount of fixed compensation of the members of the Board of Directors for the period from the annual shareholders' meeting in 2021 until the annual shareholders' meeting in 2022.

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

3 Compensation of the Group Executive Management

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

The variable compensation is based on the level of achievement of specific pre-defined targets for a one-year performance period. The targets can depend at least 50 percent (i) on financial performance indicators namely revenues, EBIT, net income and up to another 50 percent (ii) on the achievement of special projects, other company-related and/or individual target values, and also on financial key figures. At the proposal of the Nomination and Compensation Committee, the Board of Directors is responsible for the selection and weighting of target categories. The level of the variable compensation is determined by the Board of Directors for each member of the Group Executive Management as a percentage of the fixed compensation, and may not exceed an amount equal to 100 percent of such compensation. The targets for each member of the Group Executive Management are determined annually by the Board of Directors, at the request of the Nomination and Compensation Committee, at the beginning of the one-year performance period.

For the twelve-month period ended December 31, 2020, the fixed and variable compensation for services rendered by the members of the Group Executive Management for all entities of the EDAG Group amounts to an aggregate of € 1,026 thousand (CHF 1,100 thousand) for the fixed part and € 179 thousand (CHF 191 thousand) for the variable part, of which € 747 thousand (CHF 801 thousand) (fixed) and € 46 thousand (CHF 49 thousand) (variable) apply to Cosimo De Carlo, and € 279 thousand (CHF 299 thousand) (fixed) and € 133 thousand (CHF 142 thousand) (variable) apply to Holger Merz (all amounts including social insurance contributions).

The total amounts given above cover the compensation for services to EDAG Group AG and to other EDAG Group companies for the period January 1, 2020 to December 31, 2020. In the case of the fixed compensation, they also take into account a voluntary salary waiver in the amount of 10% for the period July 1, 2020 to December 31, 2020.

The compensation of the Group Executive Management includes non-cash benefits (including non-cash benefits for company cars). It does not include the aggregated expenses for accident, legal protection and D&O insurance in the amount of € 144 thousand (CHF 154 thousand) (2019: € 144 thousand [CHF 160 thousand]). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As of December 31, 2020, the present value of current pension obligations for active members of the Executive Management totaled € 73 thousand (CHF 79 thousand) (2019: € 67 thousand [CHF 73 thousand]). For members of the Group Executive Management leaving the company in the previous year, it totaled € 0 thousand (CHF 0 thousand) on December 31, 2020 (2019: € 3,544 thousand [CHF 3,847 thousand]). For active members of the Group Executive Management, the current service cost for the pension obligations according to IFRS amounted to € 4 thousand (CHF 4 thousand) in 2020 (2019: € 3 thousand [CHF 3 thousand]).

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

According to Article 12 of the Articles of Association, in 2021 the annual shareholders' meeting will be required to approve (i) the variable compensation of the Group Executive Management for the business year 2020; and (ii) the fixed compensation of the Group Executive Management to be paid for the business year 2022.

4 Relationships with Members of the Board of Directors

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

The income realized in conjunction with these relationships with the Board of Directors is shown as "Additional income" in the following table and in the case of Dr. Philippe Weber in the 2020 financial year cover legal consulting services amounting to € 9 thousand (CHF 10 thousand) (2019: € 22 thousand [CHF 24 thousand]).

Compensation to the Board of Directors

in € thousand	Fixed compensation[1]	
Board of Directors active on December 31st, 2020	**2020**	**2019**
Georg Denoke	**333**	**350**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	333	350
Chair Supervisory Board of EDAG Engineering Holding GmbH	-	-
Chair Supervisory Board of EDAG Engineering GmbH	-	-
Sylvia Schorr	**150**	**155**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	143	150
Member Supervisory Board EDAG Engineering Holding GmbH	2	1
Member Supervisory Board EDAG Engineering GmbH	5	4
Dr. Philippe Weber	**143**	**150**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	143	150
Legal Services via Niederer Kraft Frey AG	-	-
Manfred Hahl (since June 5, 2019)	**150**	**91**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	143	88
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	2	1
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	5	2
Clemens Prändl (since June 5, 2019)	**150**	**91**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	143	88
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	2	1
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	5	2
Subtotal	**926**	**837**
Members of Board of Directors who resigned from office during 2019		
Dr. Michael Hammes (until June 5, 2019)	**-**	**65**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	-	62
Member Supervisory Board EDAG Engineering Holding GmbH (until July 16, 2019)	-	1
Member Supervisory Board EDAG Engineering GmbH (until July 17, 2019)	-	2
Subtotal	**-**	**65**
Total	**926**	**902**

[1] The compensation of the financial year 2020 shown here, includes a voluntary waiver of 10% regarding the fixed compensation and the additional fixed compensation for memberships in committees of the Board of Directors for the second half of the financial year 2020 (period from July until December 2020).

Table: Compensation to the Board of Directors

Employer social insurance contribution		Total fixed compensation		Additional income		Total compensation	
2020	2019	2020	2019	2020	2019	2020	2019
-	**-**	**333**	**350**	**-**	**-**	**333**	**350**
-	-	333	350	-	-	333	350
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	**-**	**150**	**155**	**-**	**-**	**150**	**155**
-	-	143	150	-	-	143	150
-	-	2	1	-	-	2	1
-	-	5	4	-	-	5	4
9	**10**	**152**	**160**	**9**	**22**	**161**	**182**
9	10	152	160	-	-	152	160
-	-	-	-	9	22	9	22
-	**-**	**150**	**91**	**-**	**-**	**150**	**91**
-	-	143	88	-	-	143	88
-	-	2	1	-	-	2	1
-	-	5	2	-	-	5	2
-	**-**	**150**	**91**	**-**	**-**	**150**	**91**
-	-	143	88	-	-	143	88
-	-	2	1	-	-	2	1
-	-	5	2	-	-	5	2
9	**10**	**935**	**847**	**9**	**22**	**944**	**869**
-	**-**	**-**	**65**	**-**	**-**	**-**	**65**
-	-	-	62	-	-	-	62
-	-	-	1	-	-	-	1
-	-	-	2	-	-	-	2
-	**-**	**-**	**65**	**-**	**-**	**-**	**65**
9	**10**	**935**	**912**	**9**	**22**	**944**	**934**

Compensation to the Group Executive Management

in € thousand	Fixed compensation[1]	
Group Executive Management Members active on December 31st, 2020	**2020**	**2019**
Cosimo De Carlo	**713**	**738**
CEO EDAG Engineering Group AG	107	111
CEO EDAG Engineering GmbH	606	627
Holger Merz	**238**	**250**
CFO EDAG Engineering Group AG	36	37
CFO EDAG Engineering GmbH	202	213
Subtotal	**951**	**988**
Group Executive Management Members who resigned from office during 2019		
Jürgen Vogt (until June 5, 2019)	**-**	**350**
EDAG Engineering Group AG	-	52
EDAG Engineering GmbH	-	298
Subtotal	**-**	**350**
Total	**951**	**1,338**

[1] In the case of Cosimo de Carlo and Holger Merz the compensation for the financial year 2020 shown here contains a voluntary waiver of 10% for the second half of the financial year 2020 (period from July until December 2020).

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

[3] The compensation shown here relates to the compensation for the financial year 2020, which was deferred as of the balance sheet date. The actual total amount of the variable compensation of the Group Executive Board will be decided separately by the annual shareholder meeting 2021 in accordance with Article 12 of the Articles of Association.

Table: Compensation to the Group Executive Management

Employer social insurance contribution		Non-cash benefit from company car		Total fixed compensation		Variable compensation[2,3]		Total compensation	
2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
17	**17**	**17**	**15**	**747**	**770**	**46**	**128**	**793**	**898**
8	8	-	-	115	119	7	19	122	138
9	9	17	15	632	651	39	109	671	760
17	**16**	**24**	**22**	**279**	**288**	**133**	**62**	**412**	**350**
5	5	-	-	41	42	20	9	61	51
12	11	24	22	238	246	113	53	351	299
34	**33**	**41**	**37**	**1,026**	**1,058**	**179**	**190**	**1,205**	**1,248**
-	**16**	**-**	**16**	**-**	**382**	**-**	**27**	**-**	**409**
-	6	-	-	-	58	-	4	-	62
-	10	-	16	-	324	-	23	-	347
-	**16**	**-**	**16**	**-**	**382**	**-**	**27**	**-**	**409**
34	**49**	**41**	**53**	**1,026**	**1,440**	**179**	**217**	**1,205**	**1,657**

Compensation to the Board of Directors - CHF

in CHF thousand	Fixed compensation[1]	
Board of Directors active on December 31st, 2020	**2020**	**2019**
Georg Denoke	**356**	**389**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	356	389
Chair Supervisory Board of EDAG Engineering Holding GmbH	-	-
Chair Supervisory Board of EDAG Engineering GmbH	-	-
Sylvia Schorr	**160**	**172**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	153	167
Member Supervisory Board EDAG Engineering Holding GmbH	2	1
Member Supervisory Board EDAG Engineering GmbH	5	4
Dr. Philippe Weber	**153**	**167**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	153	167
Legal Services via Niederer Kraft Frey AG	-	-
Manfred Hahl (since June 5, 2019)	**160**	**101**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	153	98
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	2	1
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	5	2
Clemens Prändl (since June 5, 2019)	**160**	**101**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	153	98
Member Supervisory Board EDAG Engineering Holding GmbH (since July 16, 2019)	2	1
Member Supervisory Board EDAG Engineering GmbH (since July 17, 2019)	5	2
Subtotal	**989**	**930**
Members of Board of Directors who resigned from office during 2019		
Dr. Michael Hammes (until June 5, 2019)	**-**	**72**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	-	69
Member Supervisory Board EDAG Engineering Holding GmbH (until July 16, 2019)	-	1
Member Supervisory Board EDAG Engineering GmbH (until July 17, 2019)	-	2
Subtotal	**-**	**72**
Total	**989**	**1,002**

[1] The compensation of the financial year 2020 shown here, includes a voluntary waiver of 10% regarding the fixed compensation and the additional fixed compensation for memberships in committees of the Board of Directors for the second half of the financial year 2020 (period from July until December 2020).

Table: Compensation to the Board of Directors - CHF

Employer social insurance contribution		Total fixed compensation		Additional income		Total compensation	
2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
-	**-**	**356**	**389**	**-**	**-**	**356**	**389**
-	-	356	389	-	-	356	389
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	**-**	**160**	**172**	**-**	**-**	**160**	**172**
-	-	153	167	-	-	153	167
-	-	2	1	-	-	2	1
-	-	5	4	-	-	5	4
10	**11**	**163**	**178**	**10**	**24**	**173**	**202**
10	11	163	178	-	-	163	178
-	-	-	-	10	24	10	24
-	**-**	**160**	**101**	**-**	**-**	**160**	**101**
-	-	153	98	-	-	153	98
-	-	2	1	-	-	2	1
-	-	5	2	-	-	5	2
-	**-**	**160**	**101**	**-**	**-**	**160**	**101**
-	-	153	98	-	-	153	98
-	-	2	1	-	-	2	1
-	-	5	2	-	-	5	2
10	**11**	**999**	**941**	**10**	**24**	**1,009**	**965**
-	**-**	**-**	**72**	**-**	**-**	**-**	**72**
-	-	-	69	-	-	-	69
-	-	-	1	-	-	-	1
-	-	-	2	-	-	-	2
-	**-**	**-**	**72**	**-**	**-**	**-**	**72**
10	**11**	**999**	**1,013**	**10**	**24**	**1,009**	**1,037**

Compensation to the Group Executive Management - CHF

in CHF thousand	Fixed compensation[1]	
Group Executive Management Members active on December 31st, 2020	**2020**	**2019**
Cosimo De Carlo	**764**	**822**
CEO EDAG Engineering Group AG	115	124
CEO EDAG Engineering GmbH	649	698
Holger Merz	**255**	**278**
CFO EDAG Engineering Group AG	39	41
CFO EDAG Engineering GmbH	216	237
Subtotal	**1,019**	**1,100**
Group Executive Management Members who resigned from office during 2019		
Jürgen Vogt (until June 5, 2019)	**-**	**390**
EDAG Engineering Group AG	-	58
EDAG Engineering GmbH	-	332
Subtotal	**-**	**390**
Total	**1,019**	**1,490**

[1] In the case of Cosimo de Carlo and Holger Merz the compensation for the financial year 2020 shown here contains a voluntary waiver of 10% for the second half of the financial year 2020 (period from July until December 2020).

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

[3] The compensation shown here relates to the compensation for the financial year 2020, which was deferred as of the balance sheet date. The actual total amount of the variable compensation of the Group Executive Board will be decided separately by the annual shareholder meeting 2021 in accordance with Article 12 of the Articles of Association.

Table: Compensation to the Group Executive Management - CHF

Employer social insurance contribution		Non-cash benefit from company car		Total fixed compensation		Variable compensation[2 3]		Total compensation	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
19	**19**	**18**	**17**	**801**	**858**	**49**	**142**	**850**	**1,000**
9	9	-	-	124	133	7	21	131	154
10	10	18	17	677	725	42	121	719	846
18	**18**	**26**	**24**	**299**	**320**	**142**	**69**	**441**	**389**
5	6	-	-	44	47	21	10	65	57
13	12	26	24	255	273	121	59	376	332
37	**37**	**44**	**41**	**1,100**	**1,178**	**191**	**211**	**1,291**	**1,389**
-	**18**	**-**	**18**	**-**	**426**	**-**	**30**	**-**	**456**
-	7	-	-	-	65	-	4	-	69
-	11	-	18	-	361	-	26	-	387
-	**18**	**-**	**18**	**-**	**426**	**-**	**30**	**-**	**456**
37	**55**	**44**	**59**	**1,100**	**1,604**	**191**	**241**	**1,291**	**1,845**

Shares held by Board of Directors and Group Executive Management

As at the respective call date, the individual members of the Board of Directors and Group Executive Management held the following number of shares in EDAG Engineering Group AG:

Number of shares	12/31/2020	12/31/2019
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	13,162
Clemens Prändl	-	-
Total Board of Directors[1]	**13,162**	**13,162**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management[2]	**6,115**	**6,115**

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

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

Table: Shares held

Report of the statutory auditor
(Compensation Report)

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

We have audited the remuneration report as of March 22, 2021 of EDAG Engineering Group AG for the year ended December 31, 2020. The audit is limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables of the remuneration report on pages 46 to 53 as well as on the information regarding the remuneration of former board members or related parties and the information regarding loans on page 41.

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

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

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

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

Opinion
In our opinion, the remuneration report of EDAG Engineering Group AG for the year ended December 31, 2020 complies with Swiss law and articles 14–16 of the Ordinance.

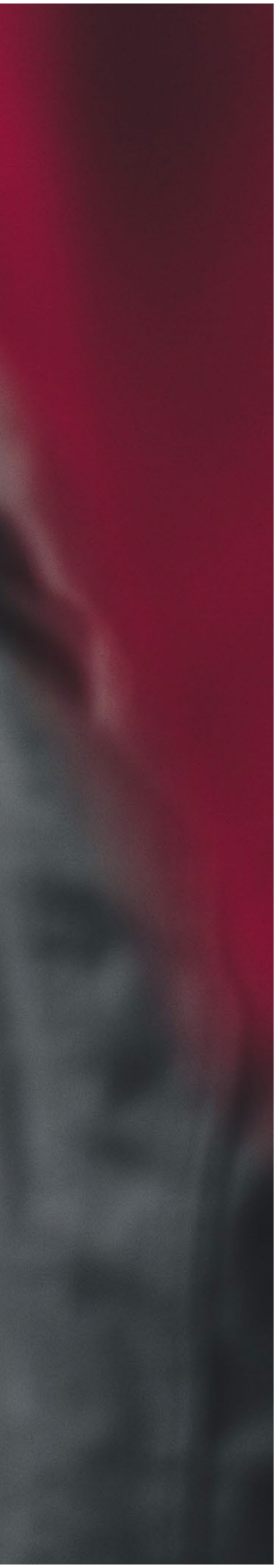
Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Ueli Sturzenegger
Accredited Audit expert

Zurich, March 22, 2021

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



COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

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

The Consolidated Financial Statement of EDAG Group AG and its subsidiaries for December 31, 2020 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. The separate financial statement of EDAG Group AG has been prepared in accordance with the Swiss Code of Obligations.

1 Basic Information on the Group

1.1 Business Model

SEGMENTATION

The business is organized in the following segments: Vehicle Engineering, Production Solutions and Electrics/Electronics. Our main focus is on the automobile and commercial vehicle industries.

Three Segments

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

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

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

Presentation of the Vehicle Engineering Segment

The Vehicle Engineering segment ("VE") consists of services along the vehicle development process as well as responsibility for modules, derivatives and complete

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

VEHICLE ENGINEERING

In this segment, we offer the development of complete vehicles, modules and components.

Presentation of the Production Solutions Segment

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

PRODUCTION SOLUTIONS

This segment offers 360-degree engineering for the development of production plants, and solutions for the smart factory and smart city.

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

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

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

Presentation of the Electrics/Electronics Segment

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

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

ELECTRICS/ELECTRONICS

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

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

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

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

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

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

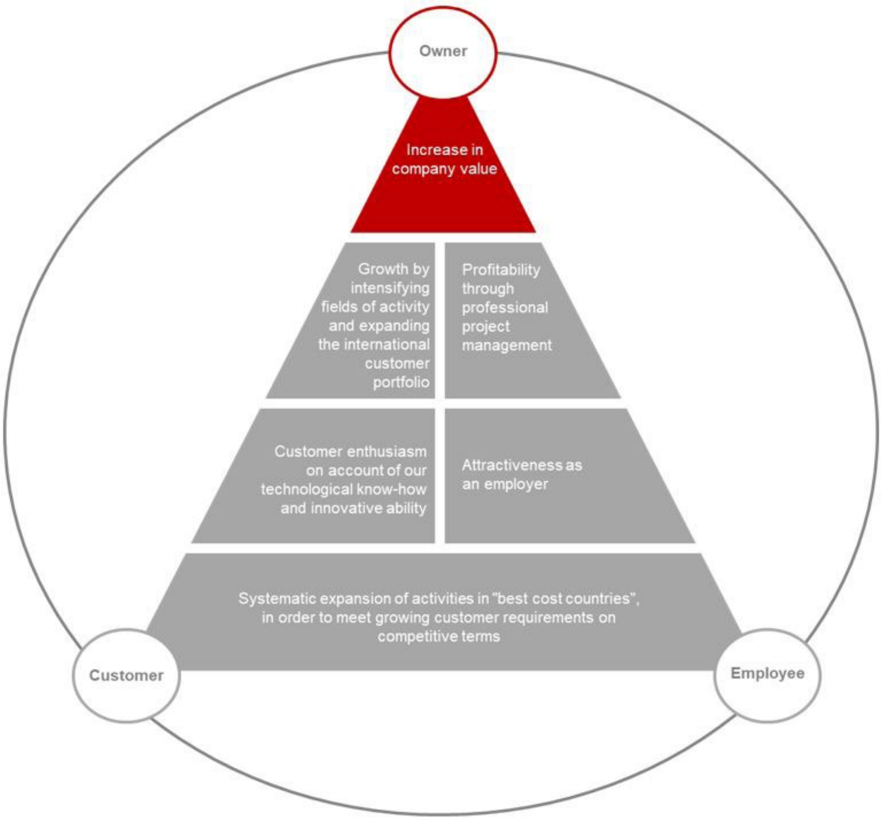
Information Technology complements the embedded systems software portfolio outside of the vehicle. Here, EDAG develops innovative services on behalf of customers. EDAG's service portfolio includes order-related UX, agile development processes and distinctive technological expertise in classic software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

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

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

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

1.2 Targets and Strategies



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

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

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

Growth by intensifying and extending our global customer portfolio

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

- Development of electrics/electronics competencies: our E/E segment will be subjected to the greatest changes in the automotive industry. EDAG is therefore continually developing its competencies and capacity in the fields of vehicle electrics/electronics, eDrive & battery, comfort & body systems, autonomous driving & safety, connectivity & user experience, and mobility & cloud services, in order to be able to meet market requirements and the increasing demands of our customers in this segment. To this end, we have bundled all of the EDAG Group's software and digitalisation skills, and will be continuing to develop them under a single management. Our aim is to achieve over-proportional growth rates in the Electrics/Electronics segment, compared to the Vehicle Engineering and Production Solutions segments.
- Strengthening existing customer relations: with some of the major German vehicle manufacturers and suppliers in particular, we enjoy working relationships that have already lasted for several decades. More than anything, it has been our flexibility and speed, as well as the quality of our work, that have earned us our good reputation with our customers. At the same time, the long-standing cooperation with and close proximity to our customers at home and abroad have enabled us to gain a thorough understanding of future requirements. We intend to use this understanding and offer new customized services. It is our declared intention to intensify customer relations and strategic partnerships, and offer our services worldwide.

REALIZATION OF GROWTH

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

- Establishing new customer relations: we make active use of our technical know-how, experience and reputation throughout the industry as well as our presence in the world's automobile development centers to constantly expand our customer portfolio and win new, ambitious, international technology companies and vehicle manufacturers as customers.
- Increasing our project scope: both the major vehicle manufacturers and new market entrants are tending more and more to award complete development packages spanning several fields of engineering to engineering service providers. Key requirements for being able to handle such large projects are the organizational setup, technical competence and adequate capacity to be able to develop complete vehicles and/or their modules and systems. As EDAG meets these requirements, we assume that we have what it takes when comprehensive major projects are being awarded.
- Opening up new industrial sectors: our Production Solutions segment is in possession of extensive know-how in the development of production plants and smart factories. We intend to make specific use of this know-how to expand into industrial sectors outside of the automotive industry and so acquire new customers. Our aim is to create an even broader basis for the Production Solutions segment, and in this way to attract additional sales potential.

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

Alternative drive systems, digitalization, automated and autonomous driving, the smart factory, AI integration and automation in the development process: these are just some of the driving forces behind the fundamental changes that the automobile and mobility are undergoing. Technological, ecological and sociopolitical changes will lead to a transition which EDAG, as one of the leading independent design engineering companies in the automotive industry, can help to shape and define. Our aim here is to proactively identify new trends, identify the effects they will have on the world of mobility, and develop restructuring concepts. EDAG demonstrates this innovative strength by presenting work results at international trade fairs and conferences - in 2020, for instance, we hosted the EDAG Tech Summit - and by using innovative digital instruments (for instance our EDAG Insight tech blog or webinars).

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

Attractiveness as an employer

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

- Intensification of our employer brand
- Continuation of own employee training
- Investment in staff training
- Optimization of the work environment (modern working worlds)
- Motivation through responsibility and diversification
- Introduction of the specialist career path as the fourth pillar of our career planning
- Cooperation with universities and technical colleges

Profitability through professional project and resource management

Our strategic aim, namely growth, is inextricably linked with the premise that this will be done in a profitable way. Only if the company is profitable can we rise above our competitors and continue to offer our customers the services they require, guarantee our employees' jobs, and offer our owners an appropriate return on the capital they have invested. In 2020, our adjusted EBIT margin stood at -0.7 percent. The sharp downturn compared to 2019 is attributable to the impact the Corona pandemic has had on the economy. Our aim is to successively improve our profitability again in the years ahead. To this end, we intend to continually optimize the efficient handling of our projects, and we will be paying particular attention to the following aspects:

- Systematic capacity management: our time recording system provides us with an exact indication of the utilization levels of our engineering resources. Insufficient capacity can therefore quickly be compensated for by free capacity somewhere else, and under-utilization kept to a minimum. Our internal organization is particularly helpful in this respect, as it enables us to process a wide variety of projects across the various sites, making for greater efficiently.
- Operative flexibility: our IT hardware and software and high transfer capacity data networks – for transfers between our own branches and also with customers' offices – facilitate virtual cooperation, which significantly reduces traveling time and expenses. In 2020, we increased our capacities for mobile working enormously. This allows our employees to interact flexibly with both our teams and our customers, regardless of their location.
- Continual process improvement: in both our productive and our overhead areas, we draw on tried and tested processes. Nevertheless – in particular as a result of new developments in the IT world – we frequently find indicators for ways of improving processes, and thus increasing their efficiency.
- Automation in the development process: we aim to develop our products and services with greater speed and efficiency. The use of artificial intelligence (AI) enables us to bring about improved product properties and faster, computer-aided development processes.

SAFEGUARDING PROFITABILITY

Several measures are employed to help us improve profitability:
- Systematic capacity management
- Operative flexibility through high-performance IT hardware and software
- Continual process improvement
- Automation in the development process

Systematic expansion of activities in "best cost countries"

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

- Provision of services in BCC areas: each of our BCC locations has the clear objective of ensuring the optimum utilization of existing capacities or, where there is sufficient demand, of guaranteeing an optimum provision of services by purchasing external services. The basis for this is formed by qualified staff, the availability of internal/external resources, and strategically located branch offices. Proximity to universities plays a particularly important role here. In addition, foreign subsidiaries should also promote business with local customers and plan their locations strategically, keeping them in close proximity to customers.
- Building up software development competencies: apart from having the opportunity of transferring classic work packages to BCC regions, it will also in the future become increasingly important to provide software skills in the BCC regions. For this reason, our foreign subsidiaries are encouraged to to strengthen their competencies in these fields.
- Operative integration: the key to successful, cross-border project cooperation is operative integration. Appropriate measures are in place to support the cooperation between the customers in Germany and the implementing companies in the BCC regions.

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

1.3 Internal Management System

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

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

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

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

To implement the control process at EDAG, the following central key performance figures have been defined on the basis of figures in accordance with IFRS:

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

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

Alongside the central key performance figures, the following performance figures are also analyzed:

- Incoming orders/orders on hand
- Number of employees
- Productivity/capacity utilization
- Investments

The incoming orders and orders on hand serve as early indicators for changing market requirements and demand patterns. They are indicative of the anticipated revenues for the following quarter. The number of employees is a measured variable for the achievement of growth targets. It is important here to keep a watch not only on the number of new appointments to the technical divisions and subsidiaries, but also on fluctuation. Productivity is defined as the quotient obtained when the hours worked on customer projects is divided by the available working hours of our employees. As it highlights utilization peaks and free capacity, it is an important element for managing our technical divisions and group-wide resources. It is important that investments should be made in a targeted manner, to guarantee our innovative strength and capacity to compete. Every month, reports are presented comparing their development with the plans, and adherence to the budget is monitored.

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

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

1.4 Research and Development

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

AREAS OF INNOVATION

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

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

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

Key factors in securing EDAG's competitiveness are the innovative focus, know-how and motivation of the EDAG employees who, working together in a virtual team, are involved in our research and development activities. In 2020, we again had more than 180 technical experts across the entire group actively involved in up 40 parallel innovation and pilot projects. Assisted by the competence centers ("CC") in innovation management, the EDAG divisions are able to strategically align their technology, competence and capacity portfolios to the changed market conditions, and, within the framework of the matrix organization, work together in interdisciplinary innovation projects. Future mobility, sustainability, digitalization and global networked engineering are the innovation drivers on which we focus our research and development. In addition to our internal network, we also work in close cooperation with leading German and international research institutes, partners and universities.

We are working on issues that will be important to the industry in the future. To this end, we have established four competence centers in innovation management:

- Lightweight Design, Materials and Technologies
- eMobility
- Integral Safety
- Digitalization

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

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

In the reporting year, research and development expenses amounted to € 4,867 thousand (2019: € 6,847 thousand). No additional development costs were activated in the reporting year (2019: € 0 thousand).

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the latest forecast made by the International Monetary Fund (IMF) on January 20, 2021, the world economy in 2020 was influenced primarily by the Covid-19 pandemic, and exhibited a 3.5 percent contraction (2019: 2.8 percent growth). As can be seen from the regional distribution of sales revenues by continent in the chapter "Segment Reporting and Notes" in the Notes, the development of the following markets is of particular relevance to EDAG:

The IMF's economic experts registered a lower decline in Germany than the average for the eurozone as a whole last year (2020). According to the most recent IMF analysis issued on January 20, 2021, the economic performance in Germany decreased by 5.4 percent in 2020 (2019: 0.6 percent growth). The IMF registered a 7.2 percent decrease in economic growth in all countries in the Euro Area for last year (2019: 1.3 percent growth).

MACROECONOMIC DATA FOR 2020

Global economic decrease: 3.5 percent
Euro area decrease: 7.2 percent
German decrease: 5.4 percent

The US economy contracted by 3.4 percent in 2020 (2019: 2.2 percent growth). This also reflects the effects of the Covid-19 pandemic, as well as the trade dispute between the USA and China.

The IMF is still relatively optimistic about China's growth in 2020. Last year saw an increase of 2.3 percent in the second largest national economy in the world (2019: 6.0 percent).

Please see 4.2 "Forecast" in the Group Management Report for the forecasts for the current year, 2021.

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), sales of new vehicles decreased in Germany in 2020. At 2.9 million units, this figure was 19.1 percent lower than in the previous year (3.6 million units). According to information from Morgan Stanley, there was a decline of 17.2 percent to just under 65 million vehicles on the world market for passenger cars in 2020.

The European market (EU-28 + EFTA) recorded a severe downturn in 2020. The number of new registrations fell by 24.3 percent from 15.8 million to 12.0 million units. While the number of new vehicles registered in Germany in 2020 fell by 19.1 percent, Portugal experienced the sharpest decline (-35.0 percent), followed by Spain (-32.3 percent), Great Britain (-29.4 percent), Italy (-27.9 percent), and France (-25.5 percent).

In Germany, the dynamic growth in new registrations of electric passenger cars increased further in 2020 (+263 percent) compared to the same period of the previous year (+61 percent). BEVs (Battery Electric Vehicles), sales of which grew by 76 percent in 2019 and have now increased to 207 percent, accounted for a significant share of sales growth. According to the high growth rates registered, 394,632 electric-powered vehicles were sold in 2020, which accounts for 13.5 percent of all vehicles (previous year: 3.0 percent). At 46.7 percent, the proportion of gasoline-fueled passenger cars was significantly below the previous year's level (59.2 percent); the proportion of diesel-fueled passenger cars was 28.1 percent in the annual assessment (previous year: 32.0 percent).

In the USA, the volume on the light vehicle market (passenger cars and light trucks) decreased by 15 percent to just below 14.5 million vehicles in the course of 2020, compared to the previous year. This meant that, for the first time since 2012, the US market failed to exceed the 15 million mark. Sales of passenger cars fell by 28 percent, while sales in the light truck segment, which meanwhile accounts for 76 percent of the market, decreased by 10 percent. In China, the volume on the passenger car market fell by 6 percent to 19.8 million new vehicles in 2020. Following 2018 and 2019, this was the third decline in a row. The Indian passenger car market declined by 18 percent in 2020; following the slowdown in the growth process already recorded in 2018, sales in 2020 fell to the lowest level for ten years. Similar developments were also observed on the Japanese market for new vehicles (-11 percent), which, with sales of 3.8 million passenger cars, fell below the 4 million mark for the first time since 2011. The Russian (-9 percent) and Brazilian (-27 percent) light vehicle markets followed a similarly negative trend, bringing the three-year recovery phase of the latter to an abrupt end.

