2017 FINANCIAL YEAR
INTERIM REPORT AS OF MARCH 31, 2017

CONTENT

CREATE FOR THE BEST. BE PRORUPTIVE!

EDAG PRESENTS FUTURE-ORIENTED ENGINEERING CONCEPT FOR GREATER SUSTAINABILITY AND PROFITABILITY IN GENEVA

From electric vehicles, autonomous driving, connectivity, 3D printing and new mobility concepts to the fully networked manufacturing of Industry 4.0: are we on the threshold of the complete reinvention of the product "automobile"? Never before in the history of the automotive industry has the question "quo vadis" been as pertinent as it is today. Aside from the discussion regarding alternative powertrains, the digitization of the auto industry was a further dominant theme at this year's Geneva Motor Show. "Disruption" is, however, a frequently anticipated by-effect of the digital transition. EDAG presented its engineering concept "Create for the best. Be proruptive" for greater sustainability and profitability at the Geneva show, demonstrating that improving established solutions without avoiding state-of-the-art technologies and methods can be very worthwhile.

With the Bosch show car and a restored 1968 Mercedes Pagode model, EDAG had an apparent contradiction on show at its stand.

Designed and realized for Bosch by EDAG, the futuristic show car offers an advance impression of the fully networked vehicle of the future, while the perfectly restored 1968 classic Mercedes car had been retrofitted with the latest features, to ensure that the car meets the safety requirements essential on today's roads. Thanks to digitization, completely new versions of some parts were produced. "If components are no longer available, then we use digital tools to create new ones that are true to size," explained Jörg Ohlsen. One example is the existing trunk lid, which was not in very good condition; this was digitized and then compared with the original drawings. On this basis, a digital data record of the component was created 49 years after it was first made, and then used to design and produce the corresponding tools. The result was that ideal conditions were created for the modern, rapid production of components for the future restoration of further models from this series. This example show how, with modern technology, it is possible not only for automobile treasures to be restored and preserved for the future, but also for new business models to be generated.

Another area in which EDAG sees great potential for proruptive engineering is 3D printing. With a bionically optimized, hybrid spaceframe, EDAG demonstrates a new angle on how to bring about a changeable, flexibly manufactured body concept. Its success lies in the combination of printed body nodes and intelligently finished, conventionally manufactured sections. The advantages of 3D printing can be put to optimum use here. The many different nodes required for different vehicle variants can be produced without tools

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and at low cost, even where small quantities are concerned. "In addition, we are also working intensively on forward-looking subjects such as connectivity, HMI, e-mobility and the Ethernet in the vehicle," said Jörg Ohlsen, CEO of the EDAG Group. "These features will help to successively increase the comfort and safety of driving. We do not expect an abrupt change – particularly when it comes to alternative drive concepts – but rather a transition phase during which conventional and the latest technology will exist parallel to each other. This implies greater market opportunities and volumes for us as engineering specialists. But also expectations that we will continually expand our skills and develop new business fields."

TRIVE.ENERGY – INTELLIGENT ENERGY AND COST MANAGEMENT BY APP

In February, as part of an economic development scheme for energy efficiency and renewable energy funded by RhönEnergie Fulda, the EDAG brand "trive.me" was awarded a development grant for the product idea "trive.energy".

Trive.energy is a customer portal for the supply and demand of energy quantities that enables electricity users to gear their energy demands more strongly to the volatile energy market. By granting them time-related flexibility when using electricity, this means they can save money without changing to a different energy tariff. In this way, the web application provides an answer to the current trends of electric mobility and energy efficiency. The product is currently in the test phase. In the initial test phase, a two-day usability test was carried out in cooperation with the University of Fulda. The second test phase began in May 2017, when the web application started its beta test phase with a restricted range of functions.

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KEY FIGURES AND EXPLANATIONS OF THE EDAG GROUP AS PER MARCH 31, 2017

(in € million or %)	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
Vehicle Engineering	110.4	116.3
Production Solutions	29.2	28.8
Electrics/Electronics	40.4	40.0
Consolidation/Others	- 1.8	- 2.5
Total revenues and changes in inventories	**178.1**	**182.6**
Growth of core business:		
Vehicle Engineering	*-5.1%*	*4.9%*
Production Solutions	*1.4%*	*4.0%*
Electrics/Electronics	*1.0%*	*3.8%*
Total change of revenues and changes in inventories	**-2.4%**	**4.5%**
Vehicle Engineering	6.9	8.8
Production Solutions	2.0	2.5
Electrics/Electronics	1.8	1.6
Others	-	- 0.1
Adjusted EBIT	**10.7**	**12.8**
Vehicle Engineering	*6.3%*	*7.5%*
Production Solutions	*6.8%*	*8.8%*
Electrics/Electronics	*4.4%*	*4.1%*
Adjusted EBIT margin	**6.0%**	**7.0%**
Profit or loss	**5.1**	**6.0**
Earnings per share (€)	0.21	0.24

