REINVENT MOBILITY – REINVENT YOURSELF

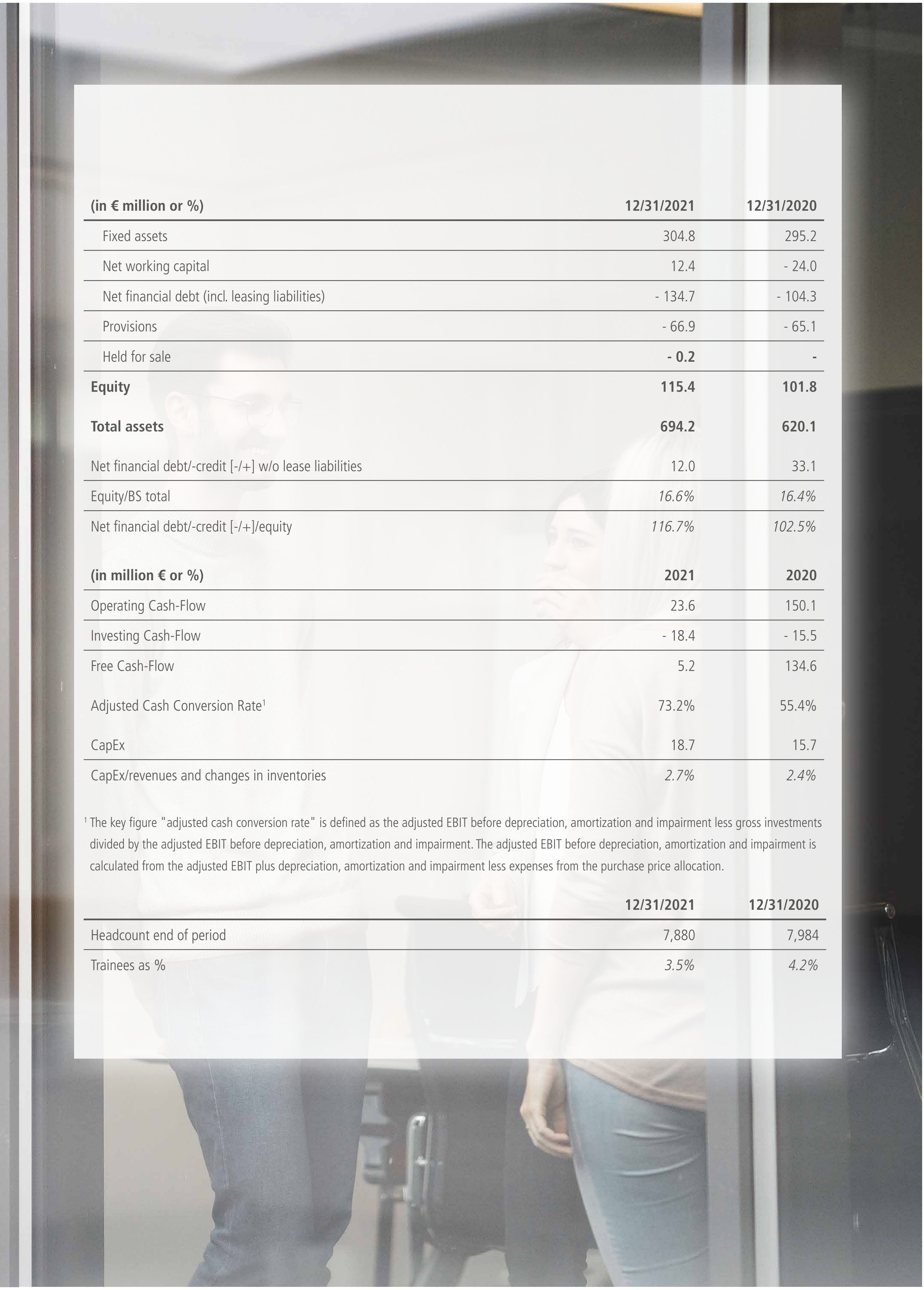
EDAG ANNUAL REPORT 2021

EDAG

SELECTED **PERFORMANCE FIGURES** FROM CONSOLIDATED FINANCIAL STATEMENT

(in million € or %)	2021	2020
Vehicle Engineering	435.1	412.8
Production Solutions	97.3	96.9
Electrics/Electronics	190.3	170.1
Consolidation	- 35.1	- 29.5
Total revenues[1]	**687.6**	**650.3**
Growth:		
Vehicle Engineering	*5.4%*	*-17.8%*
Production Solutions	*0.4%*	*-15.4%*
Electrics/Electronics	*11.9%*	*-1.6%*
Change of revenues[1]	***5.7%***	***-16.8%***
Vehicle Engineering	23.3	- 1.5
Production Solutions	- 3.5	- 8.3
Electrics/Electronics	10.8	5.2
Adjusted EBIT	**30.6**	**- 4.7**
Vehicle Engineering	*5.4%*	*-0.4%*
Production Solutions	*-3.6%*	*-8.5%*
Electrics/Electronics	*5.7%*	*3.0%*
Adjusted EBIT-margin	***4.5%***	***-0.7%***
Profit or loss	***11.4***	***- 23.4***
Earnings per share (€)	0.46	- 0.94

[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 %)	12/31/2021	12/31/2020
Fixed assets	304.8	295.2
Net working capital	12.4	- 24.0
Net financial debt (incl. leasing liabilities)	- 134.7	- 104.3
Provisions	- 66.9	- 65.1
Held for sale	**- 0.2**	**-**
Equity	**115.4**	**101.8**
Total assets	**694.2**	**620.1**
Net financial debt/-credit [-/+] w/o lease liabilities	12.0	33.1
Equity/BS total	*16.6%*	*16.4%*
Net financial debt/-credit [-/+]/equity	*116.7%*	*102.5%*

(in million € or %)	2021	2020
Operating Cash-Flow	23.6	150.1
Investing Cash-Flow	- 18.4	- 15.5
Free Cash-Flow	5.2	134.6
Adjusted Cash Conversion Rate[1]	73.2%	55.4%
CapEx	18.7	15.7
CapEx/revenues and changes in inventories	*2.7%*	*2.4%*

[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.

	12/31/2021	12/31/2020
Headcount end of period	7,880	7,984
Trainees as %	*3.5%*	*4.2%*


2.047
2.048
2.056
2.057
2.058
2.066
2.067
2.068

CONTENT

DEAR SHAREHOLDERS,

In the 2021 financial year, the world entered the second year of the coronavirus pandemic, and this continued to shape social and economic events with further waves of infection and new mutations. Restrictions in public and private life, as well as global supply chain disruptions in particular, meant that the economic recovery was not as strong as first predicted by experts.

Temporary material shortages saw automobile production in Germany fall to its lowest level since 1975, while global automobile sales recovered slightly following the slump in 2020. On the back of robust demand, many automobile manufacturers reported well-filled order books at the start of 2022, with a marked shift towards electronic vehicles – a trend fueled not only by government subsidies and regulatory requirements aimed at reducing carbon emissions, but also by changes in society and consumer habits. In addition, with software rapidly becoming a major component in all vehicles, its role in development is becoming more important all the time.

Key financial trends

The conditions outlined above had a significant impact on business developments in the EDAG Group in 2021.

In mid-March, our company faced an extraordinary challenge when it fell victim to a coordinated cyber-attack. However, a fast and prudent response on the part of in-house and external experts averted major losses, and operations were fully restored after a brief interruption.

From the second quarter onwards, our order books began to fill and several key parameters indicated that an economic recovery was now under way. As the situation in the markets brightened, it was possible to terminate the € 60 million KfW entrepreneurial loan (KfW - Kreditanstalt für Wiederaufbau / KfW Development Bank) – contractually agreed in November 2020 – prematurely at the end of June. As the pandemic-related forecasting uncertainty gradually dissipated, it became possible once again to venture a reliable statement on future economic developments based on the figures for the first half of the year.

At around € 688 million, total revenue in 2021 was 5.7 percent up on the previous year. With adjusted EBIT of € 30.6 million, the resulting EBIT margin stood at 4.5 percent. As such, we marginally exceeded the upper end of the forecast made in the middle of the year.

Measures taken in 2020 to enhance performance also contributed to this positive development. Moreover, the strategic initiatives launched in our three segments proved both expedient and correct.

Our biggest segment, Vehicle Engineering, benefited disproportionately from strong growth in business with international customers. Accordingly, output rose to € 435 million, an increase of 5.4 percent on the previous year. This gave rise to an adjusted segment EBIT margin of 5.4 percent.

At 11.9 percent, revenue growth was strongest in the Electrics/Electronics segment. With output of € 190 million, the segment was already above the level attained in 2019. A major growth driver was demand for software and digitization services, areas to which this segment had already been trimmed more closely in the previous year. An adjusted segment EBIT margin of 5.7 percent surpassed the previous year's level significantly.

After two particularly challenging years, our third segment, Production Solutions, succeeded in consolidating business in 2021. At € 97 million, output settled at a level slightly above that of the previous year thanks to further diversification of the customer portfolio. The earnings situation improved considerably, despite the segment EBIT margin being slightly negative at -3.6 percent on the back of a very weak first quarter. The margin for the second half of 2021 was generally positive again, with implementation of the agreed measures set to continue in 2022.

The steady economic recovery was also reflected in the performance of our share. A closing price of € 11.85 on the final day of trading meant that the EDAG share had gained around 24.7 percent in value over the course of the year. In addition to gains in the share price, we also want you, our shareholders, to participate in the economic success of the EDAG Group. For this reason, the Board of Directors will be proposing a dividend of € 0.20 at the AGM on June 23, 2022. This corresponds to a payout ratio of around 44 percent.

Sustainability and innovation underpin our actions

For over 50 years, the EDAG Group has been developing innovative products and solutions to facilitate progress in the mobility industry. Ecological and social factors, in addition to technical progress, are increasingly becoming a focal point of our actions. In many areas, 2021 proved to be a milestone in the company's history. With the establishment of a competence center for sustainable vehicle development, we are pooling our expertise to provide customers with cutting-edge concepts and technologies to reduce greenhouse gases, save materials, and improve recycling options, among other things.

Economically and ecologically sustainable working methods have been anchored in our strategy for many years. Last year, we also tackled important social issues such as gender equality and diversity in the company, completing important groundwork in these areas.

As an innovative provider of development services in the international arena, we consider the EDAG Group to be an enabler of sustainable and digital transformation in the global mobility industry.


design : EDAG

Our commitment to sustainability and innovation is also reflected in our corporate vision, which reads: "Shaping the future of mobility together. Efficient. Safe. Sustainable". This vision is brought to life every day by our employees. We would like to express our special thanks to our staff for a successful 2021 and for the enduring positive development of the EDAG Group.

Looking forward

Our outlook for the financial year ahead harbors potential in diverse areas, as well as some enduring imponderables. The paradigm shift in the mobility industry will be seen and felt by the consumer in the form of new products arising from the increasing amalgamation of automobile manufacturers, tech giants and innovative start-ups. The all-electric, digital product world is creating space for new forms of mobility and scalable business models. The coming together of old and new worlds and the emergence of new market players will foster continuing high demand for development services. That said, the possibility that the coronavirus pandemic will continue, ongoing global supply chain disruptions, and the current war in Ukraine and other geopolitical conflict potential are uncertainty factors whose scope is difficult to estimate.

Experts from the International Monetary Fund have predicted growth of 4.4 percent for the global economy in 2022. According to the VDA (German Association of the Automotive Industry), global car sales are expected to increase by four percent over the same period. The EDAG Group is prepared for these market developments and supports the global mobility industry as an innovative partner for sustainable, digital concepts. In this way, we want to further increase sales and earnings in the 2022 financial year and continue to develop our company successfully in the long term – also in the interests of our shareholders.

Best regards

Georg Denoke	Cosimo De Carlo
Chairman of the Board of Directors	CEO


Project
HV BMS
PCB Name
Revision Number
Engineer
EDAG

HIGHLIGHTS 2021

January

Launch of "weEDAG", our international in-house initiative to prepare the company for the digital transformation. Key subjects are the digitalization of processes and the introduction of cloud-based system landscapes and flexible working environments.

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EDAG Mexico expands its service portfolio to include test laboratories for passenger and pedestrian protection. Fitted out with the latest generation of equipment, the two laboratories went into operation in January 2021. This further reinforces the EDAG Group's leading position as an ESP in the North America region, based in Mexico.

February

Start of the "FlexHyBat" research project - EDAG and project partners data M Sheet Metal Solutions GmbH, Cloos, BILSTEIN, Protomaster and Fraunhofer IWU, are working together to find a way of combining new steel types and innovative manufacturing processes so that a flexible and economical manufacturing process results.

March

New location for 140 EDAG test specialists: Ground-breaking ceremony for the new EDAG Test Center in Munich.

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EDAG Production Solutions and SEW-EURODRIVE enter into a cooperation to enable them to provide integrated production solutions for the automotive and non-automotive industries in the future.

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On the night of March 13, 2021, the EDAG Group became the target of a systematic cyber attack. As a preventive measure to protect our clients, employees and partners, the necessary steps were taken immediately. With the support of specialists, operational working capacity was reestablished within a very short time.

April

EDAG ITALIA with a new branch office in Fiorano and expanded service portfolio. Activities for the development and validation of electronic components are primarily bundled and carried out here, in the direct vicinity of the test track for Ferrari vehicles.

May

The EDAG Group is the technical partner supporting the SSR Performance GmbH team in the ADAC GT Masters 2021 season. The company brings its 360-degree skills in complete vehicle engineering to bear in this undertaking, and pushes ahead with the transfer of technology from high-performance vehicles to production vehicles for future projects.

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In the future, the EDAG Group's innovation projects can be experienced "for real" in a digitalized world in the VR showroom. The skills of our in-house brand, Feynsinn, are used in the technical implementation.

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EDAG PS takes over the planning of the entire microfactory through to virtual commissioning for an English start-up.

June

The EDAG Group mourns the loss of company founder and former managing director Horst Eckard, who died at the age of 82 on June 30, 2021.

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The EDAG Group acquires a new customer project for a technology startup. In the future, the products will be found in almost all vehicles. The scope of the project covers functional safety and the transfer for European vehicle manufacturers.

July

The EDAG Group strengthens its position as a strategic partner for Functional Safety to VW by acquiring several basic agreements with CARIAD, VW Nutzfahrzeugen, VW Pkw und Porsche.

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The EDAG Group wins a framework contract for functional safety from customer ZF, in which we support our customer in numerous projects in the field of future mobility.

August

Regardless of the current Corona situation, the EDAG Group continues to develop and advance its training program. EDAG is therefore particularly pleased to have 71 young people worldwide starting an apprenticeship or a dual courses of study with the EDAG Group this year.

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Die EDAG Group presents FiberEUse, a reusable vehicle platform, at the Milan Design Week.

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EDAG China opens new test center for E/E components and modules in Shanghai.

September

The EDAG Group opened "Frankfurter Ring 77", its new location in Munich, during an international customer event.

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The EDAG Group wins the ABC Award 2021 as "Best of Best" in the "Smart & Digital" category for the "EDAG CityBot" mobility concept.

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Our EDAG Motorcycle Team wins Norton Motorcycles, a traditional British brand, as a new customer.

October

EDAG PS participates in the digitalization of the fire department in Hessen. With the aid of innovative virtual reality (VR) applications, EDAG PS programs a fire extinguishing trainer analogous to the "virtual paintshop" application.

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EDAG PS is responsible for the full automation of incoming goods for customer Continental. Not only does the robot used sort the components from the incoming goods department efficiently and without errors into various boxes provided; it also books them straight into SAP at the same time. Continental will soon be using the standard developed worldwide.

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This year's unique 25-hour, nationwide HACKATHON FULDA again attracted software geniuses and people with entrepreneurial spirit from all over Germany. The EDAG Group once again supported the Hackathon 2021 as both an organizer and a sponsor.

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Fuel cell vehicles enable long ranges and short refueling stops. With H2Hybat, the EDAG Group, in cooperation with Hexagon Purus, presented a concept that allows batteries and hydrogen tanks to be used in an electric platform at one and the same time.

November

The EDAG Group presented its Smart City portfolio at new trade fair formats such as the ITS World Congress 2021 in Hamburg and the Smart City Expo World Congress in Barcelona. In cooperation with FIWARE Foundation e.V., the "EDAG CityBot" mobility concept and the skills of the Software & Digitalization division were also presented.

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In cooperation with KAMAG Transporttechnik GmbH, EDAG develops a new type of terminal tractor for depot logistics which sets new efficiency, comfort and performance standards. Ulm-based KAMAG is a well-known manufacturer of industrial vehicles, module transporters and vehicles for terminal logistics.

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Within the context of the "Campus FreeCity" project funded by the German Federal Ministry of Transport and Digital Infrastructure, development is to continue of the vision of a multifunctional, autonomous fleet of robots and the corresponding digital infrastructure for a first practical application in a physical environment. In addition to House of Logistics and Mobility (HOLM), the consortium leader, we are working on this project together with other first-rate representatives from industry and research.

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Within the context of the "Lane Charge" research project,the EDAG Group has developed and applied for a patent on an innovative process for the inductive charging of electric cars.

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EDAG Engineering CZ wins a project to implement UNECE development processes.

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A close partnership has existed with Eindhoven-based DAF since 2004. In 2014, EDAG began the preliminary development of the "new generation DAF", a family of cabs in the heavy commercial vehicle class with different lengths, roof heights and floor heights. From preliminary development, the project moved to series development, including prototype construction in Eisenach. Shortly after its official premier by DAF, it won the "Truck of the Year 2022" award.

December

The EDAG Group is awarded the silver medal in the EcoVadis Sustainability Ranking, placing it among the top 25 percent of the companies assessed by EcoVadis.

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For customer MARCOPOLO, the world's largest bus manufacturer/integrator, EDAG do Brasil has successfully completed the development of a VCU for use in Brazil's first electric bus. This was presented to the Brazilian government in November.

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The EDAG Group has successfully assisted customer NIKOLA from the concept phase through to series production of its international battery-electric commercial vehicle "Nikola TRE BEV". The first series was delivered to the USA in December.

"Choose a job you love, and you will never have to work a day in your life." What sounds like an attractive pipe dream was in fact already known to the Chinese philosopher Confucius (551 – 479 BC). Behind it is the simple realization that meaningful work and an attractive working environment offer great potential for mastering business challenges while maximizing employee satisfaction. This is today attracting more and more attention in modern industrial societies, and, under the heading "New Work", is a megatrend which is also already being actively embraced by the EDAG Group.

WEEDAG – JOINT ACTION BRINGS SUCCESS

Nowadays, when working people turn to models that create a harmonious combination of work and leisure, futurologists talk about "work-life blending" (i.e. the next level of work-life balance). A smooth transition between work and home enables people to react flexibly to private circumstances, to work in a self-determined manner, and therefore to be more productive. In other words: a win-win for the company and its employees.

The pandemic has helped the "New Work" megatrend to gain further momentum and take on a new dimension. "Remote" working - from home or elsewhere - has lost the smack of inefficiency and low productivity, and has proved to be an acceptable work model for employees and employers alike. What is more, the digital workspace eliminates the daily commute and helps to reduce CO2 emissions. So is the office becoming a thing of the past? Not at all. If anything, the appeal of the office has grown. At the EDAG Group, too, it has become evident that a properly functioning remote working culture neither can nor should completely replace interpersonal, spontaneous contacts, inspiring coincidences, brief exchanges and joint creation at the workplace. The office is, in fact, emerging in a new, contemporary light. It has gone from being a place of work to the company's cultural mile, where the EDAG values become visible and the sense of "we" and an emotional bond is created between the workforce and the company with its tasks.

The Intranet: a Digital Meeting Place

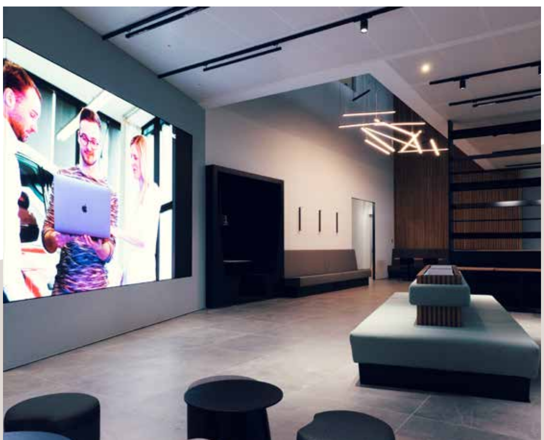
So physical and digital workplaces complement each other, while at the same time opening up horizons for collaboration far beyond individual sites and national and cultural borders. Our new, modern intranet platform (EDAGMind), which provides a

framework for the use of effective and safe collaboration tools as well as for the permanent, organization-wide transfer of knowledge and know-how, successfully bridges the gap between professional and personal exchange. And last but not least, the intranet is also a digital meeting place, where personal exchange and the "grapevine" are made possible – a fundamental social need that should not be underrated, and a motor for constructive and cheerful cooperation.

All of this recently found its structural and organizational expression in the two new EDAG branches at the emerging new engineering hub in Munich. Modern, attractive premises for work-life blending have been created at the Frankfurter Ring and Waldmeisterstraße sites, where workplaces have long been far more than purely functional spaces. They are places where we can apply our creativity and passion to solving problems, and show the way forward with our technological solutions. The motto "reinvent mobility – reinvent ourselves" emphasizes our intrinsic motivation to reinvent ourselves every day and so be in a position to reinvent mobility for our customers, our partners and society as a whole, and, through technological solutions, to pave the way for change. With respect to interdisciplinary and flexible work, the buildings are state of the art. With this project, the EDAG Group has invested in the future of the company, but more than anything else in the needs of its workforce. The concepts of the modern buildings link the workplaces to reduced-emission inner-city mobility, where, even for automotive people, public transport, bicycles and e-bikes are increasingly being given priority. This is something to which everyone involved today attaches great importance. Rightly so.

Increasing Agility

Why are we taking this route? In a world that is turning faster and faster, we have to increase the pace of development and be constantly making new offers for both existing and new customers. This means we need space to support agile working and innovation methods (such as Scrum and Kanban), combining



physical and digital worlds in the process. In a changing, dynamic and increasingly uncertain world, this enables us to act quickly, flexibly and with adaptability.

What links everything together here is our strategy - "weEDAG: One group. One team. One vision. One change." weEDAG takes up our Employer Value Proposition (EVP) as an undertaking which we have developed in cooperation with our teams and managers and which, like a compass, gives direction and support to everyone who works for or applies to the EDAG Group. The value proposition ranges from friendly cooperation, exciting tasks and expertise to mutual respect, challenge and dynamism and ultimately to strength through team spirit. This is an amalgam of values that extends far beyond the self-evident right to fair pay, and goes to the very heart of New Work. To this end, the EDAG Group brings together people and performance, tradition and innovation. The EVP states: "The stability of the EDAG Group rests on people, not structures. Because at heart, everyone shares the same values." Our paramount aim is to push the future of mobility.

In this transformation, the EDAG Group sees itself as a "talent factory & competence center, future workshop & market shaper, inspiration & vision." Or in other words: the EDAG Group has set itself the standard of being a working company that sustainably, constantly and with energy and dynamism develops itself and the market.

No Need to Fear the Unknown

weEDAG standards are deliberately high: above all else, one thing is expected of people working for the EDAG Group: they should be willing to develop themselves and enjoy doing so. Change, transformation and progress thus become an integral part of the EDAG Group's work. At the same time, this sends a clear message to anyone applying to join us. The EVP states: "People who see opportunities for growth instead of being afraid of the unknown fit in at the EDAG Group. People who motivate themselves and others, who perform well as a labor of love. And are willing to accept the challenges of the future. We believe in our future opportunities and a positive development for present and future generations. We can do our part by helping to shape the future of mobility together. Efficiently.

Safely. Sustainably." At the same time, this places high demands on leadership. Steve Jobs very aptly said: "Leadership is about inspiring people to do things they never thought they could." The EDAG Group's leadership principles put it like this: "The quality of our leadership is an essential element of our corporate and personal development. As managers, it is our task to ensure that our employees are successful: in the sense of our company, our brand promise and our values. To be able to do this, we first need to be able to manage ourselves." This also means that we are always fair in our dealings with the people who buy our services, supply us, and compete with us on the market. "Because the only form of sustainable collaboration is a respectful, reliable cooperation with all of our partners." This message is directed both outwards and inwards. This is weEDAG in in its truest sense.

EDAG ON THE CAPITAL MARKET

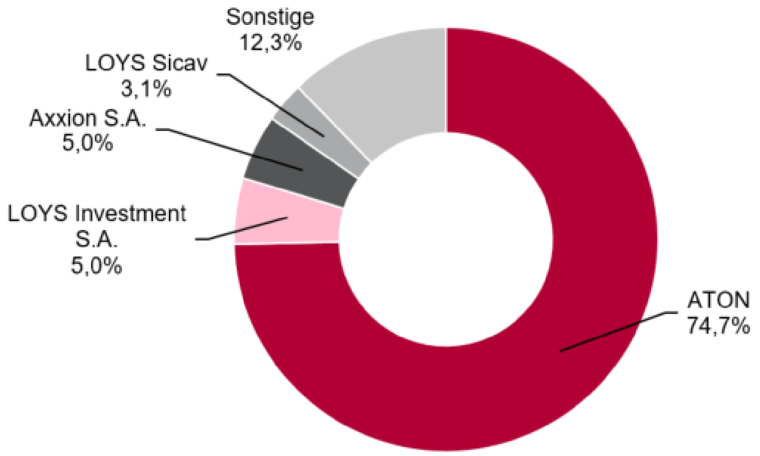
EDAG ON THE CAPITAL MARKET

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 74.66 percent. Further shareholders with holdings of more than three percent are LOYS Investment S.A. with 5.03 percent, Axxion S.A. with 4.98 percent and LOYS Sicav with 3.06 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 5, 2022 and the registered voting rights of ATON Austria Holding GmbH for the Annual General Meeting 2021.