Development of the Engineering Market

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

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

Financial Performance

Development of the EDAG Group

Revenues decreased by € 131.0 million or 16.8 percent to € 650.3 million compared to the same period in the previous year (2019: € 781.3 million) due to the continuing difficult and dynamic market conditions and the additional challenges posed by the Covid-19 pandemic. There was a slight decline in revenues in the Electrics/Electronics segment, while the Vehicle Engineering and Production Solutions segments reported considerable decreases in revenues.

For the financial year 2020, the EDAG Group generated incoming orders amounting to € 689.8 million, which compared to the previous year (€ 797.9 million), represents a decrease of € 108.1 million. As of December 31, 2020, orders on hand amounted to € 333.8 million, compared to € 294.4 million as of December 31, 2019. Neither potential call-offs relating to general agreements nor call-offs relating to production orders are included in the orders on hand.

DATA ON THE RESULTS OF THE EDAG GROUP

Incoming orders: € 689.8 million
Revenues: € 650.3 million
Orders on hand: € 333.8 million
Adjusted EBIT margin: -0.7 percent

Overall, the materials and services expenses decreased by 40.5 percent to € 80.5 million. At 12.4 percent, the materials and services expenses ratio was below the level of the same period in the previous year (2019: 17.3 percent). This development is mainly due to a production order which ended in 2020. At 6.0 percent, the materials expenses ratio was also below the level of the same period in the previous year (2019: 8.6 percent). At 6.4 percent, the ratio of service expenses in relation to the revenues is also below the level of the same period in the previous year (2019: 8.7 percent).

The EDAG Group's personnel expenses decreased by € 44.9 million or 9.1 percent to € 446.2 million compared to the same period in the previous year. The personnel expenses include income relating to other periods in the amount of € 1.1 million (2019: € 6.4 million), severance pay in the amount of € 5.4 million (2019: € 1.2 million, and income from government subsidies for social security for short-time work compensation in the amount of € 5.5 million (2019: € 0.0 million). Further severance payments in the amount of € 7.4 million made within the context of optimizing the cost structure and improving performance are shown in other expenses. In the 2020 reporting year just ended, the company had a workforce of 8,142 employees on average, including apprentices (2019: 8,625 employees).

Depreciation, amortization and impairments totaled € 44.8 million (2019: € 45.9 million). Further depreciation, amortization and impairments within the context of optimizing the cost structure in the amount of € 0.3 million are shown in other expenses. The net result from the impairment/impairment loss reversal of financial assets changed from € -2.4 million to € -21.4 million due to increased allocations to provisions for risks within the scope of IFRS 9, which allow for the impairment of the age structure of receivables and of the macroeconomic risks brought about by the Covid-19 pandemic. The other operating expenses decreased by € 8.8 million to € 94.5 million.

For the reasons mentioned above, the EBIT in the reporting period decreased by € 40.7 million to € -20.5 million compared to the previous year (2019: € 20.3 million), which is equivalent to an EBIT margin of -3.1 percent (2019: 2.6 percent).

The sharp decline in the revenues and EBIT is attributable to the ongoing difficult and dynamic market conditions in the reporting year just ended, as well as to the additional challenges posed by the Covid-19 pandemic. In view of this situation, the Executive Management of EDAG Engineering Group AG had already adopted an action plan to optimize the cost structure and improve performance in the second quarter. In the 2020 reporting year, the resulting measures have a cumulative volume of some € 12 million.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations in the amount of € 4.9 million that were recorded in the reporting period in 2020 (2019: € 5.2 million) and the expenses arising from measures to optimize the cost structure and improve performance in the amount of € 12.1 million (2019: € 8.0 million), the adjusted EBIT figure for the reporting year was € -4.7 million (2019: € 33.0 million), which is equivalent to an adjusted EBIT margin of -0.7 percent (2019: 4.2 percent).

In the 2020 reporting year, the financial result was € -10.0 million (2019: € -9.6 million), a drop of € 0.4 million compared with the previous year. One significant effect was a worsening in the results of investments accounted for using the equity method compared with the previous year.(€ -0.9 million).

Overall, with a result of € -23.4 million (2019: profits totaling € 7.0 million), business development of the EDAG Group, which was materially affected by the Covid-19 pandemic, was unsatisfactory in the financial year. This means that the decline in revenues and earnings expected for the reporting year did indeed occur.

Development of the Vehicle Engineering Segment
Incoming orders in the reporting year amounted to € 462.0 million, which was significantly below the level of the same period in the previous year (2019: € 526.9 million). Revenues also decreased by 17.8 percent to € 412.8 million (2019: € 502.4

million). € 26.1 million from a production order is included in the revenues for the reporting year (2019: € 50.7 million). The proportion for materials and services expenses here stood at € 14.3 million (2019: € 41.6 million). This production order, which came to an end in 2020, involved a high proportion of purchased materials and low added value. All in all, an EBIT of € -15.6 million was recorded for the Vehicle Engineering segment in the reporting year (2019: € 27.9 million). The EBIT margin amounted to -3.8 percent and was thus below the level of the same period in the previous year (2019: 5.6 percent). Without the effects from the purchase price allocations and the expenses arising from measures to optimize the cost structure and improve performance, this resulted in an adjusted EBIT margin of -0.4 percent (2019: 6.1 percent). The reduction in the EBIT margin was mainly caused by the € 21.9 million increase in the additions to provisions for risks within the scope of IFRS 9. Without taking these increased risk provisions into account, the adjusted EBIT in the Vehicle Engineering segment for the reporting year would be € 20.4 million, which would be equivalent to an adjusted EBIT margin of 5.0 percent.

VEHICLE ENGINEERING DATA

Revenues: € 412.8 million
EBIT: € -15.6 million

Development of the Production Solutions Segment
In this segment, incoming orders decreased by € 28.7 million to € 82.8 million compared to the previous year (2019: € 111.5 million), which represents a reduction of 25.7 percent. Revenues decreased by 15.4 percent to € 96.9 million (2019: € 114.5 million). Overall, an EBIT of € -8.5 million (2019: € -16.8 million) and an EBIT margin of -8.8 percent (2019: -14.7 percent) were recorded for the Production Solutions segment in 2020. The decline in the revenues is attributable to continuing difficult market conditions in the reporting year just ended, the Covid-19 pandemic in particular, and the resulting under-utilization of resources. The adjusted EBIT amounted to € -8.3 million (2019: € -10.8 million). The adjusted EBIT margin was -8.5 percent and therefore above the previous year's level (2019: -9.5 percent).

PRODUCTION SOLUTIONS DATA

Revenues: € 96.9 million
EBIT: € -8.5 million

Development of the Electrics/Electronics Segment
Incoming orders decreased by € 10.9 million to € 154.7 million compared to the previous year (2019: € 165.6 million). Revenue totaled € 170.1 million, which was also just below the previous year's level (€ 172.8 million). The EBIT stood at € 3.7 million (2019: € 9.2 million). At 2.1 percent, the EBIT margin was below the previous year's level (2019: 5.3 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT of € 5.2 million (2019: € 13.1 million) and an adjusted EBIT margin of 3.0 percent (2019: 7.6 percent).

ELECTRICS/ELECTRONICS DATA

Revenues: € 170.1 million
EBIT: € 3.7 million

Cash Flows and Financial Position

Compared to December 31, 2019, the EDAG Group's statement of financial position total decreased by € 24.5 million or 3.8 percent to € 620.1 million. The non-current assets decreased by € 29.2 million to € 316.3 million (12/31/2019: € 345.5 million), primarily as a result of the depreciation and amortization on rights of use from leased assets and of other intangible assets and property, plant and equipment. By contrast, deferred tax assets from tax losses carried forward and temporary differences in non-current assets rose by € 7.4 million. In the current assets, both the current accounts receivable and the contract assets decreased by € 61.5 million and € 19.5 million respectively. Accounts receivable decreased due to decreasing revenues as well as

DATA ON THE FINANCIAL POSITION OF THE EDAG GROUP

Statement of financial position total: € 620.1 million

Equity: € 101.8 million

Equity ratio: 16.4 percent

increased allocations to provisions for risks within the scope of IFRS 9, which allow for the impairment of the age structure of receivables and of the macroeconomic risks brought about by the Covid-19 pandemic. Other current non-financial assets increased by € 6.0 million to € 16.2 million (12/31/2019: € 10.1 million) due to prepaid expenses and receivables from subsidies for short-time work compensation. Cash and cash-equivalents increased by € 85.7 million to € 156.3 million.

On the equity, liabilities and provisions side, equity decreased by € 26.0 million to € 101.8 million as a result of the loss in the reporting year. The equity ratio was 16.4 percent (12/31/2019: 19.8 percent).

At € 282.2 million, the non-current liabilities and provisions remain below the level of December 31, 2019 (12/31/2019: € 303.9 million). This was mainly due to a decrease of € 22.3 million in the non-current lease liabilities. Current liabilities and provisions, on the other hand, increased by € 23.2 million to € 236.0 million. The main effect on current liabilities and provisions was an increase of € 79.9 million in the contract liabilities. The opposite effect was seen primarily in decreases of € 32.0 million in the accounts payable and of € 19.3 million in the current financial liabilities.

A positive operating cash flow of € 150.1 million was achieved in the reporting year, which is above the previous year's level (€ 78.9 million). The increase was primarily due to a positive effect in capital being tied up in the trade working capital.

The investing cash flow was € -15.5 million (2019: € -23.8 million). At € 15.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 34.0 percent below the previous year's level (2019: € 23.8 million). The ratio of gross investments in relation to revenues was 2.4 percent (2019: 3.0 percent).

The financing cash flow totaled € -47.2 million (2019: € -48.5 million). This primarily includes principal payments for lease liabilities totaling € 19.0 million and for financial liabilities in the amount of € 20.6 million.

On the reporting date, unused lines of credit due to credit institutions in the amount of € 103.7 million exist in the Group. In addition, we also have the option of drawing on a further € 60 million made available by a KfW entrepreneur loan at any time. The Executive Management continues to regard the overall economic situation of the EDAG Group as good. The company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

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

Financial Performance

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

The salaries of the Executive Management, Board of Directors and administrative employees, which total € 1.4 million (2019: € 1.4 million), are listed under the personnel expenses of EDAG Group AG.

The other operating expenses in the amount of € 0.5 million (2019: € 0.6 million) refer primarily to expenses for consulting and auditing.

An annual loss of € 2.0 million (2019: € 2.2 million) was realized in the reporting year.

Cash Flows and Financial Position

The statement of financial position total of EDAG Group AG amounts to € 395.0 million (2019: € 409.2 million). On the assets side, the key asset is the investment in EDAG Engineering Schweiz Sub-Holding AG, which stands at € 394.6 million (2019: € 408.9 million). On the equity, liabilities and provisions side, the capital reserves in the amount of € 399.6 million (2019: € 399.6 million) is the most important item.

In the reporting year, an operating cash flow of € -2,154 thousand (2019: € -2,110 thousand) was realized. No gross investments were made (2019: € 2 thousand). Furthermore, an incoming payment from EDAG Engineering Schweiz Sub-Holding AG, Arbon in the amount of € 14,350 thousand was recorded (2019: € 11,700 thousand), reducing the investment book value. In the financing cash flow, no dividend payments were made in the reporting year (2019: € 18,750 thousand). There was an outflow of liquid resources totaling € 12,030 thousand from further finance activities (2019: inflow in the amount of € 9,150).

The Executive Management regards the overall economic situation of EDAG Group AG as good. At 98.1 percent (12/31/2019: 95.2 percent), the equity ratio stands at a very high level, and the company was able to fulfil its payment obligations at all times throughout the reporting period.

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

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

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

2.5 Non-Financial Performance Indicators

DATA ON THE PERSONNEL STRUCTURE OF THE EDAG GROUP

Employees, worldwide: 7,984

Apprentices/dual system students: 339

Number of Employees in the EDAG Group

There was a slight drop in the number of employees in the EDAG Group, both at home and abroad. On December 31, 2020, the EDAG Group employed a worldwide workforce of 7,984 (12/31/2019: 8,488), including 339 trainees and work-study students (12/31/2019: 431).

At the end of the year, 5,741 employees were employed in Germany (12/31/2019: 6,010). 2,243 people were employed at our non-domestic companies (12/31/2019: 2,478).

Age Structure and Continuous Employment

Besides pursuing the target of employee qualification, EDAG also strives to maintain a diversified workforce. Having a mix of experienced and young employees is an integral part of our personnel strategy. The average age of the employees at our key German companies is 37.5 years (2019: 36.7 years), which is representative of a young, dynamic team. The high level of the average length of service of employees (7.5 years [2019: 6.9 years]) is an indication of employee satisfaction and identification with the company.

The voluntary fluctuation rate in 2020 was 6.8 percent in Germany (2019: 9.6 percent), and 10.3 percent in the rest of the world (2019: 11.5 percent).

The proportion of female employees throughout the Group was about 20.1 percent (2019: 20.7 percent).

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

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

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

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

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

EDAG gives an account of its economic, ecological and social responsibility in this Sustainability and Corporate Social Responsibility (CSR) Report (which, from April 30, 2021 at the latest, can be downloaded at: https://www.edag.com/en/edag-group/the-company-edag/sustainability). The target groups of the report comprise our employees, our customers and suppliers, as well as investors and analysts, non-governmental organizations, politicians and authorities and interested members of the general public. It is our intention to inform these target groups about the impact of the activities we undertake in terms of corporate responsibility and sustainability.

According to amendment §§ 289b et seq. of the CSR Guidelines Implementation Act in the German Commercial Code (HGB), capital market-oriented companies in Germany are obliged to publish a non-financial statement. EDAG meets this obligation within the above-mentioned report. The reporting period is the 2020 financial year (January 1 to December 31). The information relates to all material group companies of EDAG Engineering Group AG that are part of this annual report. Any deviations have been identified as such.

4 Forecast, Risk and Reward Report

4.1 Risk and Reward Report

Risk Policy

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

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

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

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

Risk Management and Internal Control System

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

Internal Control System

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

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

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

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

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

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

Risk Management System

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

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

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

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

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

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

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

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

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

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

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

Risk and Reward Profile

Macroeconomic Risks and Rewards

According to the International Monetary Fund's (IMF) outlook of January 20, 2021, the world economy contracted by 3.5 percent in 2020. This downturn was due primarily to the effects of the global outbreak of Covid-19. IMF projections for 2021 anticipate a recovery of global economic growth and a growth rate of 5.5 percent. A growth rate of 4.2 percent is projected for 2022. Although from a macroeconomic point of view, the projected recovery of the global economy could create opportunities for EDAG, the Covid-19 pandemic nevertheless continues to represent a serious risk to the global economy and to EDAG. We are monitoring the relevant country-specific conditions very closely, so as to be able to quickly implement measures to minimize risks, should the need arise (for more details, see chapter 2.1 "Macroeconomic and Industry-Specific Conditions").

MACROECONOMIC FORECAST FOR 2021

Global economic growth:
5.5 percent

We estimate that the macroeconomic risks and rewards for our business are category A risks (2019: A risks), with a continuing medium probability of occurrence (2019: medium) due to the fragile situation.

Industry Risks and Rewards

Sales figures in the automobile industry in 2020 are significantly below those of the previous years. This is predominantly the result of production stops by several automobile manufacturers in April and May 2020 on account of the Covid-19 pandemic. A sustained recovery of the markets is anticipated for 2021. For this reason, no continuation of the significant disruptions in supply chains and production processes experienced in 2020 is expected. In this context, Morgan Stanley forecasts that global sales in 2021 will amount to 78 million vehicles. Recent estimates indicate that just under 72 million vehicles were sold in 2020. This means that a growth rate of 8.7 percent is projected for 2021.

According to the VDA, structurally driven growth opportunities will arise in the market for engineering services in the medium and long term. It is assumed that development expenditure will increase by an average of 3 percent p.a. until 2030. The increase in expenditure on development is primarily due to the increase in software development in the fields of infotainment, operating system, advanced driver assistance systems (ADAS), drive and battery technology and interior (new interior concepts). Also, development expenditure on the electrification of the powertrain of the entire vehicle portfolio is expected to increase noticeably.

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

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

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

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

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

Rewards and Risks from Operative Business

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

OPERATIVE RISKS

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

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

An ongoing resource management system helps to manage internal capacity and, should the need arise, assign resources to other projects without long idle times. The acquisition of projects that will run for longer periods of time is another way of ensuring the basic, long-term capacity utilization of our engineering capacities. In addition, we are attempting to level off temporary volatile periods of capacity utilization as far as possible by means of flexible working time accounts, flexible deployment opportunities for our employees, and the selective use of external capacities.

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

In the event of a cyber attack, as happened in the recent past and as described in the chapter "Subsequent events" of the notes to the consolidated financial statements, the emergency protocol at EDAG consists especially of the following steps and tasks:
- Calling in CERT (Computer Emergency Response Team), consisting of: CFO, IT, Legal, Information security, data security officer, corporate communications, investor relations, external cyber security experts and data forensic experts;
- Shut down of network infrastructure;
- Shut down of all centralized it systems;
- Cancelation and deactivation of all client VPN connections
- Consultation of external experts for cyber security and cyber forensics;
- Informing relevant national and international agencies about the cyber attack
- Proceed with the tasks necessary to contain incidents on server and client systems;
- Informing capital market, customers, employees and other stakeholders;
- Recovery of operational availability while ensuring preservation of evidence
- Identification and implementation of any improvement measures

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

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

Personnel Risks and Rewards

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

PERSONNEL RISKS

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

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

Within the scope of "beEDAG", an HR project, EDAG is also introducing new methods and tools, to support new forms of staff appraisal, for instance, and the performance and potential review to improve communication and employee retention. An expert/specialist career path is also being introduced throughout the company in order to secure the EDAG Group's competitive edge in terms of know-how in future issues. All of this will be made available to the employees with the of modern HR software in the future.

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

We rate the personnel risks as a category C risk (2019: category C) with an unchanged medium probability of occurrence.

Financial Risks

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

Accounts receivable are for the most part settled by customers according to previously agreed terms of payment. To minimize the risk of non-payment, creditworthiness is checked, especially when dealing with new customers. Individual, overdue receivables are taken into account by valuation allowances in the statement of financial position according to defined rules, provided the increase in the risk of non-payment is objectively verifiable. As shown in section 2.2, the provisions for risks for receivables have increased, particularly due to the impairment of the age structure. As a countermeasure, ratio of advance payments was increased within the scope of risk management.

Financing of the EDAG Group is based primarily on a long-term promissory note loan (Schuldscheindarlehen) issued in 2018 and lines of credit with house banks and bond insurers. In order to deal with the possible financial consequences of the Covid-19 pandemic, the company also, in cooperation with five house banks, secured the promise of a KfW entrepreneur loan of € 60 million in 2020, in this way significantly ibroadening its financial leeway. The credit line has a term of two years, and use can be made of it at any time. It is subject to the usual KfW conditions. One of the conditions for utilizing the KfW loan is that EDAG Engineering GmbH will waive dividend payments for the term of the loan, or until the loan has been repaid in full. No further financial covenants are associated with the loan.

As a result of this and taking into account the positive development of the financial situation in 2020 – as of December 31, 2020, the EDAG Group had no net financial debt (without leasing) – the EDAG Group continues to have sufficient financial leeway. We currently see no substantial risks in this regard.

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

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

For the financial year just ended, we assess this risk as a category C risk (2019: category A) with an unchanged medium probability of occurrence, primarily due to increased risk provisions undertaken in the financial year just ended.

Legal Risks

As an internationally active company, we are, within the context of our ordinary business activities, subject to a series of risks in connection with legal disputes and other - possibly official - proceedings in which we are currently involved, or will be in the future. With regard to the operative business, this particularly concerns the following legal areas: product liability, anti-monopoly legislation, intellectual property rights, but also general civil law. Should these risks materialize, this could damage the reputation of the EDAG Group, which would ultimately have an adverse effect on the success of our company.
Company-wide standards – such as general terms and conditions of business, standard contracts for various applications or implementing regulations in the form of organizational guidelines – are continually updated and reduce the possibility of new legal risks to the EDAG Group. For processes that are not covered by the standards developed for day-to-day business, the Group's legal department regularly calls upon external specialist lawyers for advice. In addition, the Legal department carries out workshops to raise the awareness of our employees in the operative divisions for risks, and consequently also for risk prevention. Should any threat of risks materialize, the Legal department also provides advice on the efficient avoidance of legal disputes or, if necessary, organizes the appropriate measures for legal proceedings or arbitration.

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

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

LEGAL AND TAX RISKS

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

Tax Risks

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

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

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

COMPLIANCE SYSTEMS

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

Compliance-Relevant Risks

Compliance

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

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

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

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

Anti-Corruption

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

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

For a compliance management system to be effective, it is essential that the attention of the company's employees should be continually drawn to the subject of compliance, so as to develop an awareness of critical issues in the daily working environment. One effective way of engendering this sensitivity for compliance is to provide appropriate training programs. In the 2020 financial year, therefore, we again expanded the compliance training program, a central element of our CMS, and continued to offer our modular, web-based compliance training as an obligatory training activity for all employees.

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

Human rights assessment

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

With the EDAG Code of Ethics, EDAG commits to the long-term support of the ten UN Global Compact principles and to continual improvement in their implementation. The EDAG Code of Ethics can be downloaded at https://www.edag.com/en/edag-group/the-company-edag/corporate-governance. One of the principles established by the code is that EDAG supports and respects the protection of internationally proclaimed human rights within its sphere of influence, and ensures that EDAG is not complicit in human rights abuses.

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

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

CURRENCY RISKS

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

Risks Regarding the Use of Financial Instruments

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

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

With the most predominant part of the promissory note loan, of which no use has as yet been made, and the KfW entrepreneur loan taken out in the reporting year, most of the financing of the Group is currently subject to a fixed interest rate, and will continue to be so in the future. Only moderate use is made of the variable interest bearing revolving lines of credit. As in the previous year, we therefore estimate that any risk posed by fluctuations of market interest rates is very slight.

Due to the structure of the promissory note loan, (several tranches with maturities of five to ten years), the KfW entrepreneur loan, of which no use had been made on the reporting date, and the additional option of always being able to utilize a loan from Versorgungskasse EDAG-Firmengruppe e.V., the Group's financing has been secured on a long-term basis. Only moderate use was made of the revolving lines of credit. For this reason, we also assess any financing and liquidity risks to the company as being low.

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

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

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

Other Rewards and Risks

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

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

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

These risks are assigned to category A (2019: category A), associated with an unchanged low probability of occurrence

Overall Assessment

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

Following the downturn in global economic output and the sales figures on the automotive market in 2020 resulting from the Covid-19 pandemic, according to the IMF and Morgan Stanley, a recovery is projected for both the overall economy and the automotive industry in 2021. Although this projected recovery offers a number of opportunities for our business, the risk of new setbacks as a result of the Covid-19 pandemic is nevertheless still present.

APPRAISAL

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

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

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

OBJECTIVE OF GROUP ACCOUNTING PROCESS

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

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

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

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

4.2 Forecast

According to the International Monetary Fund's (IMF) latest outlook issued on January 20, 2021, the world economy contracted by 3.5 percent in 2020. For 2020, this means a decline in economic performance for the first time since the financial crisis of 2008/09. This is primarily due to the impact of the Covid-19 pandemic. Substantial monetary policy incentives have already been initiated by several central banks in order to cushion the economic impact, and individual countries have also set up emergency aid programs for the economy. In Germany alone, the total volume of measures affecting the budget amounts to € 353.3 billion and the total volume of guarantees to € 819.7 billion. In addition, the European Union plans to invest € 750 billion in reconstruction. According to IMF estimates, countries around the world are making around $12 billion available to combat the crisis. A 5.5 percent recovery in economic growth is expected for 2021, and a further growth rate of 4.2 percent is forecast for 2022.

According to current estimates announced on January 20, 2021, Germany can expect an increase of 3.5 percent in economic performance in 2021; the trend is expected to continue, with a growth rate of 3.1 percent in 2022 Within the euro area, the IMF expects a growth rate of 4.2 percent in 2021 and of 3.6 percent in 2022.

Projections indicate that the recovery of the US economy is expected to amount to 5.1 percent in 2021. Here, too, further growth of about 2.5 percent is expected for 2022.

According to current estimates, China, with forecasts for a 8.1 percent increase in economic output in 2021 and 5.6 percent in 2022, will continue to be a growth engine for the global economy, and is therefore one of the states with the fastest growing economic performance in 2021.

To a high degree, the outlook in the automotive industry for 2021 is marked by the increasing recovery of the markets. During the Covid-19 pandemic-related production stops of numerous vehicle manufacturers in April and May 2020, sales figures were significantly below those of the previous years. Now, with production having been resumed and recovery being sustained, Morgan Stanley anticipates a significant increase (approx. 8.7 percent) in global sales to 78 million vehicles in 2021. Recent estimates indicate that just under 72 million vehicles were sold in 2020.

According to VDA estimates, the number of new vehicles registered within Europe (EU-28 + EFTA) will increase by 12 percent to a total of 13.4 million passenger cars in 2021. For Germany, the VDA also forecasts an increase of 8 per cent to 3.2 million passenger cars. The background here is the ongoing recovery of the sales markets which the Covid-19 pandemic and the associated temporary closure of car dealerships and administrative offices occasionally brought to a virtual standstill in the first nine months of 2020.

Following the decrease in China's sales figures in 2020, the VDA anticipates a recovery of 8 percent to 21.4 million units in 2021.

Besides the sales figures, however, technological and digital trends are having an enormous influence not just on our own business model, but also on those of the OEMs. In particular, a large number of new automotive startup companies can see an opportunity to redesign the mobility of the future. The current emission standards are pushing the further development of classic powertrain types and promoting the integration of alternative powertrains. The BEV/PHEV[3] technologies are also becoming increasingly important. In addition, however, e-fuels and the hydrogen-based fuel cell are providing high-tech engineering service providers with diverse opportunities. Additional challenges for all market participants are being created by the future-oriented fields of software, sensors, and autonomous and connected driving. The development of new digital business fields and mobility services necessitates additional development and capacity requirements, which could lead to new growth opportunities for the engineering service market. The continuing consolidation of the engineering service providers and changed responsibility models in the drafting of work contracts will also bring about lasting changes within the sector.

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

As a global-level partner to our customers, EDAG wants to operate successfully and achieve profitable growth rates again. EDAG is one of the top 4 independent engineering service providers in the automotive sector, and well positioned to handle the market changes towards increasingly large and complex projects with more and more engineering responsibility. Targeted investments and a clear focus on our performance and technology spectrum have strengthened our international market position for fully integrated vehicle development and large module packages. By creating a synergy between the flexible and mobile application of our expertise, the utilization of our internal, best-cost resources, and an international project management team, we strive, at a global level, to meet our customers' expectations. The accelerated continuation of digitalization in 2020 will make a significant contribution to improving the collaboration of our national - and more particularly international - project teams in 2021.

Qualified and committed employees are essential for the implementation of our strategy. EDAG offers selective training measures and a high-level apprenticeship program in order to meet high customer requirements and achieve our growth targets. Training measures and advanced education are available to both experienced and young professionals. Moreover, precipitated by the Covid-19 pandemic, EDAG, significantly increased capacities for mobile working, and now offers many employees the option of working from home. In this way, EDAG makes a major contribution to limiting face-to-face contact, increasing the flexibility of employees and positioning the company as an attractive employer.

The market for engineering services remains highly dynamic. With a growing focus on CO_2 reduction, the development of alternative drive concepts is being massively accelerated. Trend topics such as highly automated driving and data-based business models call for completely new vehicle architectures, and are increasingly leading to a separation of hardware and software in development. The large number of powertrain variants will make flexible and networked smart factories indispensable. All these developments are driving the demand for development services, and will, in the medium to long term, lead to considerable opportunities.

At present we still see no risk to the continued existence of the company in the Covid-19 pandemic and the resulting economic global crisis, but do see a risk that its development might be impaired. On the reporting date, currently unused lines of credit due to credit institutions in the amount of € 103.7 million exist in the Group. In addition, we also have the option of drawing on a further € 60 million made available by a KfW entrepreneur loan at any time. As a result, we see ourselves in a very well good financial position to meet the challenges of the 2021 financial year.

Delays in the awarding of contracts, project cancellations, heterogeneous capacity utilization in different areas and locations, and continuing price pressure still pose additional short term risks for engineering service providers. Short-time work is an instrument that can also be used in Germany in the 2021 financial year, and to some extent in other countries, as a tried and tested countermeasure.

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

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

Due to the restricted quantitative forecasting ability, we are continuing to limit ourselves to a qualitative comparative forecast, because - particularly in terms of the extent and duration of the negative effects of the Covid-19 pandemic - the development of the EDAG Group's net assets, financial position and financial performance can still not be reliably forecast in the usual form.

In the light of developments in the reporting year, we anticipate a moderate increase in revenues in the 2021 financial year. On the basis of current estimates, we assume that we will have a comparatively weak first half of 2021, and a comparatively better second half of the year, although this assessment largely depends on the future development of the pandemic. In the worst case, revenues could stagnate or or even decline.

On the strength of the savings measures that have been implemented, we expect a marked, positive increase in earnings in either case.

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

5 Other Information

5.1 Group Declaration on Corporate Management

Within this annual report, the Group Executive Management and Board of Directors of EDAG Group AG have made diverse declarations concerning corporate management in accordance with § 315d in conjunction with § 289f para. 2 of the German Commercial Code (HGB) (see points 1 - 3). Further declarations concerning corporate management for EDAG Group AG and for a number of the German companies were published on the Internet on March 8, 2021 in accordance with § 315d in conjunction with § 289f para. 1, p. 2 of the German Commercial Code (HGB):

1. Statement of Compliance with the Corporate Governance Codex
   [see chapter: Corporate Governance Report, point "Corporate Governance Objectives"]
2. Relevant details of corporate governance practices
   (see chapter: Corporate Governance Report)
3. Description of the working methods of the Group Executive Management and Board of Directors and of the composition and working methods of their committees
   (see chapter: Corporate Governance Report, points 3 "Board of Directors" and 4 "Group Executive Management")

4. Target figures for the equal treatment of women and men in managerial positions on the basis of §§ 76 para. 4 and 111 para. 5 of the Companies Act (AktG) and §§ 36 and 52 para. 2 of the Limited Liability Companies Act (GmbHG)
   (see: https://www.edag.com/en/edag-group/the-company-edag/corporate-governance)
5. As the German Stock Corporation Act is not applicable to EDAG Group AG, details of the minimum proportion of women in the supervisory board may be omitted.
6. Diversity concept
   (see: https://www.edag.com/en/edag-group/the-company-edag/corporate-governance)

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

The fully paid-in subscribed capital of EDAG Group AG in the amount of € 920 thousand as at December 31, 2020 is backed by 25 million bearer shares with a nominal value of CHF 0.04. The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's annual shareholders' meeting.

The largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which holds 70.66 percent[4]. For the financial year ending December 31, 2020, the company shares fully qualify for dividends.

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

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

5.3 Voting Rights Notification and Directors' Dealings

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

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

6 Disclaimer

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

Report of the independent auditor
(Joint Management Report)

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

Report on the audit of the joint management report
Opinion on the joint management report
We have audited the joint management report of the EDAG Engineering Group AG, Arbon/Switzerland, which is combined with the stand-alone entity's management report, for the financial year from January 1 to December 31, 2020.

In our opinion, on the basis of the information gained during our audit, the accompanying joint management report provides an accurate overall picture of the Group's situation. The joint management report corresponds in all material aspects with the consolidated financial statements, complies with the legal requirements and accurately presents the opportunities and risks in relation to future developments. Our opinion on the joint management report does not cover the contents of the non-financial group statement given in chaper 3 "Non-financial Report and Corporate Social Responsibility (CSR)" of the joint management report, or the "Other Information" in chapter 5, or the "Disclaimer" in chapter 6 of the joint management report.

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

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

Independent auditor's responsibilities for the audit of the joint management report
Our objective is to obtain reasonable assurance about whether the joint management report provides an accurate overall picture of the Group's situation and corresponds

in all material aspects with the consolidated financial statements and the information gained during our audit, complies with the German legal requirements and accurately presents the opportunities and risks in relation to future developments in order to issue an auditor's report that includes our opinion on the joint management report.

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

- The audit of the joint management report is integrated into the audit of the stand-alone entity's management report.
- We identify and assess the risks of material misrepresentation - intentional or unintentional - in the joint management report, plan and perform audit procedures in response to these risks, and obtain adequate and appropriate evidence to serve as a basis for our opinion. The risk of material misrepresentationss not being detected is greater for violations than for inaccuracies, as violations may involve fraudulent collusion, forgery, intentional omissions, misleading representations, or the deactivation of internal controls.
- We obtain an understanding of the provisions and measures (systems) relevant to the audit of the joint management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these arrangements and measures (systems).
- We draw conclusions as to the appropriateness of the going concern accounting principle employed by the legal representatives and, on the basis of the audit evidence obtained, as to whether any material uncertainty exists in relation to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Should we come to the conclusion that material uncertainty does exist, we are required to draw attention to the relevant disclosures in the joint management report or, if such disclosures are inadequate, to modify our opinion accordingly. We draw our conclusions on the basis of audit evidence obtained up to the date of our audit certificate. Future events or circumstances may, however, result in the Group being unable to continue as a going concern.
- We obtain sufficient and appropriate audit evidence regarding the accounting information of the entities or business activities within the Group on which to base our opinions on the joint management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinions.
- We assess the consistency of the joint management report with the consolidated financial statements, its compliance with the law and the impression of the Group's position it conveys.
- We perform audit procedures on the forward-looking statements made by the Board of Directors in the joint management report. In doing so, on the basis of sufficient and appropriate audit evidence, we specifically verify the assumptions underlying the forward-looking statements made by the Board of Directors and assess the appropriateness of these assumptions and the proper derivation of the forward-looking statements based on these assumptions. We do not

express an opinion on these forward-looking statements or on these underlying assumptions. There is a significant and unavoidable risk that events in the future will deviate materially from the forward-looking statements.
- We do not express an opinion on any specific statements in the joint management report but rather express an opinion on the joint management report as a whole.

Deloitte AG

Roland Müller
Partner

Ueli Sturzenegger
Senior Manager

Zurich, March 22, 2021

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

Report of the statutory auditor
(ESEF Conformity Review –
Annual Report)

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

Report on the audit of electronic reporting format of the annual financial statements and the management report prepared for the purposes of electronic reporting in accordance with Section 317 (3b) of the German Commercial Code (HGB)

Opinion

In accordance with Section 317 (3) of the German Commercial Code (HGB), we have carried out a reasonable assurance audit to determine whether the reproductions of the annual financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the attached file, which has the SHA-256-value AE0647C004D61F34A9366AF8FE280C0F1C92C593C4053F88F5D676D409A6A80, and prepared for disclosure purposes , comply with the requirements set out in Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legislation, this audit covers only the conversion of the information in the annual accounts and the management report into ESEF format, and therefore does not cover the information contained in these reproductions or other information in the above-mentioned file.

In our opinion, the reproductions of the annual financial statements and the management report contained in the attached file mentioned above and prepared for the purpose of disclosure comply in all material respects with the requirements set out in Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format. Apart from this opinion and our audit opinions concerning the attached annual financial statements and the attached management report for the financial year from January 1, 2020 to December 31, 2020, we do not give any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for opinion

We have conducted our audit of the reproductions of the annual financial statements and the management report contained in the attached file mentioned above in accordance with Section 317 (3b) of the German Commercial Code (HGB), taking into account the IDW auditing standard: Examination of the electronic reproductions of financial statements and management reports prepared for the purpose of disclosure in accordance with Section 317 para. 3b HGB (IDW EPS 410). Our responsibility in this respect is further described in the section "Independent auditor`s responsibilities for the audit of the ESEF documents". Our auditing practice has applied the requirements for the quality assurance system of the IDW quality assurance standard: Requirements for quality assurance in the auditing practice (IDW QS1).

Responsibilities of the Board of Directors for the ESEF documents
The Board of Directors of EDAG Engineering Group AG is responsible for preparing the ESEF documents with the electronic reproductions of the annual financial statements and the management report in accordance with Section 328 (1), Clause 4, No. 1 of the German Commercial Code (HGB).

Furthermore, the Board of Directors of EDAG Engineering Group AG is responsible for the internal controls that it deems necessary to enable the creation of ESEF documents that are free of material violations - intended or unintentional - of the requirements set out in Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format.

The Board of Directors of EDAG Engineering Group AG is also responsible for submitting the ESEF documents together with the confirmation report and the attached audited annual financial statements and audited management report, as well as any other documents to be disclosed to the operator of the Federal Gazette.

The Board of Directors of EDAG Engineering Group AG is responsible for overseeing the preparation of the ESEF records as part of the accounting process.

Independent auditor`s responsibilities for the audit of the ESEF documents
Our aim is to obtain reasonalbe assurance as to whether the ESEF documents are free of material violations - intended or unintentional - of the requirements set out in Section 328 (1) of the German Commercial Code (HGB). During the audit, we exercise reasonable discretion and maintain a critical attitude. Furthermore,

- We identify and assess the risks of material violations - intentional or unintentional - of the requirements set out in Section 328 (1) of the German Commercial Code (HGB), plan and carry out audit activities in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinion.
- We gain an understanding of the internal controls relevant to the audit of the ESEF records in order to plan audit procedures that are appropriate under the circumstances, but not with the aim of expressing an audit opinion on the effectiveness of these controls.
- We assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date for the technical specification for this file.

- We assess whether the ESEF documents enable an XHTML version of the audited annual financial statements and the audited management report with the same content.

Deloitte AG

Roland Müller	Ueli Sturzenegger
Partner	Senior Manager

Zurich, March 22, 2021

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

Report of the statutory auditor (ESEF Conformity Review – Consolidated Financial Statement)

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

Report on the audit of electronic reporting format of the consolidated financial statement and the group management report prepared for the purposes of electronic reporting in accordance with Section 317 (3b) of the German Commercial Code (HGB)

Opinion

In accordance with Section 317 (3b) of the German Commercial Code (HGB), we have carried out a reasonable assurance audit to determine whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the attached file, which has the check digit SHA-256-value C2B574CD7921F0243D2FFFF317A14DAB34C1E9A9F48C994F016B4B77E82AA311, and prepared for disclosure purposes, comply with the requirements set out in Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal regulations, this audit covers only the conversion of the information in the consolidated financial statements and the group management report into ESEF format, and therefore does not cover either the information contained in these reproductions or other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the attached file mentioned above and prepared for the purpose of disclosure comply in all material respects with the requirements set out in Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format. Apart from this audit opinion and our audit opinions concerning the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2020 to December 31, 2020, we do not give any audit opinion on the information contained in these reproductions or other information contained in the above-mentioned file.

Basis for opinion

We have conducted our audit of the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned attached file in accordance with Section 317 (3b) of the German Commercial Code (HGB), taking into account the IDW auditing standard: Examination of the electronic reproductions of financial statements and management reports prepared for the purpose of disclosure in accordance with Section 317 para. 3b HGB (IDW EPS 410).

Our responsibility in this respect is further described in the section "Independent auditor`s responsibilities for the audit of the ESEF documents". Our auditing practice has applied the requirements for the quality assurance system of the IDW quality assurance standard: Requirements for quality assurance in the auditing practice (IDW QS1).

Responsibilities of the Board of Directors for the ESEF documents
The Board of Directors of EDAG Engineering Group AG is responsible for preparing the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with Section 328 (1) sentence 4 No. 1 of the German Commercial Code (HGB), and for marking the consolidated financial statements in accordance with Section 328 Paragraph 1 Clause 4 No. 2 of the German Commercial Code (HGB).

Furthermore, the Board of Directors is responsible for the internal controls that it deems necessary to enable the creation of ESEF documents that are free of material violations - intended or unintentional - of the requirements set out in Section 328 (1) HGB on the electronic reporting format are.

The Board of Directors of EDAG Engineering Group AG is also responsible for submitting the ESEF documents together with the confirmation report and the attached audited annual financial statements and audited management report, as well as any other documents to be disclosed to the operator of the Federal Gazette.

The Board of Directors of EDAG Engineering Group AG is responsible for overseeing the preparation of the ESEF records as part of the accounting process.

Independent auditor`s responsibilities for the audit of the ESEF documents
Our aim is to obtain reasonalbe assurance as to whether the ESEF documents are free of any material violations - intended or unintentional - of the requirements set out in Section 328 (1) of the German Commercial Code (HGB). During the audit, we exercise reasonable discretion and maintain a critical attitude. Furthermore,

- We identify and assess the risks of significant violations - intentional or unintentional - of the requirements set out in Section 328 (1) of the German Commecial Code (HGB), plan and carry out audit activities in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as the basis for our audit opinion.
- We gain an understanding of the internal controls relevant to the audit of the ESEF records in order to plan audit procedures that are appropriate under the circumstances, but not with the aim of expressing an audit opinion on the effectiveness of these controls.
- We assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date for the technical specification for this file.

- We assess whether the ESEF documents enable an XHTML version of the audited annual financial statements and the audited management report with the same content.
- We assess whether the labeling of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Deloitte AG

Roland Müller Partner	Ueli Sturzenegger Senior Manager

Zurich, March 22, 2021

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


UMWELT
SAFETY
CO^2
Autonom
INNOVATION
SMARTHOME
Connectivit
ENERGIE
IOT
SMARTPHONE

CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	Notes	01/01/2020 – 12/31/2020	01/01/2019 – 12/31/2019
Profit or loss			
Sales revenues and changes in inventories[1]		650,327	781,272
Sales revenues	(1)	653,460	782,772
Changes in inventories	(2)	- 3,133	- 1,500
Other income	(3)	16,607	16,987
Material expenses	(4)	- 80,454	- 135,319
Gross profit		**586,480**	**662,940**
Personnel expenses	(5)	- 446,246	- 491,143
Depreciation, amortization and impairment	(6)	- 44,846	- 45,892
Net result from impairments or reversals on financial instruments	(7)	- 21,373	- 2,413
Other expenses	(8)	- 94,471	- 103,241
Earnings before interest and taxes (EBIT)	**(9)**	**- 20,456**	**20,251**
Result from investments accounted for using the equity method	(10)	53	949
Financial income	(11)	259	380
Financing expenses	(12)	- 10,305	- 10,967
Financial result		**- 9,993**	**- 9,638**
Earnings before tax		**- 30,449**	**10,613**
Income taxes	(13)	7,047	- 3,590
Profit or loss		**- 23,402**	**7,023**

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

in € thousand	Notes	01/01/2020 – 12/31/2020	01/01/2019 – 12/31/2019
Profit or loss		- 23,402	7,023
Other comprehensive income			
Under certain conditions reclassifiable profits/losses			
Currency conversion difference			
Profits/losses included in equity from currency conversion difference		- 2,163	119
Total under certain conditions reclassifiable profits/losses		**- 2,163**	**119**
Not reclassifiable profits/losses			
Revaluation of net obligation from defined benefit plans			
Revaluation of net obligation from defined benefit plans before taxes	(27)	- 715	- 6,204
Deferred taxes on defined benefit plans		276	1,751
Share of other comprehensive income of at-equity accounted investments, net of tax		- 19	- 80
Total not reclassifiable profits/losses		**- 458**	**- 4,533**
Total other comprehensive income before taxes		- 2,897	- 6,165
Total deferred taxes on the other comprehensive income		276	1,751
Total other comprehensive income		**- 2,621**	**- 4,414**
Total comprehensive income		**- 26,023**	**2,609**

Earnings per share of sharholders of EDAG Group AG [diluted and basic in EUR]			
Eearnings per share	(14)	- 0.94	0.28

2 Consolidated Statement of Financial Position

in € thousand	Note	12/31/2020	12/31/2019
Assets			
Goodwill	(15)	74,258	74,367
Other intangible assets	(15)	15,334	20,742
Property, plant and equipment	(16)	69,324	74,500
Right of use from leasing	(17)	118,700	144,372
Financial assets	(18)	135	160
Investments accounted for using the equity method	(19)	17,498	17,464
Non-current other financial assets	(18)	725	1,037
Non-current other non-financial assets	(22)	165	66
Deferred tax assets	(23)	20,133	12,742
Non-current assets		**316,272**	**345,450**
Inventories	(24)	2,654	8,633
Current contract assets	(20)	51,319	70,823
Current accounts receivables	(21)	74,123	135,665
Current other financial assets	(18)	1,889	2,274
Current securities, loans and financial instruments	(18)	32	51
Current other non-financial assets	(22)	16,155	10,122
Income tax assets	(23)	1,343	976
Cash and cash-equivalents	(25)	156,292	70,618
Current assets		**303,807**	**299,162**
Assets		**620,079**	**644,612**

in € thousand	Note	12/31/2020	12/31/2019
Equity, liabilities and provisions			
Subscribed capital		920	920
Capital reserves		40,000	40,000
Retained earnings		80,097	103,499
Reserves from profits and losses recognized directly in equity		- 13,595	- 13,137
Currency conversion differences		- 5,581	- 3,418
Equity	**(26)**	**101,841**	**127,864**
Provisions for pensions and similar obligations	(27)	37,463	37,759
Other non-current provisions	(28)	3,552	3,449
Non-current financial liabilities	(29)	120,778	120,000
Non-current lease liabilities	(30)	120,340	142,658
Non-current other non-financial liabilities	(34)	83	-
Deferred tax liabilities	(35)	6	20
Non-current liabilities and provisions		**282,222**	**303,886**
Current provisions	(28)	24,114	14,173
Current financial liabilities	(29)	2,441	21,698
Current lease liabilities	(30)	17,029	18,269
Current contract liabilities	(31)	125,402	45,500
Current accounts payable and other liabilities	(32)	22,978	55,014
Current other financial liabilities	(33)	3,691	4,363
Current other non-financial liabilities	(34)	38,496	49,679
Income tax liabilities	(35)	1,865	4,166
Current liabilities and provisions		**236,016**	**212,862**
Equity, liabilities and provisions		**620,079**	**644,612**

3 Consolidated Cash Flow Statement

in € thousand		01/01/2020 – 12/31/2020	01/01/2019 – 12/31/2019
	Profit or Loss	**- 23,402**	**7,023**
+	Income tax expenses	- 7,046	3,590
-	Income taxes paid	- 3,188	- 11,995
+	Financial result	9,993	9,638
+	Interest and dividend received	245	960
+/-	Depreciation and amortisation/Write-ups on tangible and intangible assets	45,191	45,892
+/-	Other non-cash item expenses/income	- 20,515	- 5,181
+/-	Increase/decrease in non-current provisions	249	7,858
-/+	Profit/loss on the disposal of fixed assets	481	260
-/+	Increase/decrease in inventories	6,021	536
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	52,756	- 3,673
+/-	Increase/decrease in current provisions	10,190	4,041
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	38,104	19,916
=	**Cash inflow/outflow from operating activities/operating cash flow**	**150,109**	**78,865**
+	Deposits from disposals of tangible fixed assets	454	321
-	Payments for investments in tangible fixed assets	- 11,545	- 18,734
-	Payments for investments in intangible fixed assets	- 4,174	- 5,114
+	Deposits from disposals of financial assets	32	25
-	Payments for investments in financial assets	- 7	- 26
-	Payments for investments in shares of fully consolidated companies/divisions	- 248	- 295
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 15,488**	**- 23,823**

in € thousand		01/01/2020 – 12/31/2020	01/01/2019 – 12/31/2019
-	Payments to shareholders/partners (dividend for prior year)	-	- 18,750
-	Interest paid	- 9,596	- 9,925
+	Borrowing of financial liabilities	2,008	18,724
-	Repayment of financial liabilities	- 20,576	- 20,377
-	Repayment of leasing liabilities	- 19,010	- 18,164
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 47,174**	**- 48,492**
	Net Cash changes in financial funds	**87,447**	**6,550**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 1,773	206
+	Financial funds at the start of the period	70,618	63,862
=	**Financial funds at the end of the period [cash & cash equivalents]**	**156,292**	**70,618**
=	**Free cash flow (FCF) – equity approach**	**134,621**	**55,042**

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

4 Consoldiated Statement of Changes in Equipty

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans
As per 12/31/2019	**920**	**40,000**	**103,499**	**- 3,418**	**- 13,035**
Profit or loss	-	-	- 23,402	-	-
Other comprehensive income	-	-	-	- 2,163	- 439
Total comprehensive income	**-**	**-**	**- 23,402**	**- 2,163**	**- 439**
Dividends	-	-	-	-	-
As per 12/31/2020	**920**	**40,000**	**80,097**	**- 5,581**	**- 13,474**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans
As per 1/1/2018 revised	**920**	**40,000**	**115,226**	**- 3,536**	**- 8,583**
Application of IFRS 16	-	-	-	-	-
As per 1/1/2019 revised	**920**	**40,000**	**115,226**	**- 3,536**	**- 8,583**
Profit or loss	-	-	7,023	-	-
Other comprehensive income	-	-	-	118	- 4,452
Total comprehensive income	**-**	**-**	**7,023**	**118**	**- 4,452**
Dividends	-	-	- 18,750	-	-
Deconsolidations	-	-	-	-	-
As per 12/31/2019	**920**	**40,000**	**103,499**	**- 3,418**	**- 13,035**

For explanations concerning equity, see chapter [26] "Equity".

in € thousand	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 12/31/2019	**- 102**	**127,864**	**-**	**127,864**
Profit or loss	-	- 23,402	-	- 23,402
Other comprehensive income	- 19	- 2,621	-	- 2,621
Total comprehensive income	**- 19**	**- 26,023**	**-**	**- 26,023**
Dividends	-	-	-	-
As per 12/31/2020	**- 121**	**101,841**	**-**	**101,841**

in € thousand	Shares in investments accounted for using the equity method	Equity attributable to majority shareholders	Non controlling interest	Equity
As per 1/1/2018 revised	**- 22**	**144,005**	**1**	**144,006**
Application of IFRS 16	0	-	-	-
As per 1/1/2019 revised	**- 22**	**144,005**	**1**	**144,006**
Profit or loss	-	7,023	-	7,023
Other comprehensive income	- 80	- 4,414	-	- 4,414
Total comprehensive income	**- 80**	**2,609**	**-**	**2,609**
Dividends	-	- 18,750	-	- 18,750
Deconsolidations	-	-	- 1	- 1
As per 12/31/2019	**- 102**	**127,864**	**-**	**127,864**

5 Notes

5.1 General Information

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

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

The largest individual shareholder of EDAG Engineering Group AG is ATON Austria Holding GmbH, which holds 70.66 percent. The ultimate parent company, ATON 2 GmbH, Leopoldstraße 53, 80802 Munich, prepares the consolidated financial statements for the largest group of companies, which are to be published in the Federal Gazette. Its subsidiary, ATON GmbH, Leopoldstraße 53, 80802 Munich, prepares consolidated financial statements and a management report, which are to be published in the Federal Gazette. The consolidated financial statements and management report of ATON GmbH can be obtained from this address, and will be submitted to the Federal Gazette in Germany.

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

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

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

The Group Executive Management of EDAG Group AG compiled the consolidated financial statements on March 22, 2021. The Audit Committee of the Board of Directors of EDAG Group AG dealt with the consolidated financial statements during its meeting on March 22, 2021. The Board of Directors approved the consolidated financial statements in its meeting on March 22, 2021.

For the financial year ending December 31, 2020, the company shares fully qualify for dividends.

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

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

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

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

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

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

5.2 Basic Principles and Methods

Basic Accounting Principles

The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2020 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. In addition to the International Financial Reporting Standards, the term IFRS also includes the still valid International Accounting Standards (IAS), the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and those of the former Standing Interpretations Committee (SIC). The requirements of all accounting standards and interpretations resolved as of December 31, 2020 and adopted in national law by the European Commission have been fulfilled. Please also see chapter "c) Synoptic Presentation of the Main Differences between IFRS IASB and IFRS EU".

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

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

New, Changed or Revised Accounting Standards

a) New and changed standards applied in 2020

EDAG Group AG has applied the following accounting standards adopted by the EU and legally required to be applied since January 1, 2020, although they did not have any significant effect on the assets, financial position and financial performance of the EDAG Group in the consolidated financial statements:

- **Conceptual Framework** – Amendments to References to the Conceptual Framework for Financial Reporting (IASB-publication: March 29, 2018; EU endorsement: November 29, 2019)
- **IAS 1/IAS 8** – Definition of Material (IASB publication: October 31, 2018; EU endorsement: November 29, 2019)
- **IFRS 9/IAS 39/IFRS 7** – Interest Rate Benchmark Reform (IASB publication: September 26, 2019; EU endorsement: January 15, 2020)
- **IFRS 3** – Definition of a Business (IASB publication: October 22, 2018; EU endorsement: April 21, 2020)
- **IFRS 16** – Covid-19-related rent concessions (IASB publication: May 28, 2020; EU endorsement: October 9, 2020)

b) Standards, interpretations and changes to published standards, which are not yet mandatory for 2020, and which have not been applied prematurely by the company

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

	Standard/Interpretation[1]	Published by the IASB	Compulsory use	Endorsement by EU-Commission	
				Effected on	Planned for
IFRS 17	Insurance Contracts	05/18/2017/ 06/25/2020	01/01/2023		open
IAS 1	Classification of Liabilities as Current or Non-current	01/23/2020/ 07/15/2020	01/01/2023		open
Others	Annual Improvements to IFRS Standards (2018 – 2020)	05/14/2020	01/01/2022		Q2 2021
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	06/25/2020	01/01/2021	12/15/2020	
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform – Phase 2	08/27/2020	01/01/2021	01/13/2021	

[1] Until 12/31/2020

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

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

Consolidation Principles

The basis for the preparation of the consolidated financial statement is formed by the individual financial statements of EDAG Group AG and its subsidiaries which have been presented pursuant to IAS 10, according to standardized accounting and valuation methods. All the companies included – with the exception of EDAG Production Solitions India Private Limited, New Delhi/India and EDAG Technologies India Private Limited, New Delhi/India – use the calendar year as their financial year. The country-specific financial statements of the Indian companies are prepared as of March 31. However, as of the balance sheet date December 31, interim financial statements were prepared according to the IFRS requirements.

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

Should the acquisition costs exceed the fair value of the Group's share of the identifiable assets, liabilities and provisions and contingent liabilities of the subsidiary as of the acquisition date, the excess is allocated to one or several Cash Generating

Units (CGU) and accounted for separately as goodwill. At least once a year – more frequently if there is reason to believe this is indicated – an impairment test is carried out to check the intrinsic value of the company's goodwill. In the event of impairment, unscheduled amortization is carried out. In the event of the disposal of a subsidiary or part of a goodwill-carrying CGU, the attributable share of goodwill is taken into account in calculating the earnings on the disposal.

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

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

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

Scope of Consolidation

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

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

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

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

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

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

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

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

In the period January 1, 2020 to December 31, 2020, the group of consolidated companies developed as follows:

	Switzer-land	Germany	Others	Total
Fully consolidated companies				
Included as of 01/01/2020	**3**	**5**	**25**	**33**
Included for the first time in current financial year	-	-	1	1
Withdrawn in current financial year	-	-	4	4
Included as of 12/31/2020	**3**	**5**	**22**	**30**
Companies accounted for using the equity method				
Included as of 01/01/2020	**-**	**1**	**-**	**1**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2020	**-**	**1**	**-**	**1**
Companies included at acquisition cost [not included in the scope of consolidation]				
Included as of 01/01/2020	**-**	**3**	**-**	**3**
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 12/31/2020	**-**	**3**	**-**	**3**

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

EDAG Turkey Mühendislik Ltd., Gebze/Kocaeli, was founded with the entry in the commercial register on May 28, 2020.

With effect from January 1, 2020, EDAG Production Solutions, Inc., Troy was merged with EDAG, Inc., Troy.

With effect from January 1, 2020, Müller HRM Engineering AB, Gothenburg was merged with EDAG Engineering Scandinavia AB, Gothenburg.

Rücker Vehicle Design (Shanghai) Co.,Ltd., Shanghai, was dissolved with effect from April 16, 2020.

BFFT of America, Inc., Belmont, was dissolved with effect from May 20, 2020.

Currency Conversion

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

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

Currency conversion was based on the following exchange rates:

Country	Currency	12/31/2020	2020	12/31/2019	2019
	1 EUR = Nat. currency	Spot rate on balance sheet date	Average exchange rate for period	Spot rate on balance sheet date	Average exchange rate for period
Great Britain	GBP	0.8990	0.8892	0.8508	0.8773
Brazil	BRL	6.3735	5.8900	4.5157	4.4135
USA	USD	1.2271	1.1413	1.1234	1.1196
Malaysia	MYR	4.9340	4.7935	4.5953	4.6372
Hungary	HUF	363.8900	351.2043	330.5300	325.2297
India	INR	89.6605	84.5795	80.1870	78.8501
China	CNY	8.0225	7.8708	7.8205	7.7339
Mexico	MXN	24.4160	24.5118	21.2202	21.5573
Czech Republic	CZK	26.2420	26.4554	25.4080	25.6697
Switzerland	CHF	1.0802	1.0703	1.0854	1.1127
Poland	PLN	4.5597	4.4432	4.2568	4.2975
Russia	RUB	91.4671	82.6454	69.9563	72.4593
Sweden	SEK	10.0343	10.4881	10.4468	10.5867
Japan	JPY	126.4900	121.7754	121.9400	122.0564
Turkey	TRY	9.1131	8.0436	6.6843	6.3653

Accounting and Valuation Principles

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

When preparing the consolidated financial statement for the year ending December 31, 2020, the same basic accounting and valuation methods were applied as for calculating the comparative figures.

Realization of Income and Expenses

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

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

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

Contracts with Customers

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

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

Performance Obligations

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

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

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

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

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

The performance obligations remaining on the reporting date (orders on hand) are equivalent to a transaction price in the amount of € 333.8 million (12/31/2019: € 294.4 million) and include performance obligations from work, service and sales contracts.

The following table sets out the planned realization of revenues:

in € thousand	31/12/2020	31/12/2019
Subsequent year	298,015	241,020
Subsequent year +1 until n years	35,760	53,352
Total	**333,775**	**294,372**

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

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

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

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

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

Research and Development Costs
For accounting purposes, research costs are defined as costs relating to targeted investigations which are intended to deliver new scientific or technical findings and insights. Development costs are defined as expenses relating to the application of research results or technical knowledge in production, production processes, services or goods prior to the start of commercial production or use. The EDAG Group mainly

provides customers with development services which can then be capitalized within the context of a customer project, and subsequently accounted for.

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

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

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

In the reporting year, research and development expenses amounting to € 4,867 thousand (2019: € 6,847 thousand) were incurred.

Other Intangible Assets

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

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

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

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

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

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

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

Impairment

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

The goodwill is divided up and assigned to the CGUs, and recoverability is checked at this level. The net book value of the CGUs is compared with their recoverable amount, i.e. the higher amount of fair value less the cost of disposal and value in use. The net selling price is the revenue which can be obtained by selling an asset in a transaction using market conditions between two qualified parties willing to enter into a contract (fair value), less disposal costs. The EDAG Group first determines the value in use in the course of the impairment test. Should this prove to be lower than the book value, the net disposal value after deduction of the disposal costs is determined. The cash generating unit's value in use is equal to the present value of the cash flow which, taking into account the continual usage of the strategic business unit and its disposal, can be expected at the end of its useful life. Payment prognosis is based on the current, long-term plans of the EDAG Group. The planning period is three years. At EDAG, the cost of capital is calculated as the weighted average of the equity and debt capital costs; the crucial factor here being the proportion of each of the total capital. The equity cost rate is determined with the Capital Asset Pricing Model (CAPM), from a zero-coupon bond interest rate with a time to maturity of 30 years plus a risk premium equivalent to one of the separate CGUs. The cost of equity amounts to 12.98 percent (2019: 12.06 percent). The borrowing costs used amount to 2.05 percent (2019: 3.00 percent), and represent the long-term funding conditions. Both components are derived from information on the capital market, and represent an interest rate before tax. The resulting WACC[2] is 10.50 percent before taxes (2019: 10.58 percent). There are no specific capitalization rates for the segments, as the peer group is identical in all cases.

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

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

in € thousand	**2020**	**2019**
Vehicle Engineering	48,802	48,536
Production Solutions	5,063	5,482
Electrics/Electronics	20,393	20,349
Total	**74,258**	**74,367**

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

[2] WACC = Weighted Average Cost of Capital

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

Leasing

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

Group as the Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

Group as the Lessor

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

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

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

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

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

Public Sector Benefits

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

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

Inventories

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

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

Financial Instruments

General information

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

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

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

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

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

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

Financial Assets

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

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

<u>Cash and Cash-Equivalents</u>

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

Receivables

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

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

Loans

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

Investments and Securities

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

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

Impairment

Financial assets are subject to default risks, which are taken into account by recognizing provisions for risks or, in the case of losses that have already occurred, by recognizing a specific valuation allowance. Credit default risks are to be considered for all financial assets that are valued at amortized cost, and for contract assets within the scope of IFRS 15 and receivables from leases that fall under IFRS 16. The default risk arising from accounts receivable and from contract assets within the scope of IFRS 15 is recognized according to the simplified impairment model by making portfolio-based adjustments (provisions for risks). For these financial assets, provisions for risks in the amount of the expected loss over the term is created in accordance with Group-wide standards (expected credit loss; stage 2 of the impairment model). In order to determine portfolio-based adjustments, receivables are grouped into homogeneous portfolios on the basis of comparable credit risk characteristics, and divided into risk classes. To determine the amount of impairment, historical default probabilities based on the average bad debts in recent years are used in conjunction with forward-looking parameters of the respective portfolio. The EDAG Group checks whether there are any objective indications of impairment, for instance insolvency proceedings, on every reporting date. Should this be the case, the default risk is taken into account by recognizing a specific valuation allowance (stage 3 of the impairment model).

For other receivables and loans and receivables from leases that fall under IFRS 16, the expected credit loss for the next twelve months is first determined on initial recognition and on subsequent measurement (stage 1 of the impairment model). In the event of a significant increase in the default risk, the risk is reclassified to stage 2 of the impairment model. The expected credit losses over the term of the asset are taken into account here. A significant increase can be deemed to exist if, for example, unfavorable changes to business, financial or economic conditions have a negative impact on the ability of the borrower to meet its contractually agreed payment obligations. If there are objective indications of an impairment, a specific valuation allowance is recognized (Stage 3 of the impairment model).