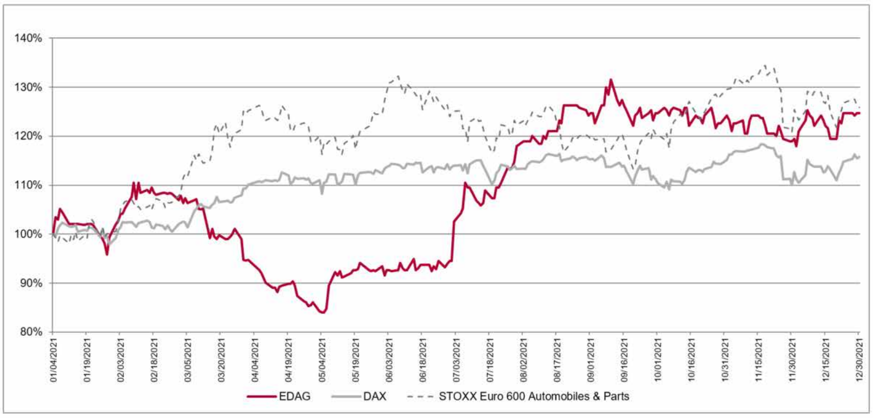


Ownership structure of EDAG Engineering Group AG. This information is based on notifications as per §§ 33 et seq. of the WpHG (German Securities Trading Law), received by the company on or before January 5, 2022 and the registered voting rights of ATON Austria Holding GmbH for the Annual General Meeting 2021.

3 Price Development

On January 4, 2021, the opening price of the EDAG share in XETRA trading was € 9.18. In the wake of the ad hoc announcement on March 14, the share price successively declined until the lowest closing price of € 7.98 was reached on May 4 and 5. Following this, the share recovered significantly, rising to its highest closing rate that year of € 12.50 on September 10. The trading year ended on December 30 with a closing price of € 11.85. The value of the EDAG share thus increased by about 24.7 percent in the course of the year. In 2021, the average XETRA trade volume was 6,569 shares a day.

The German Stock Index (DAX) exhibited almost 15.7 percent growth, while STOXX Euro 600 Automobiles & Parts rose by some 25.9 percent in the same period. The current EDAG share price is available on our homepage, on https://www.edag.com/en/edag-group/investor-relations.



Source: Comdirect

4 Key Share Data

	01/01/2021 – 12/31/2021
Prices and trading volume:	
Share price on 30 December (€)[1]	11.85
Share price, high (€)[1]	12.50
Share price, low (€)[1]	7.98
Average daily trading volume (number of shares)[2]	6,569
Performance per share:	
Earnings per share (€)	0.46
Dividend per share (€)[3]	0.20
Operating cash flow per share (€)	0.94
P/E ratio	25.93
Market capitalization on 30 December (Mio. €)	296.3

[1] Closing price on Xetra

[2] On Xetra

[3] Proposed by 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	Katharina Werner	Hold	15.0 €	21 Feb 22	Research Report
Morgan Stanley	Harald Hendrikse	Hold	12.0 €	21 Feb 22	Research Report
M. M. Warburg & CO 1798	Marc-René Tonn	Buy	17.0 €	22 Feb 22	Research Report
Hauck & Aufhäuser Privatbankiers seit 1796	Christian Glowa	Buy	18.0 €	24 Feb 22	Research Report
Berenberg Privatbankiers seit 1590	Yasmin Steilen	Hold	13.0 €	22 Feb 22	Research Report

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

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 https://www.edag.com/en/edag-group/investor-relations.

6 Dividends

At the annual shareholders' meeting on June 23, 2022, the Board of Directors will recommend paying a dividend of € 0.20 per share.

7 Financial Calendar

Mar 31, 22	– Publication Annual Report 2021 – Analyst-Call for Annual Report 2021 – Annual press briefing
May 6, 22	Publication Interim Report Q1/2022
Jun 23, 22	General shareholder meeting
Aug 25, 22	– Publication Half Year Report 2022 – Analyst-Call H1/2022
Nov 10, 22	– Publication Interim Report Q3/2022

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.

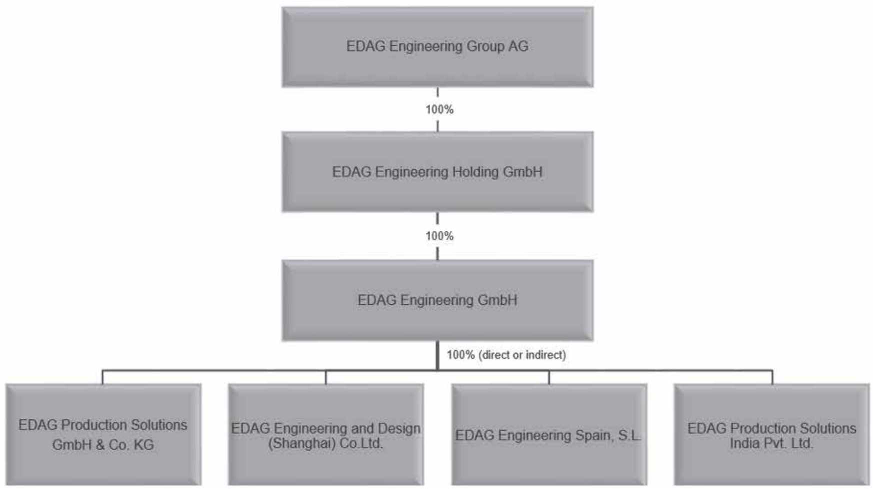
The Articles of Association can be downloaded at https://ir.edag.com/edag/pdf/satzung.pdf, and the Code of Conduct at https://www.edag.com/fileadmin/user_upload/Group/Unternehmen/Compliance/EDAG_Code_of_Conduct.pdf.

1 Group Structure and Shareholders

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

1.1 Group Structure

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



1.2 Stocklisted Companies

None of the subsidiaries is is publicly traded. The subsidiaries and affiliated companies are listed in "Shareholdings" in the notes. 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 2021 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, 2021 amounted to CHF 1,000,000, and was divided into 25,000,000 bearer shares (Inhaberaktien) with a nominal value of CHF 0.04 each. The share capital has been fully paid up. On November 2, 2015, the company was incorporated and was entered into the Commercial Register on November 3, 2015 as a stock corporation under Swiss law. The original share capital of CHF 1,000,000 CHF was procured by the selling shareholder via cash contribution. At the annual shareholders' meeting held on June 23, 2021, no resolution 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 Chairman 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 und Investor Relations division, and also, following acquisition of the company by Vodafone in 2000, as the Divisional Director of Vodafone TeleCommerce and IT, and as a member of the European Board of Vodafone Group Plc. He began his career in 1986, working for Mannesmann Kienzle GmbH, parallel to his first degree course in business administration and business information technology. He holds a degree in Business Administration (Diplom-Betriebswirt) from the Baden-Württemberg Cooperative State University (1989), and one in Information Science (Diplom-Informationswissenschaftler) from the University of Konstanz (1992).

He currently holds the following offices outside of the EDAG Group:
In accordance with Article 23 Paragraph 1.1 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). Manfred 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
- Autotest Südtirol GmbH (non-listed; Franzensfeste/Mittewald, Italy), chairman of the board of directors

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
- PolyPeptide Group AG (listed; Zurich, Switzerland), member of the board of directors and chairman 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), member 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
Born in: 1964
First elected: 2019

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 und 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 Wirtschaftsingenieur) 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 23, 2021; 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

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", and reference is made here to these chapters of the consolidated financial statements.

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 three members of the Board of Directors. 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 of Directors. 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 2021:

January 27, 2021, February 24, 2021, March 22, 2021, May 4, 2021, June 23, 2021 (constituting session of the newly elected Board of Directors), July 27, 2021, August 25, 2021, September 22, 2021, November 9, 2021 and December 9, 2021. In 2021, a number of the meetings were held virtually, using Microsoft teams, 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 22, 2021, May 3, 2021, August 20, 2021, November 5, 2021 and December 1, 2021. The NCC met on February 24, 2021 and on June 21, 2021. Due to Covid-19, these meetings were either virtual, using Microsoft-Teams, or on the telephone.

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 Di-rectors 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 Financial 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 23, 2021, 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 (https://www.edag.com/en/ 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, 2022.

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
Swiss
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 2021 fiscal year until the end of the annual shareholders' meeting on June 23, 2022.

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 2021 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 2021, 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 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:

		2021	2020	
Flow variables	EUR into CHF	1.0814	1.0703	(average exchange rate for the financial year)
Stock variables	EUR into CHF	1.0331	1.0802	(spot 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 fi-nancial year just ended, as defined in article 25 paragraph 1 of the Articles of Association (i.e. at the 2021 ordinary annual shareholders' meeting, the shareholders decided on the compensation of the Board of Directors and on the period between the 2021 ordinary annual shareholders' meeting and the 2022 ordinary annual shareholders' meeting, and authorized this up to a maximum amount of € 1,100 thousand [CHF 1,190 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 2021 ordinary annual share-holders' meeting, the shareholders decided on the fixed compensation of the Group Executive Management for the 2022 financial year, and authorized this up to a maximum amount of € 1,250 thousand [CHF 1,352 thousand]), and

- the **variable compensation of the Group Executive Management**, based on the results and targets achieved in the previous year (in accordance with article 26, paragraph 2 f. of the Articles of Associa-tion), which is generally paid once it has been approved (i.e. at the 2021 ordinary annual shareholders' meeting, the shareholders decided on the variable compensation of the Group Executive Management for 2020, and authorized this to the amount of € 179 thousand [CHF 191 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 at its discretion 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 324 thousand) for the Chairman and € 100 thousand (CHF 108 thousand) for each other member, plus € 50 thousand (CHF 54 thousand) for each committee membership.

For the financial year ended December 31, 2021, the fixed compensation of the members of the Board of Directors amounted to € 350 thousand (CHF 378 thousand) for the Chairman and € 150 thousand (CHF 162 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, 2021 until December 31, 2021, 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 € 15 thousand (CHF 15 thousand) (2020: € 21 thousand [CHF 21 thousand]). Georg Denoke has, since the beginning of his term of office, 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, 2021 amounted to € 975 thousand CHF 1,052 thousand) (incl. Swiss social insurance contributions, where applicable), of which € 350 thousand (CHF 378 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 2022 was already approved by the shareholders' meeting in 2021, and the annual shareholders' meeting in 2022 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 2022 until the annual shareholders' meeting in 2023.

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 at its discretion.

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, 2021, 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 € 1,101 thousand (CHF 1,190 thousand) for the fixed part and € 625 thousand (CHF 675 thousand) for the variable part, of which € 784 thousand (CHF 848 thousand) (fixed) and € 350 thousand (CHF 378 thousand) (variable) apply to Cosimo De Carlo, and € 317 thousand (CHF 342 thousand) (fixed) and € 275 thousand (CHF 297 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, 2021 to December 31, 2021.

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 € 197 thousand (CHF 213 thousand) (2020: € 144 thousand [CHF 154 thousand]). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As of December 31, 2021, the present value of current pension obligations for active members of the Executive Management totaled € 76 thousand (CHF 79 thousand) (2020: € 73 thousand [CHF 79 thousand]). For members of the Group Executive Management leaving the company in the previous year there are no pension obligations as of December 31, 2021. For active members of the Group Executive Management, the current service cost for the pension obligations according to IFRS amounted to € 3 thousand (CHF 4 thousand) in 2021 (2020: € 4 thousand [CHF 4 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 2022 the annual shareholders' meeting will be required to approve (i) the variable compensation of the Group Executive Management for the business year 2021; and (ii) the fixed compensation of the Group Executive Management to be paid for the business year 2023.

4 Relationships with Members of the Board of Directors

Dr. Philippe Weber is a member of the Board of Directors and 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 2021 financial year cover legal consulting services amounting to € 26 thousand (CHF 28 thousand) (2020: € 9 thousand [CHF 10 thousand]).

Compensation to the Board of Directors

in € thousand	Fixed compensation[1]	
Board of Directors active on December 31st, 2021	**2021**	**2020**
Georg Denoke	**350**	**333**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	350	333
Chair Supervisory Board of EDAG Engineering Holding GmbH	-	-
Chair Supervisory Board of EDAG Engineering GmbH	-	-
Sylvia Schorr	**155**	**150**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	150	143
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Dr. Philippe Weber	**150**	**143**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	150	143
Legal Services via Niederer Kraft Frey AG	-	-
Manfred Hahl	**155**	**150**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	150	143
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Clemens Prändl	**155**	**150**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	150	143
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Total	**965**	**926**

[1] The compensation of the financial previous 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	
2021	2020	2021	2020	2021	2020	2021	2020
-	**-**	**350**	**333**	**-**	**-**	**350**	**333**
-	-	350	333	-	-	350	333
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	**-**	**155**	**150**	**-**	**-**	**155**	**150**
-	-	150	143	-	-	150	143
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
10	**9**	**160**	**152**	**26**	**9**	**186**	**161**
10	9	160	152	-	-	160	152
-	-	-	-	26	9	26	9
-	**-**	**155**	**150**	**-**	**-**	**155**	**150**
-	-	150	143	-	-	150	143
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
-	**-**	**155**	**150**	**-**	**-**	**155**	**150**
-	-	150	143	-	-	150	143
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
10	**9**	**975**	**935**	**26**	**9**	**1,001**	**944**

Compensation to the Group Executive Management

in € thousand	Fixed compensation[1]	
Group Executive Management Members active on December 31, 2021	**2021**	**2020**
Cosimo De Carlo	**750**	**713**
CEO EDAG Engineering Group AG	112	107
CEO EDAG Engineering GmbH	638	606
Holger Merz	**275**	**238**
CFO EDAG Engineering Group AG	41	36
CFO EDAG Engineering GmbH	234	202
Total	**1,025**	**951**

[1] In the case of Cosimo de Carlo and Holger Merz the compensation for the financial previous 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] The compensation shown here relates to the compensation for the financial year 2021, 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 2022 in accordance with Article 12 of the Articles of Association.

Table: Compensation to the Group Excecutive Management

Employer social insurance contribution		Non-cash benefit from company car		Total fixed compensation		Variable compensation[2]		Total compensation	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
17	**17**	**17**	**17**	**784**	**747**	**283**	**46**	**1,067**	**793**
8	8	-	-	120	115	43	7	163	122
9	9	17	17	664	632	240	39	904	671
18	**17**	**24**	**24**	**317**	**279**	**267**	**133**	**584**	**412**
6	5	-	-	47	41	40	20	87	61
12	12	24	24	270	238	227	113	497	351
35	**34**	**41**	**41**	**1,101**	**1,026**	**550**	**179**	**1,651**	**1,205**

Compensation to the Board of Directors - CHF

in CHF thousand	Fixed compensation[1]	
Board of Directors active on December 31st, 2021	**2021**	**2020**
Georg Denoke	**378**	**356**
Chairman of the Board of EDAG Engineering Group AG [Chair Nomination and Compensation Committee]	378	356
Chair Supervisory Board of EDAG Engineering Holding GmbH	-	-
Chair Supervisory Board of EDAG Engineering GmbH	-	-
Sylvia Schorr	**167**	**160**
Member of the Board of Directors of EDAG Engineering Group AG [Chair of the Audit Committee]	162	153
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Dr. Philippe Weber	**162**	**153**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Nomination and Compensation Committee]	162	153
Legal Services via Niederer Kraft Frey AG	-	-
Manfred Hahl	**167**	**160**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	162	153
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Clemens Prändl	**167**	**160**
Member of the Board of Directors of EDAG Engineering Group AG [Member of the Audit Committee]	162	153
Member Supervisory Board EDAG Engineering Holding GmbH	1	2
Member Supervisory Board EDAG Engineering GmbH	4	5
Total	**1,041**	**989**

[1] The compensation of the financial previous 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	
2021	2020	2021	2020	2021	2020	2021	2020
-	**-**	**378**	**356**	**-**	**-**	**378**	**356**
-	-	378	356	-	-	378	356
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	**-**	**167**	**160**	**-**	**-**	**167**	**160**
-	-	162	153	-	-	162	153
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
11	**10**	**173**	**163**	**28**	**10**	**201**	**173**
11	10	173	163	-	-	173	163
-	-	-	-	28	10	28	10
-	**-**	**167**	**160**	**-**	**-**	**167**	**160**
-	-	162	153	-	-	162	153
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
-	**-**	**167**	**160**	**-**	**-**	**167**	**160**
-	-	162	153	-	-	162	153
-	-	1	2	-	-	1	2
-	-	4	5	-	-	4	5
11	**10**	**1,052**	**999**	**28**	**10**	**1,080**	**1,009**

Compensation to the Group Executive Management - CHF

in CHF thousand	Fixed compensation[1]	
Group Executive Management Members active on December 31, 2021	**2021**	**2020**
Cosimo De Carlo	**811**	**764**
CEO EDAG Engineering Group AG	121	115
CEO EDAG Engineering GmbH	690	649
Holger Merz	**297**	**255**
CFO EDAG Engineering Group AG	44	39
CFO EDAG Engineering GmbH	253	216
Total	**1,108**	**1,019**

[1] In the case of Cosimo de Carlo and Holger Merz the compensation for the financial previous 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] The compensation shown here relates to the compensation for the financial year 2021, 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 2022 in accordance with Article 12 of the Articles of Association.

Table: Compensation to the Group Excecutive Management - CHF

Employer social insurance contribution		Non-cash benefit from company car		Total fixed compensation		Variable compensation[2]		Total compensation	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
19	**19**	**18**	**18**	**848**	**801**	**307**	**49**	**1,155**	**850**
9	9	-	-	130	124	47	7	177	131
10	10	18	18	718	677	260	42	978	719
19	**18**	**26**	**26**	**342**	**299**	**288**	**142**	**630**	**441**
6	5	-	-	50	44	43	21	93	65
13	13	26	26	292	255	245	121	537	376
38	**37**	**44**	**44**	**1,190**	**1,100**	**595**	**191**	**1,785**	**1,291**

Shares held by Board if 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	12/31/2021	12/31/2020
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	13,162
Clemens Prändl	-	-
Total Board of Directors	**13,162**	**13,162**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management	**6,115**	**6,115**

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 compensation report as of March 29, 2022 of EDAG Engineering Group AG for the year ended December 31, 2021. 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 compensation report on pages 46 to 53 as well as on the information regarding the compensation 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 compensation report in accordance with the law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation 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 as to whether the compensation report complies with the law and articles 14 - 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation 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 compensation 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 compensation report.

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

Audit opinion
In our opinion, the compensation report of EDAG Engineering Group AG for the year ended December 31, 2021 complies with the law and articles 14 - 16 of the Ordinance.

Deloitte AG

Roland Müller	Mario Sosic
Accredited Audit expert	Accredited Audit expert
Auditor in charge	

Zurich, March 29, 2022

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, 2021 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

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.

1.1 Business Model

Three Segments

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

The business is organized in the following 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.

VEHICLE ENGINEERING
In this segment, we offer the development of complete vehicles, modules and components for the mobility industry.

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 testing individual components, modules, engines, motors, transmissions, and even complete vehicles. The new profit center, **Energy Systems and Drivetrain**, was created on January 1, 2022. Here, we have bundled in-house competencies in the design, development and integration of future-oriented powertrains (e.g. electric motors) and energy storage systems (e.g. battery, hydrogen) in both the mobility and the energy sectors. 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.

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 particularly in the USA, India, Hungary, Sweden, Brazil, Mexico and China. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, EDAG PS is also able to optimally plan complete factories over all fields, including

PRODUCTION SOLUTIONS

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

cross processes, and to provide realization support. The Industry 4.0 methods and tools serve as the basis for the networked engineering between the product development and plant construction processes.

As a result of strategic reorganization, EDAG PS has, since January 2021, been organized in the following business segments: Automotive Solutions, Industrial Solutions and Smart City Solutions.

The **Automotive Solutions** division comprises the long-standing business segment of EDAG PS. EDAG PS offers customers in the automotive industry an extensive portfolio which ranges from planning to virtual commissioning. It has the comprehensive production development competence needed to master all the interfaces between product development, production engineering and plant engineering and construction. This division has two main points of focus: the manufacturability and feasibility of the product on the one hand, and mechatronic engineering in body manufacturing, final assembly and the components on the other. The aim is to reduce the number of hours in the engineering process for each factory, production line and production cell by means of standardization and automation. Digital factory methods are used in all production lines (digital, virtual and real-life) to guarantee that functional requirements are met and implemented. 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 and ensure an optimized start of production (ramp-up).

In the **Industrial Solutions** division, holistic and independent production solutions are developed, digitally validated and implemented. Starting with analysis and consulting, then the planning and development of production plants through to their realization, support along the entire product and production development process is provided for customers in the automotive sector, and particularly in industry in general. The key services in this division are the six elements of the smart factory: product design for manufacturability, coordinated technical building equipment and plant layout, individual production solutions, networking through smart logistics, digitalization and networking in production, and virtual reality and augmented reality in production. In this way, EDAG PS aims to achieve improved process reliability for its customers, along with a sustainable factory infrastructure, increased productivity, supply chain excellence, complexity control, and improved decision-making and process validation. The 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. A range of training opportunities completes the EDAG PS industrial solutions portfolio.

Alongside these two core business fields, the **Smart City Solutions** division is also being developed to advance digitalization and networking in the public arena. The focus of this division is on intelligent networking solutions: smart mobility, smart infrastructure, smart people and smart government. With these connectivity solutions, EDAG PS helps cities and municipalities to network the transport of passengers and goods, gather and consolidate city-related information, make digitalization accessible to people, and digitize processes and link data interfaces.

Presentation of the Electrics/Electronics Segment

The structures in the Electrics/Electronics (E/E) segment consist of 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 & Energy Systems, Comfort & Body Systems, Autonomous Drive & Safety, Connectivity & User Experience (UX) and Mobility & Cloud Services. 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.

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.

Thanks to the competence organization in the growth domains, the range of services offered by the EDAG E/E segment provides all development services required for a complete vehicle. PMBO (Project Management Office & Business Operation) consolidates the cross-segment project management processes and provides the E/E project leaders with an explicit project management framework for small to large-scale projects.

Increasingly, international work results are being provided in cooperations across various segments and sites. 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.

E/E Software & Digitalization 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 is another key aspect of Software & Digitalization. Here, EDAG E/E develops innovative services on behalf of customers. EDAG E/E'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.

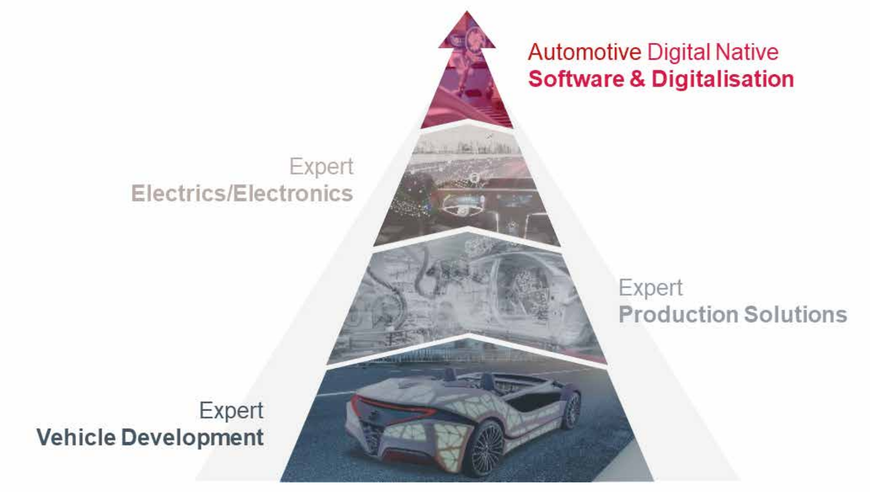
The **Integration & Validation** division combines validation and testing skills. Apart from specific test stand construction, this also calls for knowledge of test strategies, test specifications and test performance. The tests are carried out in the laboratory, at the test site, on the road, or in 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 cross-company interdisciplinary function, competence in the field of **functional safety & cybersecurity** 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. With the introduction of a new standard in ISO/SAE 21434 and planned standardized requirements for the type approval of vehicles, cybersecurity is becoming increasingly important. Here too, EDAG intends to take a leading position.

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

In the course of its 50-year history, the EDAG Group has continually developed. Building on our strong roots in vehicle and production plant development, the company has, with our entry into the field of electrics/electronics and our expertise in the development of complete vehicles, established a leading international position as an innovative partner to the global mobility industry. Change is a constant companion and what drives the development of our company. By combining and expanding our cross-segment competencies and capacities in the field of software and digitalization, we are taking the next logical evolutionary step on the road to the mobility of the future.