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

Derecognition

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

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

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

Financial Liabilities

Financial Liabilities Measured at Amortized Costs

Accounts payable and other financial liabilities are always valued using the effective interest method, at amortized cost.

Financial Liabilities Valued at Fair Value Through Profit or Loss

Other financial liabilities, such as contingent considerations, are valued at fair value through profit or loss.

Derecognition

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

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

Derivative Financial Instruments

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

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

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

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

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

Provisions

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

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

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

Pensions and Other Post-Employment Benefits

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

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

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

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

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

Payments Resulting from the Termination of Employment Relationships

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

Income Taxes

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

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

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

Discretionary Decisions

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

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

Estimates (Assumptions)

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

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

Deferred tax assets are also recorded for tax losses carried forward. Their viability depends on future taxable results of the respective Group company. If there is any doubt regarding the realization of losses carried forward, then no deferred taxes are posted.

Pension provisions are influenced by assumptions regarding the future development of wages and salaries or pensions, as well as by the interest, portfolio structure and anticipated performance of the plan assets of pension funds. Should the assumptions made fail to materialize, this will result in an actuarial surplus or shortfall, which is offset with the retained earnings, not affecting income.

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

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

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

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

Measurement of **leases in accordance with IFRS 16** involves estimates regarding the consideration of renewal and termination options, and the determination of the incremental borrowing rate.

Accounting estimates and management judgement due to the Covid-19 pandemic
Preparation of the Consolidated Financial Statement in accordance with IFRS requires management to make estimates and discretionary decisions that may affect the recognition and measurement of assets and liabilities in the balance sheet, the disclosure of contingent receivables and liabilities on the balance sheet date, and the reported income and expenses for the reporting period.

Due to the fact that it is currently not possible to foresee the global consequences of the Covid-19 pandemic, these estimates and discretionary decisions are subject to increased uncertainty. The amounts actually realized may deviate from these estimates and discretionary decisions; changes may have a material impact on the Consolidated Financial Statement.

Especially in light of the Covid-19 pandemic, all available information relating to expected future economic developments and country-specific government measures was taken into account when the estimates and discretionary decisions were being updated, and entered in our existing valuation models which have not changed compared to the previous year.

This information was included in the impairment test for assets and financial investments accounted for using the equity method. In addition, impairment tests were carried out for the cash-generating units, which confirmed the recoverability of the relevant underlying book values.

5.3 Notes on the Statement of Comprehensive Income

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

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

Revenues (sales revenues +/- changes in inventories) of the Vehicle Engineering segment include € 26.1 million from a series production order (2019: € 50.7 million) which came to an end in the reporting year.

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

[2] Changes in Inventories

Shown here is the increase/decrease in inventory of unfinished and finished goods and services which have been determined on the basis of the acquisition cost method. Inventory of unfinished and finished goods and services in the reporting year 2020 decreased by € 3,133 thousand (2019: decreased by € 1,500 thousand).

[3] Other Income

Other income is classified as follows:

in € thousand	2020	2019
Operating income		
Non-cash benefit from car leasing	4,262	4,232
Income from currency gains	2,262	1,689
Rental income from subleases	1,527	2,073
Cost transfer income	536	880
Rental income from leases of property	221	260
Catering/cafeteria income	95	206
Income from compensation payments	86	375
Income from recycling/scrap	40	62
Income from currency hedging transactions	-	44
Miscellaneous operating income	1,210	1,420
Total operating income	**10,239**	**11,241**
Non-operating income		
Public sector benefits	3,015	2,737
Income from the reversal of provisions	1,600	748
Income from the reversal of liabilities from business acquisitions	1,023	701
Income from the disposal/subsequent capitalization of fixed assets	166	180
Income from divestiture of RoU-assets	77	482
Income from deconsolidation	12	-
Miscellaneous non-operating income	475	898
Total non-operating income	**6,368**	**5,746**
Total other income	**16,607**	**16,987**

Income from sub-leases in the amount of € 1,527 thousand (2019: € 2,073 thousand) comprises leasing payments for leased space from operating leases and incidental costs from financing leases that were previously rented by EDAG itself.

Income from property rental in the amount of € 221 thousand (2019: € 260 thousand) includes leasing payments for rented space under operating leases that were owned by EDAG at the time the income was realized.

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

Leasing income from operating leases amounting to € 1,587 thousand was recognized in the reporting year (2019: € 2,150 thousand). As in the previous year, no income from variable lease payments not dependent on an index or (interest) rate was realized from operating leases in the reporting year. The incidental costs from finance leases included in income from subletting and recognized for the first time within the scope of the first-time adoption of IFRS 16 on January 1, 2019 amounted to € 161 thousand in the reporting year (2019: € 183 thousand).

Income from the disposal of rights of use amounting to € 77 thousand in the reporting year (2019: € 482 thousand). Previous years figure primarily includes income arising from the derecognition of rights of use within the framework of the presentation of subleases (financing leases), as well as gains in connection with the return of rental premises in a long-term building rental agreement. In the reporting year, this includes primarily profit from the early termination of a long-term building rental agreement.

During the reporting year, public sector benefits of € 3,015 thousand (2019: € 2,737 thousand) were recognized through profit or loss in the statement of comprehensive income. These benefits consist primarily of public sector subsidies for training, research and development. There are no unfulfilled conditions or miscellaneous contingencies in relation to these benefits.

Income from the reversal of provisions in the amount of € 1,600 thousand (2019: € 748 thousand) are made up of the unwinding of other provisions for personnel and taxes, provisions for legal disputes and warranty obligations, and miscellaneous provisions. This also includes reversals of provisions for restructuring in the amount of € 1,260 thousand in the reporting year, which are included in the adjusted EBIT reconciliation (see chapter "Other Provisions [28]“). Other items primarily cover income from onerous contracts in the amount of € 131 thousand (2019: € 70 thousand).

The income from the reversal of liabilities from sales and purchase agreements in the amount of € 1,023 thousand (2019: € 701 thousand) which were included in the adjusted EBIT reconciliation.

[4] Material Expenses

in € thousand	2020	2019
Expenses for materials and supplies and for purchased goods	38,964	66,977
Expenses for purchased services	41,490	68,342
Total	**80,454**	**135,319**

Expenses for materials and supplies and for purchased goods are mainly made up of expenses for models and small parts which have been purchased. Expenses for purchased goods and services are mainly made up of the costs for subcontractors and miscellaneous services received. The proportion for materials and services expenses for a production order stood at € 14.3 million in the reporting year (2019: € 41.6 million).

[5] Personnel Expenses

in € thousand	2020	2019
Wages and salaries	370,604	406,880
Social security contributions	70,860	78,943
Expenses on retirement pension plans and support	4,202	4,587
Wage-related and salary-related taxes	580	733
Total	**446,246**	**491,143**

Expenses for retirement pension plans and support include, but are not restricted to, expenses for defined benefit commitments. The interest portion of the valuation of retirement obligations is posted as a financing cost, as per the financing character. Anticipated income from the associated fund assets is stated as financing income. The presentation of pension obligations is explained in detail in chapter "Pensions and Other Post-Employment Benefits [27]".

In the personnel expenses, income from public sector subsidies for short-time working benefit was offset expenses for against wages and salaries in the amount of € 8,467 thousand (2019: € 1,103 thousand), and for social security contributions totaling € 5,505 thousand (2019: € 0 thousand).

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

Wages and salaries include expenses in conjunction with the termination of employment contracts in the amount of € 5,372 thousand (2019: € 1,189 thousand). Expenses in conjunction with the termination of employment contracts to the amount of € 7,404 thousand (2019: € 5,580 thousand), from salaries in the amount of € 3,282 thousand (2019: € 1,653 thousand), and social security contributions in the amount of € 631 thousand (2019: € 307 thousand) are also included in the miscellaneous non-operating expenses which are included in the adjusted EBIT reconciliation.

Wages and salaries and social security contributions in the reporting year include income relating to other periods in the amount of € 1,129 (2019: € 6,440).

In the financial year ended December 31, 2020, an average of 8,142 employees were employed in the EDAG Group (2019: 8,625 employees). The following table provides a detailed overview:

	2020	**2019**
Breakdown according to contractual relationship		
Salaried employees	7,778	8,156
Apprentices	364	469
Total	**8,142**	**8,625**

	2020	**2019**
Geographical breakdown		
Germany	5,815	6,080
Rest of Europe	1,320	1,412
North America	284	333
South America	171	196
Asia	552	604
Total	**8,142**	**8,625**

[6] Depreciation, Amortization and Impairment

The depreciation and amortization of fixed assets in the amount of € 44,846 thousand (2019: € 45,892 thousand) include both amortization of intangible assets and depreciation of property, plant and equipment.

Besides the scheduled depreciation and amortization in the amount of € 18,676 thousand (2019: € 21,008 thousand) and the scheduled depreciation and amortization on rights of use from leased assets in the amount of € 19,082 thousand (2019: € 19,347 thousand), they also primarily include unscheduled depreciation and amortization on rights of use from leased buildings in the amount of € 1,988 thousand (2019: € 349 thousand), and on activated development costs in the amount of € 207 thousand (2019: € 0 thousand). Unscheduled depreciation and amortization on rights of use result from unused space, and are mainly assigned to the Vehicle Engineering segment. They also include depreciation and amortization from the purchase price allocation totaling € 4,859 thousand (2019: € 5,188 thousand) which were also included in the adjusted EBIT reconciliation.

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

[7] Impairment/Impairment Loss Reversal of Financial Assets

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

in € thousand	2020	2019
Income from reversal of impairments	1,075	180
Expenses from additions of impairments	- 22,448	- 2,593
Total	**- 21,373**	**- 2,413**

For the development of the provisions for risks, mainly relating to accounts receivable, please see chapter "Financial Instruments" in the Notes.

[8] Other Expenses

The breakdown of the other expenses results in:

in € thousand	2020	2019
Operating expenses		
Maintenance	18,111	19,151
Other expenses from leases	12,209	9,436
General administration expenses	6,643	6,575
Travel expenses	5,820	14,241
Miscellaneous ancillary personnel expenses	5,674	8,910
Consulting, contributions and fees	5,035	4,879
Rents and leases from low value leases	3,338	3,412
Guarantees	3,123	1,920
Rents and leases from short term leases	2,801	4,696
Expenses from currency losses	2,504	1,801
Sales and marketing expenses	2,159	3,677
Personnel training and development expenses	2,030	3,343
Insurance	1,952	1,804
Vehicle fuel expenses/miscellaneous vehicle expenses	1,348	2,024
Miscellaneous taxes and duties	1,235	1,060
Surveillance and security expenses	1,056	1,121
Expenses from currency hedging transactions	143	66
Miscellaneous operating expenses	5,328	6,249
Total operating expenses	**80,509**	**94,365**
Non-operating expenses		
Restructuring expenses	12,944	7,976
Expenses from the disposal of assets/scrapping	647	440
Expenses from bad debt loss	131	14
Expenses from deconsolidation	27	-
Miscellaneous non-operating expenses	213	446
Total non-operating expenses	**13,962**	**8,876**
Total other expenses	**94,471**	**103,241**

Other expenses from leasing contracts include the incidental cost components of leasing contracts recognized in the statement of comprehensive income, for the leasing components of which a right of use and a leasing liability were recognized in accordance with IFRS 16, and for which the practical remedy as indicated in IFRS 16.15 was not used. They also include rental expenses from leases of intangible assets for which the provisions of IFRS 16 are not applied. As in the previous year, operating expenses do not include any expenses for variable leasing payments that were not included in the measurement of lease liabilities.

Restructuring expenses in the amount of € 12,944 thousand (2019: € 7,976 thousand) were included in the non-operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation. In addition, expenses from M&A transactions in the amount of € 0 thousand (2019: € 297 thousand) were included in the miscellaneous non-operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation.

[9] Reconciliation of the Adjusted Operating Profit (Adjusted EBIT)

In addition to the data required according to the IFRS, the segment reporting also includes a reconciliation to the adjusted earnings before interest and taxes (adjusted EBIT). Adjustments include income from initial consolidations and deconsolidations, restructuring and all effects of purchase price allocations on EBIT.

in € thousand	Note	2020	2019
Earnings before interest and taxes (EBIT)		**- 20,456**	**20,251**
Adjustments:			
Expenses (+) from purchase price allocation	(6)	4,859	5,188
Income (-)/Expenses (+) from deconsolidation	(3)	15	-
Expenses (+) from additional costs from M&A transactions	(8)	-	297
Expenses (+) from closure of affiliated companies	(5) (8)	265	-
Income (-) from reversal of liabilities from business acquisitions	(3)	- 1,023	- 701
Expenses (+) from restructuring	(8)	12,074	7,976
Expenses (+) from previous year restructuring	(8)	870	-
Income (-) from reversal of provisions for restructuring from previous years	(3)	- 1,260	-
Total adjustments		**15,800**	**12,760**
Adjusted earnings before interest and taxes (adjusted EBIT)		**- 4,656**	**33,011**

The "expenses (+) from the purchase price allocation" are stated under the amortization. The "income (-) from the reversal of provisions for contingent considerations from business combinations" and the "income (-) from the reversal of provisions for restructuring" is shown in the other income. The "expenses (+) from restructuring" and the "income (-)/expenses (+) from deconsolidation" are reported in the other expenses. The "expenses (+) from the closure of subsidiaries" are included in the personnel expenses and in the other expenses.

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

The result from investments accounted for using the equity method in the amount of € 53 thousand in the 2020 financial year (2019: € 949 thousand) contains the proportionate result, each with 49 percent from EDAG Werkzeug + Karosserie GmbH, Fulda.

The Group share in the individual items of the statement of comprehensive income can be seen in the section "Shares in Investments Accounted for Using the Equity Method" [19].

[11] Financial Income

in € thousand	2020	2019
Interest income from leases	30	40
Interest and similar income	216	339
Income from evaluation of value to be attributed	13	1
Summe	**259**	**380**

No earnings from the release of provisions for interest from payment of back taxes are included in interest and similar income (2019: € 12 thousand). The interest income from leases in the amount of EUR 30 thousand (2019: € 40 thousand) recognized in the reporting year results from a lease classified as a finance lease in accordance with IFRS 16. More detailed information can be found in the chapter "Leases", page 199.

[12] Financing Expenses

in € thousand	2020	2019
Interest expenses for leasing liabilities	7,156	8,028
Interest and similar expenses	3,117	2,928
Losses from valuation at fair value	10	10
Miscellaneous financial expenses	22	1
Total	**10,305**	**10,967**

[13] Income Taxes

Taxes paid or owed on income and earnings in the individual countries, and also the deferred taxes, are reported as income taxes.

The main components of income tax expense for the financial years 2020 and 2019 are composed as follows:

in € thousand	2020	2019
Actual income tax expense/income [+/-]	1,186	11,416
Adjustment for actual income taxes attributable to prior periods	- 753	- 1,365
Deferred tax expense/income [+/-]		
from the emergence and/or reversal of temporary differences	- 3,585	- 4,408
from losses carried forward	- 3,895	- 2,053
Income taxes	**- 7,047**	**3,590**

Actual income tax for the current financial year includes corporate tax incurred in Germany, the solidarity contribution, trade tax and other income tax incurred abroad.

Income taxes amounting to € -7,047 thousand (2019: € 3,590 thousand) are derived as follows from "expected" income tax expenses which would have resulted from applying the average rate of income tax of the EDAG Group to the earnings before income taxes. To determine the expected tax expense, the pre-tax earnings are multiplied by a weighted average combined tax rate of 28.00 percent (2019: 36.00 percent). Due to the development of the results in the different tax law systems, the weighted average combined tax rate for EDAG Group AG decreased compared to the previous year.

	2020		2019	
	in € thousand	in %	in € thousand	in %
Earnings before tax	**- 30,449**		**10,613**	
Expected tax rate	-	28.00%	-	36.00%
Expected tax expense	**- 8,526**		**3,821**	
Tax-free earnings and non-deductible expenses	829	-2.72%	1,249	11.77%
Tax effects from equity investments	- 15	0.05%	- 342	-3.22%
Tax rate deviations	- 273	0.90%	- 594	-5.60%
Tax effects from losses carried forward	1,203	-3.95%	466	4.39%
Taxes for previous year	- 753	2.47%	- 1,365	-12.86%
Miscellaneous tax effects	488	-1.60%	355	3.34%
Income taxes as disclosed in the statement of comprehensive income	**- 7,047**		**3,590**	
Effective tax rate		23.14%		33.82%

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

in € thousand	**2020**	**2019**
Deferred tax assets	20,133	12,742
Deferred tax liabilities	- 6	- 20
Net	**20,127**	**12,722**
Difference to previous year	7,405	8,261
Through profit or loss	7,480	6,460
Recognized directly in equity	276	1,751
Currency differences	- 351	49

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

in € thousand	12/31/2020		12/31/2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Assets				
Other intangible assets	-	- 2,052	-	- 3,589
Property, plant and equipment	173	- 1,269	227	- 990
Right of Use from leasing	-	- 34,423	-	- 41,867
Financial assets	-	- 174	-	- 244
Inventories, receivables, other financial assets	13,732	- 19,696	8,333	- 17,743
Liabilities and provisions				
Provisions	10,061	- 8,072	9,974	- 10,689
Liabilities	15,362	- 482	19,883	- 518
Lease liabilities	39,837	-	46,669	-
Tax losses carried forward	7,130	-	3,276	-
Gross amount	**86,295**	**- 66,168**	**88,362**	**- 75,640**
Offsetting	- 66,162	66,162	- 75,620	75,620
Statement of financial position valuation	**20,133**	**- 6**	**12,742**	**- 20**

Apportioning the net tax items to individual statement of financial position items can lead to correspondingly deferred tax liabilities.

The deferred taxes are regularly assessed. The ability to realize tax income from deferred taxes depends on the ability to achieve taxable income in the future and to use tax losses carried forward before they expire. Deferred tax assets are only recognized to the extent that it is likely that a taxable income will be available, can be used against the deductible temporary differences, and it can be assumed that they will be reversed in the forseeable future In 2020, subsidiaries that reported losses in the year just ended or the previous year recognized net deferred tax assets totaling € 18,230 thousand (2019: € 2,666 thousand) from temporary differences and tax loss carried forward.

An offsetting of deferred tax assets and liabilities occurs if an offsetting of actual tax assets is enforceable against actual tax liabilities. In addition to this, the tax assets and liabilities must also refer to income taxes on the same tax subject which are levied by the same tax authority.

For deductible temporary differences totaling € 624 thousand (12/31/2019: € 464 thousand), no deferred tax asset was recorded in the statement of financial position, since no tax relief is to be expected. No deferred taxes have been recognized on temporary differences amounting to € 1,043 thousand (2019: € 1,274 thousand) between the net assets of Group companies reported in the consolidated financial statements and the tax base for the shares in these Group companies ("outside basis differences"), as the EDAG Group is in a position to manage the timing of the reversal of temporary differences, and there are no plans to dispose of investments in the near future.

As at December 31, 2020, the corporate income tax losses carried forward amount to € 28,461 thousand (12/31/2019: € 14,696 thousand).

The full amount of the deferred tax assets on losses carried forward has not been recorded, as, with a number of companies, it is unlikely that taxable income will be realizable in the foreseeable future. The unrecognized deferred taxes which result from corporate tax losses carried forward can be seen in the following table:

in € thousand	**12/31/2020**	**12/31/2019**
Losses carried forward from corporate business tax (not usable)	10,877	6,307
Expiry within		
1 year	-	-
2–3 years	-	45
4–5 years	-	99
6–10 years	4,433	37
more than 10 years	3,948	3,621
able to be carried forward for an unlimited period	2,496	2,505

In the EDAG Group, apart from the losses carried forward shown in the table, further losses carried forward were also generated in the Swiss holding company EDAG Engineering Group AG, Arbon. The accrued losses carried forward in the amount of € 12,868 thousand on December 31, 2020 (12/31/2019: € 11,113 thousand) can be offset against the profits of the next seven years. As realization is unlikely in the foreseeable future, no deferred tax asset was recognized.

In Germany, there are business tax losses carried forward amounting to € 28,621 thousand (12/31/2019: € 17,115 thousand). Deferred taxes were calculated and recognized as losses carried forward in the amount of € 28,621 thousand (12/31/2019: € 10,926 thousand). The business tax losses carried forward can be carried forward indefinitely.

In the USA, there were state income taxes losses carried forward amounting to € 1,491 thousand (12/31/2019: € 1,417 thousand). No deferred tax assets were recognized for these losses carried forward.

[14] Results per Share

With the undiluted basic earnings per share, or EPS (quotient for the earnings after taxes allocated to the EDAG Group AG shareholders and the weighted average number of common shares outstanding, undiluted) we use a performance indicator derived directly from earnings after taxes. The undiluted basic earnings per share denotes the corresponding share-based period result attributable to the shareholders of EDAG Group AG, and is therefore an indicator of EDAG's earning power, particularly from the point of view of our shareholders.

There was no dilution of the basic earnings per share in either the reporting year or the year before. The same average number of shares outstanding were used as the basis for the comparison with the previous year.

in € thousand	**2020**	**2019**
Basic Earnings per Share (EPS)		
Earnings after tax	- 23,402	7,023
Earnings after tax, attributable to shareholders of EDAG Group AG	- 23,402	7,023
Earnings after tax from continuing operations attributable to shareholders of EDAG Group AG	- 23,402	7,023
Weighted average number of shares (basic; in thousand)	25,000	25,000
Effect from diluted equity instruments (in thousand)	-	-
Weighted average number of shares (diluted; in thousand)	25,000	25,000
Basic earnings per share	-0.94	0.28
Diluted earnings per share	-0.94	0.28

5.4 Notes on the Statement of Financial Position

[15] Intangible Assets

Intangible assets have developed as follows:

in € thousand	Concessions, industrial property rights and similar rights	IT software	Goodwill	Advance payments made on intangible assets	Capitalized development costs	Customer list from purchase price allocation	Total
(Historical) Costs							
As per 12/31/2018/ 1/1/2019	**30**	**45,620**	**74,339**	**-**	**4,449**	**42,922**	**167,360**
Currency conversion difference	-	35	28	-	-	107	170
Additions	-	5,102	-	-	-	-	5,102
Disposals	-	- 2,187	-	-	-	-	- 2,187
As per 12/31/2019/ 1/1/2020	**30**	**48,570**	**74,367**	**-**	**4,449**	**43,029**	**170,445**
Currency conversion difference	-	- 767	- 109	-	-	- 44	- 920
Additions	-	3,010	-	1,158	-	-	4,168
Disposals	-	- 1,366	-	-	-	- 19,591	- 20,957
Transfers	-	- 120	-	-	120	-	-
As per 12/31/2020	**30**	**49,327**	**74,258**	**1,158**	**4,569**	**23,394**	**152,736**

in € thousand	Concessions, industrial property rights and similar rights	IT software	Goodwill	Advance payments made on intangible assets	Capitalized develop-ment costs	Customer list from purchase price allocation	Total
Accumulated amortization and impairments							
As per 12/31/2018/ 1/1/2019	**- 24**	**- 35,350**	**-**	**-**	**- 2,962**	**- 28,764**	**- 67,100**
Currency conversion difference	-	- 20	-	-	-	- 73	- 93
Additions (scheduled amortization)	- 2	- 4,379	-	-	- 946	- 4,899	- 10,226
Disposals	-	2,083	-	-	-	-	2,083
As per 12/31/2019/ 1/1/2020	**- 26**	**- 37,666**	**-**	**-**	**- 3,908**	**- 33,736**	**- 75,336**
Currency conversion difference	-	644	-	-	-	10	654
Additions (scheduled amortization)	- 2	- 4,214	-	-	- 226	- 4,709	- 9,151
Additions (unscheduled amortization)	-	- 20	-	-	- 207	-	- 227
Disposals	-	1,325	-	-	-	19,591	20,916
Transfers	-	120	-	-	- 120	-	-
As per 12/31/2020	**- 28**	**- 39,811**	**-**	**-**	**- 4,461**	**- 18,844**	**- 63,144**
Book value 12/31/2019	**4**	**10,904**	**74,367**	**-**	**541**	**9,293**	**95,109**
Book value 12/31/2020	**2**	**9,516**	**74,258**	**1,158**	**108**	**4,550**	**89,592**

No ownership restrictions exist on intangible assets.

As in the previous year, no public sector benefits were offset from the acquisition costs for intangible assets during the 2020 reporting year.

The customer lists from the purchase price allocations are primarily the result of the purchase of the Rücker Group in 2012 and the BFFT Group in 2013.

The customer lists from purchase price allocations received in 2017 result from the acquisition of CKGP/PW & Associates, Inc. and HRM Engineering AB.

As at December 31, 2020, the remaining amortization period for customer lists amounts to 30 months.

in € thousand	Customer list
Book value 12/31/2020	**4,550**
Remaining amortization period	
2021	2,483
2022	1,929
2023	138

[16] Property, Plant and Equipment

Ownership restrictions in the amount of € 275 thousand (2019: € 388 thousand) exist on property, plant and equipment.

During the reporting year, public sector benefits in the amount of € 113 thousand were offset from acquisition costs for property, plant and equipment (2019: € 0 thousand). As in the previous year, no repayments were made on public sector benefits.

Property, plant and equipment includes assets which are the subject of operating leases in which EDAG is the lessor.

As at December 31, 2020 - as at December 31, 2019, no investment property was held.

Property, plant and equipment have developed as follows:

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and construction in progress	Total property plant and equipment
(Historical) Cost					
As per 12/31/2018 / 1/1/2019	**35,383**	**61,578**	**73,260**	**165**	**170,386**
Currency conversion difference	31	119	133	-	283
Additions	2,283	5,679	9,408	1,357	18,727
Disposals	- 1,027	- 1,374	- 7,840	- 1	- 10,242
Transfers	23	131	9	- 164	- 1
As per 12/31/2019 / 1/1/2020	**36,693**	**66,133**	**74,970**	**1,357**	**179,153**
Currency conversion difference	- 559	- 629	- 1,099	-	- 2,287
Additions	1,603	5,583	4,114	197	11,497
Disposals	- 752	- 4,383	- 5,314	-	- 10,449
Transfers	144	1,143	70	- 1,357	-
As per 12/31/2020	**37,129**	**67,847**	**72,741**	**197**	**177,914**

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Advance payments and construction in progress	Total property plant and equipment
Accumulated depreciation					
As per 12/31/2018 / 1/1/2019	**- 15,257**	**- 35,842**	**- 47,006**	**-**	**- 98,105**
Currency conversion difference	- 5	- 26	- 83	-	- 114
Additions (scheduled depreciation)	- 1,812	- 5,375	- 8,782	-	- 15,969
Disposals	936	1,206	7,393	-	9,535
Transfers	- 5	-	5	-	-
As per 12/31/2019 / 1/1/2020	**- 16,143**	**- 40,037**	**- 48,473**	**-**	**- 104,653**
Currency conversion difference	277	435	848	-	1,560
Additions (scheduled amortization)	- 1,722	- 4,867	- 7,796	-	- 14,385
Additions (unscheduled amortization)	-	- 329	- 29	-	- 358
Disposals	376	3,822	5,048	-	9,246
Transfers	- 1	17	- 16	-	-
As per 12/31/2020	**- 17,213**	**- 40,959**	**- 50,418**	**-**	**- 108,590**
Book value 12/31/2019	**20,550**	**26,096**	**26,497**	**1,357**	**74,500**
Book value 12/31/2020	**19,916**	**26,888**	**22,323**	**197**	**69,324**

[17] The Rights of Use from Leased Assets

The rights of use from leased assets have developed as follows:

in € thousand	Right-of-Use land	Right-of-Use buildings	Right-of-Use other equipment and office equipment	Total Right-of-Use from leasing
(Historical) Cost				
As per 12/31/2018 / 1/1/2019	**1,740**	**204,716**	**10,997**	**217,453**
Currency conversion difference	-	353	47	400
Additions	128	18,473	3,480	22,081
Disposals	-	- 7,464	- 4,388	- 11,852
As per 12/31/2019 / 1/1/2020	**1,868**	**216,078**	**10,136**	**228,082**
Currency conversion difference	-	- 1,511	- 76	- 1,587
Additions	240	5,859	3,424	9,523
Disposals	- 44	- 20,581	- 2,900	- 23,525
As per 12/31/2020	**2,064**	**199,845**	**10,584**	**212,493**

in € thousand	Right-of-Use land	Right-of-Use buildings	Right-of-Use other equipment and office equipment	Total Right-of-Use from leasing
Accumulated depreciation				
As per 12/31/2018 / 1/1/2019	**- 896**	**- 64,897**	**- 5,814**	**- 71,607**
Currency conversion difference	-	- 126	- 32	- 158
Additions (scheduled depreciation)	- 185	- 16,267	- 2,894	- 19,346
Additions (unscheduled depreciation)	-	- 349	-	- 349
Disposals	-	3,569	4,181	7,750
As per 12/31/2019 / 1/1/2020	**- 1,081**	**- 78,070**	**- 4,559**	**- 83,710**
Currency conversion difference	-	606	50	656
Additions (scheduled depreciation)	- 211	- 16,077	- 2,794	- 19,082
Additions (unscheduled depreciation)	-	- 1,988	-	- 1,988
Disposals	-	7,490	2,841	10,331
As per 12/31/2020	**- 1,292**	**- 88,039**	**- 4,462**	**- 93,793**
Book value 12/31/2019	**787**	**138,008**	**5,577**	**144,372**
Book value 12/31/2020	**772**	**111,806**	**6,122**	**118,700**

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

in € thousand	12/31/2020			12/31/2019		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Shares in affiliated companies	-	80	80	-	80	80
Loans	-	55	55	-	80	80
Securities	32	-	32	28	-	28
Market values of derivative financial instruments - held for trading	-	-	-	23	-	23
Receivables from leases	220	291	511	209	511	720
Other miscellaneous financial receivables	1,669	434	2,103	2,065	526	2,591
Total	**1,921**	**860**	**2,781**	**2,325**	**1,197**	**3,522**

The non-consolidated shares in subsidiaries are recognized at acquisition cost because future cash flows cannot be estimated reliably, which means that the fair value cannot be reliably determined either. There are no plans for the near future to sell significant shares of the available for sale financial assets valued at acquisition cost.

The loans result primarily from loans extended to employees, they were not past due on the balance sheet date, and are being repaid as scheduled.

Where securities positions are concerned, securities of € 32 thousand (12/31/2019: € 28 thousand) are held. These are marketable debt and equity securities.

The accounts receivable from leases are receivables from subleases which, on the basis of the right of use under the main lease, were classified as financing leases in accordance with IFRS 16.

The other remaining financial receivables are composed primarily of deposits which have been paid and of creditors with debit balances.

[19] Investments Accounted for Using the Equity Method

As at December 31, 2020, the EDAG Group holds 49 percent of EDAG Werkzeug + Karosserie GmbH. The addition to investments was made in 2014.