With some 8,000 employees at almost 60 international sites, the EDAG Group now stands firmly alongside its customers as an innovative partner.

Corporate Purpose

The focus of our activities is always on people and their need for mobility. From this, our corporate purpose "**reinvent mobility - reinvent yourself**" is also derived.

With this, we emphasize our motivation to reinvent ourselves every day and so be in a position to reinvent mobility for our customers, our partners and society as a whole, and, through technological solutions, to pave the way for change. For our employees, "reinvent yourself" creates a balance between stability and change.

Company Vision and Mission

Our corporate purpose is the basis from which the vision for the EDAG Group is derived:

"**Working together to shape the mobility of the future. Efficient. Safe. Sustainable**."

This gives us a clear guiding principle for the future, the compass of our company, our mission.

COMPANY'S MISSION

We focus on the following targets to realize this growth:

- Talent factory for all employees
- Competence center for new technologies and solutions
- Agile market and future-shaping company
- Source of inspiration and vision based on clear values
- Economically, ecologically and socially sustainable engineering service provider

EDAG therefore pursues the following goals:

- A talent factory for all employees
- A competence center for new technologies and solutions
- An agile market and future-shaping company
- A source of inspiration and vision based on clear values
- An economically, ecologically and socially sustainable engineering service provider

1.3 Internal Management System

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

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

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

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

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

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

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

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

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.

1.4 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. With our innovation projects, we offer our customers and also vehicle manufacturers', start ups', system suppliers', and 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.

Alternative drive systems, artificial intelligence, virtual and augmented reality, autonomous driving, industrial 3D printing, new materials - the automotive product is undergoing 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.

AREAS OF INNOVATION

We combine the entire spectrum of innovation services with our four newly aligned competence centers: Sustainable Vehicle Development, Powertrain and Storage Technologies, Safe Mobility, and Digitalization.

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 2021, we again had more than 170 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 und 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 reorganized our four Innovation Management competence centers in 2021:

- Sustainable Vehicle Development (previously: Lightweight Design, Materials & Technologies)
- Drive and Storage Technologies (previously: eMobility)
- Safe Mobility (previously: Integral Safety)
- Digitalization

In interdisciplinary teams with our colleagues from various departments, we develop solutions, concepts and strategies and expand specialist 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. In close coordination with Sales, 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.

Our future project, the EDAG CityBot mobility concept future project, which was presented at the IAA 2019 in Frankfurt and is set to continue in the next few years, is regarded as one of the particular highlights of 2021. Within the context of the "Campus FreeCity" project sponsored by BMVI, development is to continue of the vision of a multifunctional, autonomous fleet of robots for a first practical application in a physical environment.

In the reporting year, research and development expenses amounted to € 5,123 thousand (2020: € 4,867 thousand). As in the previous year, no development costs were activated.

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the International Monetary Fund's (IMF) latest outlook on January 25, 2022, the world economy exhibited 5.9 percent growth in 2021 (2020: a decline of 3.1 percent). As can be seen from the regional distribution of sales revenues by continent in the chapter "Segment Reporting and Notes" in the Notes, the development of the following markets is of particular relevance to EDAG:

MACROECONOMIC DATA FOR 2021

Global economic growth 5.9 percent
Euro area growth: 5.2 percent
German growth: 2.7 percent

Compared with the euro zone as a whole, the IMF's economic experts registered a slower economic recovery for Germany in 2021. Accordingly, the economic performance in Germany increased by 2.7 compared to the previous year (2020: a decline of 4.6 percent), The IMF registered a 5.2 percent increase in economic growth for the eurozone last year (2020: 6.4 percent growth).

The The US economy expanded by 5.6 percent in 2021 (2020: a decline of 3.4 percent). Last year saw an increase of 8.1 percent in China, the second largest national economy in the world (2020: 2.3 percent).

Please see chapter 4.2 "Forecast" in the Group Management Report for the forecasts for the current year, 2022.

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), sales of new vehicles decreased in Germany in 2021. At 2.6 million units, this figure was 10.1 percent lower than in the previous year (2.9 million units). According to latest estimates by Morgan Stanley, global sales of passenger cars (not including light vehicles) amount to almost 69 million vehicles (previous year: not quite 65 million vehicles).

The European market (EU-28 + EFTA + Great Britain) recorded a slight downturn in 2021. The number of new registrations fell by 1.5 percent from 12.0 million to 11.8 million units. The development of the five largest individual markets varied widely: whereas the number of new vehicles registered in Germany in 2021 fell by 10.1 percent, as shown, slight growth rates were observed on the markets in Great Britain (1 percent), France (0.5 percent) and Spain (1 percent). On the other hand, a sharper increase in the number of new registrations was registered in Italy (5.5 percent).

While still at a high level, with a growth rate of +72.7 percent, the growth dynamics of new registrations of electric passenger cars in Germany in 2021 nevertheless fell below the level of the same period in the previous year (2020: +263 percent). BEVs (battery electric vehicles), sales of which grew by 83 percent in 2021 (previous year: 207 percent), and PHEVs (plug-in hybrid electric vehicles), with sales increasing by 62 percent (previous year: 342 percent), accounted for a significant share of sales growth. According to the high growth rates registered, 681,410 electric-powered vehicles were sold in 2021 (previous year: 394,632), which accounts for 26.0 percent of all vehicles sold (previous year: 13.5 percent). For gasoline-powered passenger cars, on the other hand, the previous year's decline in the market share (46.7 percent) continued in the reporting year, with a residual share of 37.1 percent. There was also a drop in the market share of diesel-powered vehicles in 2021, with a residual level of 20.0 percent (previous year: 28.1 percent).

In the USA, the volume on the light vehicle market (passenger cars and light trucks) in 2021 increased by 3 percent to about 14.9 million vehicles compared to the previous year. However, sales in the passenger car segment fell by 2 percent, whereas they rose by 5 percent in the light truck segment. In China, too, the number of new vehicles sold in 2021 increased to 21.1 million. This represents an increase of 7 % compared to the previous year. An increase in market volume was also observed in India (27 percent), Russia (4 percent) and Brazil (1 percent) in 2021. In Japan, however, the market volume fell by 4 percent compared to the previous year.

Development of the Engineering Market

The automotive market is still in a period of transition, and is 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, a downward trend in demand for cars, and political uncertainties are also having their effect. These trends are continuing to create 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 market environment which will remain volatile. 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

For the financial year 2021, the EDAG Group generated incoming orders amounting to € 701.7 million, which compared to the previous year (€ 689.8 million), represents an increase of € 11.9 million. As of December 31, 2021, orders on hand amounted to € 348.9 million, compared to € 333.8 million as of December 31, 2020. 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: € 701.7 million
Revenues: € 687.6 million
Orders on hand: € 348.9 million
Adjusted EBIT margin: 4.5 percent

On account of the discernable partial market recovery, revenue increased to € 687.6 million, which is a significant € 37.3 million or 5.7 percent above the previous year's level (2020: € 650.3 million). It is pleasing to note that all three segments were able to increase their revenues compared to the previous year.

Along with the increase in revenues, the materials and services expenses also increased by 8.6 percent to € 87.4 million. At 12.7 percent, the materials and services expenses ratio was slightly above the level of the same period of the previous year (2020: 12.4 percent). At 8.4 percent, the ratio of service expenses in relation to the revenues is well above the level of the same period in the previous year (2020: 6.4 percent). In contrast, the materials expenses ratio fell to 4.3 percent, which was well below the level of the same period in the previous year (2020: 6.0 percent). This development in materials expenses is mainly due to a production order which ended in 2020.

EDAG Group's personnel expenses increased by € 21.3 million or 4.8 percent to € 467.5 million compared to the same period in the previous year. At 68.0 percent, however, the ratio of personnel expenses was slightly below the previous year's level (2020: 68.6 percent). The personnel expenses include income relating to other periods in the amount of € 0.7 million (2020: € 1.1 million), severance pay in the amount of € 3.2 million (2020: € 5.4 million, and income from government subsidies for social security for short-time compensation in the amount of € 3.4 million (2020: € 5.5 million). Severance payments in the amount of € 0.3 million as knock-on effects from the measures adopted in previous years within the context of optimizing the cost structure and improving performance are shown in other expenses. In the 2021 reporting year just ended, the company had a workforce of 7,849 employees on average, including apprentices (2020: 8,142 employees).

Depreciation, amortization and impairments totaled € 41.8 million (2020: € 44.8 million). The net result from the impairment/impairment reversal of financial assets amounted to € -2.1 million (2020: € -21.4 million) due, among other things, to lower allocations to provisions for risks compared to the previous year as a result of the emerging market recovery. The other operating expenses decreased by € 9.2 million to € 85.3 million.

For the reasons mentioned above, the EBIT increased by € 46.5 million to € 26.0 million compared to the previous year (2020: € -20.5 million). This means that an EBIT margin of 3.8 percent was achieved (2020: -3.1 percent).

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations in the amount of € 2.5 million that were recorded in the reporting period in 2021 (2020: € 4.9 million) and directly attributable special items in conjunction with the cyber attack (€ 2.4 million), the adjusted EBIT figure in the reporting year was € 30.6 million (2020: € -4.7 million), which is equivalent to an adjusted EBIT margin of 4.5 percent (2020: -0.7 percent).

The financial result for the reporting year was € -9.1 million (2020: € -10.0 million), an improvement of € 0.8 million compared with the previous year. One significant effect was an improvement in the results of investments accounted for using the equity method (€ 0.6 million) compared with the previous year (€ 0.1 million).

Overall, with a result of € 11.4 million (2020: a loss of € -23.4 million), business development of the EDAG Group was satisfactory in the reporting year. The increase in revenues led to an increase in the EBIT margin. The increase in revenues anticipated in the previous year's management report and a tangible, positive improvement in the adjusted EBIT therefore both materialized. In view of the transformation of the automotive industry towards eMobility, autonomous driving and connectivity, budgets are still being re-allocated. This means that, during this phase of reorganization, delayed contract awards and increasing price pressure are being experienced across the market.

Development of the Vehicle Engineering Segment

VEHICLE ENGINEERING DATA

Revenues: € 435.1 million
EBIT: € 20.2 million

Incoming orders in the reporting year amounted to € 424.8 million, which was significantly below the level of the same period in the previous year (2020: € 462.0 million). At € 435.1 million, revenues on the other hand increased by 5.4 percent compared to the previous year's level (2020: € 412.8 million). All in all, an EBIT of € 20.2 million was recorded for the Vehicle Engineering segment in the reporting year (2020: € -15.6 million). The EBIT margin amounted to 4.6 percent and was thus well above the previous year's level (2020: -3.8 percent), which was burdened by increased risk provisions in the context of amounts receivable. Compared to the previous year, the adjusted EBIT margin, too, saw a considerable increase to 5.4 percent (2020: -0.4 percent).

Development of the Production Solutions Segment

PRODUCTION SOLUTIONS DATA

Revenues: € 97.3 million
EBIT: € -5.0 million

In In this segment, incoming orders increased by € 13.2 million over the previous year to € 96.0 million (2020: € 82.8 million), which represents an increase of 15.9 percent. There was also a slight increase of 0.4 percent in revenues, which amounted to € 97.3 million (2020: € 96.9 million). Overall, an EBIT of € -5.0 million (2020: -8.5 million) and an EBIT margin of -5.1 percent (2020: € -8.8 million) were recorded for the Production Solutions segment in the reporting year. Owing to the business model, this segment was hit comparatively harder by the effects of the cyber incident and the corona pandemic than others. The adjusted EBIT amounted to

€ -3.5 million (2020: € -8.3 million). The adjusted EBIT margin was -3.6 percent and therefore above the previous year's level (2020: -8.5 percent).

Development of the Electrics/Electronics Segment

Incoming orders increased by a significant € 32.2 million to € 186.9 million compared to the previous year (2020: € 154.7 million). Revenue totaled € 190.3 million, which was also well above the previous year's level of € 170.1 million. The EBIT stood at € 10.8 million (2020: € 3.7 million). At 5.7 percent, the EBIT margin was above the previous year's level (2020: 2.1 percent). The adjusted EBIT margin rose to 5.7 percent (2020: 3.0 percent).

ELECTRICS/ELECTRONICS DATA

Revenues: € 190.3 million
EBIT: € 10.8 million

Cash Flows and Financial Position

At € 694.2 million, the EDAG Group's statement of financial position total was € 74.1 million or 12.0 percent above the level of December 31, 2020. The non-current assets increased by € 8.6 million to € 324.8 million (12/31/2020: € 316.3 million), primarily as a result of additions to rights of use from leased assets in connection with a long-term real estate lease entered into in the reporting year and after taking account of depreciation and amortization. In the current assets, there were increases of € 55.6 million in the current accounts receivable, and of € 13.4 million in the contract assets, as a result of an increase in invoicing levels at the end of the year, and of higher revenues. Cash and cash-equivalents, which decreased by € 5.2 million to € 151.1 million, are therefore still at a very high level.

DATA ON THE FINANCIAL POSITION OF THE EDAG GROUP

Statement of financial position total: € 694.2 million
Equity: € 115.4 million
Equity ratio: 16.6 percent

On the equity, liabilities and provisions side, equity increased by € 13.6 million to € 115.4 million as a result of the current profits in the reporting year. The equity ratio was 16.6 percent (12/31/2020: 16.4 percent).

At € 291.3 million, the non-current liabilities and provisions remain above the previous year's level (12/31/2020: € 282.2 million). This was primarily attributable to an increase of € 9.5 million in the non-current lease liabilities, largely on account of a long-term real estate lease entered into in the reporting year. The current liabilities and provisions increased by € 51.5 million to € 287.5 million. The main effects on current liabilities and provisions were had by an increase of € 21.9 million in the contractual liabilities and a loan in the amount of € 18.6 million taken out from VKE-Versorgungskasse EDAG-Firmengruppe e.V.

A positive operating cash flow of € 23.6 million was achieved in the reporting year, which is well below the previous year's level of € 150.1 million. The reduction was primarily due to a higher capital commitment in the trade working capital.

The investing cash flow was € -18.4 million (2020: € -15.5 million). At € 18.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 19.1 percent above the previous year's level (2020: € 15.7 million). The ratio of gross investments in relation to revenues was 2.7 percent (2020: 2.4 percent).

The financing cash flow totaled € -10.6 million (2020: € -47.2 million). This primarily includes principal payments for lease liabilities totaling € 18.9 million (2020: € 19.0 million) and interest payments in the amount of € 9.3 million (2020: € 9.6 million). In contrast, further funds in the amount of € 18.2 million were raised (2020: repayment of financial liabilities in the amount of € 20.6 million).

On the reporting date, unused lines of credit with credit institutions in the amount of € 106.4 million currently exist in the Group (12/31/2020: € 103.7 million). 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 € 1.5 million (2020: € 1.4 million), are listed under the personnel expenses of EDAG Group AG.

The other operating expenses in the amount of € 0.6 million (2020: € 0.5 million) refer primarily to expenses for consulting and auditing.

An annual loss of € 2.2 million (2020: € 2.0 million) was realized in the reporting year.

Cash Flows and Financial Position

The statement of financial position total of EDAG Group AG amounts to € 476.4 million (2020: € 395.0 million). On the assets side, following the merger of EDAG Engineering Schweiz Sub-Holding AG with EDAG Group AG on January 1, 2021, the key asset is now the investment in EDAG Engineering Holding GmbH, which stands at € 476.2 million (2020: investment in EDAG Engineering Schweiz Sub-Holding AG in the amount of € 394.6 million). On the equity, liabilities and provisions side, the capital reserves in the amount of € 399.6 million (2020: € 399.6 million) remains the material item.

In the reporting year, an operating cash flow of € -2,012 thousand (2020: € -2,154 thousand) was realized. Investments in the amount of € 5 thousand were made (2020: € 0 thousand). There was an influx of liquid resources totaling € 1,800 thousand from finance activities (2020: outflows in the amount of € 12,030 thousand).

The Executive Management regards the overall economic situation of EDAG Group AG as good. At 98.0 percent (12/31/2020: 98.1 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, 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

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, 2021, the EDAG Group employed a worldwide workforce of 7,880 (12/31/2020: 7,984), including 278 trainees and work-study students (12/31/2020: 339).

At the end of the year, 5,635 employees were employed in Germany (12/31/2020: 5,741). 2,245 people were employed at our non-domestic companies (12/31/2020: 2,243).

DATA ON THE PERSONNEL STRUCTURE OF THE EDAG GROUP

Employees, worldwide: 7,880

Apprentices/
dual system students: 278

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 37.8 years (2020: 37.5 years), which is representative of a young, dynamic team. The high level of the average length of service of employees (7.7 years [2020: 7.5 years]) is an indication of employee satisfaction and identification with the company.

The voluntary fluctuation rate in 2021 was 9.2 percent in Germany (2020: 6.8 percent), and 16.9 percent in the rest of the world (2020: 10.3 percent).

The proportion of female employees throughout the Group was about 19.9 percent (2020: 20.1 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, 2022 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 2021 financial year (January 1 to December 31). The information relates to all material group companies of EDAG 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 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, for the purposes of the consolidated financial statements of EDAG Group AG, 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 "project steering committees". Moreover, a project acceptance process has also been established. Depending on the volume of tenders, certain procedures and formalities that are defined in the corresponding directives must be followed. As soon as the relevant conditions have been met, and before binding quotations are submitted or contracts entered into, specialists from various departments first perform detailed checks on the commercial and contractual contents, and then present these to the Group Executive Management. The aim of this procedure is to avoid any uncontrollable risks being accepted. 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. Furthermore, employees receive regular training on the subject of risk management.

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 their calculated net risk is greater than or equal to € 500 thousand or the determined loss expectancy leads to a deviating result exceeding € 100 thousand. For existing opportunities, the reporting threshold also lies at a net opportunity greater than or equal to € 500 thousand or an opportunity expectation value of € 100 thousand.

The following categories based on the amount of the expected value of loss of an individual risk have been classified:

- Low risk corresponds to an expected loss < € 0.50 million
- Medium risk corresponds to an expected loss ≥ € 0.50 million and < € 1.25 million
- High risk corresponds to an expected loss ≥ € 1.25 million

Aggregated at EDAG Group level, risks are classified into A, B or C risks:

- A category A risk corresponds to an expected loss ≥ € 2.50 million
- A category B risk corresponds to an expected loss ≥ € 1.25 million and < € 2.50 million
- A category C risk corresponds to an expected loss < € 1.25 million

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

The EDAG Group'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 FORECAST FOR 2022

Global economic growth: 4.4 percent

Macroeconomic Risks and Rewards

According to the International Monetary Fund's (IMF) outlook issued on January 25, 2022, the world economy exhibited 5.9 percent growth in 2021. This is evidence of recovery from the effects of the global outbreak of Covid-19. IMF projections for 2022 anticipate a continuing, moderate recovery of global economic growth and a growth rate of 4.4 percent. A growth rate of 3.8 percent is projected for 2023. Although from a macroeconomic point of view, the projected development of the global economy could create opportunities for EDAG, the effects of the Covid-19 pandemic nevertheless continue to represent a risk to the global economy and to EDAG. The war that has broken out in Ukraine brings additional uncertainties. This could derail the recovery of the global economy from the pandemic with long-term effect. 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").

Due to the fact that the situation remains tense, we estimate that the macroeconomic risks and rewards for our business are category A risks (2020:

A risks), with a continuing medium probability of occurrence (2020: medium) due to the fragile situation.

Industry Risks and Rewards

In 2021, the picture in the automotive industry is divided. Whereas markets such as the USA and China again recorded increases, the decline of the previous year continued in Europe, especially in Germany. The shortage of semiconductors and difficulties in the automotive industry's supply chains meant that the anticipated recovery turned out to be lower than expected at times. In addition, shortages of pre-products and raw materials had a negative impact, as did increasing energy and logistics prices. Following the outbreak of war in Ukraine, supply shortages are expected to worsen and prices for raw materials and energy are expected to rise even more sharply.

For 2022, the VDA, in its forecast of January 19, 2022, anticipated that the year would get off to a cautious start, with a gradual improvement in the second half of the year.

Long-term forecasts covering the period until 2035 indicated a growth market mainly in China, whereas it was assumed that the automotive markets in Europe and the USA would stagnate.

However, the automotive industry will also be affected to an as yet unknown extent by the impact of the Ukraine war. Shortages of pre-products and raw materials and increases in energy prices could worsen in the short term and continue longer.

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, some of them from the electronics 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.

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.

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.

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 offers 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 EDAG to identify these kinds of risks in good time, and then implement the appropriate countermeasures. This means that resulting opportunities can be detected as they arise and then 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. 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. To protect confidential information, we have the relevant safety standards in place, and these are regularly reviewed to ensure their effectiveness. 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.

In the event of a cyber attack, as occurred during the reporting year, the EDAG Emergency Protocol provides in particular for the following steps and measures:
- Summon CERT (Computer Emergency Response Team), consisting of: CFO, IT, Legal, Information Security, Data Protection Officer, Corporate Communications, Investor Relations, cybersecurity specialists and third-party data forensics;
- Immediately switch the network into offline mode;
- Immediately shut down all central systems;
- Disconnect and deactivate client-VPN connections;
- Bring in professional cybersecurity and cyber forensics consultants;
- Inform the relevant national and international authorities of the attack;

- Carry out relevant measures to contain disruption on server and client systems;
- Inform the capital market, customers, employees and other stakeholders;
- Restore working capacity while guaranteeing that evidence is preserved;
- Identify and implement potential 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. Additional appropriately qualified staff is currently being recruited primarily at our international sites. 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 C risks (2020: category A); the probability of occurrence is unchanged and remains 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 was also introduced throughout the company in order to secure the EDAG Group's competitive edge in terms of know-how in future issues. One key focus, and one of the largest staffing projects within the scope of beEDAG, is the implementation of a grading system. In this project, we will, with due regard to co-determination, be describing job families and transparently representing all existing jobs in a system according to their rating. With the help of modern HR software, all of this will be made available to the employees 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.

Our assessment of the personnel risks as a category B risk with an unvarying medium probability of occurrence remains unchanged.

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 set out in section 2.2, the provisions for risks 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) taken out in 2018 and lines of credit with house banks and bond insurers. The EDAG Group did not draw on the credit line of a KfW entrepreneur loan in the amount of € 60 million secured in 2020 to deal with possible financial consequences of the Covid-19 pandemic, and terminated it prematurely in the reporting year.

As a result of this and taking into account the stable development of the financial situation in 2021 – as of December 31, 2021, 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 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 an unchanged category C risk, but with a reduced low probability of occurrence (2020: medium), due to the market recovery in the reporting year.

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 guidelines for action in the form of directives – are continually updated and reduce the possibility of new legal risks to the EDAG Group companies. For circumstances 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 EDAG Group employees 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 regulatory 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, to hold training courses, and to develop guidelines for action in the form of directives, 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-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 are also faced every day with growing challenges and an ever-increasing responsibility towards our business partners. 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. Taking into account current legal requirements, the Code of Conduct was completely revised in the reporting year, and adapted to the new corporate identity.

COMPLIANCE SYSTEMS

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

In order to be able to meet the increased demands, we have, in our EDAG Compliance Management System (EDAG CMS), combined organizational measures for the group which will guarantee the compliant conduct of EDAG's executive bodies and employees at all times. 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.

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. The new Whistleblower Guidelines we introduced in 2021 summarize the various options for submitting messages and information at EDAG, while also providing information on how to handle such information at EDAG.

These guidelines also ensure that whistleblowers who, in good faith and motivated by a sense of responsibility, wish to draw attention to misconduct or abuse at EDAG will not be disadvantaged in any way. These guidelines therefore serve not only to uncover irregular conduct, but also and in particular to protect whistleblowers. By introducing these guidelines, we have implemented the uniform standards of the EU Whistleblower Directive for the better protection of whistleblowers in EDAG's rules and regulations.

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

The EDAG Group focuses on performance, customer orientation and the quality of its products and services. The success of the EDAG Group is based on the reputation our company has established on its way to becoming one of the world's leading independent engineering service providers. 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 2021 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. In addition to this, a test module was added to the compliance training obligatory for all employees, to verifiably monitor its effectiveness and ensure that participants have acquired a knowledge of compliance-relevant subjects.

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.

On the strength of our existing EDAG Compliance Management Systems, we believe there is little probability of compliance-relevant risks occurring, although we cannot completely rule out any negative effects on the earnings performance of the Group. Our assessment of this risk for the Group remains unchanged compared to the previous year, and has been assigned a class C status with a low probability of occurrence.

Risks Regarding the Use of Financial Instruments

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

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.

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 and the loan from VKE-Versorgungskasse EDAG-Firmengruppe e.V., most of the financing of the Group is currently and will in the future be subject to a fixed interest rate. 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 terms to maturity of between 1.5 and 6.5 years on the reporting date) and of the loan from VKE-Versorgungskasse EDAG-Firmengruppe e.V., the Group's financing has been secured both long-term and short-term. 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 design or service by any of the EDAG companies, 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 (2020: category A), associated with an unchanged low probability of occurrence.

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.

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.