The share of assets, liabilities and provisions, income and expenses attributable to the Group for the investment accounted for using the equity method is shown in the following tables:

in € thousand	2020	2019
Book value 1/1/	**17,464**	**17,165**
Dividends	-	- 570
Subsequent valuation	34	869
Changeover effect IFRS 16 (2019)	-	0
Book value 12/31/	**17,498**	**17,464**

In the following table, the summarized financial information on the investment accounted for using the equity method is shown on a 100 percent basis:

in € thousand	12/31/2020	12/31/2019
Current assets	22,252	19,973
of which cash	2,400	4,049
Non-current assets	11,463	10,472
Total assets	**33,715**	**30,445**
Current liabilities and provisions	10,839	8,512
of which financial liabilities	2,361	1,038
Non-current liabilities and provisions	2,194	1,321
of which financial liabilities	784	81
Total liabilities and provisions	**13,033**	**9,833**
Net assets	**20,682**	**20,612**
Sales revenues	36,387	44,499
Scheduled depreciation and amortization	1,978	1,828
Interest expenses	48	41
Income tax expenses/income [+/-]	-	913
Profit or loss	**109**	**1,937**
Other comprehensive income	- 39	- 164
Totel comprehensive income	**70**	**1,773**

In the case of accounting using the equity method, intercompany profits must be eliminated in consolidation on a pro rata basis. For material reasons, this did not result in any adjustments.

The following table shows the reconciliation of the net assets of the investment accounted for using the equity method:

in € thousand	2020	2019
Opening net assets 1/1/	**20,612**	**20,001**
Changeover effect IFRS 16 (2019)	-	1
Profit/Loss for the period	109	1,937
Other comprehensive income	- 39	- 164
Dividends paid	-	- 1,163
Closing net assets 12/31/	**20,682**	**20,612**

[20] Contract Assets

The contract assets are composed of the following net amounts:

in € thousand	12/31/2020	12/31/2019
Accrued costs including partial profits and losses	919,769	1,112,521
Partial invoices	- 813,303	- 1,000,792
Total amount due from current contract assets	**106,466**	**111,729**
Advance payments received from current contract assets	55,113	40,866
Provision for risk IFRS 9	- 34	- 40
Current contract assets	**51,319**	**70,823**

As in the previous year, contract assets are classified as current, in accordance with their terms.

[21] Accounts Receivable

The accounts receivable are classified as follows:

in € thousand	12/31/2020	12/31/2019
Accounts receivable		
due from third parties	73,518	135,517
due from affiliated companies	5	24
due from related parties	600	124
Total	**74,123**	**135,665**

As in the previous year, the accounts receivable have terms of less than one year.

For the development of the value adjustment account and the analysis of overdue, accounts receivable and other receivables, please see chapter "Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Valuation Category", page 206.

[22] Other Non-Financial Assets

The other non-financial assets are classified as follows:

in € thousand	12/31/2020			12/31/2019		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Other non-financial receivables						
due from employees	1,344	-	1,344	1,160	-	1,160
due from plan assets (unpledged)	-	68	68	-	66	66
from value added tax	2,028	-	2,028	1,725	-	1,725
from other taxes	159	-	159	131	-	131
Payments on account	242	-	242	331	-	331
Accrued items	8,719	5	8,724	6,561	-	6,561
other remaining non financial receivables	3,663	92	3,755	214	-	214
Total	**16,155**	**165**	**16,320**	**10,122**	**66**	**10,188**

The remaining other non-financial amounts receivable primarily include receivables from subsidies for short-time work compensation.

[23] Current and Deferred Income Tax Assets

in € thousand	12/31/2020	12/31/2019
Deferred tax assets	20,133	12,742
Income tax assets	1,343	976
Total	**21,476**	**13,718**

The assets from future income tax relief include deferred tax assets from temporary differences between the book values reported in the Group statement of financial position and the tax bases, as well as tax savings from losses carried forward assessed as being realizable in the future: Details of deferred tax assets are given in section 13, "Income Taxes". Of the deferred tax assets, € 47,682 thousand will be realizable after more than twelve months (12/31/2019: € 51,929 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position offset against deferred tax liabilities.

[24] Inventories

The book value of the inventories in the amount of € 2,654 thousand (12/31/2019: € 8,633 thousand) is broken down as follows:

in € thousand	12/31/2020	12/31/2019
Raw materials and supplies	1,693	4,505
Unfinished goods and services	895	3,996
Finished goods	66	132
Total	**2,654**	**8,633**

The difference between the changes in inventories of unfinished and finished goods and services shown in the statement of comprehensive income results from changes in the scope of currency conversion differences. The raw materials and supplies as well as merchandise are capitalized at acquisition cost; the unfinished goods and services and finished goods at the lower of production cost or net disposal value. During the reporting year, impairments in the amount of € 349 thousand (2019: € 51 thousand) were carried out on inventories with a book value before impairment of € 99 thousand (2019: € 25 thousand), and accordingly posted as material expense. As in previous years, no impairments on inventories were posted as depreciation on current assets.

Likewise, no reversals of impairment losses which reduce the material expense were carried out. As in previous years, the inventories were not pledged as securities for third party liabilities.

[25] Cash and cash-equivalents

The cash and cash-equivalents are composed as follows:

in € thousand	12/31/2020	12/31/2019
Deposits with banks and cash in hand	156,292	70,611
Cash equivalents	-	7
Statement of financial position valuation/financial funds	**156,292**	**70,618**

As in the previous year, the Group held cash or cash-equivalents in the amount of € 93 thousand (CHF 100 thousand) which are not at its unrestricted disposal. Deposits with credit institutions are held at banks with first class credit ratings.

[26] Equity

Subscribed Capital

The fully paid-in subscribed capital of EDAG Engineering Group AG in the amount of € 920 thousand as at December 31, 2020 continues to be backed by 25 million bearer shares with a nominal value of CHF 0.04.

Further information on the shares is given in the chapter "General Information".

Consolidated Equity Development

Details of the development of the equity capital in 2019 and 2020 is shown in the Group's statement of changes in equity.

Retained earnings comprise the other retained earnings, reserves for conversion effects as per IFRS 1, and reserves from transactions under joint control, as well as the annual results of the previous years after dividend distributions and the loss of the current year.

Reserves from Profits and Losses Recognized Directly in Equity (OCI)

This item includes direct changes to equity capital resulting from the valuation of pension obligations.

Currency Conversion Difference

Differences from currency conversion include differences from the currency conversion of financial statements of non-domestic subsidiaries.

Paid and Proposed Dividends

At the annual shareholders' meeting of EDAG Group AG held on June 24, 2020, it was decided that, for the 2019 financial year, no dividend should be paid.

In view of the annual loss accumulated in the course of 2020 and the restrictions of the additional KfW financing, the Board of Directors will, at the annual shareholder's meeting for 2020, propose that no dividend will be paid.

[27] Pensions and Other Post-Employment Benefits

EDAG has a company pension scheme for its employees, which takes the form of defined benefit and/or defined contribution plans. In this way, care is taken of virtually all employees for the period after their retirement.

Defined Contribution Plans

The defined contribution benefits are benefits from state and private retirement insurers, to whom payments are made on the basis of statutory regulations, or on a voluntary basis. The employer contributions paid to the statutory pension scheme on a domestic level may be viewed as defined contribution plans of this nature. Payments to defined contribution pension plans in the Group predominantly refer to contributions to statutory pension schemes in Germany. The Group has no further payment obligations besides the payment of the contributions. In the reporting year, contributions amounting to € 36,766 thousand were paid (2019: € 39,873 thousand).

Defined Benefit Plans

The defined benefit plans involve both direct benefits (direct pension commitments) and indirect benefits made through VKE-Versorgungskasse EDAG-Firmengruppe e.V. (VKE).

The direct benefits are guaranteed life-long pension payments. In some cases, this means benefits at a fixed amount; in others, benefits that vary according to the length of service to the company and the employee's salary. Old-age, disability and surviving dependents' pensions are assured.

The purpose of VKE - a group support fund - is to serve as a social institution of EDAG and its affiliated companies wishing to have their company retirement pension schemes managed by VKE. The sponsors (members using VKE to handle their company retirement pension schemes) are the following companies:

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

The exclusive and unchangeable purpose of VKE is to manage the support fund which grants to beneficiaries voluntary, one-off, recurring or ongoing benefits pursuant to the VKE benefit plan in the event of assistance being required, occupational incapacity or occupational disability, and during old age. Beneficiaries can be employees and/or former employees of the sponsor companies and their families (spouses, children) and/or surviving dependants. Members of the sponsor companies are also persons with whom the sponsor companies are, or have been, in an employment-type relationship. EDAG will no longer be entering into pension commitments for employees recruited on or after June 1, 2006. In accordance with the provisions of the pension scheme, employees who are entitled to benefits receive old-age and surviving dependents' benefits in the form of a lump-sum payment. The benefits are financed through an external fund, with the fund assets being re-invested in the form of loans in the sponsor companies.

In accordance with the provisions of this pension scheme, the employee receives old-age and surviving dependents' benefits. Each of the benefits due is paid as a lump sum.

Pension obligations in **Germany** are subject to the provisions of the German Company Pensions Act. Due to the pension adjustment obligation required by law, pension commitments are subject to inflation risk. Furthermore, there is the risk that, due to changes in life expectancy, the likelihood of becoming disabled and the likelihood of dying, the actual payment obligations are different from what was expected at the time when the commitment was made.

In **Switzerland**, the Group's company pension scheme is bening handled by BVG-Sammelstiftung Swiss Life. Assets are invested jointly for all accounts in a collective fund. All biometric risks (disability, death and longevity) as well as the investment and interest rate risk are reinsured by Swiss Life.

In **Italy**, benefits are paid upon termination of the employment (Trattamento di Fine Rapporto [TFR]). Every employee is entitled to benefits in such cases. For each year of service, severance provisions must be created on the basis of total annual remuneration divided by 13.5. When setting aside these provisions, the employer must pay a proportion (0.5 percent of the salary) of this to the Italian National Social Security Institute or to an external pension fund over the course of the year. This amount is deducted from the severance provisions. On December 31 of each year, the severance pay accrued in the previous year is revalued using an index prescribed by law (1.5 percent plus 75 percent of the increase in the consumer price index for families of workers and employees based on the last 12 months).

In **India**, the 1972 Gratuity Act requires post-employment benefits to be paid to employees, provided they have rendered continuous service for at least 4.5 years. Payment is based on the basic monthly salary divided by 26 days and multiplied by 15 days for each complete year; although if six months have been completed, this is regarded as a year.

Employees in **Mexico** are also entitled to compensation. A payment in the amount of twelve days per service year is granted. Further, in the event of unfair dismissal of employees who have reached retirement age, compensation must be paid for the service years worked. Compensation amounts to three months' salary.

Old-age pension obligations are determined on the basis of the actuarial expert report that is produced each year. The benefit amount is determined using the duration of employment as well as the estimated future salary and pension trends.

The pension provision recorded on the statement of financial position is shown as follows:

in € thousand	12/31/2020	12/31/2019
Present value of obligations financed through a fund	45,506	43,651
Fair value of plan assets	21,835	22,876
Financing deficit/surplus	**23,671**	**20,775**
Present value of obligations not financed through a fund	13,792	16,984
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,463**	**37,759**

The pension provision developed as follows:

in € thousand	12/31/2020	12/31/2019
Pension provision at the beginning of the financial year	37,759	29,845
Ongoing service cost	1,871	1,629
Past service cost	147	- 3
Net interes expenses (+)/income (-)	409	635
Revaluations	713	6,213
Effects of currency conversion	- 41	40
Benefits payments from company assets	- 3,242	- 479
Employer contributions to the fund	- 127	- 121
Administration costs	10	-
Other changes	- 36	-
Recognized pension provision	**37,463**	**37,759**

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

in € thousand	2020			2019		
	Total	VKE	Direct benefits	Total	VKE	Direct benefits
Changes to vested net present value						
Vested net present value as at January 1,	**60,634**	**41,385**	**19,249**	**53,645**	**36,037**	**17,608**
Ongoing service period cost	1,871	1,237	634	1,629	1,120	509
Past service cost	147	-	147	- 3	-	- 3
Interest expense	612	402	210	1,092	734	358
Revaluations of defined benefit plans						
from changes to the financial assumptions	2,074	1,353	721	6,407	4,126	2,281
from changes in demographic assumptions	- 1,321	- 102	- 1,219	- 427	- 154	- 273
Effects of currency conversion	- 31	-	- 31	124	-	124
Contributions from plan participants	127	-	127	121	-	121
Benefit payments from company assets	- 4,192	- 950	- 3,242	- 479	-	- 479
Benefit payments from the fund	- 633	-	- 633	- 706	- 478	- 228
Payments for plan settlements	-	-	-	- 771	-	- 771
Administration costs	10	-	10	2	-	2
Vested net present value as at December 31,	**59,298**	**43,325**	**15,973**	**60,634**	**41,385**	**19,249**
Change in plan assets						
Fair value as at January 1,	**22,876**	**20,611**	**2,265**	**23,800**	**20,876**	**2,924**
Interest income	203	194	9	458	422	36
Profit (+)/loss (-) from plan assets excluding the amount included in the interest income	38	- 200	238	- 232	- 210	- 22
Effects of currency conversion	11	-	11	84	-	84
Employer contributions to the fund	127	-	127	224	-	224
Repayment from the funds	127	-	127	121	-	121
Contributions from plan participants	- 1,583	- 950	- 633	- 808	- 477	- 331
Benefit payments from the fund	-	-	-	- 771	-	- 771
Payments for plan settlements	36	-	36	-	-	-
Fair value as at December 31,	**21,835**	**19,655**	**2,180**	**22,876**	**20,611**	**2,265**
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,463**	**23,670**	**13,793**	**37,758**	**20,774**	**16,984**

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

in € thousand	12/31/2020		12/31/2019	
	Values	%	Values	%
Debt securities (Germany)	632	3%	20,611	90%
of which investments in the employer or related parties (without quoted market price)	632	-	20,611	-
Reinsurance cover asset values (Germany)	212	1%	212	1%
of which without quoted market price in an active market	212	-	212	-
Collective fund (Switzerland)	1,968	9%	2,053	9%
of which without quoted market price in an active market	1,968	-	2,053	-
Cash and cash-equivalents	19,023	87%	-	0%
Total plan assets	**21,835**	**100%**	**22,876**	**100%**

The following sensitivity analysis shows the effects of an increase or decrease in the actuarial assumptions on the vested net present value:

in € thousand	2020	2019
Ø Actuarial interest rate		
+ 0.50%	56,800	56,846
- 0.50%	63,023	64,658
Ø Life expectancy		
+ 1 year	59,868	61,274
- 1 year	58,767	60,005

The sensitivities were determined in the same way as the scope of obligations. In the process, one assumption was changed while the remaining assumptions and the valuation methods remained unchanged. If multiple assumptions change at the same time, the effect does not necessarily agree to the sum of the individual effects. Additionally, the effects of the individual assumption changes are not linear.

As the benefits from VKE take neither a vesting trend nor a pension trend into account, a change to this assumption has no significant effects on the total obligation.

The average weighted duration of the vested net present value of the defined benefit pension plans of EDAG as at December 31, 2020 was 12.4 years (2019: 13.1 years).

For the 2021 financial year, the Group is expecting disbursements from company assets for pension commitments in the amount of € 613 thousand (2020: € 3,256 thousand).

For the 2021 financial year, the Group is expecting disbursements from the pension fund in the amount of € 1,359 thousand (2020: € 1,273 thousand).

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

	12/31/2020	12/31/2019
Ø Discount rate		
Germany	0.83%	1.12%
Switzerland	0.20%	0.35%
Italy	0.97%	1.10%
India	6.55%	7.12%
Mexico	7.00%	8.00%
Vested trend		
Switzerland	2.00%	2.00%
Italy	2.50%	2.50%
India	8.00%	8.00%
Mexico	5.80%	5.80%
Pension trend		
Germany	1.50%	1.50%
Italy	2.63%	2.63%
Inflation rate		
Germany	1.50%	1.50%
Switzerland	1.00%	1.00%
Italy	1.50%	1.50%
Biometric basis for calculation		
Germany	Heubeck tables 2018 G	Heubeck tables 2018 G
Switzerland	BVG 2015 GT	BVG 2015 GT
Italy	RG48	RG48
India	100% of IALM (2006-08)	100% of IALM (2006-08)

The valuation of retirement obligations was carried out on the basis on a discounting interest rate, which was determined in accordance with the Mercer Yield Curve Approach (MYC).

[28] Other Provisions

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

in € thousand	As at 01/01/2020	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	Reclassi-fication	As at 12/31/2020
Non-current provisions								
Personnel	1,511	- 197	8	543	- 131	-	-	1,734
Taxes	47	- 17	-	38	-	-	-	68
Other provisions	1,892	- 152	-	36	-	- 25	-	1,751
Total non-current provisions	**3,450**	**- 366**	**8**	**617**	**- 131**	**- 25**	**-**	**3,553**
Current provisions								
Taxes	301	- 9	-	451	- 120	-	-	623
Personnel	1,904	- 148	-	6,550	- 1,108	- 207	-	6,991
Warranty obligations	437	-	-	1,971	- 366	- 51	-	1,991
Onerous contracts	3,632	- 66	-	996	- 2,713	- 131	-	1,718
Rework	233	- 1	-	18	- 96	- 19	-	135
Restructuring	5,232	-	-	10,032	- 3,623	- 1,260	83	10,464
Legal disputes	422	- 69	-	98	-	-	- 83	368
Other current provisions	2,011	- 31	-	322	- 421	- 57	-	1,824
Total current provisions	**14,172**	**- 324**	**-**	**20,438**	**- 8,447**	**- 1,725**	**-**	**24,114**

in € thousand	As at 01/01/2019	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	Reclassi-fication	As at 12/31/2019
Non-current provisions								
Personnel	1,219	- 12	11	366	- 73	-	-	1,511
Tax provisions	378	2	-	71	- 405	-	-	46
Other provisions	1,895	- 8	-	34	- 11	- 18	-	1,892
Total non-current provisions	**3,492**	**- 18**	**11**	**471**	**- 489**	**- 18**	**-**	**3,449**
Short-term provisions								
Taxes	1,028	- 1	-	120	- 846	-	-	301
Personnel	4,680	- 5	-	837	- 3,137	- 471	-	1,904
Warranty obligations	72	-	-	417	-	- 52	-	437
Onerous contracts	1,356	15	-	2,363	- 32	- 70	-	3,632
Rework	199	-	-	149	-	- 115	-	233
Restructuring	-	-	-	5,232	-	-	-	5,232
Legal disputes	341	8	-	173	- 53	- 47	-	422
Other current provisions	2,417	20	-	344	- 496	- 274	-	2,011
Total current provisions	**10,093**	**37**	**-**	**9,635**	**- 4,564**	**- 1,029**	**-**	**14,172**

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

The **personnel provision** includes other long-term benefits to employees, within the meaning of IAS 19.153. At the time of reporting, personnel provisions in the amount of € 8,725 thousand (12/31/2019: € 2,011 thousand) exist. Severance pay is also taken into account in this provision position.

The provision for **warranties** exists for statutory and contractual guarantee obligations, as well as for goodwill towards customers. Provisions for warranty obligations for specific customer projects were established according to the expected value calculated for potential goodwill gestures.

Provisions for **onerous contracts** are formed when excess costs are incurred for pending sales transactions. As a general rule, losses from construction contracts are calculated on the basis of the production costs. A liability is only recognized if the costs are higher than the receivable on the reporting date.

Provisions for **rectification work** are formed if there are still small, insignificant tasks to be performed after the customer has been invoiced.

Provisions for **restructuring** cover restructuring measures in the Vehicle Engineering and Production Solutions segments. These measures include expenditure to optimize the cost structure and improve performance.

Provisions for **disinvestments** have been created for potential obligations arising from various company sales.

As an internationally active company, the EDAG Group is exposed to numerous legal risks. In particular, these can include risks from the areas of competition and anti-trust law, patent law, etc. As the results of currently pending and/or future legal action cannot be forecast with any certainty, it is possible that legal or official decisions or settlement agreements might lead to costs being incurred which are either not, or not fully, covered by insurance benefits.

In the case of current provisions, we work on the basis that the cash outflow is to be expected in the following year.

Non-current personnel provisions are primarily anniversary provisions that will be paid out within the next 2 to 25 years. Where the remaining non-current provisions are concerned, we work on the basis that these will be paid out within the next 2 to 4 years.

[29] Financial Liabilities

in € thousand	**12/31/2020**			**12/31/2019**		
	Shortterm	**Longterm**	**Total**	**Shortterm**	**Longterm**	**Total**
Liabilities due to credit institutions	2,163	120,378	122,541	1,088	120,000	121,088
Liabilities from loans	232	400	632	20,610	-	20,610
due to related parties	232	400	632	20,610	-	20,610
Liabilities from derivative financial instruments	46	-	46	-	-	-
Total	**2,441**	**120,778**	**123,219**	**21,698**	**120,000**	**141,698**

EDAG Engineering GmbH, Wiesbaden, the major company in the EDAG Group, placed a promissory note loan (Schuldscheindarlehen) in several tranches with a total volume of € 120 million in 2018, with various interest rates and maturities of five to ten years, in order to secure strategic, long-term liquidity. This is shown in the non-current liabilities due to credit institutions, in line with its period of validity. The sole contractual partner of the promissory note loan is a renowned financial institution.

In addition, there are current liabilities due to credit institutions in the amount of € 2,163 thousand (12/31/2019: € 1,088 thousand), which primarily include accrued interest from the promissory note loan, other loan obligations, and Corona government support loans. The latter are classified proportionately as non-current accounts payable, in accordance with their terms.

With the exception of the restricted cash described in chapter "Cash and Cash-Equivalents [25]" (€ 93 thousand (CHF 100 thousand)), the Group has provided no other securities as collateral for the bank liabilities.

The loan (including interest) from VKE-Versorgungskasse EDAG-Firmengruppe e.V. in the amount of € 632 thousand (12/31/2019: € 20,610 thousand) was, to a material extent (€ 19,500 thousand), already repaid on June 30, 2020, but can be used again to this extent any time. As in the previous year, the average applicable interest rate in the reporting year is 1.5 percent.

Derivatives included the cash outflow of derivative financial instruments with a negative fair value as well as the cash outflow of derivatives with a positive fair value, for which gross settlement has been arranged.

It is the aim of the EDAG Group to preserve the equilibrium between the ongoing coverage of funding requirements and ensuring flexibility through the use of current account overdraft, loans, financing leases and lease liabilities.

The following table shows the liquidity risk of EDAG in relation to financial liabilities, but not including lease liabilities. With this, the contractually agreed (non-discounted) interest and principal payments of the original financial liabilities and the derivative financial instruments are shown with their positive and negative attributable fair value. All instruments which were held on December 31, 2020, and for which payments were already contractually agreed, have been included. Plan figures for future new liabilities are not included. Foreign currency amounts have been converted at the exchange rate valid on the reporting date. Financial liabilities repayable at any time are always allocated to the earliest time scale.

There were no defaults on the recognized loans during the reporting year.

in € thousand	Bookvalue 12/31/2020	Cash-Flows 2021			Cash-Flows 2022			Cash-Flows 2023–2025			Cash-Flows 2026 onwards			without fixed principal repay-ments
		Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	Inte-rest fixed	Inte-rest var	Principal repay-ment	Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	
Liabilities due to credit institutions	122,541	1,200	375	2,163	1,181	319	329	2,142	565	119,011	67	-	**1,038**	-
Liabilities from loans	632	7	-	-	6	-	400	-	-	-	-	-	-	232
due to related parties	632	7	-	-	6	-	400	-	-	-	-	-	-	232
Liabilities from derivative financial instru-ments	46	-	-	46	-	-	-	-	-	-	-	-	-	-
Total	**123,219**	**1,207**	**375**	**2,209**	**1,187**	**319**	**729**	**2,142**	**565**	**119,011**	**67**	**-**	**1,038**	**232**

in € thousand	Bookvalue 12/31/2019	Cash-Flows 2020			Cash-Flows 2021			Cash-Flows 2022–2024			Cash-Flows 2025 onwards			without fixed principal repay-ments
		Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	Inte-rest fixed	Inte-rest var	Prin-cipal repay-ment	
Liabilities due to credit institutions	121,088	611	169	1,088	1,162	319	-	2,801	761	80,500	538	122	39,500	-
Liabilities from loans	20,610	-	-	-	-	-	-	-	-	-	-	-	-	20,610
due to related parties	20,610	-	-	-	-	-	-	-	-	-	-	-	-	20,610
Total	**141,698**	**611**	**169**	**1,088**	**1,162**	**319**	**-**	**2,801**	**761**	**80,500**	**538**	**122**	**39,500**	**20,610**

In contrast to cash outflow due to derivatives for which gross settlement has been arranged, there are also cash inflows; these are not, however, shown in this settlement analysis. If the cash inflows were also to be taken into account, the cash outflows presented would be reduced considerably.

[30] Lease Liabilities

in € thousand	12/31/2020	12/31/2019
< 1 year	17,029	18,269
> 1 year < 5 years	44,973	51,811
> 5 years	75,367	90,847
Total leasing liabilities	**137,369**	**160,927**

The following table shows the liquidity risk of EDAG in relation to lease liabilities.

in € thousand	Book value 12/31/2020	Cash-Flows 2021		Cash-Flows 2022		Cash-Flows 2023–2025		Cash-Flows 2026 onwards	
		Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment
Leasing liabilities	137,369	6,465	23,657	5,946	20,330	14,938	45,637	27,380	102,474

in € thousand	Book value 12/31/2019	Cash-Flows 2020		Cash-Flows 2021		Cash-Flows 2022–2024		Cash-Flows 2025 onwards	
		Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment	Interest	Principal repay-ment
Leasing liabilities	160,927	7,272	25,609	6,663	22,210	16,774	53,077	32,297	123,037

From the Group's point of view, there is no significant liquidity risk with regard its own lease liabilities.

[31] Contract Liabilities

The contract liabilities are composed of the following net amounts:

in € thousand	12/31/2020	12/31/2019
Accrued costs including partial profits and losses	186,271	164,913
Partial settlements and advance payments received on current contract liabilities	- 311,673	- 210,413
Contract liabilities	**- 125,402**	**- 45,500**

Of the contract liabilities reported in the previous year, € 45,500 thousand was recognized as revenue in the financial year just ended (2019: € 41,465 thousand).

As in the previous year, contract liabilities are classified as current, in accordance with their terms.

[32] Accounts Payable

The accounts payable are classified as follows:

in € thousand	12/31/2020	12/31/2019
Accounts payable		
due to third parties	22,978	54,970
due to affiliated companies	-	28
due to related parties	-	16
Total	**22,978**	**55,014**

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

[33] Other Financial Liabilities

The other financial liabilities are classified as follows:

in € thousand	12/31/2020	12/31/2019
Other financial liabilities		
due to related parties	512	565
Liabilities from business acquisitions	-	1,267
other remaining financial liabilities	3,179	2,531
Total	**3,691**	**4,363**

As in the previous year, the other financial liabilities are classified as current, on account of their terms. The other financial liabilities primarily include overpayments and deposits received.

[34] Other Non-Financial Liabilities

The other non-financial liabilities are classified as follows:

in € thousand	12/31/2020			12/31/2019		
	Shortterm	Longterm	Total	Shortterm	Longterm	Total
Other non-financial liabilities						
advance payments received on orders	385	-	385	682	-	682
due to employees	18,865	-	18,865	24,438	-	24,438
within the context of social security	2,001	83	2,084	1,958	-	1,958
deferred income	318	-	318	190	-	190
from value-added tax	8,836	-	8,836	13,767	-	13,767
from other taxes	5,782	-	5,782	6,608	-	6,608
other remaining non-financial liabilities	2,309	-	2,309	2,036	-	2,036
Total	**38,496**	**83**	**38,579**	**49,679**	**-**	**49,679**

The liabilities due to employees are primarily composed of special salary payments (€ 527 thousand; 12/31/2019: € 859 thousand), obligations from overtime and flexi-time credits (€ 4,972 thousand; 12/31/2019: € 8,033 thousand), obligations from outstanding vacation allowances (€ 4,291 thousand; 12/31/2019: € 5,684 thousand), profit share obligations (€ 6,474 thousand; 12/31/2019 € 7,060 thousand) and obligations from vacation pay and Christmas bonuses (€ 1,053 thousand; 12/31/2019: € 1,106 thousand).

Deferred income is mainly comprised of large advance payments from business partners which were received prior to the balance sheet date and not converted to revenue until the new year.

The other non-financial liabilities primarily include accounts payable to employers' insurance associations and the integration agencies.

[35] Current and Deferred Income Tax Liabilities

in € thousand	12/31/2020	12/31/2019
Deferred tax liabilities	6	20
Current income tax liabilities	1,865	4,166
Total	**1,871**	**4,186**

In addition to the deferred taxes explained under section 13, "Income Tax", the income tax liabilities include income taxes from the current year and the previous years. Of the deferred tax liabilities, € 30,180 thousand will be realizable after more than twelve months (12/31/2019: € 38,501 thousand). Provided that the conditions for offsetting are met, deferred tax assets are shown on the statement of financial position offset against deferred tax liabilities.

5.5 Segment Reporting and Notes

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

In the reporting year, the non-current assets amounted to € 316.3 million (12/31/2019: € 345.5 million). Of these, € 0.7 million are domestic, € 275.0 million are German, and € 40.6 million are non-domestic (12/31/2019: domestic: € 1.0 million; Germany: € 297.5 million; non-domestic: € 47.0 million).

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

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

As an all-round engineering partner, the **Production Solutions** segment ("PS") is responsible for the development and implementation of production processes. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, the Production Solutions segment is also able to optimally plan complete factories over all technical trades, including cross-processes, and to provide implementation from a single source. For more detailed descriptions of the individual departments in this segment, please see the chapter "Business Model" in the Group Management Report.

The range of services offered by the **Electrics/Electronics** segment ("E/E") includes the development of electrical and electronic systems, components, functions and services for everything from show cars and prototypes to the complete vehicle. These services are performed in competencies; these are described in greater detail in the chapter "Business Model" in the Group Management Report.