The global economy and the automotive industry enter 2022 in a weaker position than expected in the previous year's forecasts. Supply chain disruptions continue, and shortages of pre-products and raw materials are slowing down recovery, as are increasing energy and logistics prices. Before the outbreak of the Ukraine war, it was still expected that an upward trend would follow, especially in the second half of 2022, as soon as the impediments to growth still effective in 2021 had been resolved. Although the recovery originally projected would in principle have offered a number of opportunities for our business, the risk of new setbacks, particularly as a result of the previously described effects of the Ukraine war and the Covid-19 pandemic, is nevertheless still very much present.

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.

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

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

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

- The EDAG Group is characterized by a clear organizational, corporate as well as control and monitoring structure.
- Group-wide coordinated planning, reporting, controlling and early warning systems are in place to perform a comprehensive analysis and control of earnings-related risk factors and existential risks.
- The functions in all areas of the accounting process (e.g. financial accounting and controlling) are clearly assigned.
- The IT systems used for accounting purposes are protected against any unauthorized access.
- Standard software adapted to the needs of company is used predominantly in the financial systems area.
- 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 latest IMF estimate announced on January 25, 2022, an increase of 3.8 percent in economic performance is expected for Germany in 2022; the trend is expected to continue, with a growth rate of 2.5 percent in 2023. Within the euro area, the IMF expects a growth rate of 3.9 percent in 2022 and of 2.5 percent in 2023. Growth of the US economy is expected to reach 4.0 percent in 2022, while a growth rate of 2.6 percent is anticipated in 2023. According to latest estimates, China, with forecasts for a 4.8 percent increase in economic output in 2022 and 5.2 percent in 2023, 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 both 2022 and 2023.

The outlook in the automotive industry for 2022 continues to a high degree to be marked by the increasing recovery of the markets. In its forecast of January 19, 2022, the VDA anticipates that, due to the continuing shortage of semiconductors, to shortages of pre-products and raw materials, and to increasing energy and logistics prices, the automotive industry will get off to a difficult start in 2022. Neither the shortages of pre- and intermediate products nor the material restrictions in terms of logistics are over. In specific terms, the VDA expects 4.1 percent growth on the world market for passenger cars in 2022, similar to the growth rate in 2021.

In the United States and China, the VDA anticipates a growth rate of 2 percent in 2022. For Europe, the VDA expects a growth rate of 5 percent in 2022, owing to catch-up effects.

Further developments in the armed conflict between Russia and Ukraine, the effects of which are not yet reflected in the forecasts mentioned above, could, however, have a negative impact on the development of the global economy in 2022, and therefore also on the development of the automotive sector.

In its forecast of March 14, 2022, Morgan Stanley therefore anticipates that sales of vehicles will increase to 72.3 million in 2022, which is 5 percent more than in 2021. The forecast of February 14, 2022 still anticipated an increase in sales to 74 million vehicles and growth of 7.5 percent. This means the number of vehicles sold in the course of the reporting year was just under 69 million units, which, while higher than the previous year's level, is still below that of 2019, the year prior to the crisis, when over 78 million units were sold.

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 making the further development of classic powertrain types essential, 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.

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 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

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

between the flexible and mobile application of our expertise, the utilization of our internal, best-cost resources, and an international project management team, we strive, at a global level, to meet our customers' expectations.

Qualified and 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, 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. The VDA anticipates an investment volume of € 220 billion in research and development in the automotive industry by 2026; to this must be added the expenditure on the conversion of existing and the construction of new plants.

As before, we do not at present see any risk to the continued existence of the company in the Covid-19 pandemic and the geopolitical conflicts, but do see a risk that its development might be impaired. The dynamic situation in connection with the war in Ukraine harbors uncertainties the development of which cannot be foreseen. It is difficult to make a reliable outlook with regard to possible consequences for supply chains and the availability of pre-products and raw materials in the automotive industry. What is certain, however, is that cross-sector impairments in exports to Russia and production in Russia and Ukraine already exist and will continue. On the reporting date, unused lines of credit with credit institutions in the amount of € 106.4 million exist in the Group. As a result, we see ourselves as being very well positioned to meet the challenges of the 2022 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 risks for engineering service providers.

As a globally operating company, the EDAG Group is keeping a very keen eye on all forms of economic and geopolitical developments, and has made preparations to ensure that any additional countermeasures that prove necessary can be taken as quickly as possible.

With the current dynamically changing situation and the exceptional uncertainties arising as a result, companies across all sectors find themselves facing considerable challenges when it comes to forecasting economic development and deriving a reliable and dependable quantitative outlook.

For the 2022 financial year, EDAG expects accelerated dynamic growth and a positive development in key performance indicators, and on the basis of this forecasts an increase in revenues in the region of 6 to 9 percent.

What is more, our expectation of a marked and positive improvement in results in the adjusted EBIT remains unchanged, and current projections indicate an adjusted EBIT margin in the 6 to 8 percent range.

On account of the sustained growth, we expect investments in the 2022 financial year to be above the level of the previous year, and anticipate an investment rate that will probably be in the region of 4 to 5 percent.

To a large extent, however, these estimates remain dependent on the impact of the war in Ukraine, the possibility of further geopolitical conflicts, ongoing disruptions in global supply chains, and further pandemic developments.

A summary of the outlook for 2022 is included in the following table:

in € million	**2021**	**Forecast 2022**
Group		
Revenues	687.6	Increase of around 6 to 9 percent
Adjusted EBIT-margin	4.5%	Range of around 6 to 8 percent
Investment rate	2.7%	Range of around 4 to 5 percent

5 Other Information

5.1 Group Declaration on Corporate Management

Within this annual report, the Group Executive Management and Board of Directors of EDAG Group AG have made diverse declarations concerning corporate management in accordance with § 315d in conjunction with § 289f para. 2 of the German Commercial Code (HGB) (see points 1 - 3). Further declarations concerning corporate management for EDAG Group AG and for a number of the German companies were published on the Internet on March 18, 2022 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)
7. With regard to the regulations on the EU Disclosure Regulation (EU) 2021/2178 to be applied for the first time, we refer to our Sustainability Report 2021, which will be available at https://www.edag.com/de/edag-group/das-unternehmen/nachhaltigkeit by April 30, 2022 at the latest.

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, 2021 is backed by 25 million bearer shares with a nominal value of CHF 0.04. The shares are denominated in Swiss francs. The functional 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 74.66 percent[4]. For the financial year ending December 31, 2021, 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 https://www.edag.com/en/, under the heading "Investor Relations", menu item "Finanzmeldungen".

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
(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

Audit opinions

We have audited the joint management report of EDAG Engineering Group AG, Arbon/Switzerland, which is combined with the parent company's management report, for the financial year from January 1 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the Group's declaration on corporate management in accordance with § 315d of the German Commercial Code (HGB), which is combined with the declaration on corporate management in accordance with § 289f, and to which reference is made in the joint management report.

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 he above-mentioned declaration on corporate management in accordance with § 315d of the German Commercial Code (HGB) combined with the declaration on corporate management in accordance with § 289f HGB, the contents of the non-financial group statement given in chapter 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 the audit opinions

We conducted our audit of the joint management report in accordance with the generally accepted German standards on auditing management reports as promulgated by the IDW (Institute of Public Auditors in Germany). Our responsibilities under these provisions and standards are further described in the "Auditor's Responsibility for the Audit of the Joint Management Report" section of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations, and have fulfilled our other German professional obligations 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 on the joint management report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the following documents obtained up to the date of this audit report:

- the Group's declaration on corporate management in accordance with § 315d of the German Com-mercial Code (HGB), which is combined with the declaration on corporate management in accordance with§ 289f, and to which reference is made in the joint management report
- the affirmation of the legal representatives in accordance with § 297 para. 2 clause 4 of the German Commercial Code (HGB) or § 315 para. 1 clause 5 HGB on the joint management report and all other parts of the annual report
- but not the audited content of the joint management report, and not our audit opinion thereon.

The declaration in accordance with § 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which forms part of the declaration on corporate management referred to in the joint management report, is the responsibility of the legal representatives and the Board of Directors. Otherwise, the Board of Directors is responsible for the other information.

Our audit opinions on the joint management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the joint management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Board of Directors' responsibility for the joint management report

The Board of Directors is responsible for the preparation of the joint 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) the Board of Directors has judged necessary to enable the joint management report to be prepared in compliance with the German legal requirements to be applied pursuant to § 315e para. 1 of the German Commercial Code (HGB), and to be able to provide sufficient and appropriate evidence to substantiate statements made in the joint management report.

Auditor's responsibility for the joint management report
Our objective is to obtain reasonable assurance as to 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and the management report.

During the audit, we exercise professional discretion and maintain a critical attitude. We also:

- Ensure that the audit of the joint management report is integrated into the audit of the consolidated financial statements.
- Identify and assess the risks of material misstatement - whether intentional or unintentional - in the joint management report, plan and perform audit procedures in response to these risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement is greater for fraud than for error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 provisions and measures (systems).
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- Draw conclusions as to the appropriateness of the legal representatives's use of the going concern accounting principle employed 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. Our conclusions are based on the audit evidence obtained up to the date of our audit's report. However, future events or circumstances may result in the Group being unable to continue as a going concern.

- Obtain sufficient and appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the joint management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinions.
- Evaluate the consistency of the joint management report with the consolidated financial statements, its compliance with the law and the overall impression of the Group's position it conveys.
- 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 disclosures in the joint management report, but rather express an opinion on the joint management report as a whole.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

Deloitte AG

Roland Müller
Partner

Mario Sosic
Senior Manager

Zurich, March 29, 2022

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 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 § 317 para. 3a of the German Commercial Code (HGB)

Audit opinion
In accordance with § 317 para. 3a 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 80207BAC56331EA363781828DDFF849B5E08C5F0E73C36373DD706809B50AE30, and prepared for disclosure purposes, comply with the requirements set out in § 328 para. 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 § 328 para. 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, 2021 to December 31, 2021, 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 § 317 para. 3a 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 § 317 para. 3a HGB (IDW PS 10.221). A more detailed description of our responsibility in this respect is given in the section "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 company's Board of Directors is responsible for preparing the ESEF documents with the electronic reproductions of the annual financial statements and the management report in accordance with § 328 para. 1, clause 4, No. 1 of the German Commercial Code (HGB).

Furthermore, the company's 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 § 328 para 1 of the German Commercial Code (HGB) on the electronic reporting format.

The Board of Directors is responsible for supervising the process for preparing the ESEF records as part of the accounting process.

Auditor`s responsibilities for the audit of the ESEF documents
Our aim is to obtain reasonable assurance as to whether the ESEF documents are free of any material violations - intended or unintentional - of the requirements set out in § 328 para. 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 § 328 para 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.

OTHER MATTERS - USE OF AUDIT OPINION
Our audit opinion should always be read in conjunction with the audited annual financial statements, the audited management report, and the audited ESEF documents. The annual financial statements and the management report converted into the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited annual financial statements and

the audited management report, and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Deloitte AG

Roland Müller	Mario Sosic
Partner	Senior Manager

Zurich, March 29, 2022

Report of the statutory auditor
(ESEF Conformity review – Consolidated financial statement)

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

Report on the audit of electronic reporting format of the consolidated financial statements and the joint management report prepared for the purposes of electronic reporting in accordance with § 317 para. 3a of the German Commercial Code (HGB)

Audit opinion
In accordance with § 317 para. 3a 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 joint management report (hereinafter also referred to as "ESEF documents") contained in the attached file, which has the SHA-256-value 79C4F26C5216CFD6BEE35E4CAE571BEDA43E5D8FAA2F2E3B07E7209D2054D90B, and prepared for disclosure purposes, comply with the requirements set out in § 328 para. 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 consolidated financial statements and the joint 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 consolidated financial statements and the joint 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 § 328 para. 1 of the German Commercial Code (HGB) for the electronic reporting format. Apart from this opinion and our audit opinions concerning the attached consolidated financial statements and the attached joint management report for the financial year from January 1, 2021 to December 31, 2021, 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 consolidated financial statements and the joint management report contained in the attached file mentioned above in accordance with § 317 para. 3a 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 § 317 para. 3a HGB (IDW PS 410 (10.021)) A more detailed description of our responsibility in this respect is given in

the section "Group 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 company's Board of Directors is responsible for drawing up the ESEF documents with the electronic reproductions of the consolidated financial statements and the joint management report in accordance with § 328 para. 1, clause 4, No. 1 of the German Commercial Code (HGB), and for preparing the consolidated financial statements in accordance with § 328 para. 1 clause 4 No. 2 of the German Commercial Code (HGB).

Furthermore, the company's 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 § 328 para 1 of the German Commercial Code (HGB) on the electronic reporting format.

The company's Board of Directors is responsible for supervising the preparation of the ESEF records as part of the accounting process.

Group auditor`s responsibilities for the audit of the ESEF documents

Our aim is to obtain reasonable assurance as to whether the ESEF documents are free of any material violations - intended or unintentional - of the requirements set out in § 328 para. 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 § 328 para 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 provide a consistent XHTML version of the audited consolidated financial statements and the audited joint management report.
- We assess whether the preparation of the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction, in accordance with articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date.

OTHER MATTERS - USE OF AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited consolidated financial statements, the audited joint management report, and the audited ESEF documents. The consolidated financial statements and the joint management report converted into the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited management report, and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

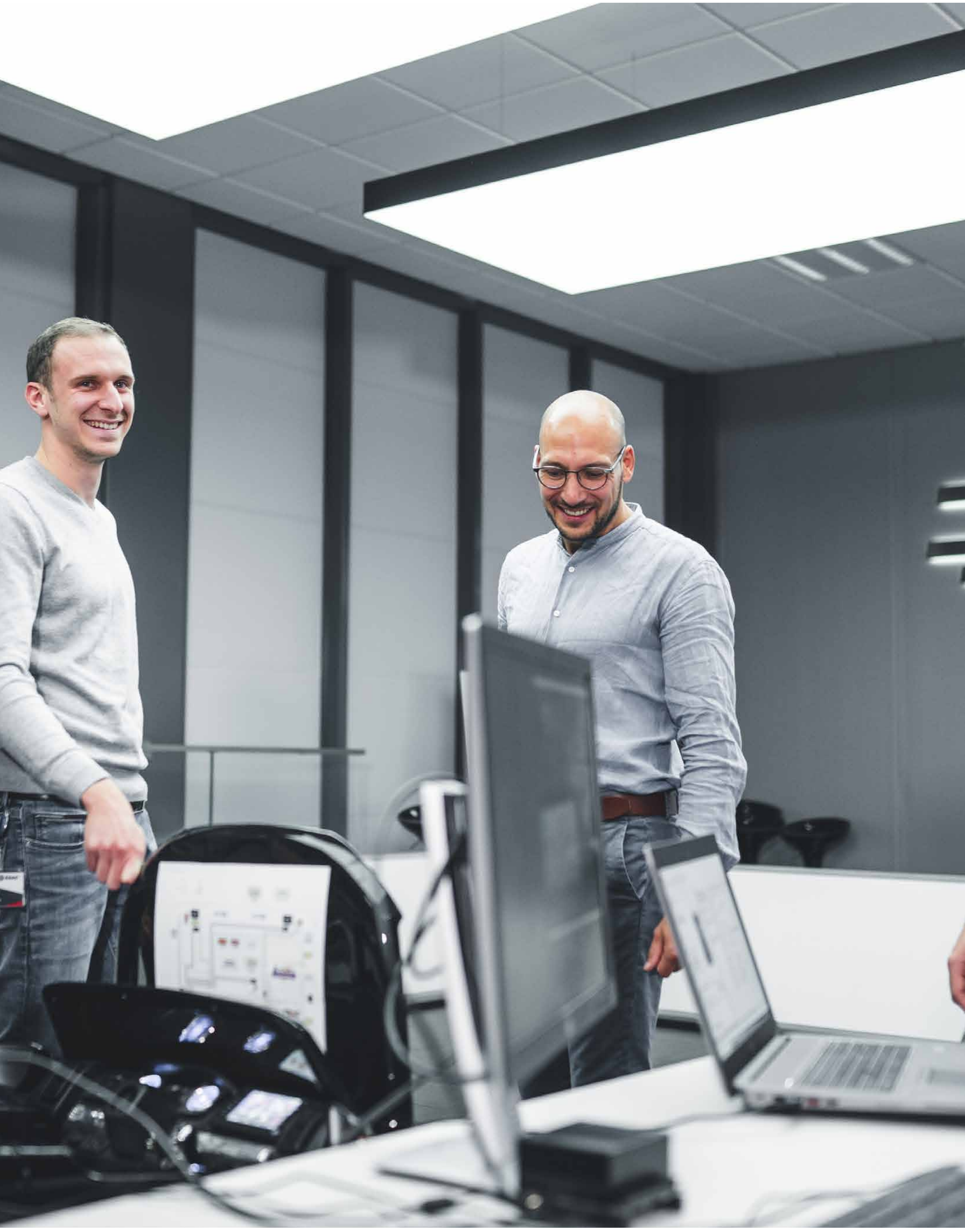
Deloitte AG

Roland Müller
Partner

Mario Sosic
Senior Manager

Zurich, March 29, 2022

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



CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	Notes	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Profit or loss			
Sales revenues and changes in inventories[1]		687,578	650,327
Sales revenues	(1)	687,618	653,460
Changes in inventories	(2)	- 40	- 3,133
Other income	(3)	22,470	16,607
Material expenses	(4)	- 87,359	- 80,454
Gross profit		**622,689**	**586,480**
Personnel expenses	(5)	- 467,503	- 446,246
Depreciation, amortization and impairment	(6)	- 41,774	- 44,846
Net result from impairments or reversals on financial instruments	(7)	- 2,115	- 21,373
Other expenses	(8)	- 85,294	- 94,471
Earnings before interest and taxes (EBIT)	**(9)**	**26,003**	**- 20,456**
Result from investments accounted for using the equity method	(10)	611	53
Financial income	(11)	181	259
Financing expenses	(12)	- 9,936	- 10,305
Financial result		**- 9,144**	**- 9,993**
Earnings before tax		**16,859**	**- 30,449**
Income taxes	(13)	- 5,436	7,047
Profit or loss		**11,423**	**- 23,402**

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

in € thousand	Notes	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
Profit or loss		11,423	- 23,402
Other comprehensive income			
Under certain conditions reclassifiable profits/losses			
Currency conversion difference			
Profits/losses included in equity from currency conversion difference		1,034	- 2,163
Total under certain conditions reclassifiable profits/losses		**1,034**	**- 2,163**
Not reclassifiable profits/losses			
Revaluation of net obligation from defined benefit plans			
Revaluation of net obligation from defined benefit plans before taxes	(27)	1,662	- 715
Deferred taxes on defined benefit plans		- 546	276
Share of other comprehensive income of at-equity accounted investments, net of tax		9	- 19
Total not reclassifiable profits/losses		**1,125**	**- 458**
Total other comprehensive income before taxes		2,705	- 2,897
Total deferred taxes on the other comprehensive income		- 546	276
Total other comprehensive income		**2,159**	**- 2,621**
Total comprehensive income		**13,582**	**- 26,023**

Earnings per share of sharholders of EDAG Group AG [diluted and basic in EUR]			
Eearnings per share	(14)	0.46	- 0.94

2 Consolidated Statement of Financial Position

in € thousand	Notes	12/31/2021	12/31/2020
Assets			
Goodwill	(15)	74,566	74,258
Other intangible assets	(15)	13,151	15,334
Property, plant and equipment	(16)	67,799	69,324
Right of use from leasing	(17)	130,996	118,700
Financial assets	(18)	134	135
Investments accounted for using the equity method	(19)	18,119	17,498
Non-current other financial assets	(18)	524	725
Non-current other non-financial assets	(22)	148	165
Deferred tax assets	(23)	19,387	20,133
Non-current assets		**324,824**	**316,272**
Inventories	(24)	2,588	2,654
Current contract assets	(20)	64,732	51,319
Current accounts receivables	(21)	129,688	74,123
Current other financial assets	(18)	1,565	1,889
Current securities, loans and financial instruments	(18)	141	32
Current other non-financial assets	(22)	17,722	16,155
Income tax assets	(23)	711	1,343
Cash and cash-equivalents	(25)	151,091	156,292
Assets held for sale/Disposal group	(26)	1,162	-
Current assets		**369,400**	**303,807**
Assets		**694,224**	**620,079**

in € thousand	Notes	12/31/2021	12/31/2020
Equity, liabilities and provisions			
Subscribed capital		920	920
Capital reserves		40,000	40,000
Retained earnings		91,520	80,097
Reserves from profits and losses recognized directly in equity		- 12,470	- 13,595
Currency conversion differences		- 4,548	- 5,581
Equity	**(27)**	**115,422**	**101,841**
Provisions for pensions and similar obligations	(28)	37,489	37,463
Other non-current provisions	(29)	3,905	3,552
Non-current financial liabilities	(30)	120,041	120,778
Non-current lease liabilities	(31)	129,866	120,340
Non-current other non-financial liabilities	(35)	-	83
Deferred tax liabilities	(36)	20	6
Non-current liabilities and provisions		**291,321**	**282,222**
Current provisions	(29)	25,471	24,114
Current financial liabilities	(30)	19,144	2,441
Current lease liabilities	(31)	16,914	17,029
Current contract liabilities	(32)	147,276	125,402
Current accounts payable and other liabilities	(33)	19,994	22,978
Current other financial liabilities	(34)	5,011	3,691
Current other non-financial liabilities	(35)	47,862	38,496
Income tax liabilities	(36)	4,493	1,865
Provisions and liabilities in connection with assets held for sale/Disposal group	(26)	1,316	-
Current liabilities and provisions		**287,481**	**236,016**
Equity, liabilities and provisions		**694,224**	**620,079**

3 Consolidated Cash Flow Statement

	in € thousand	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
	Profit or Loss	**11,423**	**- 23,402**
+/-	Income tax expenses/income	5,436	- 7,046
-	Income taxes paid	- 1,800	- 3,188
+	Financial result	9,144	9,993
+	Interest and dividend received	179	245
+/-	Impairment from revaluation at fair value less costs of disposal	227	-
+/-	Depreciation and amortisation/Write-ups on tangible and intangible assets	41,546	45,191
+/-	Other non-cash item expenses/income	- 2,074	20,515
+/-	Increase/decrease in non-current provisions	222	249
-/+	Profit/loss on the disposal of fixed assets	718	481
-/+	Increase/decrease in inventories	173	6,021
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	- 71,239	52,756
+/-	Increase/decrease in current provisions	1,247	10,190
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	28,392	38,104
=	**Cash inflow/outflow from operating activities/operating cash flow**	**23,594**	**150,109**
+	Deposits from disposals of tangible fixed assets	365	454
-	Payments for investments in tangible fixed assets	- 14,315	- 11,545
-	Payments for investments in intangible fixed assets	- 4,417	- 4,174
+	Deposits from disposals of financial assets	23	32
-	Payments for investments in financial assets	- 22	- 7
-	Payments for investments in shares of fully consolidated companies/divisions	-	- 248
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 18,366**	**- 15,488**

	in € thousand	01/01/2021 – 12/31/2021	01/01/2020 – 12/31/2020
-	Interest paid	- 9,252	- 9,596
+	Borrowing of financial liabilities	18,242	2,008
-	Repayment of financial liabilities	- 668	- 20,576
-	Repayment of leasing liabilities	- 18,877	- 19,010
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 10,555**	**- 47,174**
	Net Cash changes in financial funds	**- 5,327**	**87,447**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	665	- 1,773
-/+	Transfer to disposal groups classified as held for sale/disposal group	- 539	-
+	Financial funds at the start of the period	156,292	70,618
=	**Financial funds at the end of the period [cash & cash equivalents]**	**151,091**	**156,292**
=	**Free cash flow (FCF) – equity approach**	**5,228**	**134,621**

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

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion
As per 12/31/2020	**920**	**40,000**	**80,097**	**- 5,581**
Profit or loss	-	-	11,424	-
Other comprehensive income	-	-	-	1,033
Total comprehensive income	**-**	**-**	**11,424**	**1,033**
As per 12/31/2021	**920**	**40,000**	**91,521**	**- 4,548**

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

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

in € thousand	Revaluation from pension plans	Shares in investments accounted for using the equity method	Equity
As per 12/31/2020	**- 13,474**	**- 121**	**101,841**
Profit or loss	-	-	11,424
Other comprehensive income	1,115	9	2,157
Total comprehensive income	**1,115**	**9**	**13,581**
As per 12/31/2021	**- 12,359**	**- 112**	**115,422**

in € thousand	Revaluation from pension plans	Shares in investments accounted for using the equity method	Equity
As per 12/31/2019	**- 13,035**	**- 102**	**127,864**
Profit or loss	-	-	- 23,402
Other comprehensive income	- 439	- 19	- 2,621
Total comprehensive income	**- 439**	**- 19**	**- 26,023**
As per 12/31/2020	**- 13,474**	**- 121**	**101,841**

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 Swiss canton Thurgau as a Aktiengesellschaft (joint stock company) on November 3, 2015. The registered office of the company is: Schlossgasse 2, 9320 Arbon, Switzerland.

The largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which holds 74.66 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.