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

in € thousand	01/01/2020 – 12/31/2020					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	409,827	90,508	153,125	653,460	-	653,460
Sales revenue with other segments	5,799	6,552	17,086	29,437	- 29,437	-
Changes in inventories	- 2,830	- 177	- 126	- 3,133	-	- 3,133
Total revenues[1]	**412,796**	**96,883**	**170,085**	**679,764**	**- 29,437**	**650,327**
EBIT	**- 15,563**	**- 8,549**	**3,656**	**- 20,456**	**-**	**- 20,456**
EBIT margin [%]	-3.8%	-8.8%	2.1%	-3.0%	-	-3.1%
Purchase price allocation (PPA)	2,991	252	1,616	4,859	-	4,859
Other adjustments	11,039	18	- 116	10,941	-	10,941
Adjusted EBIT	**- 1,533**	**- 8,279**	**5,156**	**- 4,656**	**-**	**- 4,656**
Adjusted EBIT margin [%]	-0.4%	-8.5%	3.0%	-0.7%	-	-0.7%
Depreciation, amortization and impairment	- 33,025	- 4,228	- 7,593	- 44,846	-	- 44,846
ø Employees by segment	4,669	1,356	2,117	8,142		8,142

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	499,257	111,195	172,320	782,772	-	782,772
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Changes in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues[1]	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**
EBIT	**27,917**	**- 16,817**	**9,151**	**20,251**	**-**	**20,251**
EBIT margin [%]	5.6%	-14.7%	5.3%	2.6%	-	2.6%
Purchase price allocation (PPA)	3,271	300	1,616	5,187	-	5,187
Other adjustments	- 475	5,693	2,355	7,573	-	7,573
Adjusted EBIT	**30,713**	**- 10,824**	**13,122**	**33,011**	**-**	**33,011**
Adjusted EBIT margin [%]	6.1%	-9.5%	7.6%	4.2%	-	4.2%
Depreciation, amortization and impairment	- 30,440	- 6,898	- 8,554	- 45,892	-	- 45,892
ø Employees by segment	5,036	1,533	2,056	8,625		8,625

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

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

in € thousand	01/01/2020 – 12/31/2020							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	50,150	12%	15,766	17%	46,732	31%	112,648	17%
Customer sales division B	15,465	4%	2,394	3%	41,310	27%	59,169	9%
Customer sales division C	7,996	2%	1,449	2%	7,108	5%	16,553	2%
Customer sales division D	54,370	13%	10,004	11%	18,318	12%	82,692	13%
Customer sales division E	54,421	13%	8,287	9%	2,583	2%	65,291	10%
Customer sales division F	174	0%	3,223	4%	8	0%	3,405	1%
Customer sales division G	17,613	4%	691	1%	194	0%	18,498	3%
Customer sales division H	127,699	31%	9,550	11%	8,186	5%	145,435	22%
Customer sales division I	30,088	7%	3,165	3%	9,675	6%	42,928	7%
Miscellaneous	51,851	13%	35,979	40%	19,011	12%	106,841	16%
Sales revenue with third parties	**409,827**	**100%**	**90,508**	**100%**	**153,125**	**100%**	**653,460**	**100%**

in € thousand	01/01/2019 – 12/31/2019							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	79,394	16%	20,256	18%	53,701	31%	153,351	19%
Customer sales division B	25,962	5%	5,004	4%	48,796	28%	79,762	10%
Customer sales division C	12,690	3%	1,815	2%	5,967	3%	20,472	3%
Customer sales division D	82,088	16%	12,502	11%	18,761	11%	113,351	14%
Customer sales division E	86,687	17%	19,555	17%	2,812	2%	109,054	14%
Customer sales division F	100	0%	5,267	5%	-	0%	5,367	1%
Customer sales division G	14,354	3%	583	1%	543	1%	15,480	2%
Customer sales division H	87,932	18%	7,233	7%	7,367	4%	102,532	13%
Customer sales division I	35,802	7%	5,435	5%	10,001	6%	51,238	7%
Miscellaneous	74,248	15%	33,545	30%	24,372	14%	132,165	17%
Sales revenue with third parties	**499,257**	**100%**	**111,195**	**100%**	**172,320**	**100%**	**782,772**	**100%**

As in the previous year, the Electrics/Electronics segment generated over 50 percent of its sales revenues with one corporate group.

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

in € thousand	01/01/2020 – 12/31/2020					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	371,632	94,543	169,554	635,729	-	635,729
Point in time revenue recognition	43,994	2,517	657	47,168	-	47,168
Sales revenue with other segments	- 5,799	- 6,552	- 17,086	- 29,437	-	- 29,437
Sales revenue with third parties	**409,827**	**90,508**	**153,125**	**653,460**	**-**	**653,460**
Sales revenue with other segments	5,799	6.552	17,086	29,437	- 29,437	-
Changes in inventories	- 2,830	- 177	- 126	- 3,133	-	- 3,133
Total revenues	**412,796**	**96,883**	**170,085**	**679,764**	**- 29,437**	**650,327**

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	435,736	111,862	169,977	717,575	-	717,575
Point in time revenue recognition	68,531	2,415	2,705	73,651	-	73,651
Sales revenue with other segments	- 5,010	- 3,082	- 362	- 8,454	-	- 8,454
Sales revenue with third parties	**499,257**	**111,195**	**172,320**	**782,772**	**-**	**782,772**
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Changes in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**

The group sales revenues are broken down in terms of sales into the individual markets as follows. This breakdown reflects the regional classification of the EDAG locations:

in € thousand	01/01/2020 – 12/31/2020					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Germany	214,422	69,163	144,301	427,886	-	427,886
Switzerland	3,140	1,158	1,393	5,691	-	5,691
Remaining Europe	86,064	11,973	19,615	117,652	-	117,652
North America	22,601	11,428	998	35,027	-	35,027
South America	2,846	384	61	3,291	-	3,291
Asia	82,584	2,954	3,843	89,381	-	89,381
Australia	3,953	-	-	3,953	-	3,953
Africa	16	-	-	16	-	16
Sales revenue with other segments	- 5,799	- 6,552	- 17,086	- 29,437	-	- 29,437
Sales revenue with third parties	**409,827**	**90,508**	**153,125**	**653,460**	**-**	**653,460**
Sales revenue with other segments	5,799	6,552	17,086	29,437	- 29,437	-
Change in inventories	- 2,830	- 177	- 126	- 3,133	-	- 3,133
Total revenues	**412,796**	**96,883**	**170,085**	**679,764**	**- 29,437**	**650,327**

in € thousand	01/01/2019 – 12/31/2019					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Germany	323,388	72,577	147,748	543,713	-	543,713
Switzerland	2,228	531	852	3,611	-	3,611
Remaining Europe	85,337	17,063	19,039	121,439	-	121,439
North America	33,813	19,340	3,787	56,940	-	56,940
South America	6,262	2,603	245	9,110	-	9,110
Asia	50,412	2,163	1,011	53,586	-	53,586
Australia	2,827	-	-	2,827	-	2,827
Sales revenue with other segments	- 5,010	- 3,082	- 362	- 8,454	-	- 8,454
Sales revenue with third parties	**499,257**	**111,195**	**172,320**	**782,772**	**-**	**782,772**
Sales revenue with other segments	5,010	3,082	362	8,454	- 8,454	-
Change in inventories	- 1,818	231	87	- 1,500	-	- 1,500
Total revenues	**502,449**	**114,508**	**172,769**	**789,726**	**- 8,454**	**781,272**

5.6 Notes on the Cash Flow Statement

At € 150.1 million, the positive operating cash flow achieved in the reporting year was above the level of the same period in the previous year (€ 78.9 million). The increase is mainly due to a positive effect in capital being tied up in the trade working capital.

The investing cash flow was € -15.5 million (2019: € -23.8 million). At € 15.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 34.0 percent below the previous year's level (2019: € 23.8 million). The ratio of gross investments in relation to revenues was therefore 2.4 percent (2019: 3.0 percent).

The free cash flow, the sum total of the operating cash flow and investing cash flow, amounted to € 134.6 million (2019: € 55.0 million).

The financing cash flow totaled € -47.2 million (2019: € -48.5 million). This primarily includes principal payments for lease liabilities totaling € 19.0 million and for financial liabilities in the amount of € 20.6 million.

The financial and lease liabilities developed as follows:

in € thousand	Financial liabilities	Leasing liabilities	Total
As per 12/31/2018 / 1/1/2019	**143,082**	**160,424**	**303,506**
Cash effective payments	- 1,653	- 18,164	- 19,817
Currency effects	- 34	32	- 2
Non cash effective change in leasing liabilities	-	18,635	18,635
Other changes	303	-	303
As per 12/31/2019 / 1/1/2020	**141,698**	**160,927**	**302,625**
Cash effective payments	- 18,568	- 19,010	- 37,578
Currency effects	- 77	- 920	- 997
Non cash effective change in leasing liabilities	-	- 3,628	- 3,628
Other changes	166	-	166
As per 12/31/2020	**123,219**	**137,369**	**260,588**

5.7 Other Notes

Contingent Liabilities/Receivables and Other Financial Obligations

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

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

in € thousand	12/31/2020	12/31/2019
Obligations from renting and leasing contracts	4,602	5,020
Open purchase orders	2,583	2,818
Other miscellaneous financial obligations	243	320
Total	**7,428**	**8,158**

The obligations from rental and leasing contracts are composed primarily of leasing agreements for low-value assets in the form of IT equipment, of short-term rental agreements and software leasing.

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

Leases

EDAG as the Lessee
EDAG and its companies act as lessees. For the overwhelming majority of the leases entered into, rights of use and lease liabilities were recognized in accordance with IFRS 16 and updated accordingly. The leases recognized in the balance sheet mainly comprise agreements concerning the use of office buildings, warehouses, production halls and cars. In addition, there are leases that are accounted for as short-term leases in accordance with IFRS 16.6. These are mainly office, residential and storage space rented on a short-term basis, and cars rented on a short-term basis. On the balance sheet date, lease obligations from short term leases existed in the amount of € 553 thousand. In addition, there are leases that were recognized as leases for low-value assets in accordance with IFRS 16.6. This principally includes leasing agreements for the use of IT equipment.

The weighted average minimum term of all the leases is 4 years. The total cash outflows from leases (including incidental expenses) in the reporting year amount to

€ 44,402 thousand (2019: € 43,689 thousand). The leasing agreements entered into do not contain any variable leasing payments which have not been included in the measurement of the leasing liabilities. On the balance sheet date, there are therefore no potential cash outflows from variable lease payments that are not dependent on the development of an index or share price.

Extension and termination options are included in the leases that have been entered into. Periods arising as a result of the granting of extension options were not included in the measurement of the lease liability only if the need to exercise these was not considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. The termination options granted to the Group in leases entered into were only included in the measurement of the lease liability if the need to exercise these was considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. Due to a planned move, a 5-year extension option in a long-term building rental agreement with a basic term until January 31, 2023 was not considered reasonably certain, and was therefore not included in the measurement of the lease liability. In addition, also due to a planned move, the nine-year option periods (3 x 3 years) in two further long-term building rental agreements with basic terms until December 31, 2022 were not considered reasonably certain on the reporting date, and were therefore not included in the measurement of the lease liability. The potential future cash outflows from the above-mentioned option periods amount to € 14,512 thousand (including incidental expenses).

Besides this, the periods of all extension options granted to the Group were essentially included in the measurement of lease liabilities. In addition, essentially none of the termination options granted to the Group were included in the measurement of lease liability. This assessment is based on contract, asset, company and market-related factors. Special mention should be made here of the importance of the continued use of the underlying assets for the Group's business activities. In addition, provided that they will not result in enforceable rights and obligations for the Group, periods relating to automatic extensions in the future and unlimited periods of use that can be terminated by either party were not included in the measurement of the lease term.

The only residual value guarantees that exist in leases that have been entered into are related to leases for the use of motor vehicles. As of the balance sheet date, no payments are expected from the residual value guarantees issued by EDAG and included in the measurement of lease liabilities. This means that no future cash outflows are expected from residual value guarantees issued.

As of the balance sheet date, there were no restrictions or commitments in connection with leases entered into.

On the reporting date, there were three leases for the transfer of use of properties into which EDAG Engineering GmbH had entered but which had not yet begun. For this reason, no corresponding lease liabilities and rights of use were realized as of the reporting date. The expected lease commencement dates and the total of future cash outflows to which EDAG will be exposed in connection with these agreements are shown in the table below.

	Expected lease commencement dates	Total of future cash outflows per year in € thousand	Basic term
Real estate lease 1	May 1, 2021	2,234	15 years
Real estate lease 2	May 1, 2022	1,778	15 years
Real estate lease 3	October 1, 2022	2,350	13 years; 2 months
Total		**6,362**	

EDAG as the Lessor

Financing Leases

EDAG acts as lessor under a finance lease. The lease involved is a sublease on a building and property area. For this lease, the right of use resulting from the main rental contract was derecognized at the beginning of the previous year, and a leasing receivable recognized. This resulted in a gain on disposal of € 275 thousand in the previous year, which was recognized through profit or loss in the statement of comprehensive income. The leasing installments are split into a repayment and an interest component, and carried forward using the effective interest method.
In the reporting year, there were no material changes in the book value of the net investment recognized as a finance lease.

The due dates of the leasing receivables can be found in the following table:

in € thousand	12/31/2020			12/31/2019		
	Minimum leasing payments	Interest portion	Present values	Minimum leasing payments	Interest portion	Present values
Maturity						
up to 1 year	240	20	220	240	30	210
up to 2 year	240	8	231	240	20	220
up to 3 year	60	-	60	240	9	231
up to 4 year	-	-	-	60	-	60
up to 5 year	-	-	-	-	-	-
more than 5 years	-	-	-	-	-	-
Total	**540**	**28**	**511**	**780**	**59**	**721**

Operating Leases
EDAG acts as a lessor with regard to operating leases, and continues to include the assets let in this respect in its consolidated statement of financial position. The leasing installments received are posted through profit or loss By and large, this involves the rental of buildings. As a general rule, leasing contracts tend to be short-term. At the year-end, the income from operating leasing amounted to € 1,748 thousand (2019: € 2,333 thousand). The future minimum leasing payments from noncancelable operating leases are as follows:

in € thousand	2020	2019
up to 1 year	1,729	1,640
up to 2 year	1,174	842
up to 3 year	640	820
up to 4 year	157	537
up to 5 year	136	30
more than 5 years	59	89
Total	**3,895**	**3,958**

Financial Instruments

Capital Risk Management

The Group manages its capital with the aim of maximizing the earnings of those involved in the company by optimizing the ratio of equity to borrowed capital. In the process, care is taken to ensure that the group companies can all operate on the assumption that the company is a going concern.

The Group capital structure is composed of debts, financing receivables, securities/derivative financial instruments, cash and cash-equivalents, and also the equity due to the parent company's shareholders. This consists of the subscribed capital, the capital reserves and the retained earnings.

The capital structure of the Group is reviewed by the Group Executive Management on a quarterly basis. During this review, the cost of capital and the risks connected with each capital category are considered. The Group Executive Management's aim is to keep the net financial debt as low as possible in relation to the equity ratio (net gearing).

in € thousand	**12/31/2020**	**12/31/2019**
Non-current financial liabilities	- 120,778	- 120,000
Non-current leasing liabilities	- 120,340	- 142,658
Current financial liabilities	- 2,441	- 21,698
Current leasing liabilities	- 17,029	- 18,269
Securities/derivative financial instruments	32	51
Cash and cash-equivalents	156,292	70,618
Net financial debt/-credit [-/+]	**- 104,264**	**- 231,956**
Net financial debt/-credit [-/+] wo lease liabilities	**33,105**	**- 71,029**
Equity	101,841	127,864
Net Gearing [%] incl. lease liabilities	**102.4%**	**181.4%**
Net Gearing [%] wo lease liabilities	**n/a**	**55.6%**

At € 104,264 thousand, the net financial debt on December 31, 2020 is € 127,692 thousand below the previous year's value (€ 231,956 thousand). Without taking lease liabilities into account, the net financial credit as of December 31, 2020 amounts to € 33,105 thousand (12/31/2019: net financial debt € 71,029 thousand), which is equivalent to a reduction of € 104,134 thousand.

The major creditor is a well-known credit institution in the form of a promissory note loan (Schuldscheindarlehen) with a total volume of € 120 million. The promissory note loan is composed of several tranches with various interest rates and terms to maturity of three to eight years. The loan (including interest) from VKE-Versorgungskasse EDAG-Firmengruppe e.V. in the amount of € 632 thousand (12/31/2019: € 20,610 thousand) was, to a material extent (€ 19,500 thousand), already repaid on June 30, 2020, but can be used again to this extent any time.

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

The EDAG Group reported unused lines of credit due to credit institutions in the amount of € 103.7 million on the reporting date (12/31/2019: € 101.8 million). In addition, EDAG Engineering GmbH, a subsidiary of EDAG Engineering Group AG (EDAG), contractually agreed a KfW entrepreneur loan of € 60 million. The loan has a term of two years, and use can be made of it at any time. It is subject to the usual KfW conditions.

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

in € thousand		12/31/2020	12/31/2019
	Inventories	2,654	8,633
+	Current conract assets	51,319	70,823
+	Current accounts receivable	74,123	135,665
-	Current contract liabilities	- 125,402	- 45,500
-	Current accounts payable	- 22,978	- 55,014
=	**Trade Working Capital (TWC)**	**- 20,284**	**114,607**
+	Non-current other financial receivables	725	1,037
+	Non-current other non-financial receivables	165	66
+	Deferred tax assets	20,133	12,742
+	Current other financial receivables excl. Interest-bearing receivables	1,889	2,274
+	Current other non-financial receivables	16,155	10,122
+	Income tax assets	1,343	976
-	Non-current other financial liabilities	- 83	-
-	Deferred tax liabilities	- 6	- 20
-	Current other financial liabilities	- 3,691	- 4,363
-	Current other non-financial liabilities	- 38,497	- 49,679
-	Income tax liabilities	- 1,865	- 4,166
=	**Other Working Capital (OWC)**	**- 3,732**	**- 31,011**
	Net Working Capital (NWC)	**- 24,016**	**83,596**

Compared to December 31, 2019, the trade working capital decreased from € 114,607 thousand to € -20,284 thousand. The reduction mainly results from the decrease of € 81,046 thousand in the current accounts receivable and contract assets, and the increase of € 79,902 thousand in the current contract liabilities. The opposite effect was had mainly by the reduction of € 32,036 thousand in current accounts payable.

Influenced by an increase in prepaid expenses, receivables from subsidies for short-time work compensation and deferred tax assets, at € -3,732 thousand, the other working capital rose, compared to the previous year.

Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Measure-ment Category

For the most part, cash and cash-equivalents, accounts receivable and other receivables have only a short time to maturity. For this reason, their book values on the reporting date are close approximations of the fair values.

With the exception of accounts receivable and other receivables and loans, none of the other financial instruments are either overdue or impaired on the reporting date.

On December 31, 2020, the gross book values of the accounts receivable, the valuation allowances on these amounts, and the risk provisions for expected credit losses are as follows:

in € thousand	12/31/2020		12/31/2019	
	Gross book value	Valuation allowance/risk provision	Gross book value	Valuation allowance/risk provision
Accounts receivable				
neither impaired nor overdue	50,198	- 34	90,769	- 49
< 1 month	16,316	- 445	16,524	- 27
1 – 2 months	4,393	- 123	4,129	- 14
2 – 3 months	569	- 16	1,999	- 11
3 – 6 months	838	- 168	6,070	- 54
6 – 12 months	677	- 178	15,241	- 512
> 12 months	24,118	- 22,022	1,926	- 326
adjusted for specific valuation allowances	1,800	- 1,800	2,783	- 2,783
Total	**98,909**	**- 24,786**	**139,441**	**- 3,776**

As of December 31, 2020, specific valuation allowances were held against receivables in the amount of € 1,800 thousand (12/31/2019: € 2,783 thousand). For the residual book value of € 97,109 thousand (12/31/2019: € 136,658 thousand), risk provisions were recognized for expected credit losses in the amount of € 22,986 thousand (12/31/2019: € 993 thousand).

The other receivables and loans are not past due on the balance sheet date, but, with a nominal value of € 1,001 thousand (12/31/2019: € 1,011 thousand), specific valuation allowances have been made.

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

in € thousand	2020			2019		
	Trade receivables and contract assets	Loans and other financial receivables	Total	Trade receivables and contract assets	Loans and other financial receivables	Total
As per 1/1/	3,816	1,016	4,832	1,452	1,083	2,535
Currency conversion difference	- 47	-	- 47	6	1	7
Additions	22,447	1	22,448	2,591	2	2,593
Utilization	- 332	-	- 332	- 116	- 7	- 123
Reversals	- 1,064	- 11	- 1,075	- 117	- 63	- 180
As per 12/31/	**24,820**	**1,006**	**25,826**	**3,816**	**1,016**	**4,832**

The total amount of the additions, € 22,448 thousand (2019: € 2,593 thousand) in all, consists of additions from specific valuation allowances for the amount of € 429 thousand (2019: € 1,750 thousand) and additions from risk provisions for expected credit losses for the amount of € 22,019 thousand (2019: € 843 thousand). The average default rates used for setting up risk provisions for expected credit losses for accounts receivable vary, depending on both the overdue dates of the receivables, and on the default patterns of different customer groups. EDAG differentiates between two customer groups here, making distinctions when setting up risk provisions. On the one hand, there is the "startup companies" group, or "new OEMs", whose default rates are defined as being between 0.05 percent and 95 percent, and on the other the customer group consisting of the remaining customers in the customer portfolio, whose default rates are defined as being between 0.05 percent and 30 percent. This distinction was not made in the previous year, as our customer portfolio changed significantly in the reporting year. The default rates in the previous year ranged from 0.05 percent to 17 percent. Should there be clear evidence of customers failing to fulfill their payment obligations, this is taken into due account.

With regard to the balance of accounts receivable and other financial assets which are neither overdue nor impaired, there is no indication on the reporting date that the debtors will not be fulfilling their payment obligations. Delays in payment are the result of various factors, including security deposits and agreements on the concrete handling of payments which are currently being negotiated. For this reason, we still expect to receive payment.

The Group has established an internal risk monitoring system geared to individual customer risks. All receivables which are neither overdue nor impaired are assigned to the risk category of contractual partners with good credit ratings.

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

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

In accordance with IFRS 9, a distinction is made between the following financial assets and financial liabilities, aggregated as per valuation category:

- [AC] Financial Assets measured at Amortized Costs
- [FVtPL] Financial Assets at Fair Value through Profit and Loss
- [AC] Financial Liabilities measured at Amortized Costs
- [FVtPL] Financial Liabilities at Fair Value through Profit and Loss

The book values and fair values of all financial instruments recorded in the consolidated financial statements are shown in the following table.

in € thousand	Measured at Fair Value through Profit and Loss [FVtPL]	Measured at Amortized Cost [AC]		Not allocated to a measurement category [n.a.]	Balance sheet item as per 12/31/2020
		Carrying Amount	Fair Value		
Financial Assets					
Financial assets[1]	80	55	55	-	135
Non-current other financial assets	-	434	434	291	725
Current contract assets	-	-	-	51,319	51,319
Current accounts receivables	-	74,123	74,123	-	74,123
Current other financial assets	-	1,669	1,669	220	1,889
Current securities, loans and financial instruments	32	-	-	-	32
Cash and cash-equivalents	-	156,292	156,292	-	156,292
Financial Assets	**112**	**232,573**	**232,573**	**51,830**	**284,515**
Financial liabilitites					
Non-current financial liabilities	-	120,778	123,670	-	120,378
Non-current lease liabilities	-	-	-	120,340	120,340
Current financial liabilities	46	2,395	2,395	-	2,441
Current lease liabilities	-	-	-	17,029	17,029
Current contract liabilities	-	-	-	125,402	125,402
Current accounts payable	-	22,978	22,978	-	22,978
Current other financial liabilities	-	3,691	3,691	-	3,691
Financial liabilitites	**46**	**149,842**	**152,734**	**262,771**	**412,259**

[1] In the financial assets, classified at fair value through profit or loss [FVtPL], shares in non-consolidated subsidiaries are recognized at amortized cost in accordance with IFRS 9.B5.2.3.

in € thousand	Measured at Fair Value through Profit and Loss [FVtPL]	Measured at Amortized Cost [AC]		Not allocated to a measurement category [n.a.]	Balance sheet item as per 12/31/2019
		Carrying Amount	Fair Value		
Financial Assets					
Financial Assets[1]	80	80	80	-	160
Non-current other financial assets	-	526	526	511	1,037
Current contract assets	-	-	-	70,823	70,823
Current accounts receivables	-	135,665	135,665	-	135,665
Current other financial assets	-	2,065	2,065	209	2,274
Current securities, loans and financial instruments	51	-	-	-	51
Cash and cash-equivalents	-	70,618	70,618	-	70,618
Financial Assets	**131**	**208,954**	**208,954**	**71,543**	**280,628**
Financial liabilitites					
Non-current financial liabilities	-	120,000	121,335	-	120,000
Non-current lease liabilities	-	-	-	142,658	142,658
Current financial liabilities	-	21,698	21,698	-	21,698
Current lease liabilities	-	-	-	18,269	18,269
Current contract liabilities	-	-	-	45,500	45,500
Current accounts payable	-	55,014	55,014	-	55,014
Current other financial liabilities	1,267	3,096	3,096	-	4,363
Financial liabilitites	**1,267**	**199,808**	**201,143**	**206,427**	**407,502**

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. The valuation of the fair value took place according to the "Level 2" measurement category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

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

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

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

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

in € thousand	Assessed at fair value 12/31/2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Current securities, loans and financial instruments	32	-	-	32
Financial liabilities				
Other financial liabilities	-	46	-	46

in € thousand	Assessed at fair value 12/31/2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Current securities, loans and financial instruments	28	23	-	51
Financial liabilities				
Other financial liabilities	-	-	1,267	1,267

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	2020	2019
As per 1/1/	**1,267**	**2,226**
Loss recognized in financial expenses		
Net change of fair value	13	37
Profit recognized in other income		
Net change of fair value	- 1,023	- 701
Cash Flows	- 247	- 295
Currency conversion difference	- 10	-
As per 12/31/	**-**	**1,267**

Offsetting of financial assets and liabilities

The financial assets and liabilities are generally shown with the gross value. A netting is only possible if, and only if, the netting of the recognized amounts can be legally realized at the present point in time and it is intended to carry out the settlement on a net basis, or to realize the asset and extinguish the liability at the same time.

As at December 31, 2020 and 2019, there were no offsetting effects on the consolidated statement of financial position.

Net Results as per Valuation Category

With the exception of the adjustments attributable to the valuation category "financial assets at amortized cost (AC)", which are posted under the net result from the impairment/impairment loss reversal of financial assets (see chapter "Net Result from the Impairment/Impairment Loss Reversal of Financial Assets [7]"), EDAG records interest from financial instruments and the other components of the net result in the financial results.

The net profit or loss from assets and liabilities which are valued at the attributable fair value through profit or loss includes not only the results from changes in market value, income from investments, and realized gains from the disposal of these shares, but also interest paid or received on these financial instruments.

The net interest profit/loss from financial liabilities valued at amortized acquisition cost mainly includes interest expenses from financial liabilities.

The net results, according to the valuation categories in accordance with IFRS 9, are as follows:

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2020
		At fair value	Currency conversion	Valuation allowances		
Financial Assets at Amortized Cost (AC)	193	-	- 241	- 21,373	- 130	- 21,551
Financial Assets at Fair Value through Profit and Loss (FVtPL)	-	3	-	-	-	3
Financial Liabilities measured at Amortized Cost (AC)	- 2,695	-	-	-	-	- 2,695
Financial Liabilities at Fair Value through Profit and Loss (FVtPL)	- 13	- 143	-	-	-	- 156
Total	**- 2,515**	**- 140**	**- 241**	**- 21,373**	**- 130**	**- 24,399**

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2019
		At fair value	Currency conversion	Valuation allowances		
Financial Assets at Amortized Cost (AC)	338	-	- 112	- 2,413	- 2	- 2,189
Financial Assets at Fair Value through Profit and Loss (FVtPL)	-	- 30	-	-	-	- 30
Financial Liabilities measured at Amortized Cost (AC)	- 2,296	-	-	-	-	- 2,296
Financial Liabilities at Fair Value through Profit and Loss (FVtPL)	- 37	-	-	-	-	- 37
Total	**- 1,995**	**- 30**	**- 112**	**- 2,413**	**- 2**	**- 4,552**

Financial Risk Management Objectives and Methods

Risk Management Principles

The primary financial instruments used by the Group are - with the exception of derivative financial instruments - bank loans and current account overdraft, accounts payable, and loans which have been granted. The main purpose of these financial instruments is to finance the business activities of the Group. Further, the Group has at its disposal various financial assets such as securities, accounts receivable, cash and short-term deposits resulting directly from its business activities.

With regard to financial instruments, EDAG is particularly subject to risks resulting from changes in exchange rates and interest rates, as well as to liquidity and credit risks. The aim of financial risk management is to limit these risks by means of on-going operating and finance-oriented activities. Selected derivative hedging instruments are employed to this effect. As a general rule, collateral is provided only against risks that will affect the cash flow of the Group. The derivative financial instruments primarily include forward exchange contracts. The purpose of the derivative financial instruments is to provide security against interest and currency risks resulting from the business activities of the Group and its funding sources. Derivative financial instruments are used solely as hedging instruments, i.e. they are not implemented for trading or other speculative purposes.

Every year, the basic intentions underlying company financial policy are defined by the Group Executive Management and monitored by the Board of Directors. Group Treasury is responsible for the implementation of the financial policy and for on-going risk management.

Credit Risk

As a result of its operating business and certain financial activities, EDAG is at risk of default. In the funding area, business is done only with contracting parties whose creditworthiness is impeccable. In the operating divisions, the Group does business with creditworthy third parties only. A credit assessment is carried out on almost all customers wishing to do business on a credit basis.

As a general rule, the creditworthiness of any other customers is automatically monitored. Any risk of default is addressed by means of risk provisions and specific valuation adjustments.

In addition, receivables are continuously monitored on a divisional, i.e. decentralized, basis, so that, as shown in section Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Measurement Category, the Group is not exposed to any significant default risk.

The maximum risk in the event of non-payment by a contracting party is reflected in the book values of the financial assets recorded in the statement of financial position (including derivative financial instruments with positive market values). On the reporting date, there are no significant agreements in existence that would reduce the maximum default risk (such as offsetting agreements).

Assessments indicate that there is very little probability of any default risk occurring.

Liquidity Risk

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

As a general rule, it is the responsibility of the management of each individual company to keep a constant check on solvency.

The centrally specified objective of the EDAG Group is to guarantee that funding requirements of the group companies are continually met by making use of bank loans, current account overdrafts, inter-company loans and leases. Reports are sent to the parent company on a weekly basis, to enable the liquidity of the individual Group companies to be monitored centrally. The information gained from these is submitted to Group Executive Management for risk control purposes. Although the liquidity risk is currently classified as slight, liquidity nevertheless continues to be secured by external lines of credit.

The company objective is to ensure that sufficient open lines of credit are available at any time. To this end, appropriate measures, such as intensive working capital management, are constantly implemented. Suitable measures are applied in good time, to guarantee the financing of any pending investments.

Market Risks

Interest Risks

Due to the fact that the Group is predominantly financed through fixed interest loans from banks and a related company, VKE-Versorgungskasse EDAG-Firmengruppe e.V., we are of the opinion that any risk posed by fluctuations of market interest rates is very slight.

Changes to market interest rates of original, fixed-interest financial instruments do not affect the results unless they are valued at their attributable fair values. Accordingly, no financial instruments with a fixed interest rate valued at amortized acquisition costs are subject to risk due to changes in interest, in terms of IFRS 7.

The table below Chapter "Financial Liabilities [29]" shows the book values of the Group's financial instruments that are subject to risk from changes in interest, organized according to their contractually defined maturity dates.

Only an insignificant number of variable interest-bearing financial instruments exists. The interest rate for these is derived from a standard, fluctuating reference rate and a company-specific credit margin. On the basis of the Group tax rate of 28.00 percent (previous year 36.00 percent), an amendment of the reference interest rate by +1 percentage point would have an effect of € -111 thousand (previous year € -141 thousand) on the profit or loss for the period after income tax as well as on equity. The interest rate for fixed-interest financial instruments is defined up to the maturity date of the particular financial instrument. The Group's other financial instruments, which are not included in the table under chapter "Financial Liabilities [29]" are not interest-bearing, and therefore not subject to risk from changes in interest.

Currency Risks

Currency-related risks to EDAG result from financing measures and operating activities. Insofar as they have a significant effect on the Group cash flow, foreign currency risks are always hedged. On the other hand, foreign currency risks not affecting the Group cash flow (i.e. risks resulting from the conversion of assets and liabilities of group companies located abroad into the reporting currency of the Group), are not generally hedged.

Foreign currency risks from financing activities result from financial liabilities in foreign currencies and foreign currency loans.

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

On the balance sheet date, the receivables and liabilities denominated in foreign currencies, and for which the currency risks have been hedged, exist in USD, PLN, GBP, TRY, MXN and SEK. Due to these hedging activities, EDAG was not exposed to any significant currency risks from financing activities as per the reporting date.

In the operating area, the individual group companies do most of their business in their own functional currencies. This means that any currency risk to EDAG from current operating activities is assessed as being moderate. Some group companies are, however, exposed to foreign currency risks in connection with planned payments not in their own functional currencies.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments on the reporting date. It is assumed that the balance on the reporting date is representative of the entire year.

Currency risks as defined by IFRS 7 arise as a result of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which EDAG has financial instruments.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables, interest-bearing liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency, or transferred to the functional currency through the use of derivatives. Changes in exchange rates therefore have no effect on profit or loss or equity.

EDAG is subject only to currency risks from certain currency derivatives. These are currency derivatives which are part of neither a hedging relationship as defined by IAS 39, nor a hedging relationship with on-balance-sheet underlying transactions (natural hedge). These derivatives serve as hedges for planned items. Exchange rate fluctuations in the currencies on which such financial instruments are based affect other operating expenses/income, as any currency losses/gains from the underlying transactions are also shown here (net gain/loss from the adjustment of financial assets to fair value).

Sensitivity Analysis

If each of the functional currencies had increased or decreased in value by 10 percent compared with the other currencies, the following effects on the profit or loss for the period after income tax and on equity would have resulted in relation to the currency relations outlined below. For the effects of the sensitivities on the profit or loss for the period, a group tax rate of 28.00 percent was anticipated (previous year 36.00 percent). It would not be useful to add together the individual values, as, depending on the functional currency in question, the results are based on different scenarios.

in € thousand	12/31/2020	12/31/2019
Currency sensitivities		
10% appreciation		
EUR/USD	-129	- 130
EUR/CHF	68	44
EUR/PLN	52	81
EUR/BRL	29	38
EUR/MXN	-63	42
EUR/CNY	-61	- 181
Total	**-104**	**- 106**
10% devaluation		
EUR/USD	158	157
EUR/CHF	-84	- 54
EUR/PLN	-63	- 98
EUR/BRL	-35	- 44
EUR/MXN	87	- 51
EUR/CNY	75	220
Total devaluation	**137**	**131**

Other price risks

In the presentation of market risks, IFRS 7 also requires details of the effects hypothetical changes of risk variables would have on the prices of financial instruments. Important risk variables are stock exchange prices or indices. There are no substantial risks in this area in the EDAG Group.

Related Parties

In the course of its regular business activities, EDAG correlates either directly or indirectly not only with the subsidiaries included in the consolidated financial statements, but also with subsidiaries which are affiliated but not consolidated, and with other related companies and persons. The disclosure requirements set out in IAS 24 apply with regard to these relations. Related companies which are controlled by the EDAG Group, or upon which the EDAG Group can exercise significant influence, are listed in section "Scope of Consolidation".

EDAG Group AG is the ultimate group company and therefore the parent company of the EDAG Group. With a 70.66 percent share, the major shareholder in the EDAG Group is ATON Austria Holding GmbH, Going am Wilden Kaiser, Austria. ATON Austria Holding GmbH is wholly owned by the family of Dr. Helmig.

The volumes of the services rendered by the EDAG Group to, and the services it received from related companies and individuals, are as follows:

in € thousand	2020	2019
EDAG Group with boards of directors[1] (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	935	912
Travel and other expenses	7	23
Consulting expenses	9	22
Liabilities from remuneration	512	560
EDAG Group with supervisory boards[1] (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	70	52
Compensation costs	773	1,032
EDAG Group with group executive management[1]		
Liabilities from remuneration	247	291

in € thousand	2020	2019
EDAG Group with ATON companies (parent company and its affiliated companies)[2]		
Goods and services rendered	144	7,627
Goods and services received	29	1,189
Other operating income	-	223
Other operating expenses	4	212
Receivables	5	16
Liabilities	-	28
EDAG Group with unconsolidated subsidiaries		
Goods and services rendered	-	7
Other operating expenses	8	8
Receivables	-	8
EDAG Group with associated companies		
Goods and services rendered	780	1,927
Goods and services received	1,796	22
Other operating income	532	634
Other operating expenses	50	50
Income from investments	53	944
Receivables	594	104
Liabilities	-	21
EDAG Group with other related companies and persons		
Goods and services rendered	93	778
Interest expense	81	307
Other operating income	6	47
Paid leases for rights of use	4,828	4,886
Receivables	6	20
Advance payments received	-	36
Right of use assets from leases IFRS 16	26,873	30,452
Lease liabilities IFRS 16	32,985	35,330
Current loan obligations	632	20,610

[1] Overall, these are all payments due at short notice.

[2] On May 30, 2019, Fosun International Limited announced the completion of the acquisition of 100 percent of the shares in the FFT Group, Fulda, from ATON GmbH. As a result, expenses and income from business relationships with the FFT Group will now, with effect from June 1, 2019, be reported as business relationships with third parties, and no longer under relationships with ATON companies. The above-mentioned income and expenses have therefore no longer been included in IAS 24 Disclosures since June 1, 2019.

Standard market conditions apply to the sale or delivery of products and services to, and the purchase of products or services from related companies and persons.

There are long-term sale-and-lease-back agreements with six subsidiaries of KINREFD GmbH, Munich for the use of five properties and their operating facilities; these have a fixed term until September 15, 2030. In addition to this, there is a long-term real estate lease with a KINREFD GmbH subsidiary, and this has a fixed term until April 4, 2026. HORUS Vermögensverwaltungs GmbH & Co. KG, a company closely associated with EDAG, holds a 49.9 percent interest in KINREFD GmbH, Munich and its wholly owned subsidiaries with which EDAG has entered into long-term rental contracts. On the balance sheet date, lease liabilities from the above-mentioned agreements amounting to € 24.6 million are shown in accordance with IFRS 16. These are countered by rights of use amounting to € 21.3 million on the reporting date. In addition, there is also a long-term real estate lease with a fixed term until December 31, 2035 with IN Immo GmbH, one of the six subsiduaries of KINREFD GmbH mentioned above. This had not yet begun on the reporting date. The lease is expected to begin on October 1, 2022. The future annual cash outflows from the lease amount to € 2.4 million.

Further long-term real estate leases exist with MD 7 Immobilien GmbH, Munich, and MD 7 BV GmbH, Munich, with fixed terms until October 31, 2031. HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share in both MD 7 Immobilien GmbH and MD 7 BV GmbH.

In addition, there is a further real estate lease with a fixed term until August 31, 2021 with FR 105 Immo GmbH, Munich. HORUS Vermögensverwaltungs GmbH & Co. KG has a 49.9 percent share in this company. On the balance sheet date, lease liabilities from these leases amounting to € 8.4 million are shown in accordance with IFRS 16. These are countered by rights of use amounting to € 5.5 million.

A long-term real estate lease with a fixed term until June 30, 2036 has also been entered into with FR 73 Immo GmbH, Munich. HORUS Vermögensverwaltungs GmbH & Co. KG holds a 49.9 percent share in the company. The lease had not yet begun on the reporting date. The lease is expected to begin on July 1, 2021. The future annual cash outflows from the lease amount to € 2.2 million.

In addition, there is a short-term unsecured loan with VKE Versorgungskasse EDAG-Firmengruppe e.V. This loan will run until further notice, and carries an interest rate of 1.5 percent per annum. On the reporting date, the book value, including interest, amounts to € 0.6 million.

The other items which were open at the end of the financial year are not collateralized, nor are they interest-bearing, and they are paid in cash.

As far as the receivables refer to down payments that have been made, these are balanced through services rendered. Receivables due from related companies and persons were not impaired in the 2020 financial year. An impairment test is carried out annually. This includes an assessment of the financial position of the related company or person, and the development of the market in which they are active.

Compensation of the Members of the Board of Directors and the Group Executive Management

Details of the compensation of the members of the Group Executive Management and Board of Directors in accordance with the requirements of the Swiss Code of Obligations and the Swiss regulation to counter excessive compensation in listed companies are disclosed in the compensation report.

The **Board of Directors** of EDAG Group AG consisted of the following persons in the financial year just ended:

- Georg Denoke
  Chairman of the board of directors, chairman of the nomination and compensation committee
  Managing Director of ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (chairman of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (chairman of the supervi-sory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (chairman of the supervisory board)
  - SGL Carbon SE (listed), Wiesbaden, Germany (member of the supervisory board, vice-chairman of the supervisory board)
  - Redpath Mining Inc. (non-listed), North Bay, Canada (member of the board of directors)

- Sylvia Schorr
  Chairwoman of the Audit Committee
  Investment manager ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervi-sory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)

- Dr. Philippe Weber
  Member of the nomination and compensation committee
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - Banca del Ceresio SA (non-listed), Lugano, Switzerland (member of the board of directors)
  - Leonteq AG (listed), Zürich, Switzerland (vice chairman of the board of directors and member of the compensation committee)
  - Leonteq Securities AG (non-listed, Zurich, Switzerland), vice chairman of the board of directors
  - Medacta Group AG (listed), Castel San Pietro, Switzerland (member of the board of direc-tors and chairman of the compensation committee)
  - Newron Suisse SA (non-listed), Zurich, Switzerland (member of the board of directors)
  - Niederer Kraft Frey AG (non-listed), Zurich, Switzerland (member of the board of directors)
  - NorthStar Holding AG (non-listed), Schindellegi, Switzerland (member of the board of direc-tors)

- Manfred Hahl (since 5.6.2019)
  Member of the Audit Committee
  Owner and director of Manfred Hahl Management + Innovation GmbH
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)
  - FFT GmbH & Co. KGaA (non-listed) Fulda, Germany, member of the supervisory board, vice-chairman of the supervisory board)
  - R+S Group AG (non-listed) Fulda, Germany, member of the supervisory board, vice-chairman of the supervisory board)

- Clemens Prändl (since 5.6.2019)
  Member of the Audit Committee
  Senior Vice President, SAP SE, Walldorf
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (member of the board of directors)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)

The compensation of members of the board of directors is regulated in § 25 of the articles of incorporation of EDAG Group AG. The level of compensation is set at the annual shareholders' meeting in accordance with article 12 of the articles of incorporation.

For taking over the function of the ultimate control and management organ of EDAG Group AG and EDAG Engineering Schweiz Sub-Holding AG, and for committee activities in the supervisory boards of EDAG Engineering Holding GmbH and EDAG Engineering GmbH, the members of the Board of Directors only receive short-term benefits. In the 2020 financial year, these amounted to € 926 thousand (2019: € 902 thousand). Employer's social security contributions amounted to € 9 thousand (2019: € 10 thousand). For the personal performance of services above and beyond board activities, particularly consulting services, the members of the board of directors are remunerated at the usual market rates. In the reporting year, costs of € 9 thousand (2019: € 22 thousand) were incurred. No advances or loans were granted to members of the board of directors of EDAG Group AG. No share-based payments were received by members of the board of directors.

The members of the board of directors are insured for legal expenses and D&O liability through the company insurance policies.

The **Group Executive Management** consists of the following persons:

- Cosimo De Carlo, Diplom-Ingenieur, MBE
  Member of the Group Executive Management, CEO

- Holger Merz, Diplom-Betriebswirt, MBA
  Member of the Group Executive Management, CFO

In the reporting year, the short-term compensation of the Group Executive Management (payments due at short notice) amounted to € 1,205 thousand (2019: € 1,657 thousand). The previous year also includes the total amount of compensation paid to a member of the Group Executive Management who left in 2019, for consulting services provided during the period between the time he left the Executive Management and December 31, 2019.

The compensation of the Group Executive Management includes non-cash benefits (including non-cash benefits for company cars). It does not include the aggregated expenses for accident, legal protection and D&O insurance in the amount of € 144 thousand (2019: € 144 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As of December 31, 2020, the present value of current pension obligations for active members of the Executive Management totaled € 73 thousand (2019: € 67 thousand). For a member of the Group Executive Management leaving the company in the previous year, this totaled € 0 thousand on December 31, 2020 (2019: € 3,544 thousand). The current service cost for the pension provisions according to IFRS in 2020 aggregates to € 4 thousand (2019: € 3 thousand).

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

Number of shares	12/31/2020	12/31/2019
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	13,162
Clemens Prändl	-	-
Total Board of Directors[1]	**13,162**	**13,162**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management[2]	**6,115**	**6,115**

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

[2] Jürgen Vogt left the Group Executive Management on June 5, 2019. On the date on which he left the Group Executive Management, Jürgen Vogt held a total of 3,631 shares in EDAG Engineering Group AG.

Auditor's Fees and Services

The following table provides a breakdown of the auditor's fees for the consolidated financial statement for the financial year as per Art. 961a No. 2 of the Swiss Code of Obligations (OR) or § 314, para. 1, No. 9 of the German Commercial Code (HGB):

in € thousand	2020			2019		
	Total	thereof		Total	thereof	
		Switzerland	Germany		Switzerland	Germany
Auditing services	441	(68)	(309)	435	(67)	(305)
Total	**441**	**(68)**	**(309)**	**435**	**(67)**	**(305)**

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

Subsequent Events

Several companies in the EDAG Group were targeted by a cyber attack in the night of March 12th to March 13th, 2021.

In accordance with the emergency protocol, all affected IT network systems were shut down immediately. In line with protocol, the IT task force has engaged all necessary internal and external technical experts to successfully avert further assaults and gradually restore normal operations.

At the same time, the relevant authorities and data forensic specialists are investigating, to determine the origin, scope and extent of the attack and to avert further assaults. A quantification of any damage is not yet possible at this point in time.

Arbon, March 22, 2021

EDAG Engineering Group AG

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors and
Chairwoman of the Audit Committee

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

5.8 Share Ownership List

	Registered in Switzerland and Germany	City	Domicile	Capital share in %	
				Direct	Indirect
1.	EDAG Engineering Group AG[2]	Arbon	Switzerland	-	-
2.	EDAG Engineering Schweiz Sub-Holding AG	Arbon	Switzerland	100	-
3.	EDAG Engineering Holding GmbH	Munich	Germany	-	100
4.	EDAG Engineering GmbH	Wiesbaden	Germany	-	100
5.	EDAG-Beteiligung GmbH[3]	Fulda	Germany	-	100
6.	EDAG Production Solutions GmbH & Co. KG	Fulda	Germany	-	100
7.	EDAG Production Solutions Verwaltungs GmbH[3]	Fulda	Germany	-	100
8.	EDAG Werkzeug + Karosserie GmbH	Fulda	Germany	-	49
9.	EDAG aeromotive GmbH	Gaimersheim	Germany	-	100
10.	Parkmotive GmbH[3]	Fulda	Germany	-	100
11.	EDAG Akademie GmbH	Fulda	Germany	-	100
12.	EDAG Engineering Schweiz GmbH	Arbon	Switzerland	-	100

	Registered in Switzerland and Germany	Voting right	Currency	Equity[1] 12/31/2020	Result[1] 2020
1.	EDAG Engineering Group AG[2]	-	EUR	387,579,785	- 2,042,098
2.	EDAG Engineering Schweiz Sub-Holding AG	100	EUR	476,208,084	14,360,810
3.	EDAG Engineering Holding GmbH	100	EUR	32,680,710	- 29,743,969
4.	EDAG Engineering GmbH	100	EUR	248,759,316	-
5.	EDAG-Beteiligung GmbH[3]	100	EUR	38,320	1,831
6.	EDAG Production Solutions GmbH & Co. KG	100	EUR	7,017,742	- 6,690,748
7.	EDAG Production Solutions Verwaltungs GmbH[3]	100	EUR	18,722	1,938
8.	EDAG Werkzeug + Karosserie GmbH	49	EUR	21,311,808	1,105,140
9.	EDAG aeromotive GmbH	100	EUR	790,817	205,749
10.	Parkmotive GmbH[3]	100	EUR	18,578	- 1,227
11.	EDAG Akademie GmbH	100	EUR	212,868	-
12.	EDAG Engineering Schweiz GmbH	100	CHF	1,298,036	451,780

	Registered in other countries	City	Domicile	Capital share in %	
				Direct	Indirect
13.	EDAG Engineering Limited	London Colney	Great Britain	-	100
14.	EDAG do Brasil Ltda.	São Bernardo do Campo	Brazil	-	100
15.	EDAG, Inc.	Troy	USA	-	100
16.	EDAG HOLDING SDN. BHD.	Shah Alam	Malaysia	-	100
17.	EDAG Hungary Atófejlesztö Méröki Kft.	Györ	Hungary	-	100
18.	EDAG Production Solutions India Pvt. Ltd.	New Delhi	India	-	100
19.	EDAG Technologies India Priv. Ltd.	New Delhi	India	-	100
20.	EDAG Production Solutions CZ s.r.o.	Mladá Boleslav	Czech Republic	-	100
21.	EDAG Japan Co., Ltd.	Yokohama	Japan	-	100
22.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	Shanghai	China	-	100
23.	EDAG México S.A. de C.V.	Puebla City	Mexico	-	100
24.	EDAG Servicios México S.A. de C.V.	Puebla City	Mexico	-	100
25.	CKGP/PW & Associates, Inc.	Troy	USA	-	100
26.	EDAG Italia S.R.L.	Turin	Italy	-	100
27.	EDAG Engineering CZ spol. s r.o.	Mladá Boleslav	Czech Republic	-	100
28.	EDAG Engineering Polska Sp.z.o.o.	Warsaw	Poland	-	100
29.	EDAG Engineering Spain, S.L. [former: Rücker Lypsa S.L.]	Cornellá de Llob-regat	Spain	-	100
30.	EDAG Engineering Scandinavia AB	Gothenburg	Sweden	-	100
31.	HRM Engineering AB	Gothenburg	Sweden	-	100
32.	OOO EDAG Production Solutions RU	Kaluga	Russia	-	100
33.	EDAG Netherlands B.V.	Helmond	Netherlands	-	100
34	EDAG Turkey Muhendeslik Ltd. Sirketi	Gebze/Kocaeli	Turkey	-	100

[1] National trade law

[2] EDAG Engineering Group AG, Arbon belongs to the EDAG Group. However, the company is not a component of the Shareholdings as defined in Article 959c Para. 2 No. 3 of the Swiss Code of Obligations (OR).

[3] Companies included at acquisition cost.

	Registered in other countries	Voting right	Currency	Equity[1] 12/31/2020	Result[1] 2020
13.	EDAG Engineering Limited	100	GBP	- 735,705	69,710
14.	EDAG do Brasil Ltda.	100	BRL	16,317,031	- 2,022,574
15.	EDAG, Inc.	100	USD	8,908,303	- 1,259,808
16.	EDAG HOLDING SDN. BHD.	100	MYR	1,419,946	23,084
17.	EDAG Hungary Atófejlesztö Méröki Kft.	100	EUR	2,505,561	254,477
18.	EDAG Production Solutions India Pvt. Ltd.	100	INR	231,302,905	7,101,668
19.	EDAG Technologies India Priv. Ltd.	100	INR	48,459,090	- 4,391,751
20.	EDAG Production Solutions CZ s.r.o.	100	CZK	12,466,167	- 23,280,862
21.	EDAG Japan Co., Ltd.	100	JPY	57,000,457	- 21,579,435
22.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	100	CNY	40,554,245	1,521,672
23.	EDAG México S.A. de C.V.	100	MXN	54,196,481	- 11,390,993
24.	EDAG Servicios México S.A. de C.V.	100	MXN	10,407	-
25.	CKGP/PW & Associates, Inc.	100	USD	2,867,533	11,010
26.	EDAG Italia S.R.L.	100	EUR	2,126,250	821,289
27.	EDAG Engineering CZ spol. s r.o.	100	CZK	8,109,137	- 11,091,104
28.	EDAG Engineering Polska Sp.z.o.o.	100	PLN	7,199,139	745,781
29.	EDAG Engineering Spain, S.L. [vormals: Rücker Lypsa S.L.]	100	EUR	10,431,233	- 1,272,363
30.	EDAG Engineering Scandinavia AB	100	SEK	11,889,049	4,010,453
31.	HRM Engineering AB	100	SEK	9,755,758	-
32.	OOO EDAG Production Solutions RU	100	RUB	- 3,601,921	- 3,941,921
33.	EDAG Netherlands B.V.	100	EUR	914,141	252,206
34	EDAG Turkey Muhendeslik Ltd. Sirketi	100	TRY	2,063,515	- 936,485

Report of the statutory auditor
(Consolidated Financial Statement)

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EDAG Engineering Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 116 to 231) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as these are applied in the EU and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further de-scribed in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill

Key audit matters

The consolidated financial statements of EDAG Engineering Group AG disclose goodwill in the amount of € 74.3 million (12% of the Group's total assets). In this process, the company considers each of its three segments as a cash-generating unit (CGU). Centralised impairment tests are performed at the CGU level on an annual basis or when necessary. The goodwill included in this item is tested for impairment, which is consistent with the requirements of IAS 36 regarding impairment testing.

The basis for the valuation of goodwill is generally the value in use of the future cash flows of the cash-generating unit to which the assets concerned are to be allocated. This is because a market price for the individual units is usually not observable. The value is use is calculated using the discounted cash flow method, based in principle on a three-year planning horizon. The approved three-year plan is the starting point for the impairment tests and is updated with assumptions relating to, among others, the future order intake, costs, industry growth, long-term market growth rates and the business cycle. The discounting is based on the weighted average cost of capital rates of the cash-generating units concerned. The outcome of this valuation depends heavily on the estimates by the Board of Directors of future cash inflows and on the discount rates used; hence, it is subject to a high degree of uncertainty. In light of this and given the complexity of the valuation method's requirements, we deemed this to be a key audit matter in our audit.

How our audit addressed the key audit matters

During our audit, we (accompanied by an internal expert) performed following audit procedures:

- We evaluated the controls established by EDAG Engineering Group AG for the valuation of goodwill. In doing so, we assessed, among other things, the design and implementation of the controls in place with regard to the valuation.
- We verified the method used to test the investment for impairment and assessed the calculation of the weighted average cost of capital rates.
- We assessed the appropriateness of the future cash inflows used for the valuation. In doing so, we judged the forecast accuracy by the following means:
  - By comparing the information with the latest actual figures, where these are available;
  - By comparing the information with the latest budget figures taken from the three-year plan;
  - By reconciling them to general and industry-specific market expectations.
- Performing sensitivity analyses on the perpetual annuity underlying the impairment test.
- We performed own plausibility checks to verify the appropriateness of the parameters used in the determination of the discount rate, and verified the calculation method.
- In addition, we also reviewed the completeness and appropriateness of the disclosures required by IAS 36.

The valuation parameters and assumptions used by the Board

The Group disclosures concerning goodwill and the associated company are set out in the section ‘Accounting and valuation principles’ under ‘Impairment’ and chapter ‘Intangible Assets [15]’ of the notes to the consolidated financial statements.

of Directors are in line with our expectations, based on the available information.

Recoverability of accounts receivable

Key audit matter

In the consolidated financial statements of EDAG Engineering Group AG, an amount of € 74.1 million (12 % of the consolidated balance sheet total) is reported under the balance sheet item "Current amounts receivable". Amounts receivable meet the cash flow criterion according to IFRS 9 and are held in a business model that aims to realize the cash flows by holding the instruments to maturity. They are therefore measured at amortized cost, using the effective interest method (net method), if applicable.

The default risk of amounts receivable is accounted for under the simplified impairment model by recognizing portfolio-based allowances (allowance for credit losses). The calculation of these portfolio-based valuation allowances, in particular with regard to the forward-looking parameters of the customer portfolio concerned, is subject to estimates and management judgments, and for this reason, this matter was treated as a key audit matter.

The Group's disclosures on amounts receivable are included in the section "Financial instruments", in the chapter "Accounting policies", and in section "Financial instruments" of the notes to the joint financial statements.

How our audit addressed the key audit matter

During our audit, we performed following audit procedures:

- We evaluated the controls established by EDAG Engineering Group AG for the valuation of current amounts receivable. In doing so, we assessed, among other things, the design and implementation of the controls in place with regard to the .
- Critically assessed the appropriateness of the simplified impairment model to a critical assessment with regard to the requirements of IFRS 9
- We satisfied ourselves of the appropriateness of the portfolio-based average default rates used in the valuation, including the forward-looking parameters underlying them, by critically assessing the assumptions and estimates made by management.
- In addition, we also reviewed the completeness and appropriateness of the disclosures required by IFRS 9.

On the basis of our audit procedures, we are satisfied that the measurement of amounts receivable is appropriate, and that the disclosures required by IFRS 9 are complete and appropriate. Furthermore, we were able to satisfy ourselves that the estimates and assumptions made by EDAG Engineering Group AG are sufficiently documented and substantiated to justify the carrying amounts of the amounts receivable indicated in the balance sheet.

Recognition of sales revenue from contracts with customers (construction contracts)

Key audit matters

The consolidated financial statements of EDAG Engineering Group AG disclose sales revenue from contracts with customers in the amount of € 650.3 million. The Group's income is influenced signifi-cantly by the recognition and measurement of construction contracts. Provided the requirements of IFRS 15 are met, the Group applies the percentage-of-completion (POC) method. The income from the construction contract is estimated as part of the valuation process. The stage of completion is determined using the cost-to-cost method. We considered revenue recognition to be a key audit matter because the valuation of these contracts is subject to uncertainty regarding future income from the project and its stage of completion.

The Group disclosures regarding contracts with customers are set out in the section 'Accounting and valuation principles', under 'Contracts with Customers' and in the section 'Contract assets [20]' and 'Contract liabilities [31]' of the notes to the consolidated financial statements.

How our audit addressed the key audit matters

During our audit, we performed following audit procedures:

- We appraised the controls implemented by EDAG Engineering Group AG relating to revenue recognition from contracts with customers. To this end, we assessed, in particular, the appropriateness and effectiveness of the implemented controls, including the relevant IT systems, relating to the recording and recognition of project income.
- Building on this, on the basis of the related contractual agreements, we challenged the determination of the stage of completion based on the costs incurred to date and on the estimate of the expected total costs by carrying out random tests, and compared this with the underlying evidence.
- Further, we assessed the revenues expected by the Board of Directors from ongoing construction contracts and the estimates relating to contracts that had already been completed. In the event of negative impacts on the construction contracts, we assessed the modifications made to the initial project assumptions (in particular, project costs until completion) and the resulting accounting treatment. Further, we verified the continuity and the consistency of the method used to calculate the sales revenue.
- We assessed the completeness and appropriateness of IFRS 15 notes.

On the basis of our audit procedures, we were able to confirm the appropriateness of the approach and the valuation relating to these material items and that the disclosures in the notes are appropriate and fully comply with the requirements of IFRS 15. At the same time, we were able to confirm that the estimates and assumptions made by EDAG Engineering Group AG are adequately documented and substantiated so as to justify the accounting treatment of the sales revenues from contracts with customers.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the combined management report, the consolidated financial statements, the stand-alone financial statements and the compensation report of EDAG Engineering Group AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is mate-rially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

IIn accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the appropriation of net income complies with Swiss law and the Articles of Association and recommend that the finanical statements submitted to you be approved.

Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Ueli Sturzenegger
Accredited Audit expert

Zurich, March 22, 2021

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

STATUTORY FINANCIAL STATEMENT

EDAG Engineering Group AG

January to December 2020

ANNUAL FINANCIAL STATEMENT

1 Statement of Financial Position

in €/CHF thousand	Note	12/31/2020 € thousand	12/31/2020 CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand
Assets					
Current assets					
Cash and cash equivalents		336	363	170	185
Current accounts receivables	(A1)	0	0	3	3
Other current receivables	(A1)	25	27	34	37
Accrued items	(A2)	83	90	90	98
TOTAL current assets		**444**	**480**	**297**	**323**
Non-current assets	**(A3)**				
Investment		394,560	426,204	408,910	443,831
Property, plant and equipment		36	38	41	44
TOTAL non-current assets		**394,596**	**426,242**	**408,951**	**443,875**
TOTAL assets		**395,040**	**426,722**	**409,248**	**444,198**

in €/CHF thousand	Note	12/31/2020 € thousand	12/31/2020 CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand
Liabilities, Provisions and Equity					
Current liabilities and provisions					
Current accounts payable	(A4)	96	104	143	155
Current financial liabilities	(A4)	6,370	6,881	18,800	20,406
Other current liabilities	(A4)	516	557	563	611
Provisions	(A5)	78	84	111	120
Accrued items	(A6)	0	0	9	10
TOTAL current liabilities and provisions		**7,060**	**7,626**	**19,626**	**21,303**
Non-current liablities and provisions					
Non-current financial liabilites	(A4)	400	432	0	0
TOTAL non-current liabilties and provisions		**400**	**432**	**0**	**0**
Equity					
Share capital	(A7)	920	1,000	920	1,000
Capital reserves	(A8)	399,580	430,462	399,580	430,462
thereof capital insertion reserves		(399,660)	(430,549)	(399,660)	(430,549)
thereof other reserves		(- 80)	(- 87)	(- 80)	(- 87)
Retained earnings		- 12,920	- 14,265	- 10,878	- 12,079
Currency conversion difference		0	1,467	0	3,513
TOTAL equity		**387,580**	**418,664**	**389,622**	**422,896**
TOTAL liabilities, provisions and equity		**395,040**	**426,722**	**409,248**	**444,198**

2 Income Statement

in €/CHF thousand	Note	2020 € thousand	2020 CHF thousand	2019 € thousand	2019 CHF thousand
Other operating income	(A9)	90	96	96	107
Personnel expenses	(A10)	- 1,361	- 1,457	- 1,389	- 1,546
Other expenses	(A11)	- 491	- 525	- 569	- 633
Depreciation and impairment	(A12)	- 5	- 6	- 6	- 6
Financial income	(A13)	- 257	- 275	- 302	- 336
Direct taxes	(A14)	- 18	- 19	- 13	- 15
Loss		**- 2,042**	**- 2,186**	**- 2,183**	**- 2,429**

3 Cash Flow Analysis

	in €/CHF thousand	**2020** € thousand	**2020** CHF thousand	**2019** € thousand	**2019** CHF thousand
	Loss	**-2,042**	**-2,186**	**-2,183**	**-2,429**
+/-	Depreciation and amortization/Write-ups on tangible and intangible assets	5	6	6	7
-/+	Increase/Decrease in receivables and other assets	19	20	-38	-42
+/-	Increase/Decrease in current provisions	-33	-35	-70	-78
+/-	Increase/Decrease in accounts payable, other current liabilities, other provisions and accrued items	-103	-110	175	195
=	**Cash inflow/outflow from operating activities/ operating cash flow**	**-2,154**	**-2,305**	**-2,110**	**-2,348**
-	Payments for investments in tangible fixed assets	0	0	-2	-2
+	Received dividends	14,350	15,359	11,700	13,120
=	**Cash inflow/outflow from investing activities/ investing cash flow**	**14,350**	**15,359**	**11,698**	**13,118**
-	Dividends to shareholders	0	0	-18,750	-21,026
+/-	Deposits/Payments from financing activities to affiliated companies	-12,030	-12,995	9,150	9,931
=	**Cash inflow/outflow from financing activities/ financing cash flow**	**-12,030**	**-12,995**	**-9,600**	**-11,095**
	Net cash changes in financial funds	**166**	**59**	**-12**	**-325**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	0	119	0	304
+	Financial funds at the start of the period	170	185	182	205
=	**Financial funds at the end of the period [cash & cash equivalents]**	**336**	**363**	**170**	**185**
=	**Free cash flow (FCF) – equity approach**	**12,196**	**13,054**	**9,588**	**10,770**

The free cash flow is composed of the cash inflow/outflow from operating activities and investment activities.