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 subsegment 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 functional 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 29, 2022. The Audit Committee of the Board of Directors of EDAG Group AG dealt with the consolidated financial statements during its meeting on March 28, 2022. The Board of Directors approved the consolidated financial statements in its meeting on March 29, 2022.

For the financial year ending December 31, 2021, 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, 2021 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, 2021 and adopted in national law by the European Commission have been fulfilled. Please also see chapter 5.2 "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 2021

EDAG Group AG has applied the following accounting standards adopted by the EU and legally required to be applied since January 1, 2021, 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:

- **IFRS 4** – Extension of the existing option for delayed first-time adoption of IFRS 9 (IASB publication: June 25, 2020; EU endorsement: December 15, 2020)
- **IFRS 9/IAS 39/IFRS 7** – Interest Rate Benchmark Reform (IASB publication: August 27, 2020; EU endorsement: January 15, 2021)
- **IFRS 16** – Extension of relief for COVID-19-related rent concessions (IASB publication: March 31, 2021; EU en-dorsement: August 30, 2021)

b) Standards, interpretations and changes to published standards, which are not yet mandatory for 2021, and which have not been applied prematurely by the company

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

	Standard/Interpretation[1]	Published by the IASB	Compulsory use	Endorsement by EU-Commission	
				Effected on	Planned for
IFRS 17	Insurance Contracts	05/18/2017 / 06/25/2020	01/01/2023	11/23/2021	
Various	Annual Improvements (2018–2020)	05/14/2020	01/01/2022	06/28/2021	
IAS 1	Amendments: Classification of Liabilities as Current oder Non-current	01/23/2020 / 07/15/2020	01/01/2023		open
IAS 1	Amendments: Disclosure of Accounting policies	02/12/2021	01/01/2023		open
IAS 8	Amendments: Definition of Accounting Estimates	02/12/2021	01/01/2023		open
IAS 12	Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	05/07/2021	01/01/2023		open
IFRS 17	Initial Application of IFRS 17 and IFRS 9 - Comparative Information	12/09/2021	01/01/2023		open

[1] Until 12/31/2021

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 IFRS 10, according to standardized accounting and valuation methods. All the companies included – with the exception of EDAG Production Solutions India Private Limited, New Delhi/India and EDAG Technologies India Private Limited, New Delhi/India – use the calendar year as their financial year. The country-specific financial statements of the Indian companies are prepared as of March 31. However, as of the balance sheet date December 31, interim financial statements were prepared according to the IFRS requirements.

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

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

Non-controlling interest represents the proportion of the result and the net assets which is not attributable to the shareholders of the parent company. Non-controlling 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 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, 2021 to December 31, 2021, the group of combined or consolidated companies developed as follows:

	Switzerland	Germany	Others	Total
Fully consolidated companies				
Included as of 01/01/2021	**3**	**5**	**22**	**30**
Includedforthefirsttimeincurrent financial year	-	-	-	-
Withdrawnincurrentfinancialyear	1	-	-	1
Included as of 12/31/2021	**2**	**5**	**22**	**29**
Companies accounted for using the equity method				
Included as of 01/01/2021	**-**	**1**	**-**	**1**
Includedforthefirsttimeincurrent financial year	-	-	-	-
Withdrawnincurrentfinancialyear	-	-	-	-
Included as of 12/31/2021	**-**	**1**	**-**	**1**
Companies included at acquisition cost [not included in the scope of consolidation]				
Included as of 01/01/2021	**-**	**3**	**-**	**3**
Includedforthefirsttimeincurrent financial year	-	-	-	-
Withdrawnincurrentfinancialyear	-	-	-	-
Included as of 12/31/2021	**-**	**3**	**-**	**3**

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

With the entry in the commercial register on June 28, 2021, EDAG Engineering Schweiz Sub-Holding AG, Arbon was merged with EDAG Group AG, Arbon.

With the signing of the contract on December 15, 2021, EDAG Production Solutions GmbH & Co. KG undertook to sell all shares in the subsidiary EDAG Production Solutions CZ S.R.O., Mladá Boleslav, to a third party. The sale became effective in the new year, at the end of January 31, 2022 (loss of control).

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.

In the consolidated financial statements 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 other comprehensive income. 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	12/31/2021	2021	12/31/2020	2020
	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	0.8403	0.8600	0.8990	0.8892
Brazil	BRL	6.3101	6.3813	6.3735	5.8900
USA	USD	1.1326	1.1835	1.2271	1.1413
Malaysia	MYR	4.7184	4.9026	4.9340	4.7935
Hungary	HUF	369.1900	358.4635	363.8900	351.2043
India	INR	84.2292	87.4861	89.6605	84.5795
China	CNY	7.1947	7.6340	8.0225	7.8708
Mexico	MXN	23.1438	23.9903	24.4160	24.5118
CzechRepublic	CZK	24.8580	25.6468	26.2420	26.4554
Switzerland	CHF	1.0331	1.0814	1.0802	1.0703
Poland	PLN	4.5969	4.5640	4.5597	4.4432
Russia	RUB	85.3004	87.2321	91.4671	82.6454
Sweden	SEK	10.2503	10.1448	10.0343	10.4881
Japan	JPY	130.3800	129.8575	126.4900	121.7754
Turkey	TRY	15.2335	10.4670	9.1131	8.0436

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, 2021, 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 € 348.9 million (12/31/2020: € 333.8 million) and include performance obligations from work, service and sales contracts.

The following table sets out the planned realization of revenues:

in € thousand	31/12/2021	31/12/2020
Subsequent year	269,452	298,015
Subsequent year +1 until n years	79,424	35,760
Total Orders on hand	**348,876**	**333,775**

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

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

In the contract assets, the performance obligations - both for services and for customer-specific construction contracts - for which income has been accounted for with the PoC method are posted after the advance payments received have been deducted. Should the advance payments received in relation to the individual performance obligation exceed the performance obligation accounted for with the PoC method, this is reported in the "contractual liabilities". Expected losses from performance obligations are 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.

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

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

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

In the reporting year, research and development expenses amounting to € 5,123 thousand (2020: € 4,867 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).

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

Unscheduled depreciations and/or write-ups are recorded as operating results in the statement of comprehensive income if continued operations are involved.

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 five years, and has been extended by two years compared to the previous year (2020: three years). The extension is in conjunction with expected recovery effects related to the Covid-19 pandemic and the ongoing shortage of semiconductors. 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 12.09 percent (2020: 12.98 percent). The borrowing costs used amount to 2.08 percent (2020: 2.05 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[1] is 10.90 percent before taxes (2020: 10.50 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. As in the previous year, a perpetuity growth rate of 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	**2021**	**2020**
Vehicle engineering	48,653	48,802
Production solutions	5,442	5,063
Electrics/electronics	20,471	20,393
Total	**74,566**	**74,258**

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.

[1] WACC = Weighted Average Cost of Capital

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 minor value (€ 5 thousand). Instead, the resulting leasing payments are generally recognized as rental expense on a straight-line basis over the contract period. EDAG will also make use of the practical expedient in accordance with IFRS 16.15, to dispense with the separation of non-leasing and leasing components with regard to leases for IT hardware, technical equipment and machinery, and for operating and office equipment.

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

- Fixed payments;
- Virtually fixed payments (de facto fixed payments);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Public Sector Benefits

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

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

Inventories

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

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

Financial Instruments

General information

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

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

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

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

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

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

Financial Assets

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

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

Cash and Cash-Equivalents

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

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

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

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

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

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

Impairment
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 carried-forward acquisition 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 carried-forward acquisition cost.

Financial Liabilities Valued at Fair Value Through Profit or Loss

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

Derecognition

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

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

Derivative Financial Instruments

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

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

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

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

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 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 5 years is always used here, analogous to the corporate planning used for the impairment test.

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.

Assets held for Sale/Disposal group

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

Discretionary Decisions

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

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

Estimates (Assumptions)

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

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

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

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

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

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

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

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

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

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 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 still 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. Above all, there is a great deal of uncertainty surrounding the unforeseeable potential effects of further corona waves.

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.

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, due to the fact that, 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.

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 2021 decreased by € 40 thousand (2020: decreased by € 3,133 thousand).

[3] Other Income

Other income is classified as follows:

in € thousand	2021	2020
Operating income		
Non-cash benefit from car leasing	4,373	4,262
Income from currency gains	2,003	2,262
Rental income from subleases	1,729	1,527
Income from compensation payments	1,380	86
Cost transfer income	475	536
Rental income from leases of property	221	221
Income from currency hedging transactions	91	-
Catering/cafeteria income	49	95
Income from recycling/scrap	49	40
Miscellaneous operating income	792	1,210
Total operating income	**11,162**	**10,239**
Non-operating income		
Public sector benefits	4,041	3,015
Income from divestiture of RoU-assets	3,818	77
Income from the reversal of provisions	2,824	1,600
Income from the disposal/subsequent capitalization of fixed assets	77	166
Income from the reversal of liabilities from business acquisitions	-	1,023
Deconsolidation income	-	12
Miscellaneous non-operating income	548	475
Total non-operating income	**11,308**	**6,368**
Total other income	**22,470**	**16,607**

Income from sub-leases in the amount of € 1,729 thousand (2020: € 1,527 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 (2020: € 221 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 € 1,770 thousand was recognized in the reporting year (2020: € 1,587 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.

Income from the disposal of rights of use amounting to € 3,818 thousand (2020: € 77 thousand) in the reporting year includes primarily profit from the early termination of a long-term building rental agreement.

During the reporting year, public sector benefits of € 4,041 thousand (2020: € 3,015 thousand) were recognized through profit or loss in the statement of comprehensive income. These benefits consist primarily of public sector subsidies for corona assistance, 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 € 2,824 thousand (2020: € 1,600 thousand) are made up of the unwinding of other provisions for personnel and taxes, provisions for legal disputes, and miscellaneous provisions. This also includes reversals of provisions for restructuring from previous years in the amount of € 1,435 thousand in the reporting year (2020: € 1,260 thousand), which are included in the adjusted EBIT reconciliation. Other items primarily cover reversals from onerous contracts and rectifications in the amount of € 40 thousand (2020: € 131 thousand) (see chapter "[29] Other Provisions").

Income from compensation payments in the reporting year includes insurance reimbursements in the amount of € 500 thousand within the context of the cyber attack, which are included in the adjusted EBIT reconciliation.

[4] Material Expenses

in € thousand	2021	2020
Expenses for materials and supplies and for purchased goods	29,674	38,964
Expenses for purchased services	57,685	41,490
Total	**87,359**	**80,454**

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, miscellaneous services received and expenses incurred for onerous contracts. The proportion for materials and services expenses for a production order which has now been completed stood at € 14.3 million in the previous year.

[5] Personnel Expenses

in € thousand	2021	2020
Wages and salaries	389,665	370,604
Social security contributions	73,293	70,860
Expenses on retirement pension plans and support	3,985	4,202
Wage-related and salary-related taxes	560	580
Total	**467,503**	**446,246**

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 "[28] Pensions and Other Post-Employment Benefits".

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 € 4,360 thousand (2020: € 8,467 thousand), and for social security contributions totaling € 3,407 thousand (2020: € 5,505 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 € 3,216 thousand (2020: € 5,372 thousand). Expenses in conjunction with the termination of employment contracts to the amount of € 284 thousand (2020: € 7,404 thousand), from salaries in the amount of € 354 thousand (2020: € 3,282 thousand), and social security contributions in the amount of € 52 thousand (2020: € 631 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 € 705 (2020: € 1,129).

In the financial year ended December 31, 2021, an average of 7,849 employees were employed in the EDAG Group (2020: 8,142 employees). The following table provides a detailed overview.

	2021	2020
Breakdown according to contractual relationship		
Salaried employees	7,560	7,778
Apprentices	289	364
Total	**7,849**	**8,142**

	2021	2020
Geographical breakdown		
Germany	5,624	5,815
Rest of Europe	1,276	1,320
North America	261	284
South America	135	171
Asia	553	552
Total	**7,849**	**8,142**

[6] Depreciation, Amortization and Impairment

The depreciation and amortization of fixed assets in the amount of € 41,774 thousand (2020: € 44,846 thousand) include both amortization of intangible assets and depreciation of property, plant and equipment.

Besides the scheduled depreciation and amortization on intangible assets in the amount of € 18,540 thousand (2020: € 18,676 thousand) and the scheduled depreciation and amortization on rights of use from leased assets in the amount of € 18,580 thousand (2020: € 19,082 thousand), they also include depreciation and amortization from the purchase price allocation totaling € 2,539 thousand (2020: € 4,859 thousand), which were also included in the adjusted EBIT reconciliation. In addition, they also primarily include unscheduled depreciation and amortization on rights of use from leased buildings in the amount of € 1,183 thousand (2020: € 1,988 thousand), on operating and office equipment in the amount of € 704 thousand, and on assets of a disposal group in the amount of € 227 thousand. Unscheduled depreciation and amortization on rights of use result from unused space, and are mainly assigned to the Vehicle Engineering segment.

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 amounts to € -2,115 thousand in the reporting year just ended (2020: € -21,373 thousand). 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	2021	2020
Operating expenses		
Maintenance	17,789	18,111
Other expenses from leases	14,804	12,209
General administration expenses	6,891	6,643
Consulting, contributions and fees	6,541	5,035
Miscellaneous ancillary personnel expenses	6,167	5,674
Travel expenses	5,916	5,820
Rents and leases from low value leases	3,574	3,338
Sales and marketing expenses	3,334	2,159
Rents and leases from short term leases	2,129	2,801
Personnel training and development expenses	2,028	2,030
Insurance	1,956	1,952
Expenses from currency losses	1,634	2,504
Vehicle fuel expenses/miscellaneous vehicle expenses	1,566	1,348
Miscellaneous taxes and duties	1,120	1,235
Surveillance and security expenses	1,004	1,056
Guarantees	550	3,123
Expenses from currency hedging transactions	84	143
Miscellaneous operating expenses	6,260	5,328
Total operating expenses	**83,347**	**80,509**
Non-operating expenses		
Expenses from the disposal of assets/scrapping	796	647
Restructuring expenses	787	12,944
Expenses from bad debt loss	55	131
Deconsolidation expenses	-	27
Miscellaneous non-operating expenses	309	213
Total non-operating expenses	**1,947**	**13,962**
Total other expenses	**85,294**	**94,471**

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 from previous years in the amount of € 787 thousand (2020: € 12,944 thousand) were included in the non-operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation. In addition, incidental expenses from M&A transactions in the amount of € 46 thousand were included in the miscellaneous operating expenses in the reporting year, which are included in the adjusted EBIT reconciliation. The operating expenses also include consulting expenses in the amount of € 1,647 thousand within the context of the cyber attack, 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, all effects of purchase price allocations and external special effects in conjunction with extraordinary events on the EBIT.

in € thousand	Note	2021	2020
Earnings before interest and taxes (EBIT)		**26,003**	**- 20,456**
Adjustments:			
Expenses (+) from purchase price allocation	[6]	2,539	4,859
Income (-)/expenses (+) from deconsolidation	[3]	-	15
Expenses (+) from additional costs from M&A transactions	[8]	46	-
Expenses (+) from closing of affiliated companies	[5] [8]	-	265
Expenses (+) from impairment of assets held for sale/disposal group	[6]	227	-
Income (-) from reversal of provisions for contingent considerations from business combinations	[3]	-	- 1,023
Expenses (+) within the context of the cyber attack	[4] [8]	2,947	-
Income (-) from compensation payments within the context of the cyber attack	[3]	- 500	-
Expenses (+) from restructuring	[8]	-	12,074
Expenses (+) from previous year restructuring	[8]	787	870
Income (-) from reversal of provisions for restructuring previous years	[3]	- 1,435	- 1,260
Total adjustments		**4,611**	**15,800**
Adjusted earnings before interest and taxes (adjusted EBIT)		**30,614**	**- 4,656**

The "expenses (+) from the purchase price allocation" and the "expenses (+) from impairment of assets held for sale / disposal group" are stated under depreciation and amortization. The "income (-) from the reversal of provisions for restructuring from previous years" is shown in the other income. The "expenses (+) from incidental expenses from M&A transactions" and "expenses (+) from restructuring from previous years" are reported in the other expenses. The "expenses (+) within the context of the cyber attack" are included primarily in the material expenses and other expenses. The "income (-) from compensation payments within the context of the cyber attack" are shown in other income.

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

The result from investments accounted for using the equity method in the amount of € 611 thousand in the 2021 financial year (2020: € 53 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 chapter "[19] Shares in Investments Accounted for Using the Equity Method".

[11] Financial Income

in € thousand	2021	2020
Interest income from leases	20	30
Interest and similar income	159	216
Income from evaluation of value to be attributed	2	13
Total	**181**	**259**

The interest income from leases in the amount of EUR 20 thousand (2020: € 30 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".

[12] Financing Expenses

in € thousand	2021	2020
Interest expenses for leasing liabilities	6,413	7,156
Interest and similar expenses	3,410	3,117
Losses from valuation at fair value	106	10
Miscellaneous financial expenses	7	22
Total	**9,936**	**10,305**

[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 2021 and 2020 are composed as follows:

in € thousand	2021	2020
Actual income tax expense/income [+/-]	5,712	1,186
Adjustment for actual income taxes attributable to prior periods	- 668	- 753
Deferred tax expense/income [+/-]		
from the emergence and/or reversal of temporary differences	- 1,781	- 3,585
from losses carried forward	2,173	- 3,895
Income taxes	**5,436**	**- 7,047**

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 € 5,436 thousand (2020: € -7,047 thousand) are derived as follows from "expected" income tax expenses which would have resulted from applying the average rate of income tax of the EDAG Group to the earnings before income taxes. To determine the expected tax expense, the pre-tax earnings are multiplied by a weighted average combined tax rate of 33.30 percent (2020: 28.00 percent). Due to the development of the results of the companies in the different tax law systems, the weighted average combined tax rate for EDAG Group AG increased compared to the previous year.

	2021		2020	
	in € thousand	in %	in € thousand	in %
Earnings before tax	**16,859**		**- 30,449**	
Expected tax rate	-	33.30%	-	28.00%
Expected tax expense	**5,614**		**- 8,526**	
Tax-free earnings and non-deductible expenses	716	4.25%	829	-2.72%
Tax effects from equity investments	- 204	-1.21%	- 15	0.05%
Tax rate deviations	- 1,425	-8.45%	- 273	0.90%
Tax effects from losses carried forward	907	5.38%	1,203	-3.95%
Taxes for previous year	- 668	-3.96%	- 753	2.47%
Miscellaneous tax effects	496	2.94%	488	-1.60%
Income taxes as disclosed in the statement of comprehensive income	**5,436**		**- 7,047**	
Effective tax rate		32.24%		23.14%

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

in € thousand	**2021**	**2020**
Deferred tax assets	19,387	20,133
Deferred tax liabilities	- 20	- 6
Net	**19,367**	**20,127**
Difference to previous year	- 760	7,405
Through profit or loss	- 393	7,480
Recognized directly in equity	- 546	276
Currency differences	179	- 351

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

in € thousand	12/31/2021		12/31/2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Assets				
Other intangible assets	-	- 1,232	-	- 2,052
Property, plant and equipment	258	- 1,563	173	- 1,269
Right of Use assets	-	- 37,989	-	- 34,423
Financial assets	-	- 172	-	- 174
Inventories, receivables, other financial assets	7,503	- 15,989	13,732	- 19,696
Liabilities and provisions				
Provisions	10,562	- 9,498	10,061	- 8,072
Liabilities	20,071	- 146	15,362	- 482
Lease liabilities	42,566	-	39,837	-
Tax losses carried forward	4,996	-	7,130	-
Gross amount	**85,956**	**- 66,589**	**86,295**	**- 66,168**
Offsetting	- 66,569	66,569	- 66,162	66,162
Statement of financial position valuation	**19,387**	**- 20**	**20,133**	**- 6**

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 future In 2021, subsidiaries that reported losses in the year just ended or the previous year recognized net deferred tax assets totaling € 17,266 thousand (2020: € 18,230 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 € 741 thousand (12/31/2020: € 624 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 €1,168 thousand (2020: € 1,043 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, 2021, the corporate income tax losses carried forward amount to € 15,056 thousand (12/31/2020: € 28,461 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	**12/31/2021**	**12/31/2020**
Losses carried forward from corporate business tax (not usable)	**10,594**	**10,877**
Expiry within		
1 year	-	-
2–3 years	-	-
4–5 years	715	-
6–10 years	1,863	4,433
more than 10 years	4,643	3,948
able to be carried forward for an unlimited period	3,373	2,496

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 Group AG, Arbon, at the level of direct federal tax. The accrued losses carried forward in the amount of € 15,673 thousand on December 31, 2021 (12/31/2020: € 12,868 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, deferred taxes on business tax losses carried forward amounting to € 29,857 thousand (12/31/2020: € 28,621 thousand), were calculated and recognized. The business tax losses carried forward can be carried forward indefinitely.

In the USA, there were state income taxes losses carried forward amounting to € 1,413 thousand (12/31/2020: € 1,491 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 TEUR	**2021**	**2020**
Basic Earnings per Share (EPS)		
Earnings after tax	11,423	- 23,402
Earnings after tax, attributable to shareholders of EDAG Group AG	11,423	- 23,402
Earnings after tax from continuing operations, attributable to shareholders of EDAG Group AG	11,423	- 23,402
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	0.46	-0.94
Diluted earnings per share	0.46	-0.94

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	Down-payment made for intangible assets	Capitalized develop-ment costs	Customer list from purchase price allocation	Total
(Historical) Costs							
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 / 1/1/2021	**30**	**49,327**	**74,258**	**1,158**	**4,569**	**23,394**	**152,736**
Currency conversion difference	-	496	308	-	- 3	182	983
Additions	-	3,473	-	964	-	-	4,437
Disposals	-	- 2,459	-	-	-	-	- 2,459
Transfers	-	175	-	- 175	-	-	-
Assets held for sale/ disposal group	-	- 500	-	-	-	-	- 500
As per 12/31/2021	**30**	**50,512**	**74,566**	**1,947**	**4,566**	**23,576**	**155,197**

in € thousand	Concessions, industrial property rights and similar rights	IT software	Goodwill	Down-payment made for intangible assets	Capitalized develop-ment costs	Customer list from purchase price allocation	Total
Accumulated amortization and impairments							
As per 12/31/2019 / 1/1/2020	**- 26**	**- 37,666**	**-**	**-**	**- 3,909**	**- 33,735**	**- 75,336**
Currency conversion difference	-	644	-	-	-	10	654
Additions (scheduled amortization)	- 2	- 4,214	-	-	- 226	- 4,709	- 9,151
Additions (non-scheduled amortization)	-	- 20	-	-	- 207	-	- 227
Disposals	-	1,325	-	-	-	19,591	20,916
Tranfers	-	120	-	-	- 120	-	-
As per 12/31/2020 / 1/1/2021	**- 28**	**- 39,811**	**-**	**-**	**- 4,462**	**- 18,843**	**- 63,144**
Currency conversion difference	-	- 390	-	-	3	- 148	- 535
Additions (scheduled amortization)	- 1	- 4,019	-	-	- 107	- 2,489	- 6,616
Disposals	-	2,316	-	-	-	-	2,316
Assets held for sale/ disposal group	-	500	-	-	-	-	500
As per 12/31/2021	**- 29**	**- 41,404**	**-**	**-**	**- 4,566**	**- 21,480**	**- 67,479**
Book value 12/31/2020	**2**	**9,516**	**74,258**	**1,158**	**107**	**4,551**	**89,592**
Book value 12/31/2021	**1**	**9,108**	**74,566**	**1,947**	**-**	**2,096**	**87,718**

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 2021 reporting year.

The customer lists from the purchase price allocations are primarily the result of the purchase of the Rücker Group in 2012. 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, 2021, the remaining amortization period for customer lists amounts to 18 months.

in € thousand	Customer list
Book value 12/31/2021	**2,096**
Remaining amortization period	
2022	1,950
2023	146
2024	-

[16] Property, Plant and Equipment

Ownership restrictions in the amount of € 277 thousand (2020: € 275 thousand) exist on property, plant and equipment.

During the reporting year, no public sector benefits were offset from acquisition costs for property, plant and equipment (2020: € 113 thousand).

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

As at December 31, 2021 - as at December 31, 2020, 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 12/31/2019 / 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 / 1/1/2021	**37,129**	**67,847**	**72,741**	**197**	**177,914**
Currency conversion difference	135	172	490	-	797
Additions	1,730	2,751	8,618	1,341	14,440
Disposals	- 349	- 242	- 5,606	- 4	- 6,201
Tranfers	41	130	21	- 192	-
Assets held for sale/disposal group	-	-	- 203	-	- 203
As per 12/31/2021	**38,686**	**70,658**	**76,061**	**1,342**	**186,747**

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 12/31/2019 / 1/1/2020	**- 16,143**	**- 40,037**	**- 48,473**	**-**	**- 104,653**
Currency conversion difference	277	435	848	-	1,560
Additions (scheduled depreciation)	- 1,722	- 4,867	- 7,796	-	- 14,385
Additions (non-scheduled depreciation)	-	- 329	- 29	-	- 358
Disposals	376	3,822	5,048	-	9,246
Transfers	- 1	17	- 16	-	-
As per 12/31/2020 / 1/1/2021	**- 17,213**	**- 40,959**	**- 50,418**	**-**	**- 108,590**
Currency conversion difference	- 58	- 80	- 464	-	- 602
Additions (scheduled depreciation)	- 2,302	- 4,563	- 7,598	-	- 14,463
Additions (non-scheduled depreciation)	-	- 107	- 597	-	- 704
Disposals	207	202	4,818	-	5,227
Transfers	-	3	- 3	-	-
Assets held for sale/disposal group	-	-	184	-	184
As per 12/31/2021	**- 19,366**	**- 45,504**	**- 54,078**	**-**	**- 118,948**
Book value 12/31/2020	**19,916**	**26,888**	**22,323**	**197**	**69,324**
Book value 12/31/2021	**19,320**	**25,154**	**21,983**	**1,342**	**67,799**

[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 12/31/2019 / 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 / 1/1/2021	**2,064**	**199,845**	**10,584**	**212,493**
Currency conversion difference	-	950	65	1,015
Additions	96	35,853	2,427	38,376
Disposals	- 81	- 30,814	- 2,775	- 33,670
Assets held for sale/disposal group	-	- 1,355	- 89	- 1,444
As per 12/31/2021	**2,079**	**204,479**	**10,212**	**216,770**

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 12/31/2019 / 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 (non-scheduled depreciation)	-	- 1,988	-	- 1,988
Disposals	-	7,490	2,841	10,331
As per 12/31/2020 / 1/1/2021	**- 1,292**	**- 88,039**	**- 4,462**	**- 93,793**
Currency conversion difference	-	- 405	- 51	- 456
Additions (scheduled depreciation)	- 204	- 15,436	- 2,940	- 18,580
Additions (non-scheduled depreciation)	-	- 1,183	-	- 1,183
Disposals	67	24,307	2,605	26,979
Assets held for sale/disposal group	-	1,213	46	1,259
As per 12/31/2021	**- 1,429**	**- 79,543**	**- 4,802**	**- 85,774**
Book value 12/31/2020	**772**	**111,806**	**6,122**	**118,700**
Book value 12/31/2021	**650**	**124,936**	**5,410**	**130,996**

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

in € thousand	12/31/2021			12/31/2020		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Shares in affiliated companies	-	80	80	-	80	80
Loans	-	54	54	-	55	55
Securities	139	-	139	32	-	32
Market values of derivative financial instruments - held for trading	2	-	2	-	-	-
Receivables from leases	231	60	291	220	291	511
Other miscellaneous financial receivables	1,334	464	1,798	1,669	434	2,103
Total	**1,706**	**658**	**2,364**	**1,921**	**860**	**2,781**

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 € 139 thousand (12/31/2020: € 32 thousand) are held. These are marketable debt and equity securities. The market values of derivative financial instruments are derivatives used to hedge foreign currency risks.

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

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

[19] Investments Accounted for Using the Equity Method

As at December 31, 2021, 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	2021	2020
Book value 1/1/	**17,498**	**17,464**
Subsequent valuation	621	34
Book value 12/31/	**18,119**	**17,498**

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	12/31/2021	12/31/2020
Current assets	22,335	22,252
of which cash	6,303	2,400
Non-current assets	10,018	11,463
Total assets	**32,353**	**33,715**
Current liabilities and provisions	8,306	10,839
of which financial liabilities	1,132	2,361
Non-current liabilities and provisions	2,099	2,194
of which financial liabilities	589	784
Total liabilities and provisions	**10,405**	**13,033**
Net assets	**21,948**	**20,682**
Sales revenues	41,532	36,387
Scheduled depreciation and amortization	2,065	1,978
Interest expenses	120	48
Income tax expenses/income [+/-]	640	-
Profit or loss	**1,247**	**109**
Other comprehensive income	19	- 39
Totel comprehensive income	**1,266**	**70**

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	2021	2020
Opening net assets 1/1/	**20,682**	**20,612**
Profit/Loss for the period	1,247	109
Other comprehensive income	19	- 39
Closing net assets 12/31/	**21,948**	**20,682**

[20] Contract Assets

The contract assets are composed of the following net amounts:

in € thousand	12/31/2021	12/31/2020
Accrued costs including partial profits and losses	986,841	919,769
Partial invoices	- 872,103	- 813,303
Total amount due from current contract assets	**114,738**	**106,466**
Advance payments received from current contract assets	49,750	55,113
Provision for risk IFRS 9	- 256	- 34
Current contract assets	**64,732**	**51,319**

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	12/31/2021	12/31/2020
Accounts receivable		
due from third parties	129,654	73,518
due from affiliated companies	-	5
due from related parties	34	600
Total	**129,688**	**74,123**

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 5.7 "Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Valuation Category".

[22] Other Non-Financial Assets

The other non-financial assets are classified as follows:

in € thousand	12/31/2021			12/31/2020		
	short-term	long-term	Total	short-term	long-term	Total
Other non-financial receivables						
due from employees	1,108	-	1,108	1,344	-	1,344
due from plan assets (unpledged)	-	70	70	-	68	68
from value added tax	1,593	-	1,593	2,028	-	2,028
from other taxes	86	-	86	159	-	159
Payments on account	99	-	99	242	-	242
Accrued items	13,872	-	13,872	8,719	5	8,724
other remaining non financial receivables	964	78	1,042	3,663	92	3,755
Total	**17,722**	**148**	**17,870**	**16,155**	**165**	**16,320**

The remaining other non-financial amounts receivable primarily include receivables from subsidies for short-time compensation. Essentially, the accrued income includes deferred advance payments for maintenance and rents.

[23] Current and Deferred Income Tax Assets

in € thousand	12/31/2021	12/31/2020
Deferred tax assets	19,387	20,133
Income tax assets	711	1,343
Total	**20,098**	**21,476**

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 chapter "[13] Income Taxes". Of the deferred tax assets, € 50,219 thousand will be realizable after more than twelve months (12/31/2020: € 47,682 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 € 2,588 thousand (31/12/2020: € 2,654 thousand) is broken down as follows:

in € thousand	12/31/2021	12/31/2020
Raw materials and supplies	1,614	1,693
Unfinished goods and services	923	895
Finished goods	51	66
Total	**2,588**	**2,654**

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 € 334 thousand (2020: € 349 thousand) were carried out on inventories with a book value before impairment of € 185 thousand (2020: € 99 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	12/31/2021	12/31/2020
Deposits with banks and cash in hand	151,091	156,292

As in the previous year, the Group held cash or cash-equivalents in the amount of € 97 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] Assets and Liabilities Held for Sale/Disposal Group

in € thousand	12/31/2021		
	Book value	Value adjustment	Fair value
Assets			
Property, plant and equipment	19	19	-
Right of use from leasing	185	185	-
Current contract assets	284	23	261
Current accounts receivables	343	-	343
Current other non-financial assets	140	-	140
Cash and cash-equivalents	539	-	539
Consolidation	- 121	-	- 121
Assets classified as held for sale/disposal group	**1,389**	**227**	**1,162**
Liabilities and provisions			
Non-current lease liabilities	24	-	24
Current financial liabilities	666	-	666
Current lease liabilities	162	-	162
Current contract liabilities	52	-	52
Current accounts payable and other liabilities	262	-	262
Current other non-financial liabilities	229	-	229
Consolidation	- 79	-	- 79
Provisions and liabilities in connection with assets held for sale/Disposal group	**1,316**	**-**	**1,316**
Net assets directly related to disposal	**73**	**227**	**- 154**
thereof recognized in ohter comprehensive income	- 12	-	- 12

The contract for the sale of the fully owned subsidiary EDAG Production Solutions CZ S.R.O. was signed on December 15, 2021. The sale became effective in the new year, at the end of January 31, 2022 (loss of control). The company's assets and liabilities are shown in the segment Production Solutions. The sale was the result of changes in the general market situation on account of the transformation process in our industry, which led to a reduction in the OEMs' ranges of models. This has had, and is still having, a direct impact on the number of production plants that are planned, and therefore on market volume. The consequences were project stops and postponements and a resulting massive deterioration in price levels.

In the previous year, no assets were qualified as non-current assets held for sale in accordance with IFRS 5.6.

[27] Equity

Subscribed Capital

The fully paid-in subscribed capital of EDAG Engineering Group AG in the amount of € 920 thousand as at December 31, 2021 continues to backed by 25 million bearer shares with a nominal value of CHF 0.04 per share.

Further information on the shares is given in the chapter "General Information ".

Consolidated Equity Development

Details of the development of the equity capital in 2020 and 2021 is shown in the Group's statement of changes in equity.

Retained earnings comprise the other retained earnings, reserves for conversion effects as per IFRS 1, and reserves from transactions under joint control, as well as the annual results of the previous years after dividend distributions and the profit of the current year.

Reserves from Profits and Losses Recognized Directly in Equity (OCI)

This item includes direct changes to equity capital resulting from the valuation of pension obligations.

Currency Conversion Difference

Differences from currency conversion include differences from the currency conversion of financial statements of non-domestic subsidiaries.

Paid and Proposed Dividends

At the annual shareholders' meeting of EDAG Group AG held on June 24, 2021, it was decided that, for the 2020 financial year, no dividend should be paid.

Subject to approval of the annual shareholders' meeting, the Board of Directors of EDAG Group AG recommends paying a dividend of € 0.20 (CHF 0.21) per share for the 2021 financial year, which will result in an overall payout of € 5,000 thousand (CHF 5,166 thousand). The Board of Directors recommends that the entire dividend payout in the amount of € 0.20 (CHF 0.21) per share proposed for 2021 should be withdrawn from the capital reserves of EDAG Group AG. Subject to this proposal being passed at the annual shareholders' meeting, any such payout will not be subject to Swiss withholding tax.

[28] Pensions and Other Post-Employment Benefits

EDAG has a company pension scheme for its employees, which takes the form of defined benefit and/or defined contribution plans. In this way, care is taken of virtually all employees for the period after their retirement.

Defined Contribution Plans

The defined contribution benefits are benefits from state and private retirement insurers, to whom payments are made on the basis of statutory regulations, or on a voluntary basis. The employer contributions paid to the statutory pension scheme on a domestic level may be viewed as defined contribution plans of this nature. Payments to defined contribution pension plans in the Group predominantly refer to contributions to statutory pension schemes in Germany. The Group has no further payment obligations besides the payment of the contributions. In the reporting year, contributions amounting to € 37,648 thousand were paid (2020: € 36,766 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	12/31/2021	12/31/2020
Present value of obligations financed through a fund	44,576	45,506
Fair value of plan assets	20,560	21,835
Financing deficit/surplus	**24,016**	**23,671**
Present value of obligations not financed through a fund	13,473	13,792
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,489**	**37,463**

The pension provision developed as follows:

in € thousand	12/31/2021	12/31/2020
Pension provision at the beginning of the financial year	37,463	37,759
Ongoing service cost	1,931	1,871
Past service cost	- 112	147
Net interes expenses (+) / income (-)	344	409
Revaluations	- 1,663	713
Effects of currency conversion	119	- 41
Benefits payments from company assets	- 666	- 3,242
Employer contributions to the fund	- 124	- 127
Repayment from the fund	220	-
Administration costs	10	10
Other Changes	- 33	- 36
Recognized pension provision	**37,489**	**37,463**

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

in € thousand	2021			2020		
	Total	VKE	Direct benefits	Total	VKE	Direct Benefits
Changes to vested net present value						
Vested net present value as at January 1	**59,298**	**43,325**	**15,973**	**60,634**	**41,385**	**19,249**
Ongoing service period cost	1,931	1,208	723	1,871	1,237	634
Past service cost	- 112	-	- 112	147	-	147
Interest expense	513	354	159	612	402	210
Revaluations of defined benefit plans						
from changes to the financial assumptions	- 1,975	- 1,359	- 616	2,074	1,353	721
from changes in demographic assumptions	80	125	- 45	- 1,321	- 102	- 1,219
Effects of currency conversion	211	-	211	- 31	-	- 31
Contributions from plan participants	124	-	124	127	-	127
Benefit payments from company assets	- 666	-	- 666	- 3,242	-	- 3,242
Benefit payments from the fund	- 1,365	- 1,225	- 140	- 1,583	- 950	- 633
Administration costs	10	-	10	10	-	10
Vested net present value as at December 31	**58,049**	**42,428**	**15,621**	**59,298**	**43,325**	**15,973**
Change in plan assets						
Fair value as at January 1	**21,835**	**19,655**	**2,180**	**22,876**	**20,611**	**2,265**
Interest income	169	158	11	203	194	9
Profit (+) / loss (-) from plan assets excluding the amount included in the interest income	- 233	- 174	- 59	38	- 200	238
Effects of currency conversion	93	-	93	11	-	11
Employer contributions to the fund	124	-	124	127	-	127
Repayment from the funds	- 220	-	- 220	-	-	-
Contributions from plan participants	124	-	124	127	-	127
Benefit payments from the fund	- 1,365	- 1,225	- 140	- 1,583	- 950	- 633
Profits (-) / losses (+) from settlements	33	-	33	36	-	36
Fair value as at December 31	**20,560**	**18,414**	**2,146**	**21,835**	**19,655**	**2,180**
Total deficit of the defined benefit obligations [Recognized pension provision]	**37,489**	**24,014**	**13,475**	**37,463**	**23,670**	**13,793**

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

in € thousand	12/31/2021		12/31/2020	
	Values	%	Values	%
Debt securities (Germany)	18,414	90%	632	3%
ofwhichinvestmentsintheemployeror relatedparties(withoutquotedmarket price)	18,414	-	632	-
Reinsurancecoverassetvalues(Germany)	-	0%	212	1%
ofwhichwithoutquotedmarketpricein an active market	-	-	212	-
Collective fund (Switzerland)	2,146	10%	1,968	9%
ofwhichwithoutquotedmarketpricein an active market	2,146	-	1,968	-
Cash and cash equivalents	-	0%	19,023	87%
Total plan assets	**20,560**	**100%**	**21,835**	**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	2021	2020
Ø Actuarial interest rate		
+ 0,50%	54,569	56,800
- 0,50%	61,751	63,023
Ø Life expectancy		
+ 1 year	58,602	59,868
- 1 year	57,504	58,767

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, 2021 was 12.8 years (2020: 12.4 years).

For the 2022 financial year, the Group is expecting disbursements from company assets for pension commitments in the amount of € 692 thousand (2021: € 613 thousand).

For the 2022 financial year, the Group is expecting disbursements from the pension fund in the amount of € 1,740 thousand (2021: € 1,359 thousand).

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

	12/31/2021	12/31/2020
Ø Discount rate		
Germany	1.13%	0.83%
Switzerland	0.20%	0.20%
Italy	1.06%	0.97%
India	6.95%	6.55%
Mexico	7.00%	7.00%
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	Guideline tables 2018 G	Guideline tables 2018 G
Switzerland	BVG 2020 GT	BVG 2015 GT
Italy	RG48	RG48
India	100% of IALM (2006-08)	100% of IALM (2006-08)

The valuation of retirement obligations was carried out on the basis on a discounting interest rate, which was determined in accordance with the Mercer Yield Curve Approach (MYC).

[29] Other Provisions

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

in € thousand	As at 01/01/2021	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	Transfer	As at 12/31/2021
Non-current provisions								
Personnel	1,734	5	8	308	- 125	-	-	1,930
Taxes	68	2	-	85	- 4	- 4	-	147
Other provisions	1,750	69	-	9	-	-	-	1,828
Total non-current provisions	**3,552**	**76**	**8**	**402**	**- 129**	**- 4**	**-**	**3,905**
Current provisions								
Taxes	622	-	-	735	- 360	- 2	-	995
Personnel	6,990	6	-	7,714	- 3,050	- 1,389	-	10,271
Warranty obligations	1,991	-	-	-	- 250	-	- 300	1,441
Onerous contracts	1,717	65	-	3,896	- 19	- 32	300	5,927
Rework	137	4	-	114	- 25	- 8	-	222
Restructuring	10,466	-	-	329	- 6,553	- 1,435	-	2,807
Legal disputes	367	4	-	5	- 123	- 127	-	126
Other current provisions	1,824	31	-	1,874	- 47	-	-	3,682
Total current provisions	**24,114**	**110**	**-**	**14,667**	**- 10,427**	**- 2,993**	**-**	**25,471**

in € thousand	As at 01/01/2020	Currency conversion differences	Unwinding of discount	Addition	Utilization	Reversal	Transfer	As at 12/31/2020
Non-current provisions								
Personnel	1,511	- 197	8	543	- 131	-	-	1,734
Tax provisions	47	- 17	-	38	-	-	-	68
Other provisions	1,892	- 153	-	36	-	- 25	-	1,750
Total non-current provisions	**3,450**	**- 367**	**8**	**617**	**- 131**	**- 25**	**-**	**3,552**
Current provisions								
Taxes	301	- 9	-	450	- 120	-	-	622
Personnel	1,904	- 149	-	6,550	- 1,108	- 207	-	6,990
Warranty obligations	437	-	-	1,971	- 366	- 51	-	1,991
Onerous contracts	3,632	- 67	-	996	- 2,713	- 131	-	1,717
Rework	234	- 1	-	18	- 95	- 19	-	137
Restructuring	5,232	-	-	10,033	- 3,622	- 1,260	83	10,466
Legal disputes	422	- 70	-	98	-	-	- 83	367
Other current provisions	2,011	- 31	-	322	- 421	- 57	-	1,824
Total current provisions	**14,173**	**- 327**	**-**	**20,438**	**- 8,445**	**- 1,725**	**-**	**24,114**

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 € 12,201 thousand (12/31/2020: € 8,725 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.

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 from previous years in the Vehicle Engineering and Production Solutions segments. These measures relate to expenditure to optimize the cost structure and improve performance.

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 40 years. Where the remaining non-current provisions are concerned, we work on the basis that these will be paid out within the next 2 to 4 years.

[30] Financial Liabilities

in € thousand	12/31/2021			12/31/2020		
	short-term	long-term	Total	short-term	long-term	Total
Liabilities due to credit institutions	730	120,041	120,771	2,163	120,378	122,541
Liabilities from loans	18,414	-	18,414	232	400	632
due to related parties	18,414	-	18,414	232	400	632
Liabilities from derivative financial instruments	-	-	-	46	-	46
Total	**19,144**	**120,041**	**139,185**	**2,441**	**120,778**	**123,219**

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 original 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 € 730 thousand (12/31/2020: € 2,163 thousand), which primarily include accrued interest from the promissory note loan.

With the exception of the restricted cash described in chapter "[25] Cash and Cash-Equivalents" [€ 97 thousand (100 thousand CHF], the Group has provided no other securities as collateral for the bank liabilities.

As of December 31, 2021, there is a current loan, including interest, in the amount of € 18,414 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V., the other major creditor, (12/31/2020: € 632 thousand). 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, 2021, and for which payments were already contractually agreed, have been included. Plan figures for future new liabilities are not included. Foreign currency amounts have been converted at the exchange rate valid on the reporting date. Financial liabilities repayable at any time are always allocated to the earliest time scale.

There were no defaults on the recognized loans during the reporting year.

in € thousand	Book value 12/31/2021	Cash-Flows 2022			Cash-Flows 2023			Cash-Flows 2024–2026			Cash-Flows 2027 onwards			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		fixed	var		
Liabilities duetocredit institutions	120,771	1,184	339	729	1,178	319	80,542	985	246	38,500	44	-	1,000	-
Liabilities from loans	18,414	-	-	-	-	-	-	-	-	-	-	-	-	18,414
due to related parties	18,414	-	-	-	-	-	-	-	-	-	-	-	-	18,414
Total	**139,185**	**1,184**	**339**	**729**	**1,178**	**319**	**80,542**	**985**	**246**	**38,500**	**44**	**-**	**1,000**	**18,414**

in € thousand	Book value 12/31/2020	Cash-Flows 2021			Cash-Flows 2022			Cash-Flows 2023–2025			Cash-Flows 2026 onwards			without fixed principal repayments
		Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	Interest		Principal repayment	
		fixed	var		fixed	var		fixed	var		fixed	var		
Liabilities duetocredit 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 instruments	46	-	-	46	-	-	-	-	-	-	-	-	-	-
Total	**123,219**	**1,207**	**375**	**2,209**	**1,187**	**319**	**729**	**2,142**	**565**	**119,011**	**67**	**-**	**1,038**	**232**

In contrast to cash outflow due to derivatives for which gross settlement has been arranged, there are also cash inflows; these are not, however, shown in this settlement analysis. If the cash inflows were also to be taken into account, the cash outflows presented would be reduced considerably.

[31] Lease Liabilities

in TEUR	12/31/2021	12/31/2020
< 1 year	16,914	17,029
> 1 year < 5 years	46,063	44,973
> 5 years	83,803	75,367
Total leasing liabilities	**146,780**	**137,369**

The following table shows the liquidity risk of EDAG in relation to lease liabilities.

in € thousand	Book value 12/31/2021	Cash-Flows 2022		Cash-Flows 2023		Cash-Flows 2024–2026		Cash-Flows 2027 onwards	
		Interest	Principal repayment	Interest	Principal repayment	Interest	Principal repayment	Interest	Principal repayment
Leasing liabilities	146,780	5,871	22,790	5,380	19,884	13,525	45,199	23,857	107,540

in € thousand	Book value 12/31/2020	Cash-Flows 2021		Cash-Flows 2022		Cash-Flows 2023–2025		Cash-Flows 2026 onwards	
		Interest	Principal repayment	Interest	Principal repayment	Interest	Principal repayment	Interest	Principal repayment
Leasing liabilities	137,369	6,465	23,657	5,946	20,330	14,938	45,637	27,380	102,474

From the Group's point of view, there is no significant liquidity risk with regard its own lease liabilities.

[32] Contract liabilities

The contract liabilities are composed of the following net amounts:

in € thousand	12/31/2021	12/31/2020
Accrued costs including partial profits and losses	169,103	186,271
Partialsettlementsandadvancepaymentsreceivedoncurrent contract liabilities	- 316,379	- 311,673
Contract liabilities	**- 147,276**	**- 125,402**

Of the contractual liabilities reported in the previous year, € 98,028 thousand was recognized as revenue in the financial year just ended (2020: € 45,500 thousand).

As in the previous year, contractual liabilities are classified as current, in accordance with their terms.

[33] Accounts Payable

The accounts payable are classified as follows:

in € thousand	12/31/2021	12/31/2020
Accounts payable		
due to third parties	19,907	22,978
due to related parties	87	-
Total	**19,994**	**22,978**

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

[34] Other Financial Liabilities

The other financial liabilities are classified as follows:

in € thousand	12/31/2021	12/31/2020
Other financial liabilities		
due to related companies	560	512
other remaining liabilities	4,451	3,179
Total	**5,011**	**3,691**

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.

[35] Other Non-Financial Liabilities

The other non-financial liabilities are classified as follows:

in € thousand	12/31/2021			12/31/2020		
	short-term	long-term	Total	short-term	long-term	Total
Other non-financial liabilities						
advance payments received on orders	497	-	497	385	-	385
due to employees	25,601	-	25,601	18,865	-	18,865
within the context of social security	2,228	-	2,228	2,001	83	2,084
deferred income	338	-	338	318	-	318
from value-added tax	12,549	-	12,549	8,836	-	8,836
from other taxes	5,668	-	5,668	5,782	-	5,782
other remaining liabilities	981	-	981	2,309	-	2,309
Total	**47,862**	**-**	**47,862**	**38,496**	**83**	**38,579**

The liabilities due to employees are primarily composed of special salary payments (€ 1,303 thousand; 12/31/2020: € 527 thousand), obligations from overtime and flexi-time credits (€ 6,552 thousand; 12/31/2020: € 4,972 thousand), obligations from outstanding vacation allowances (€ 4,947 thousand; 12/31/2020: € 4,291 thousand), profit share obligations (€ 10,048 thousand; 12/31/2020 € 6,474 thousand) and obligations from vacation pay and Christmas bonuses (€ 1,290 thousand; 12/31/2020: € 1,053 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.