4 Notes

4.1 General Information

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

At the time when the company was founded, according to the contract of November 2, 2015, the former shareholder, ATON GmbH, Munich, purchased 100 percent of the shares by cash capital contribution. ATON GmbH provided the entire share capital, split into 25,000,000 bearer shares each with a nominal value of CHF 0.04, as a contribution (CHF 1,000,000).

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

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

The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. As the securities of the company are admitted to trading on the organised market in the Federal Republic of Germany only, the Federal Republic of Germany is the country of origin of EDAG Group AG. Each company share entitles its holder to a vote at the company's annual shareholders' meeting. There are no restrictions on voting rights. On December 31, 2020, as in the year before, the largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which holds 70.66 percent. A further shareholder with holdings of more than five percent is LOYS Investment S.A. with 5.03 percent (previous year: 3.02 percent).

For the financial year ending December 31, 2020, all the company shares fully qualify for dividends.

According to the company's statutes, the company's objective is the holding and administration of domestic and foreign investments. The company performs no operative business activities.

The only direct subsidiary is EDAG Engineering Schweiz Sub-Holding AG, a Swiss intermediate holding company with its head office in Arbon, which indirectly holds all the shares in EDAG Engineering GmbH, Wiesbaden, through EDAG Engineering Holding GmbH, a German intermediate holding company based in Munich.

In principle, this company, with its subsidiaries, manages the entire operative business of the corporate group. Its main activities are the development of vehicles, derivatives, modules and production facilities. The EDAG Group is divided into the following three segments:

- Vehicle Engineering
- Production Solutions
- Electrics/Electronics

This annual financial statement was prepared in compliance with the regulations governing commercial accounting set out in the Swiss Code of Obligations (articles 957 – 963b of the Swiss Code of Obligations (OR), valid from January 1, 2013).

The financial year is the same as the calendar year. The reporting period is from January 1, 2020 to December 31, 2020. The functional currency of the company is the euro.

Unless otherwise stated, all amounts are given in thousands of euros and in thousands of francs. Where percentage values and figures are given, differences may occur due to rounding.

In the interests of clarity and transparency, any comments legally required to be added when posting items in the statement of financial position and income statement, along with any comments that may optionally be included in the statement of financial position and income statement, will, for the most part, be included in the Notes.

4.2 Information on Accounting, Valuation and Disclosure Methods

General Information

The income statement has been prepared in accordance with the nature of expense method (production income statement) in accordance with article 959b No. 2 of the Swiss Code of Obligations (OR). The annual financial statements were prepared on the assumption that the company is a going concern, according to article 958a No. 1 of the Swiss Code of Obligations (OR).

Foreign Currency Translation

Foreign currency transactions are always recognized at the historical exchange rate on the date of initial booking. For initial recognition, foreign currency transactions are valued using the exchange rate at the time of the business transaction. Balance sheet items (current foreign currency liabilities and receivables and liquid funds or other current assets) in foreign currencies are converted into the functional currency using the spot exchange rate on the balance sheet date. The exchange rate gains and losses arising from the valuation or settlement of these items are shown in the income statement.

According to article 958d No. 3 of the Swiss Code of Obligations (OR), if the house currency is not the Swiss franc, values in the statement of financial position and income statement must also be given in the national currency. In this case, the following conversion rates are used:

		2020	2019	
Statement of Financial Position	EUR into CHF	1.0802	1.0854	(spot exchange rate on accounting date)
Income Statement	EUR into CHF	1.0703	1.1127	(average exchange rate for the financial year)

Equity is valued at historical rates. The currency conversion differences arising from conversion into the national currency are included in equity.

Accounting for and Valuation of Assets

Liquid funds are shown at nominal value on the balance sheet key date.

Receivables and other assets are recognized at their nominal values, or at their attributable values on the accounting date, if these are lower. Should the recoverability of receivables be at risk, the value of such receivables is reduced proportionately; non-recoverable receivables are written off. No flat-rate value adjustment is formed to cover the general credit risk

Expenses before the accounting date are recognized as **accrued income**, provided they do not represent expenditure for a certain period after this date.

For **investments** purchased by way of the non-cash contribution when the company was founded, the transfer value of the items contributed always counts as the acquisition value according to the audited formation report (according to article 634 No. 3 of the Swiss Code of Obligations [OR]). Due to the fact that investments are not typically subject to a decrease in value due to either use or age, there no scheduled depreciation of the acquisition costs in the subsequent valuation; instead, adjustments, or impairments, are made for any decrease in value (cf. article 960 para. 3 and 960a para. 3 of the Swiss Code of Obligations [OR]). Investments that are subject to the individual valuation principle (in accordance with article 960 para. 1 of the Swiss Code of Obligations [OR]) are written down according to the principle of caution, in line with the profitability of the company concerned.

Property, plant and equipment are valued at acquisition or production cost less scheduled, straight-line depreciation. Depreciation, amortization and impairments of additions to property, plant and equipment are always reported on a pro rata temporis basis.

The depreciation schedule is based predominantly on the following estimated useful lives:

	Years
Other operating and office equipment	3–13

Accounting for and Valuation of Liabilities

Liabilities are recognized at their nominal values.

For past events which are expected to result in a cash outflow in future years, **provisions** amounting to the sum which, based on sound commercial judgement, the company can expect to have to pay (expected value) are formed.

Expenses relating to the reporting year for which the corresponding invoice has not yet been received from the supplier are recognized as **deferred income**. The expenditure is concretized in terms of reason and amount.

Share capital is recognized at nominal value.

4.3 Notes on the Balance Sheet Items

Receivables and Other Assets (A1)

All **receivables** and **other assets** have a term to maturity of less than a year.

in €/CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand
Current accounts receivable	**0**	**0**	**3**	**3**
affiliated companies and related parties	0	0	3	3
Other current receivable	**25**	**27**	**34**	**37**
third parties	25	27	34	37
Total	**25**	**27**	**37**	**40**

Accrued Income (A2)

Essentially, the **accrued income** includes advance payments for insurance services and to other suppliers.

Fixed Assets (A3)

Under **investments**, only EDAG Engineering Schweiz Sub-Holding AG, Arbon is listed. All shares - specifically 25,000,000 registereder shares, each with a nominal value of CHF 1.00 - were acquired by ATON GmbH, Munich for a transfer value of € 474,660 thousand (CHF 514,294 thousand), by means of a non-cash contribution and without any consideration in return on December 1, 2015. The contribution value was the product of the initial listing price multiplied by the number of shares, minus the net assets of EDAG Engineering Group AG. The initial listing price of the EDAG Engineering Group AG shares (€ 19.00) * number of shares (25,000,000) - total net assets of EDAG Engineering Group AG (€ -340 thousand) = recoverable amount (€ 474,660 thousand).

EDAG Engineering Schweiz Sub-Holding AG, Arbon is a Swiss intermediate holding company. It holds 100 percent of the shares in EDAG Engineering Holding GmbH, Munich, which in turn holds 100 percent of the shares in EDAG Engineering GmbH, Wiesbaden, which, along with its subsidiaries, in turn embodies the entire operative business of the EDAG Group.

By resolution of the ordinary general meeting of EDAG Engineering Schweiz Sub-Holding AG of June 24, 2020, it was decided that a dividend payout in the amount of € 14,350 thousand (CHF 15,324 thousand) should be made from the reserves from capital contributions. This dividend payout was made directly through the balance sheet account (investments) without influencing the income statement. This results in a book value of € 394,560 thousand (CHF 426,204 thousand) [previous year: € 408,910 thousand (CHF 443,831 thousand)].

Shares in affiliated companies and holdings (shareholdings) - i.e. the companies for which the company either directly or indirectly holds at least 20 percent of the shares - are included in the Notes.

The **intangible assets** include software.

Liabilities (A4)

in €/CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand
Liabilities	**96**	**104**	**143**	**155**
affiliated companies and related parties	36	39	95	104
third parties	60	65	48	52
Other interest-bearing current liabilties	**6,370**	**6,881**	**18,800**	**20,406**
affiliated companies and related parties	6,370	6,881	18,800	20,406
Other current liabilities	**516**	**557**	**563**	**611**
Board of Directors	512	553	560	607
third parties	4	4	3	4
Interest-bearing non-current liabilities	**400**	**432**	**0**	**0**
related parties	400	432	0	0
Total	**7,382**	**7,974**	**19,506**	**21,172**

Of the liabilities due to related companies, € 400 thousand (CHF 432 thousand) have a term to maturity of more than a year but less than five years. All other liabilities have a term to maturity of less than a year.

Provisions (A5)

in €/CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand	12/31/2019 € thousand	12/31/2019 CHF thousand
Provisions	78	84	111	120
Total	**78**	**84**	**111**	**120**

The **provisions** include personnel expenses in the amount of € 30 thousand (CHF 35 thousand) [previous year: € 37 thousand (CHF 40 thousand)] accounting and auditing costs in the amount of € 48 thousand (CHF 52 thousand) [previous year: € 74 thousand (CHF 81 thousand)].

Deferred Income (A6)

No expenses relating to the reporting year [previous year: € 9 thousand (CHF 10 thousand)] are recognized as **deferred income** on the reporting date.

Share Capital (A7)

On the reporting date, the company's **share capital**, which was paid in full on November 2, 2015, amounted to € 920 thousand (CHF 1,000 thousand), and is covered by 25 million bearer shares. This is equivalent to a nominal value of € 0.04 (CHF 0.04) per share. Each share entitles its holder to a right to vote and to receive dividends.

Capital Reserves (A8)

On the reporting date, the **capital reserves** remained unchanged compared to the previous year, and amounted to € 399,580 thousand (CHF 430,462 thousand) [previous year: € 399,580 thousand (CHF 430,462 thousand)]. The capital reserves are composed of the **capital contribution reserves** in the amount of € 399,660 thousand (CHF 430,549 thousand) and **other capital reserves** in the amount of € -80 thousand (CHF -87 thousand), which have not changed compared to the previous year.

4.4 Notes on Income Statement

Other Operating Income (A9)

The **other operating income** in the amount of € 90 thousand (CHF 96 thousand) [previous year: € 96 thousand (CHF 107 thousand)] is composed of administrative service contracts with affiliated companies, income from the reversal of provisions, foreign currency earnings and income from rents.

Personnel Expenses (A10)

Personnel expenses can be broken down as follows:

in €/CHF thousand	**2020**	**2020**	**2019**	**2019**
	€ thousand	CHF thousand	€ thousand	CHF thousand
Salaries	1,304	1,396	1,322	1,471
Social security contributions	57	61	67	75
Total	**1,361**	**1,457**	**1,389**	**1,546**

The salaries of the Executive Management, Board of Directors and administrative employees are listed under Salaries. Included in the salaries are bonuses in the amount of € 30 thousand (CHF 32 thousand) [previous year: € 33 thousand (CHF 36 thousand)].

Other Operating Expenses (A11)

Other operating expenses are mainly made up of:

in €/CHF thousand	2020 € thousand	2020 CHF thousand	2019 € thousand	2019 CHF thousand
Consulting, contributions and fees	227	243	235	261
General administration expenses	90	97	91	101
Insurance	66	70	66	73
Rents and leases	34	36	31	34
Sales and marketing expenses	31	33	34	38
Travel expenses	25	27	81	90
Expenses from group services affiliated companies	11	12	12	13
Expenses from currency losses	6	6	13	14
Other operating expenses	1	1	2	2
Maintenance	0	0	4	4
Miscellaneous ancillary personnel expenses	0	0	1	1
Total	**491**	**525**	**569**	**633**

No material expenses for other accounting periods were incurred.

Depreciation, Amortization and Impairment (A12)

Depreciation was carried out on property, plant and equipment.

Financial Expense (A13)

in €/CHF thousand	2020 € thousand	2020 CHF thousand	2019 € thousand	2019 CHF thousand
Interest and similar expenses	257	275	302	336
(thereof to affiliated companies)	(257)	(275)	(301)	(335)
Total	**257**	**275**	**302**	**336**

No material interest expense for other accounting periods is included.

Direct Taxes (A14)

in €/CHF thousand	2020	2020	2019	2019
	€ thousand	CHF thousand	€ thousand	CHF thousand
Direct Taxes	**18**	**19**	**14**	**16**
Capital tax	18	19	14	16
Total	**18**	**19**	**14**	**16**

No material tax expenses or tax revenues for other accounting periods are included.

4.5 Other Information

Employees

As in the previous year, the company employed no more than an annual average of 10 employees during this financial year.

Guarantees

According to article 959c para. 2 No. 8 of the Swiss Code of Obligations (OR), EDAG Group AG is liable for a promissory note loan in the amount of € 120 million issued by a well-known credit institution to the operational company EDAG Engineering GmbH in the 2018 calendar year

Contingent Liabilities

No **contingent liabilities** according to article 959c para. 2 No. 10 of the Swiss Code of Obligations (OR) exist, on either December 31, 2020 or December 31, 2019.

Other Financial Obligations

Other financial obligations due to affiliates exist for future costs from existing rental and service agreements; these amount to € 129 thousand (CHF 140 thousand) [previous year: € 129 thousand (CHF 140 thousand).

Auditor's Fees and Services

Details of the auditor's fees according to article 961a No. 2 of the Swiss Code of Obligations (OR) are not included, as these are given in the consolidated financial statements of EDAG Group AG.

Information on the Company's Organs

Group Executive Management

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

- Cosimo De Carlo, Munich, Chairman of the Group Executive Management, CEO
- Holger Merz, Hosenfeld, Member of the Group Executive Management, CFO

The compensation of the Group Executive Management amounts to € 143 thousand (CHF 153 thousand) [previous year: € 201 thousand (CHF 223 thousand)] plus bonus payments in the amount of € 27 thousand (CHF 29 thousand) [previous year: € 33 thousand (CHF 36 thousand)].

At the end of the financial year, the individual members of the Group Executive Management held the following number of shares in EDAG Group AG:

Number of shares	12/31/2020	12/31/2019
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management	**6,115**	**6,115**

Board of Directors

The Board of Directors consisted of the following persons:

- Georg Denoke, Munich, Chairman of the Board of Directors (single signatory) [Chairman of the Nomination and Compensation Committee]
- Sylvia Schorr, Karlsfeld, Member of the Board of Directors (joint signatory, two signatures required) [Chairwoman of the Audit Committee]
- Dr. Philippe Weber, Pura, Member of the Board of Directors (single signatory) [Member of the Nomination and Compensation Committee]
- Manfred Hahl, Abtsroda, Member of the Board of Directors (joint signatory, two signatures required) [Member of the Audit Committee]
- Clemens Prändl, Odenthal, Member of the Board of Directors (joint signatory, two signatures required) [Member of the Audit Committee]

The proportional compensation of the Board of Directors amounts to € 903 thousand (CHF 966 thousand) [previous year: € 888 thousand (CHF 988 thousand)].

Only Manfred Hahl holds shares in EDAG Group AG (number of shares: 13,162 [previous year: 13,162]). The other members of the Board of Directors do not hold any shares in EDAG Group AG.

Further information on the compensation of the Group Executive Management and the Board of Directors can be found in the compensation report in accordance with article 14-16 of the Swiss regulation to counter excessive compensation in listed companies (VegüV).

Group Relations

The annual financial statements will be included in the consolidated financial statements. These are based on the International Financial Reporting Standards, as applicable in the European Union. The consolidated financial statements and management report of the parent company can be obtained from the address of EDAG Group AG. It is also available on the Internet on the following link: http://ir.edag.com, and will be submitted to the Electronic Federal Gazette in Germany.

Appropriation of Net Income

in € thousand/ CHF thousand	2020 € thousand	2020 CHF thousand	2019 € thousand	2019 CHF thousand
Balance brought forward	**- 10,878**	**- 12,079**	**- 8,695**	**- 9,650**
Appropriation of earnings in accordance with resolution of the Annual General Meeting	0	0	0	0
Removal from legal capital reserve	-	-	18,750	21,026
Dividend payout to share-holders	-	-	- 18,750	- 21,026
Loss of the year	**- 2,042**	**- 2,186**	**- 2,183**	**- 2,429**
Total retained losses	**- 12,920**	**- 14,265**	**- 10,878**	**- 12,079**

Appropriation of reserves proposed by the Board of Directors

in € thousand/ CHF thousand	2020 Proposal of Board of Directors € thousand	2020 Proposal of Board of Directors CHF thousand	2019 Proposal of Board of Directors € thousand	2019 Proposal of Board of Directors CHF thousand
Total retained losses	**- 12,920**	**- 14,265**	**- 10,878**	**- 12,079**
Allocation to legal retained earnings	0	0	0	0
Removal from legal retai-ned earnings	0	0	0	0
Allocation to legal capital reserve	0	0	0	0
Removal from legal capital reserve	0	0	-	-
Dividend payout to share-holders	0	0	-	-
Balance to be carried forward	**- 12,920**	**- 14,265**	**- 10,878**	**- 12,079**

Subject to approval of the annual shareholders' meeting, the Board of Directors recommends that the net loss of € 12,920 thousand (CHF 14,265 thousand) should be carried forward to the new statement as a negative retained profit, and is in favor of a dividend payout of € 0.00 (CHF 0.00) per share.

Subsequent Events

Several companies in the EDAG Group were targeted by a cyber attack in the night of March 12th to March 13th, 2021.

In accordance with the emergency protocol, all affected IT network systems were shut down immediately. In line with protocol, the IT task force has engaged all necessary internal and external technical experts to successfully avert further assaults and gradually restore normal operations.

At the same time, the relevant authorities and data forensic specialists are investigating, to determine the origin, scope and extent of the attack and to avert further assaults. A quantification of any damage is not yet possible at this point in time.

Arbon, March 22, 2021

EDAG Engineering Group AG

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors and
Chairwoman of the Audit Committee

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

4.6 Appendices

Development of Fixed Assets

in € thousand	(Historical) Cost				
	01/01/2020	Additions	Disposals	Currency translation	12/31/2020
Intangible assets					
Software	1	0	0	0	1
Total intangible assets	**1**	**0**	**0**	**0**	**1**
Property, plant and equipment					
Other equipment, operating and office equipment	75	0	0	0	75
Total property, plant and equipment	**75**	**0**	**0**	**0**	**75**
Investments					
Shares in affiliated companies	408,910	0	14,350	0	394,560
Total financial assets	**408,910**	**0**	**14,350**	**0**	**394,560**
TOTAL	**408,986**	**0**	**14,350**	**0**	**394,636**

in CHF thousand	(Historical) Cost				
	01/01/2020	Additions	Disposals	Currency translation	12/31/2020
Intangible assets					
Software	2	0	0	0	2
Total intangible assets	**2**	**0**	**0**	**0**	**2**
Property, plant and equipment					
Other equipment, operating and office equipment	81	0	0	0	81
Total property, plant and equipment	**81**	**0**	**0**	**0**	**81**
Investments					
Shares in affiliated companies	443,831	0	15,501	-2,126	426,204
Total financial assets	**443,831**	**0**	**15,501**	**-2,126**	**426,204**
TOTAL	**443,914**	**0**	**15,501**	**-2,127**	**426,286**

in € thousand	Accumulated depreciation				Carrying amount	
	01/01/2020	Additions	Currency translation	12/31/2020	01/01/2020	12/31/2020
Intangible assets						
Software	1	0	0	1	0	0
Total intangible assets	**1**	**0**	**0**	**1**	**0**	**0**
Property, plant and equipment						
Other equipment, operating and office equipment	34	5	0	39	41	36
Total property, plant and equipment	**34**	**5**	**0**	**39**	**41**	**36**
Investments						
Shares in affiliated companies	0	0	0	0	408,910	394,560
Total financial assets	**0**	**0**	**0**	**0**	**408,910**	**394,560**
TOTAL	**35**	**5**	**0**	**40**	**408,951**	**394,596**

in CHF thousand	Accumulated depreciation				Carrying amount	
	01/01/2020	Additions	Currency translation	12/31/2020	01/01/2020	12/31/2020
Intangible assets						
Software	2	0	0	2	0	0
Total intangible assets	**2**	**0**	**0**	**2**	**0**	**0**
Property, plant and equipment						
Other equipment, operating and office equipment	37	6	0	42	45	39
Total property, plant and equipment	**37**	**6**	**0**	**42**	**45**	**39**
Investments						
Shares in affiliated companies	0	0	0	0	443,831	426,204
Total financial assets	**0**	**0**	**0**	**0**	**443,831**	**426,204**
TOTAL	**38**	**6**	**0**	**44**	**443,875**	**426,243**

Changes in Equity

in € thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Retained loss	Others	Total equity
As per 01/01/2020	**920**	**399,660**	**- 80**	**399,580**	**- 10,878**	**-**	**389,622**
Loss	-	-	-	-	- 2,042	-	- 2,042
Removal	-	-	-	-	-	-	-
As per 12/31/2020	**920**	**399,660**	**- 80**	**399,580**	**- 12,920**	**-**	**387,580**

in CHF thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Retained loss	Others	Total equity
As per 01/01/2020	**1,000**	**430,549**	**- 87**	**430,462**	**- 12,079**	**3,513**	**422,896**
Currency conversion difference at the beginning balance	-	-	-	-	-	- 2,046	- 2,046
Loss	-	-	-	-	- 2,186	-	- 2,186
Removal	-	-	-	-	-	-	-
As per 12/31/2020	**1,000**	**430,549**	**- 87**	**430,462**	**- 14,265**	**1,467**	**418,664**

Share ownership list in accordance with article 959c p. 2 No. 3 of the Swiss Code of Obligations (OR)

Registered in Switzerland and Germany		Domicile	Capital share in %		Voting right
			Direct	Indirect	
1.	EDAG Engineering Schweiz Sub-Holding AG	Switzerland	100	-	100
2.	EDAG Engineering Holding GmbH	Germany	-	100	100
3.	EDAG Engineering GmbH	Germany	-	100	100
4.	EDAG-Beteiligung GmbH	Germany	-	100	100
5.	EDAG Production Solutions GmbH & Co. KG	Germany	-	100	100
6.	EDAG Production Solutions Verwaltungs GmbH	Germany	-	100	100
7.	EDAG Werkzeug + Karosserie GmbH	Germany	-	49	49
8.	EDAG aeromotive GmbH	Germany	-	100	100
9.	Parkmotive GmbH	Germany	-	100	100
10.	EDAG Akademie GmbH	Germany	-	100	100
11.	EDAG Engineering Schweiz GmbH	Switzerland	-	100	100

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

There were no changes in the capital and voting rights of the companies listed above compared with the previous year. The newly founded EDAG Turkey Muhendeslik Ltd. Sirketi was a new addition in the 2020 calendar year.

For the following companies which were indirectly held on December 31, 2019 (100 percent capital share and voting rights), the following transactions led to the loss of capital shares and voting rights in the past calendar year:
With effect from January 1, 2020, EDAG Production Solutions, Inc., Troy was merged with EDAG, Inc., Troy.
With effect from January 1, 2020, Müller HRM Engineering AB, Gothenburg was merged with EDAG Engineering Scandinavia AB, Gothenburg.
Rücker Vehicle Design (Shanghai) Co.,Ltd., Shanghai, was dissolved with effect from April 16, 2020.
BFFT of America, Inc., Belmont, was dissolved with effect from May 20, 2020.

Report of the Statutory Auditor
(Statutory Financial Statement)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the EDAG Engineering Group AG, which comprise the balance sheet as at December 31, 2020, the income statement and cash flow statement for the year then ended and notes.

In our opinion, the financial statements (pages 242 – 263) as at December 31, 2020 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the investment in the subsidiary

Key audit matter

We consider the impairment testing of the investment in the subsidiary to be a key audit matter for the following reasons:

The investments in EDAG Engineering Schweiz Sub-Holding AG in the amount of € 395 million (CHF 426 million) represents the largest asset on the balance sheet (99.9% of total assets) as at December 31, 2020. If this investment had to be impaired, it would have a significant impact on the net assets/equity of the Company. Testing the investment for impairment depends on the future results of the company concerned. In addition, there is significant scope for judgement in determining the assumptions relating to future results.

Please refer to the notes and, in particular, 'Infor-mation on accounting, valuation and disclosure methods' (Accounting for and valuation of assets) and the 'Notes on balance sheet items' (Fixed assets).

How our audit addressed the key audit matter

During our audit, we (accompanied by an internal expert) performed the following audit procedures:

- We verified the method used to test the investment for impairment and assessed the calculation of the discount rate.
- We checked the appropriateness of the future cash inflows used for the valuation. Following checks have been performed to assess the forecast accuracy of the future cash inflows:
  - o Comparing with available actual figures
  - o Comparing with the latest budget figures taken from the three-year plan prepared by the Board of Directors and
  - o Performing sensitivity analysis and
  - o Reconciling them to general and industry-specific market expectations of the company.
- We performed sensitivity analyses on the perpetual annuity underlying the impairment test.
- We verified the appropriateness of the parameters used in calculating the discount rate by carrying out own plausibility checks and, taking sensitivity analyses into account, verified the calculation method examined the calculation model.
- Taking into acount the information available, the valuation parameters and assumptions applied by the Board of Directors are consistent with our expectations.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the finanical statements submitted to you be approved.

Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Ueli Sturzenegger
Accredited Audit expert

Zurich, March 22, 2021


EDAG

FINALLY...

AFFIRMATION OF THE LEGAL REPRESENTATIVE (BALANCE SHEET OATH)

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles, the consolidated financial statement conveys a proper picture of the assets, financial position and financial performance of the Group, and that the management report represents the company's business trends, including the financial results and the position of the Group, such that the actual conditions and the essential opportunities and risks pertaining to the anticipated development of the Group are accurately delineated.

Arbon, March 22, 2021

EDAG Engineering Group AG

Cosimo De Carlo, Chairman of the Group Executive Management, CEO

Holger Merz, Member of the Group Executive Management, CFO

Georg Denoke, Chairman of the Board of Directors

Sylvia Schorr, Member of the Board of Directors

Dr. Philippe Weber, Member of the Board of Directors

Manfred Hahl, Member of the Board of Directors

Clemens Prändl, Member of the Board of Directors

LEGAL **NOTICE**

This report includes predictive statements about future developments that are based on the current views of the management team. Statements of this kind are associated with certain risks and uncertainties. Should one of these uncertainty factors or other uncertainties materialize, or the assumptions on which the statements are based prove to be inaccurate, the actual results may differ substantially from the results which are either expressed or implied in these statements. We neither have the intention nor undertake any obligation to continuously update forward-looking statements, as they exclusively relate to the circumstances that existed on the date of their publication.

IMPRINT

Imprint and contact
Do you have any questions or suggestions regarding our Annual Report?
Then please contact us:
EDAG Engineering GmbH · Dept.: Marketing
Reesbergstraße 1 · 36039 Fulda

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

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

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EDAG Engineering Group AG
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Christoph Horvath

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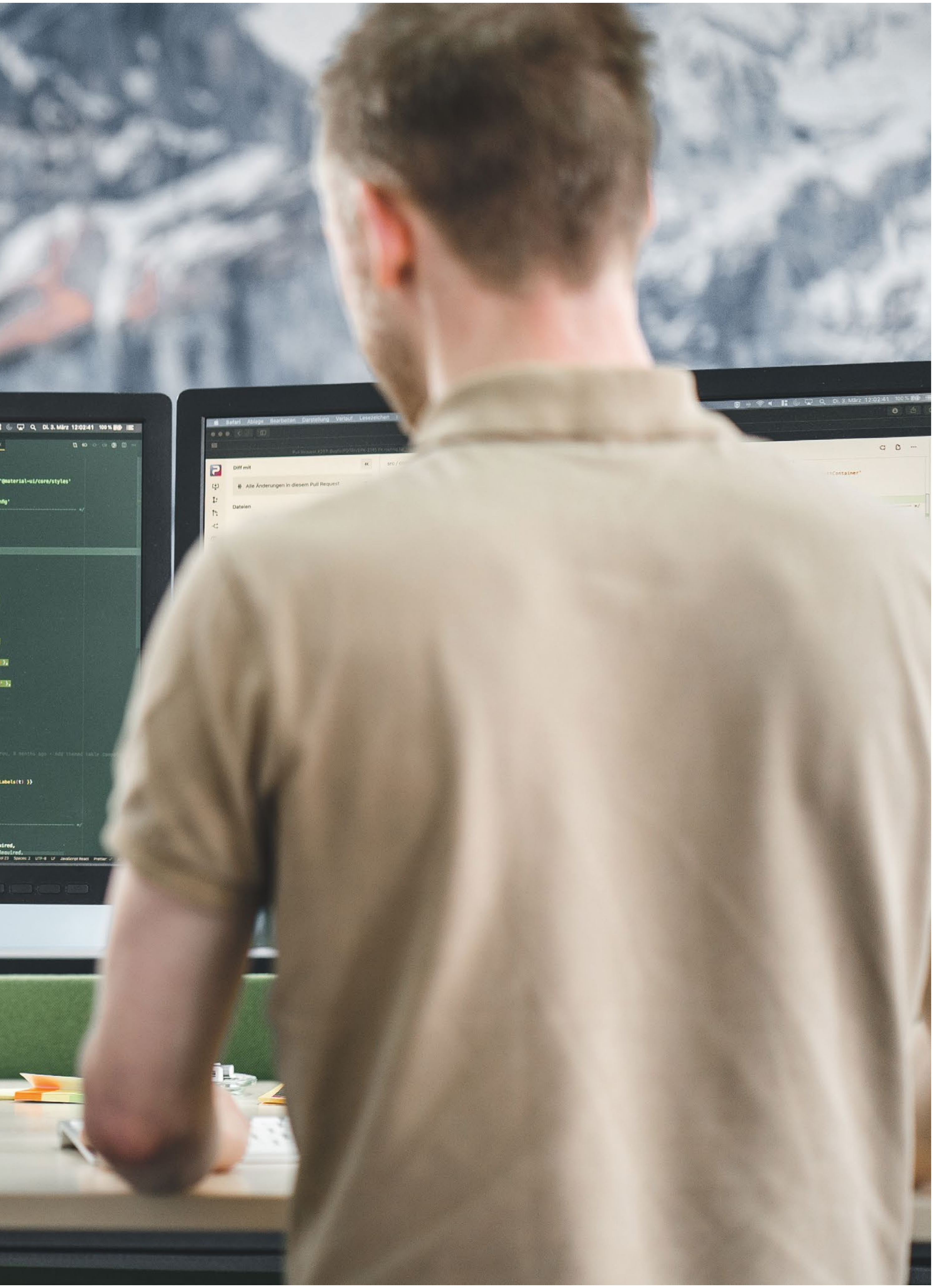
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