[36] Current and Deferred Income Tax Liabilities

in € thousand	12/31/2021	12/31/2020
Deferred tax liabilities	20	6
Current income tax liabilities	4,493	1,865
Total	**4,513**	**1,871**

In addition to the deferred taxes explained under chapter "[13] Income Tax", the income tax liabilities include income taxes from the current year and the previous years. Of the deferred tax liabilities, € 33,445 thousand will be realizable after more than twelve months (12/31/2020: € 30,180 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 € 324.8 million (12/31/2020: € 316.3 million). Of these, € 2.5 million are domestic, € 274.4 million are German, and € 47.9 million are non-domestic (12/31/2020: domestic: € 2.6 million; Germany: € 264.6 million; non-domestic: € 49.0 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	01/01/2021 – 12/312021					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	429,271	88,893	169,453	687,617	-	687,617
Salesrevenuewithothersegments	5,865	8,615	20,723	35,203	- 35,203	-
Changes in inventories	2	- 164	123	- 39	-	- 39
Total revenues[1]	**435,138**	**97,344**	**190,299**	**722,781**	**- 35,203**	**687,578**
EBIT	**20,195**	**- 5,005**	**10,813**	**26,003**	**-**	**26,003**
EBIT margin [%]	4.6%	-5.1%	5.7%	3.6%	-	3.8%
Purchase price allocation (PPA)	2,337	201	-	2,538	-	2,538
Other adjustments	796	1,277	-	2,073	-	2,073
Adjusted EBIT	**23,328**	**- 3,527**	**10,813**	**30,614**	**-**	**30,614**
Adjusted EBIT margin [%]	5.4%	-3.6%	5.7%	4.2%	-	4.5%
Depreciation, amortization and impairment	- 32,262	- 4,159	- 5,353	- 41,774	-	- 41,774
ø Employees by segment	4,390	1,237	2,222	7,849		7,849

in € thousand	01/01/2020 – 12/312020					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Sales revenue	409,827	90,508	153,125	653,460	-	653,460
Salesrevenuewithothersegments	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

[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	01/01/2021 – 12/31/2021							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	52,847	12%	9,833	11%	56,047	33%	118,727	17%
Customer sales division B	25,000	6%	2,574	3%	39,823	24%	67,397	10%
Customer sales division C	9,732	2%	1,264	1%	8,872	5%	19,868	3%
Customer sales division D	54,506	13%	8,003	9%	21,371	13%	83,880	12%
Customer sales division E	21,114	5%	6,404	7%	1,828	1%	29,346	4%
Customer sales division F	521	0%	2,535	3%	-	0%	3,056	0%
Customer sales division G	19,047	4%	802	1%	880	1%	20,729	3%
Customer sales division H	149,686	35%	8,388	9%	8,784	5%	166,858	24%
Customer sales division I	35,741	8%	14,583	16%	12,411	7%	62,735	9%
Miscellaneous	61,077	14%	34,507	39%	19,437	11%	115,022	17%
Total	**429,271**	**100%**	**88,893**	**100%**	**169,453**	**100%**	**687,618**	**100%**

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%
Total	**409,827**	**100%**	**90,508**	**100%**	**153,125**	**100%**	**653,460**	**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	01/01/2021 – 12/31/2021					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Period-related revenue recognition	420,386	95,775	189,801	705,962	-	705,962
Point in time revenue recognition	14,750	1,733	375	16,858	-	16,858
Sales revenue with other segments	- 5,865	- 8,615	- 20,723	- 35,203	-	- 35,203
Sales revenue with third parties	**429,271**	**88,893**	**169,453**	**687,617**	**-**	**687,617**
Sales revenue with other segments	5,865	8,615	20,723	35,203	- 35,203	-
Changes in inventories	2	- 164	123	- 39	-	- 39
Total revenues	**435,138**	**97,344**	**190,299**	**722,781**	**- 35,203**	**687,578**

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**

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	01/01/2021 – 12/31/2021					
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Total Segments	Consolidation	Total Group
Germany	194,232	61,189	161,046	416,467	-	416,467
Switzerland	2,510	1,467	1,680	5,657	-	5,657
Remaining Europe	98,687	20,651	20,828	140,166	-	140,166
North America	33,222	11,366	792	45,380	-	45,380
South America	3,089	709	27	3,825	-	3,825
Asia	102,454	2,126	5,803	110,383	-	110,383
Australia	932	-	-	932	-	932
Africa	10	-	-	10	-	10
Salesrevenuewithothersegments	- 5,865	- 8,615	- 20,723	- 35,203	-	- 35,203
Sales revenue with third parties	**429,271**	**88,893**	**169,453**	**687,617**	**-**	**687,617**
Salesrevenuewithothersegments	5,865	8,615	20,723	35,203	- 35,203	-
Change in inventories	2	- 164	123	- 39	-	- 39
Total revenues	**435,138**	**97,344**	**190,299**	**722,781**	**- 35,203**	**687,578**

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
Salesrevenuewithothersegments	- 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**
Salesrevenuewithothersegments	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**

5.6 Notes on the Cash Flow Statement

At € 23.6 million, the positive operating cash flow achieved in the reporting year was well below the level of the same period in the previous year (€ 150.1 million). The reduction resulted mainly from an increase in capital tied up in the trade working capital.

The investing cash flow was € -18.4 million (2020: € -15.5 million). At € 18.7 million, the gross investments for intangible assets and property, plant and equipment in the reporting year were some 19.1 percent above the previous year's level (2020: € 15.7 million). The ratio of gross investments in relation to revenues was 2.7 percent (2020: 2.4 percent).

The free cash flow, the sum total of the operating cash flow and investing cash flow, amounted to € 5.2 million (2020: € 134.6 million).

The financing cash flow totaled € -10.6 million (2020: € -47.2 million). This primarily includes principal payments for lease liabilities totaling € 18.9 million (2020: € 19.0 million) and interest payments in the amount of € 9.3 million (2020: € 9.6 million). In contrast, further funds in the amount of € 18.2 million were raised (2020: repayment of 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 12/31/2019 / 1/1/2020	**141,698**	**160,927**	**302,625**
Cash effective payments	- 18,568	- 19,010	- 37,578
Currency effects	- 77	- 920	- 997
Non-cashchangesofleaseliabilities	-	- 3,628	- 3,628
Other non-cash changes	166	-	166
As per 12/31/2020 / 1/1/2021	**123,219**	**137,369**	**260,588**
Cash effective payments	17,574	- 18,877	- 1,303
Currency effects	84	663	747
Non-cashchangesofleaseliabilities	-	27,811	27,811
Other non-cash changes	- 1,692	- 186	- 1,878
As per 12/31/2021	**139,185**	**146,780**	**285,965**

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	12/31/2021	12/31/2020
Obligations from miscellaneous renting and leasing contracts	6,191	4,602
Open purchase orders	5,664	2,583
Other miscellaneous financial obligations	107	243
Total	**11,962**	**7,428**

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 current leases existed in the amount of EUR 1,317 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 € 45,801 thousand (2020: € 44,402 thousand). The leasing agreements entered into do not contain any variable leasing payments which have not been included in the measurement of the leasing liabilities. On the balance sheet date, there are therefore no potential cash outflows from variable lease payments that are not dependent on the development of an index or share price.

Extension and termination options are included in the leases that have been entered into. Periods arising as a result of the granting of extension options were not included in the measurement of the lease liability only if the need to exercise these was not considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. The termination options granted to the Group in leases entered into were only included in the measurement of the lease liability if the need to exercise these was considered reasonably certain at the time of initial measurement, and if, as of the balance sheet date, there had been no triggering event necessitating a reassessment of this evaluation. Due to a planned move, a 5-year extension option in a long-term building rental agreement with a basic term until January 31, 2023 was not considered reasonably certain, and was therefore not included in the measurement of the lease liability. The potential future cash outflows from the above-mentioned option period amount to a total of € 1,000 thousand (including incidental costs).

Besides this, the periods of all extension options granted to the Group were essentially included in the measurement of lease liabilities. In addition, essentially none of the termination options granted to the Group were included in the measurement of lease liability. This assessment is based on contract, asset, company and market-related factors. Special mention should be made here of the importance of the continued use of the underlying assets for the Group's business activities. In addition, provided that they will not result in enforceable rights and obligations for the Group, periods relating to automatic extensions in the future and unlimited periods of use that can be terminated by either party were not included in the measurement of the lease term.

The only residual value guarantees that exist in leases that have been entered into are related to leases for the use of motor vehicles. As of the balance sheet date, no payments are expected from the residual value guarantees issued by EDAG and included in the measurement of lease liabilities. This means that no future cash outflows are expected from residual value guarantees issued.

As of the balance sheet date, there were no restrictions or commitments in connection with leases entered into.

On the reporting date, there were two 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	future fixed cash outflows per contract year in € thousand	basic term
RealEstateLeaseAgreement1	May 1, 2022	1,778	15 years
RealEstateLeaseAgreement2	October 1, 2022	2,350	13years;2months
Total		**4,128**	

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, and a leasing receivable recognized. 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	12/31/2021			12/31/2020		
	Minimum leasing payments	Interest portion	Present values	Minimum leasing payments	Interest portion	Present values
Maturity						
up to 1 year	240	8	231	240	20	220
up to 2 years	60	-	60	240	8	231
up to 3 years	-	-	-	60	-	60
Total	**300**	**8**	**291**	**540**	**28**	**511**

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 € 1,950 thousand (2020: € 1,748 thousand). The future minimum leasing payments from noncancelable operating leases are as follows:

in € thousand	2021	2020
up to 1 year	1,816	1,729
up to 2 years	963	1,174
up to 3 years	497	640
up to 4 years	476	157
up to 5 years	257	136
more than 5 years	30	59
Total	**4,039**	**3,895**

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	12/31/2021	12/31/2020
Non-current financial liabilities	- 120,041	- 120,778
Non-current leasing liabilities	- 129,866	- 120,340
Current financial liabilities	- 19,144	- 2,441
Current leasing liabilities	- 16,914	- 17,029
Securities/derivative financial instruments	141	32
Cash and cash-equivalents	151,091	156,292
Net financial debt/-credit [-/+]	**- 134,733**	**- 104,264**
Net financial debt/-credit [-/+] wo/ Lease liabilities	**12,047**	**33,105**
Equity	115,422	101,841
Net Gearing [%] incl. Lease liabilities	**116.7%**	**102.4%**

At € 134,733 thousand, the net financial debt on December 31, 2021 is € 30,469 thousand above the previous year's value € 104,264 thousand. Without taking lease liabilities into account, the net financial assets as of December 31, 2021 amounts to € 12,047 thousand (12/31/2020: net financial assets € 33,105 thousand), which is equivalent to a reduction of € 21,058 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 two to seven years. As of December 31, 2021, there is a current loan, including interest, in the amount of € 18,414 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V., the other major creditor, (12/31/2020: € 632 thousand).

A further component of the net financial debt are liabilities from leases. As IFRS 16 Leasing is now being applied, assets and liabilities are now recognized for the agreements. 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 with credit institutions in the amount of € 106.4 million on the reporting date (12/31/2020: € 103.7 million).

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

	in € thousand	12/31/2021	12/31/2020
	Inventories	2,588	2,654
+	Current contract assets	64,732	51,319
+	Current accounts receivable	129,688	74,123
-	Current contract liabilities	- 147,276	- 125,402
-	Current accounts payable	- 19,994	- 22,978
=	**Trade Working Capital (TWC)**	**29,738**	**- 20,284**
+	Non-current other financial receivables	524	725
+	Non-current other non-financial receivables	148	165
+	Deferred tax assets	19,387	20,133
+	Current other financial receivables excl. Interest-bearing receivables	1,565	1,889
+	Current other non-financial receivables	17,722	16,155
+	Income tax assets	711	1,343
-	Non-current other non-financial liabilities	-	- 83
-	Deferred tax liabilities	- 20	- 6
-	Current other financial liabilities	- 5,011	- 3,691
-	Current other non-financial liabilities	- 47,862	- 38,497
-	Income tax liabilities	- 4,493	- 1,865
=	**Other working capital (OWC)**	**- 17,329**	**- 3,732**
	Net working capital (NWC)	**12,409**	**- 24,016**

The trade working capital increased from € -20,284 thousand to € 29,738 thousand, compared to December 31, 2020. The increase mainly results from the build-up of € 68,978 thousand in the current accounts receivable and contract assets, and conversely, the increase of € 21,874 thousand in the current contractual liabilities.

Influenced by an increase in other non-financial liabilities from taxes and to employees, the other working capital stands at € -17,329 thousand, which is a decrease compared to the previous year.

Book Values, Valuation Rates and Fair Values of the Financial Instruments as per Measurement 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, 2021, the gross book values of the accounts receivable, the adjustments recognized on these amounts, and the risk provisions for expected credit losses are as follows:

in € thousand	12/31/2021		12/31/2020	
	Gross book value	Valuation allowance/ risk provision	Gross book value	Valuation allowance/ risk provision
Accounts receivable				
neither impaired nor overdue	83,926	- 350	50,198	- 34
< 1 month	12,308	- 576	16,316	- 445
1-2 months	2,310	- 123	4,393	- 123
2-3 months	527	- 34	569	- 16
3-6 months	18,544	- 63	838	- 168
6-12 months	12,371	- 31	677	- 178
> 12 months	1,262	- 383	24,118	- 22,022
adjusted for specific valuation allowances	24,190	- 24,190	1,800	- 1,800
Total	**155,438**	**- 25,750**	**98,909**	**- 24,786**

As of December 31, 2021, specific valuation allowances were held against receivables in the amount of € 24,190 thousand (12/31/2020: € 1,800 thousand). The material facts contained therein were reported in the previous year in the maturity category greater than 12 months (Level 2). For the residual book value of € 131,248 thousand (12/31/2020: € 97,109 thousand), risk provisions were recognized for expected credit losses in the amount of € 1,560 thousand (12/31/2020: € 22,986 thousand).

The other receivables and loans are neither past due on the balance sheet date, nor have specific valuation allowances been made (12/31/2020: € 1,001 thousand).

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

in € thousand	2021			2020		
	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/	**24,820**	**1,005**	**25,825**	**3,816**	**1,016**	**4,832**
Currencyconversion difference	43	-	43	- 47	-	- 47
Additions	23,672	-	23,672	22,447	1	22,448
Utilization	- 973	- 1,001	- 1,974	- 332	-	- 332
Reversals	- 21,556	- 1	- 21,557	- 1,064	- 11	- 1,075
As per 12/31/	**26,006**	**3**	**26,009**	**24,820**	**1,006**	**25,826**

The total amount of the additions, € 23,672 thousand (2020: € 22,448 thousand) in all, consists of additions from specific valuation allowances (level 3) for the amount of € 23,450 thousand (2020: € 429 thousand) and additions from risk provisions for expected credit losses (level 2) for the amount of € 222 thousand (2020: € 22,019 thousand). The additions due to specific valuation allowances (Level 3) are primarily attributable to a transfer of the risk provisions from Level 2 to Level 3 of the impairment model due to the existence of objective indications of impairment. The total amount of the reversals, € -21,556 thousand (2020: € -1,075 thousand) in all, includes reversals of risk provisions for expected credit losses (Level 2) in the amount of € -21,426 thousand (2020: € -31 thousand). Essentially, the reversals reflect the opposite effect resulting from the level transfer mentioned above.

The average default rates used for setting up risk provisions for expected credit losses for accounts receivable vary, depending on both the due 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. 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 allo-cated to a measurement category [n.a.]	Balance sheet item as per 12/31/2021
		Carrying Amount	Fair Value		
Financial Assets					
Financial assets[1]	80	54	54	-	134
Non-current other financial assets	-	464	464	60	524
Current contract assets	-	-	-	64,732	64,732
Current accounts receivables	-	129,688	129,688	-	129,688
Current other financial assets	-	1,334	1,334	231	1,565
Current securities, loans and financial instruments	141	-	-	-	141
Cash and cash-equivalents	-	151,091	151,091	-	151,091
Financial Assets	**221**	**282,631**	**282,631**	**65,023**	**347,875**
Financial liabilitites					
Non-current financial liabilities	-	120,041	120,524	-	120,041
Non-current lease liabilities	-	-	-	129,866	129,866
Current financial liabilities	-	19,144	19,144	-	19,144
Current lease liabilities	-	-	-	16,914	16,914
Current contract liabilities	-	-	-	147,276	147,276
Current accounts payable	-	19,994	19,994	-	19,994
Current other financial liabilities	-	5,011	5,011	-	5,011
Financial liabilitites	**-**	**164,190**	**164,673**	**294,056**	**458,246**

[1] In the financial assets, classified at fair value through profit or loss [FVtPL], shares in non-consolidated subsidiaries are recognized at carried-forward acquisition 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 12/31/2020
		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	-	120,778
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**	**412,659**

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 12/31/2021			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Current securities, loans and financial instruments	139	2	-	141

in € thousand	Assessed at fair value 12/31/2020			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Current securities, loans and financial instruments	32	-	-	32
Financial liabilities (liabilities)				
Other financial liabilities	-	46	-	46

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, 2021 and 2020, 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 "[7] Net Result from the Impairment/Impairment Loss Reversal of Financial Assets"), EDAG records interest from financial instruments and the other components of the net result in the financial results.

The net profit or loss from assets and liabilities which are valued at the attributable fair value through profit or loss includes not only the results from changes in market value, income from investments, and realized gains from the disposal of these shares, but also interest paid or received on these financial instruments.

The net interest profit/loss from financial liabilities valued at amortized acquisition cost mainly includes interest expenses from financial liabilities.

The net results, according to the valuation categories in IFRS 9, are as follows:

in € thousand	From interest, dividends	From subsequent evaluation			From disposal	Net results 2021
		At fair value	Currency conversion	Valuation allowances		
Financial Assets at Amortized Cost (AC)	152	-	369	- 2,115	- 43	- 1,637
Financial Assets at Fair Value through Profit and Loss (FVtPL)	-	- 104	-	-	-	- 104
Financial Liabilities measured at Amortized Cost (AC)	- 3,125	-	-	-	-	- 3,125
Financial Liabilities at Fair Value through Profit and Loss (FVtPL)	-	7	-	-	-	7
Total	**- 2,973**	**- 97**	**369**	**- 2,115**	**- 43**	**- 4,859**

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**

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 "[30] Financial Liabilities".

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 "[30] Financial Liabilities" 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 33.30 percent (previous year 28.00 percent), an amendment of the reference interest rate by +1 percentage point would have an effect of € -98 thousand (previous year € -111 thousand) on the profit or loss for the period after income tax and 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 "[30] Financial Liabilities" are not interest-bearing, and therefore not subject to risk from changes in interest.

Currency Risks

Currency-related risks to EDAG result from financing measures and operating activities. Insofar as they have a significant effect on the Group cash flow, foreign currency risks are always hedged. On the other hand, foreign currency risks not affecting the Group cash flow (i.e. risks resulting from the conversion of assets and liabilities of group companies located abroad into the reporting currency of the Group), are not generally hedged.

Foreign currency risks from financing activities result from financial liabilities in foreign currencies and foreign currency loans.

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

On the balance sheet date, the receivables and liabilities denominated in foreign currencies, and for which the currency risks have been hedged, exist in USD, CHF, PLN, GBP, TRY, MXN, CZK 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.

EDAG is subject only to currency risks from certain currency derivatives. These derivatives serve as hedges for planned items. Exchange rate fluctuations in the currencies on which such financial instruments are based affect other operating expenses/income, as any currency losses/gains from the underlying transactions are also shown here (net gain/loss from the adjustment of financial assets to fair value).

Sensitivity Analysis

If each of the functional currencies had increased or decreased in value by 10 percent compared with the other currencies, the following effects on the profit or loss for the period after income tax and on equity would have resulted in relation to the currency relations outlined below. For the effects of the sensitivities on the profit or loss for the period, a group tax rate of 33.30 percent was anticipated (previous year 28.00 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	12/31/2021	12/31/2020
Currency sensitivities		
10% appreciation		
EUR/USD	- 469	- 129
EUR/CHF	64	68
EUR/PLN	73	52
EUR/SEK	- 63	- 4
Total revaluation	**- 394**	**- 11**
10% devaluation		
EUR/USD	573	158
EUR/CHF	- 78	- 84
EUR/PLN	- 89	- 63
EUR/SEK	77	4
Total devaluation	**482**	**14**

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 74.66 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	2021	2020
EDAG Group with boards of directors[1] (EDAG Group AG)		
Work-related expenses	975	935
Travel and other expenses	17	7
Consulting expenses	26	9
Liabilities from remuneration	560	512
EDAG Group with supervisory boards[1] (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	54	70
Compensation costs	618	773
EDAG Group with group executive management[1]		
Liabilities from remuneration	550	247

in € thousand	2021	2020
EDAG Group with ATON companies (parent company and its affiliated companies)		
Goods and services rendered	275	144
Goods and services received	-	29
Other operating expenses	-	4
Other non-operating income	6	-
Receivables	-	5
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	8	8
EDAG Group with associated companies		
Goods and services rendered	549	780
Goods and services received	1,108	1,796
Other operating income	469	532
Other operating expenses	50	50
Income from investments	611	53
Receivables	24	594
Liabilities	87	-
EDAG Group with other related companies and persons		
Goods and services rendered	113	93
Interest expense	87	81
Other operating income	13	6
Other operating expenses	5,837	4,828
Receivables	9	6
Right of use assets from leases IFRS 16	49,028	26,873
Lease liabilities IFRS 16	52,704	32,985
Current loan obligations	18,414	632

[1] Overall, these are all payments due at short notice.

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 € 23.4 million are shown in accordance with IFRS 16 (2020: € 24.6 million). These are offset by rights of use amounting to € 19.9 million on the reporting date (2020: € 21.3 million. 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 subsidiaries 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.

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. On the balance sheet date, lease liabilities from the above-mentioned agreement amounting to € 29.3 million are shown in accordance with IFRS 16. These are offset by rights of use amounting to € 29.2 million on the reporting date.

In addition, there is a short-term unsecured loan with VKE Versorgungskasse EDAG-Firmengruppe e.V. This loan has a term of one year, and carries an interest rate of 1.5 percent per annum. On the reporting date, the book value, including interest, amounts to € 18.4 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 2021 financial year. An impairment test is carried out annually. This includes an assessment of the financial position of the related company or person, and the development of the market in which they are active.

Compensation of the Members of the Board of Directors and the Group Executive Management

Details of the compensation of the members of the Group Executive Management and Board of Directors in accordance with the requirements of the Swiss Code of Obligations and the Swiss regulation to counter excessive compensation in listed companies are disclosed in the compensation report.

The Board of Directors of EDAG Group AG consisted of the following persons in the financial year just ended:

- Georg Denoke
  Chairman of the board of directors, chairman of the nomination and compensation committee
  Managing Director of ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Schweiz Sub-Holding AG (non-listed), Arbon, Switzerland (chairman of the board of directors)
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (chairman of the supervisory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (chairman of the supervisory board)
  - SGL Carbon SE (listed), Wiesbaden, Germany (member of the supervisory board, vice-chairman of the supervisory board)
  - Redpath Mining Inc. (non-listed), North Bay, Canada (member of the board of directors)

- Sylvia Schorr
  Chairwoman of the Audit Committee
  Investment manager ATON GmbH, Munich
  Mandates in other management committees:
  - EDAG Engineering Holding GmbH (non-listed), Munich, Germany (member of the supervisory board)
  - EDAG Engineering GmbH (non-listed), Wiesbaden, Germany (member of the supervisory board)

- Dr. Philippe Weber
  Member of the nomination and compensation committee
  Mandates in other management committees:
  - 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 directors 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 directors)
  - PolyPeptide Group AG (listed), Zürich, Switzerland (member of the board of directors and chairman of the management committee)

- Manfred Hahl
  Member of the Audit Committee
  Owner and director of Manfred Hahl Management + Innovation GmbH
  Mandates in other management committees:
  - Autotest Südtirol GmbH (non-listed), Franzensfeste/Mittewald, Italy (chairman 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

- Clemens Prändl
  Member of the Audit Committee
  Senior Vice President, SAP SE, Walldorf
  Mandates in other management committees:
  - 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 2021 financial year, these amounted to € 965 thousand (2020: € 926 thousand). Employer's social security contributions amounted to € 10 thousand (2020: € 9 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 € 26 thousand (2020: € 9 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 € 1,651 thousand (2020: € 1,205 thousand). 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 € 197 thousand (2020: € 144 thousand). Furthermore, EDAG Group AG did not grant the members of the Group Executive Management credits or loans. As of December 31, 2021, the present value of current pension obligations for active members of the Executive Management totaled € 76 thousand (2020: € 73 thousand). The current service cost for the pension provisions according to IFRS in 2021 aggregates to € 3 thousand (2020: € 4 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	12/31/2021	12/31/2020
Board of Directors		
Georg Denoke	-	-
Sylvia Schorr	-	-
Dr. Philippe Weber	-	-
Manfred Hahl	13,162	13,162
Clemens Prändl	-	-
Total Board of Directors	**13,162**	**13,162**
Group Executive Management		
Cosimo De Carlo	6,000	6,000
Holger Merz	115	115
Total Group Executive Management	**6,115**	**6,115**

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	2021			2020		
	Total	thereof		Total	thereof	
		Switzer-land	Germany		Switzer-land	Germany
Auditingservices	388	(70)	(318)	377	(68)	(309)
Miscellaneous auditingservices	8	-	(8)	-	-	-
Tax consulting services	11	-	(11)	-	-	-
Miscellaneous services	106	-	(106)	-	-	-
Total	**513**	**(70)**	**(443)**	**377**	**(68)**	**(309)**

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

Subsequent Events

An important agreement on the termination of a business relationship was concluded in January 2022.

On February 24, 2022, the war in Ukraine started with the Russian attack. This development creates uncertainties for the global economy. Some of our customers in particular will experience direct and indirect effects. Due to the volatile geopolitical situation, indirect effects for the EDAG Group can at this point in time neither be ruled out nor quantified.

Arbon, March 29, 2022

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 Holding GmbH	Munich	Germany	100	-
3.	EDAG Engineering GmbH	Wiesbaden	Germany	-	100
4.	EDAG-Beteiligung GmbH[3]	Fulda	Germany	-	100
5.	EDAG Production Solutions GmbH & Co. KG	Fulda	Germany	-	100
6.	EDAG Production Solutions Verwaltungs GmbH[3]	Fulda	Germany	-	100
7.	EDAG Werkzeug + Karosserie GmbH	Fulda	Germany	-	49
8.	EDAG aeromotive GmbH	Gaimersheim	Germany	-	100
9.	Parkmotive GmbH[3]	Fulda	Germany	-	100
10.	EDAG Akademie GmbH	Wiesbaden	Germany	-	100
11.	EDAG Engineering Schweiz GmbH	Arbon	Switzerland	-	100

	Registered in Switzerland and Germany	Voting right	Currency	Equity[1] 12/31/2021	Result[1] 2021
1.	EDAG Engineering Group AG[2]	-	EUR	467,055,874	- 2,171,994
2.	EDAG Engineering Holding GmbH	100	EUR	34,182,851	1,502,141
3.	EDAG Engineering GmbH	100	EUR	248,759,316	-
4.	EDAG-Beteiligung GmbH[3]	100	EUR	39,591	1,271
5.	EDAG Production Solutions GmbH & Co. KG	100	EUR	1,971,394	- 5,046,348
6.	EDAG Production Solutions Verwaltungs GmbH[3]	100	EUR	19,983	1,261
7.	EDAG Werkzeug + Karosserie GmbH	49	EUR	23,296,728	1,984,920
8.	EDAG aeromotive GmbH	100	EUR	862,865	272,048
9.	Parkmotive GmbH[3]	100	EUR	16,163	- 2,415
10.	EDAG Akademie GmbH	100	EUR	212,868	-
11.	EDAG Engineering Schweiz GmbH	100	CHF	1,448,321	500,285

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

[1] National trade law

[2] The company EDAG Engineering Group AG, Arbon, is part of the EDAG Group. However, the company is not a component of the Shareholdings as defined in Art. 959c Abs. 2 Ziff. 3 OR.

[3] Companies included at acquisition cost.

	Registered in other countries	Voting right	Currency	Equity[1] 12/31/2021	Result[1] 2021
12.	EDAG Engineering Limited	100	GBP	- 464,432	271,273
13.	EDAG do Brasil Ltda.	100	BRL	16,032,159	- 284,872
14.	EDAG, Inc.	100	USD	9,281,024	372,722
15.	EDAG HOLDING SDN. BHD.	100	MYR	2,075,707	642,237
16.	EDAG Hungary Atófejlesztö Méröki Kft.	100	EUR	3,291,484	1,035,922
17.	EDAG Production Solutions India Pvt. Ltd.	100	INR	208,611,784	- 21,136,345
18.	EDAG Technologies India Priv. Ltd.	100	INR	47,322,852	- 361,994
19.	EDAG Production Solutions CZ s.r.o.	100	CZK	- 1,704,828	- 14,170,995
20.	EDAG Japan Co., Ltd.	100	JPY	34,783,764	- 22,216,693
21.	EDAG Engineering and Design (Shanghai) Co.,Ltd.	100	CNY	47,265,476	2,176,754
22.	EDAG México S.A. de C.V.	100	MXN	64,170,278	9,931,200
23.	EDAG Servicios México S.A. de C.V.	100	MXN	10,407	-
24.	CKGP/PW & Associates, Inc.	100	USD	4,804,749	1,937,216
25.	EDAG Italia S.R.L.	100	EUR	2,373,573	557,740
26.	EDAG Engineering CZ spol. s r.o.	100	CZK	28,140,869	20,031,732
27.	EDAG Engineering Polska Sp.z.o.o.	100	PLN	10,504,250	4,050,892
28.	EDAG Engineering Spain, S.L.	100	EUR	10,857,545	426,312
29.	EDAG Engineering Scandinavia AB	100	SEK	16,854,409	4,965,361
30.	HRM Engineering AB	100	SEK	9,755,758	-
31.	OOO EDAG Production Solutions RU	100	RUB	- 3,601,921	-
32.	EDAG Netherlands B.V.	100	EUR	1,112,042	297,901
33.	EDAG Turkey Mühendislik Ltd. Sirketi	100	TRY	8,723,324	6,659,809

Report of the statutory auditor
(Consolidated Financial Statements)

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

Report on the audit of the consolidated financial statements

Audit 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, 2021 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 114 to 229) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 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 described 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 € 74.6 million (11% of the Group's total assets). In this process, the company considers each of its three segments as a cash-generating unit (CGU). Centralized 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.

Goodwill is regularly measured on the basis of the value in use 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 in use is calculated using the discounted cash flow method, based in principle on a five-year planning horizon. The approved five-year plan is the starting point for the impairment tests, and is updated with assumptions relating to future incoming orders, costs, industry trends, long-term market growth rates and economic cycles, among other things. 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 reviewed and assessed the controls established by EDAG Engineering Group AG to measure goodwill.
- 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. The following checks were performed to assess the forecast accuracy of the future cash in-flows:
  - Comparison of the previous year's budget with the actual figures;
  - Comparison of the information with the latest budget figures taken from the five-year plan;
  - Reconciliation to general and industry-specific market expectations.
- 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 and examined the calculation model.
- In addition, we also reviewed the completeness and appropriateness of the disclosures required by IAS 36.

The Group disclosures concerning goodwill and the associated company are set out in the chapter «Accounting and valuation principles» under «Impairment» and chapter «[15] Intangible Assets» of the notes to the consolidated financial statements.

On the basis of our audit activities and the evidence obtained, we consider the valuation procedures and the valuation assumptions applied to be an appropriate and sufficient basis for testing goodwill for impairment.

Recoverability of accounts receivable

Key audit matters

In the consolidated financial statements of EDAG Engineering Group AG, an amount of € 129.7 million (19 % of the consolidated balance sheet total) is re-ported 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.

How our audit addressed the key audit matters

During our audit, we performed following audit procedures:

- We reviewed and assessed the controls established by EDAG Engineering Group AG for the valuation of amounts receivable.
- We 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

The Group's disclosures on amounts receivable are included in the chapter «Financial instruments», in the chapter «Accounting policies»", and in chapter 5.7 «Financial instruments» of the notes to the joint financial statements.

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 € 687.6 million. The Group's income is influenced significantly 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 chapter «Accounting and valuation principles», under «Contracts with Customers» and in the chapter «[20] Contract assets» and «[32] Contract liabilities» 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 joint 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 materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union (EU) and the provisions of the 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 as to 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://expertsuisse.ch/wirtschaftspruefung-revisionsbericht. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Deloitte AG

Roland Müller Accredited Audit expert Auditor in charge	Mario Sosic Accredited Audit expert

Zurich, March 29, 2022

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

STATUTORY FINANCIAL STATEMENT

EDAG Engineering Group AG

January to December 2021

1 Statement of Financial Position

in €/CHF thousand	Note	12/31/2021 € thousand	12/31/2021 CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand
Assets					
Current assets					
Cash and cash equivalents		185	191	336	363
Current accounts receivables	(A1)	2	2	0	0
Other current receivables	(A1)	5	5	25	27
Accrued items	(A2)	48	50	83	90
TOTAL current assets		**240**	**248**	**444**	**480**
Non-current assets	**(A3)**				
Investment		476,160	491,921	394,560	426,204
Property, plant and equipment		35	36	36	37
TOTAL non-current assets		**476,195**	**491,957**	**394,596**	**426,242**
TOTAL assets		**476,435**	**492,205**	**395,040**	**426,722**

in €/CHF thousand	Note	12/31/2021 € thousand	12/31/2021 CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand
Liabilities, Provisions and Equity					
Current liabilities and provisions					
Current accounts payable	(A4)	78	81	96	104
Current financial liabilities	(A4)	8,570	8,854	6,370	6,881
Other current liabilities	(A4)	573	592	516	557
Provisions	(A5)	158	163	78	84
TOTAL current liabilities and provisi-ons		**9,379**	**9,690**	**7,060**	**7,626**
Non-current liablities and provisions					
Non-current financial liabilites	(A4)	0	0	400	432
TOTAL non-current liabilties and provisions		**0**	**0**	**400**	**432**
Equity					
Share capital	(A6)	920	1,000	920	1,000
Capital reserves	(A7)	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/losses (-)	(A3)	66,556	71,582	- 12,920	- 14,265
Currency conversion difference		0	- 20,529	0	1,467
TOTAL equity		**467,056**	**482,515**	**387,580**	**418,664**
TOTAL liabilities, provisions and equity		**476,435**	**492,205**	**395,040**	**426,722**

2 Income Statement

in €/CHF thousand	Note	2021 € thousand	2021 CHF thousand	2020 € thousand	2020 CHF thousand
Other operating income	(A8)	85	91	90	96
Personnel expenses	(A9)	- 1,482	- 1,602	- 1,361	- 1,457
Other expenses	(A10)	- 601	- 650	- 491	- 526
Depreciation and impairment	(A11)	- 6	- 6	- 5	- 6
Financial income	(A12)	- 151	- 163	- 257	- 275
Direct taxes	(A13)	- 17	- 18	- 18	- 19
Loss		**- 2,172**	**- 2,349**	**- 2,042**	**- 2,186**

3 Cash Flow Analysis

	in €/CHF thousand	2021 € thousand	2021 CHF thousand	2020 € thousand	2020 CHF thousand
	Loss	**-2,172**	**-2,349**	**-2,042**	**-2,186**
+/-	Depreciation and amortization/Write-ups on tangible and intangible assets	6	6	5	6
-/+	Increase/Decrease in receivables and other assets	53	57	19	20
+/-	Increase/Decrease in current provisions	61	66	-33	-35
+/-	Increase/Decrease in accounts payable, other current liabilities, other provisions and accrued items	40	43	-103	-110
=	**Cash inflow/outflow from operating activities/ operating cash flow**	**-2,012**	**-2,176**	**-2,154**	**-2,305**
-	Payments for investments in tangible fixed assets	-5	-5	0	0
+	Received dividends	0	0	14,350	15,359
=	**Cash inflow/outflow from investing activities/ investing cash flow**	**-5**	**-5**	**14,350**	**15,359**
+/-	Deposits/Payments from financing activi-ties to affiliated companies	1,800	1,860	-12,030	-12,995
=	**Cash inflow/outflow from financing activities/ financing cash flow**	**1,800**	**1,860**	**-12,030**	**-12,995**
	Net cash changes in financial funds	**-217**	**-322**	**166**	**59**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	0	79	0	119
+	Financial funds at the start of the period	336	363	170	185
+	Increase in cash from merger	66	71	0	0
=	**Financial funds at the end of the period [cash & cash equivalents]**	**185**	**191**	**336**	**363**
=	**Free cash flow (FCF) – equity approach**	**-2,017**	**-2,182**	**12,196**	**13,054**

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 functional 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, 2021, as in the year before, the largest individual shareholder of EDAG Group AG is ATON Austria Holding GmbH, which holds 74.66 percent. A further shareholder with holdings of more than five percent is LOYS Investment S.A. with 5.03 percent, as in the previous year.

For the financial year ending December 31, 2021, 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.

Until its fusion with EDAG Engineering Group AG on June 24, 2021 (with retrospective effect from January 1, 2021) the only direct subsidiary was EDAG Engineering Schweiz Sub-Holding AG, a Swiss intermediate holding company with its head office in Arbon, which indirectly held 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 (OR) (articles 957 – 963b OR).

The financial year is the same as the calendar year. The reporting period is from January 1, 2021 to December 31, 2021. 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:

		2021	2020	
Statement of Financial Position	EUR into CHF	1.0331	1.0802	(spot exchange rate on accounting date)
Income Statement	EUR into CHF	1.0814	1.0703	(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.

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	12/31/2021 € thousand	12/31/2021 CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand
Current accounts receivable	**2**	**2**	**0**	**0**
affiliated companies and related parties	2	2	0	0
Other current receivable	**5**	**5**	**25**	**27**
third parties	5	5	25	27
Total	**7**	**7**	**25**	**27**

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 Holding GmbH, Munich is listed. This investment was taken on in the course of the fusion of EDAG Engineering Schweiz Sub-Holding AG. The shares are valued at acquisition cost less any impairment losses.

Last year, the investment in EDAG Engineering Schweiz Sub-Holding AG was shown as € 394,560, which was lost in the reporting period within the context of the merger. This results in a merger gain in the amount of € 81,648 thousand (€ 88,196 thousand).

Die EDAG Engineering Holding GmbH, Munich, is a German intermediate holding company, and 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.

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	12/31/2021 € thousand	12/31/2021 CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand
Liabilities	**78**	**81**	**96**	**104**
affiliated companies and related parties	44	45	36	39
third parties	34	35	60	65
Other interest-bearing current liabilties	**8,570**	**8,854**	**6,370**	**6,881**
affiliated companies and related parties	8,570	8,854	6,370	6,881
Other current liabilities	**573**	**592**	**516**	**557**
Board of Directors	560	578	512	553
third parties	13	14	4	4
Interest-bearing non-current liabilities	**0**	**0**	**400**	**432**
related parties	0	0	400	432
Total	**9,221**	**9,526**	**7,382**	**7,974**

Provisions (A5)

in €/CHF thousand	12/31/2021 € thousand	12/31/2021 CHF thousand	12/31/2020 € thousand	12/31/2020 CHF thousand
Provisions	158	163	78	84
Total	**158**	**163**	**78**	**84**

The provisions include personnel expenses in the amount of € 100 thousand (CHF 103 thousand) [previous year: € 30 thousand (CHF 35 thousand)] accounting and auditing costs in the amount of € 58 thousand (CHF 60 thousand) [previous year: € 48 thousand (CHF 52 thousand)].

Share Capital (A6)

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 (A7)

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 (A8)

The other operating income in the amount of € 85 thousand (CHF 91 thousand) [previous year: € 90 thousand (CHF 96 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 (A9)

Personnel expenses can be broken down as follows:

in €/CHF thousand	**2021**	**2021**	**2020**	**2020**
	€ thousand	CHFthousand	€ thousand	CHFthousand
Salaries	1,424	1,539	1,304	1,396
Socialsecuritycontributions	58	63	57	61
Total	**1,482**	**1,602**	**1,361**	**1,457**

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 € 94 thousand (CHF 101 thousand) [previous year: € 30 thousand (CHF 32 thousand)].

Other Operating Expenses (A10)

Other operating expenses are mainly made up of:

in €/CHF thousand	2021 € thousand	2021 CHFthousand	2020 € thousand	2020 CHFthousand
Consulting,contributionsand fees	262	283	227	243
Insurance	123	133	66	70
General administration expenses	93	101	90	97
Rents and leases	36	38	34	36
Travel expenses	32	35	25	27
Salesandmarketingexpenses	32	35	31	33
Expensesfromcurrencylosses	13	14	6	6
Expensesfromgroupservices affiliated companies	9	10	11	12
Other operating expenses	1	1	1	1
Total	**601**	**650**	**491**	**525**

No material expenses for other accounting periods were incurred.

Depreciation, Amortization and Impairment (A11)

Depreciation was carried out on property, plant and equipment.

Financial Expense (A12)

in €/CHF thousand	2021 € thousand	2021 CHFthousand	2020 € thousand	2020 CHFthousand
Interestandsimilarexpenses	151	163	257	275
(thereof to affiliated companies)	(142)	(154)	(257)	(275)
(thereof to related companies)	(9)	(10)	(0)	(0)
Total	**151**	**163**	**257**	**275**

No interest expense for other accounting periods is included.

Direct Taxes (A13)

in €/CHF thousand	2021 € thousand	2021 CHF thousand	2020 € thousand	2020 CHF thousand
Direct Taxes	**17**	**18**	**18**	**19**
Capital tax	17	18	18	19
Total	**17**	**18**	**18**	**19**

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, 2021 or December 31, 2020.

Other Financial Obligations

Other financial obligations due to affiliates exist for future costs from existing rental and service agreements; these amount to € 170 thousand (CHF 175 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 € 153 thousand (CHF 164 thousand) [previous year: € 143 thousand (CHF 153 thousand)] plus bonus payments in the amount of € 82 thousand (CHF 89 thousand) [previous year: € 27 thousand (CHF 29 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	12/31/2021	12/31/2020
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 € 950 thousand (CHF 1,027 thousand) [previous year: € 903 thousand (CHF 966 thousand)].

Only Manfred Hahl holds shares in EDAG Group AG (number of shares: 13,162, as in the previous year). 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: https://www.edag.com/en/edag-group/investor-relations, and will be submitted to the Electronic Federal Gazette in Germany.

Appropriation of Net Income

in € thousand/ CHF thousand	2021 € thousand	2021 CHFthousand	2020 € thousand	2020 CHFthousand
Balance brought forward	**-12,920**	**- 14,265**	**- 10,878**	**- 12,079**
Appropriationofearningsin accordancewithresolutionof theAnnualGeneralMeeting	0	0	0	0
Removalfromlegalcapital reserve	0	0	0	0
Dividend payout to shareholders	0	0	0	0
Merger result	81,648	88,196	0	0
Loss of the year	**-2,172**	**-2,349**	**- 2,042**	**- 2,186**
Total retained profits/losses (-)	**66,556**	**71,582**	**- 12,920**	**- 14,265**

Appropriation of reserves proposed by the Board of Directors

in € thousand/ CHF thousand	2021 Proposal of Board of Directors € thousand	2021 Proposal of Board of Directors CHFthousand	2020 Proposal of Board of Directors € thousand	2020 Proposal of Board of Directors CHFthousand
Total retained profits/losses (-)	**66,556**	**71,582**	**- 12,920**	**- 14,265**
Allocationtolegalretained earnings	0	0	0	0
Removal from legal retained earnings	0	0	0	0
Allocationtolegalcapital reserve	0	0	0	0
Removalfromlegalcapital reserve	5,000	5,166	0	0
Dividend payout to shareholders	-5,000	-5,166	0	0
Balance to be carried forward	**66,556**	**71,582**	**- 12,920**	**- 14,265**

Subject to approval of the annual shareholders' meeting, the Board of Directors recommends that the retained earnings of € 66,556 thousand (CHF 71,582 thousand) should be carried forward to the new statement, and is in favor of a dividend payout of € 0.20 (CHF 0.21) per share, which will result in an overall payout of € 5,000 thousand (CHF 5,166 thousand). The Board of Directors recommends that the entire dividend payout in the amount of € 0.20 (CHF 0.21) per share proposed for 2021 should be withdrawn from the capital reserves. Subject to this proposal being passed at the annual shareholders' meeting, any such payout will not be subject to Swiss withholding tax.

The dividend falls due on June 30, 2022 at the latest, and is payable in euros. The dividend will be converted from euros into Swiss francs (CHF) at the rate applying on the date of the annual shareholders' meeting. The resolution approving dividends in CHF will therefore differ from the above amount in CHF. The CHF/EUR conversion rate must not exceed 1.50, at which rate the dividend payout total could amount to CHF 7,500 thousand, with corresponding adjustment of the capital contribution reserves in the new statement.

Subsequent Events

On February 24, 2022, the war in Ukraine started with the Russian attack. This development creates uncertainties for the global economy. Some of our customers in particular will experience direct and indirect effects. Due to the volatile geopolitical situation, indirect effects for the EDAG Group can at this point in time neither be ruled out nor quantified.

Arbon, March 29, 2022

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				
	01/01/2021	Additions	Disposals	Currency translation	12/31/2021
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	6	0	0	81
Total property, plant and equipment	**75**	**6**	**0**	**0**	**81**
Investments					
Shares in affiliated companies	394,560	689,971	394,560	0	689,971
Total financial assets	**394,560**	**689,971**	**394,560**	**0**	**689,971**
TOTAL	**394,636**	**689,977**	**394,560**	**0**	**690,053**

in CHF thousand	(Historical) Cost				
	01/01/2021	Additions	Disposals	Currency translation	12/31/2021
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	81	6	0	-4	84
Total property, plant and equipment	**81**	**6**	**0**	**-4**	**84**
Investments					
Shares in affiliated companies	426,204	712,809	407,620	-18,584	712,809
Total financial assets	**426,204**	**712,809**	**407,620**	**-18,584**	**712,809**
TOTAL	**426,286**	**712,815**	**407,620**	**-18,587**	**712,894**

in € thousand	Accumulated depreciation				Carrying amount	
	01/01/2021	Additions	Currency translation	12/31/2021	01/01/2021	12/31/2021
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	39	7	0	46	36	35
Total property, plant and equipment	**39**	**7**	**0**	**46**	**36**	**35**
Investments						
Shares in affiliated companies	0	213,811	0	213,811	394,560	476,160
Total financial assets	**0**	**213,811**	**0**	**213,811**	**394,560**	**476,160**
TOTAL	**40**	**213,818**	**0**	**213,858**	**394,596**	**476,195**

in CHF thousand	Accumulated depreciation				Carrying amount	
	01/01/2021	Additions	Currency translation	12/31/2021	01/01/2021	12/31/2021
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	42	8	-2	48	39	36
Total property, plant and equipment	**42**	**8**	**-2**	**48**	**39**	**36**
Investments						
Shares in affiliated companies	0	220,888	0	220,888	426,204	491,921
Total financial assets	**0**	**220,888**	**0**	**220,888**	**426,204**	**491,921**
TOTAL	**43**	**220,896**	**-2**	**220,937**	**426,243**	**491,957**

Changes in Equity

in € thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Retained loss/profits	Others	Total equity
As per 01/01/2021	**920**	**399,660**	**- 80**	**399,580**	**- 12,920**	**-**	**387,580**
Loss	-	-	-	-	- 2,172	-	- 2,172
Merger result	-	-	-	-	81,648	-	81,648
As per 12/31/2021	**920**	**399,660**	**- 80**	**399,580**	**66,556**	**-**	**467,056**

in CHF thousand	Subscribed capital	Capital reserve	Other capital reserve	Total capital reserve	Retained loss/profits	Others	Total equity
As per 01/01/2021	**1,000**	**430,549**	**- 87**	**430,462**	**- 14,265**	**1,467**	**418,664**
Currency conversion difference at the beginning balance	-	-	-	-	-	- 21,996	- 21,996
Loss	-	-	-	-	- 2,349	-	- 2,349
Merger result	-	-	-	-	88,196	-	88,196
As per 12/31/2021	**1,000**	**430,549**	**- 87**	**430,462**	**71,582**	**- 20,529**	**482,515**

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 Holding GmbH	Germany	100	-	100
2.	EDAG Engineering GmbH	Germany	-	100	100
3.	EDAG-Beteiligung GmbH	Germany	-	100	100
4.	EDAG Production Solutions GmbH & Co. KG	Germany	-	100	100
5.	EDAG Production Solutions Verwaltungs GmbH	Germany	-	100	100
6.	EDAG Werkzeug + Karosserie GmbH	Germany	-	49	49
7.	EDAG aeromotive GmbH	Germany	-	100	100
8.	Parkmotive GmbH	Germany	-	100	100
9.	EDAG Akademie GmbH	Germany	-	100	100
10.	EDAG Engineering Schweiz GmbH	Switzerland	-	100	100

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

For the following companies which were indirectly held on 31 December 2020 (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:

EDAG Engineering Schweiz Sub-Holding AG was merged with EDAG Engineering Group AG with effect from January 1, 2021.

Report of the statutory auditor
(Statutory financial statement)

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

Report on the audit of the financial statements
Audit opinion
We have audited the financial statements of the EDAG Engineering Group AG, which comprise the balance sheet as at December 31, 2021, the income statement and cash flow statement for the year then ended, and the notes.

In our opinion, the financial statements (pages 240 to 261) as at December 31, 2021 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 professional 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 Holding GmbH in the amount of € 476 million (CHF 492 million) represents the largest asset on the balance sheet (99.9 % of total assets) as at December 31, 2021. If this investment had to be impaired, it would have a significant impact on the equity of the Company. Testing the investment for impairment depends on the future results of the company concerned. In addition, there is significant scope for judgement in determining the assumptions relating to future results.

Please refer to the notes and, in particular, 'Information on accounting, valuation and disclosure methods' (accounting for and valuation of assets) and the 'Notes on balance sheet items' (fixed assets).

How our audit addressed the key audit matter
Building on the impairment tests of the balance sheet item «Goodwill» in the consolidated financial statements, we focused our audit on the following audit procedures:

- We verified the method used to test the investment for impairment in the separate financial statements and assessed the calculation of the discount rate.
- We assessed the appropriateness of the future cash inflows used for the valuation on the basis of a five-year plan drawn up by the Board of Directors.
- 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, and examined the calculation model.

On the basis of our audit activities and the evidence obtained, we consider the valuation procedures and the valuation assumptions applied to be appropriate and the valuation of the investment to have been adequately addressed.

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 the 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 as to 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:// http://expertsuisse.ch/wirtschaftspruefung-revisionsbericht. 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.

Furthermore, we confirm that the appropriation of net income complies with Swiss law and the Articles of Association and recommend that the financial statements submitted to you be approved.

Deloitte AG

Roland Müller
Accredited Audit expert
Auditor in charge

Mario Sosic
Accredited Audit expert

Zurich, March 29, 2022

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

FINALLY...

AFFIRMATION OF THE LEGAL REPRESENTATIVES (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 29, 2022

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
Felix Schuster · Head of Marketing and Communications
+49 173 7345473 · felix.schuster@edag.com

Issued by
EDAG Engineering Group AG
Schlossgasse 2 · 9320 Arbon/Schweiz

Editor-in-chief
Felix Schuster

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