(in € million or %)	3/31/2017	12/31/2016
Fixed assets	183.1	186.8
Net working capital	92.2	99.6
Net financial debt	- 84.8	- 98.1
Provisions	- 39.8	- 39.6
Held for sale	8.3	4.1
Equity	**159.0**	**152.8**
Balance sheet total	**440.7**	**430.4**
Equity/BS total	*36.1%*	*35.5%*
Net financial debt/Equity	*53.3%*	*64.2%*

(in € million or %)	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
Operating cash flow	18.0	4.0
Investing cash flow	- 2.9	- 7.5
Free cash flow	15.1	- 3.6
Financing cash flow	- 2.4	- 1.4
Adjusted cash conversion rate[1]	80.8%	66.5%
CapEx	3.0	7.1
CapEx/Revenues and changes in inventories	*1.7%*	*3.9%*

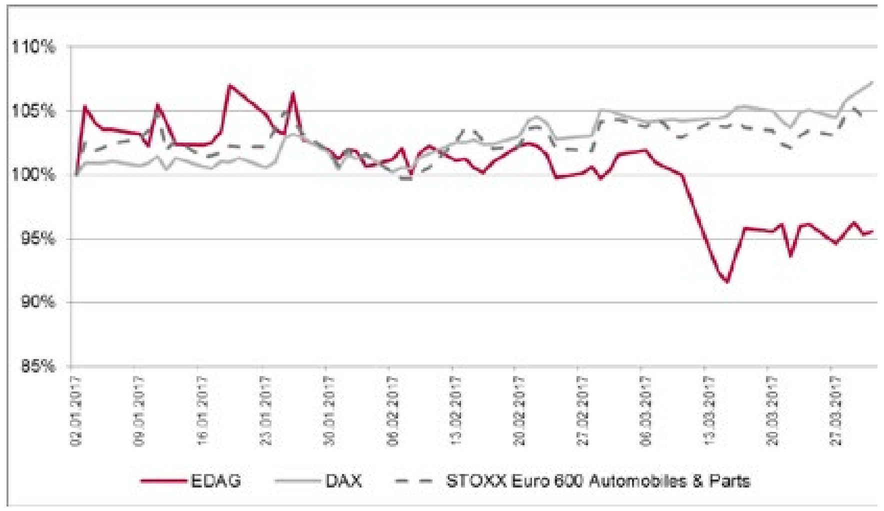
	3/31/2017	12/31/2016
Headcount end of period	8,136	8,270
Trainees as %	*6.3%*	*6.9%*

[1] Adjusted Cash Conversion is defined as Adjusted EBIT before depreciation and amortization less capital expenditures divided by Adjusted EBIT before depreciation and amortization. The Adjusted EBIT before depreciation and amortization is the Adjusted EBIT plus depreciation and amortization less effects of the amortization of step-ups due to purchase price allocations.

The market environment of the EDAG Group during the current financial year has continued to be challenging.
At € 178.1 million, sales revenues and changes in inventories in the first quarter of 2017 remained below the previous year's level of € 182.6 million. This is chiefly attributable to lower performance and profit margins in the Vehicle Engineering segment.
The EBIT (adjusted EBIT), which was primarily adjusted for the effects from the purchase price allocations, stood at € 10.7 million, 16.7 percent below the value for the previous year (€ 12.8 million). Important reasons for the deviation in the results compared to the same period in the previous year were lower productivity and price pressure in the market for engineering services, as well as higher severance and settlement expenses. The unadjusted EBIT stood at € 9.3 million, compared to the previous year's value of € 10.8 million.
The headcount, including trainees, on March 31, 2017 was 8,136 employees (12/31/2016: 8,270 employees).
In the first quarter just ended, gross investments in fixed assets amounted to € 3.0 million, which was significantly below the level of the same period in the previous year (€ 7.1 million). The equity ratio on the reporting date was 36.1 percent (12/31/2016: 35.5 percent).
At € 84.8 million, the net financial debt is below the value on March 31, 2016 (€ 99.7 million) and on December 31, 2016 (€ 98.1 million). The reason for this is that the trade working capital decreased compared to December 31, 2016.

THE EDAG SHARE

On January 2, 2017, the DAX started the first quarter of the financial year with 11,426 points. This was also the lowest level in the reporting period. The DAX subsequently rose to the closing rate of 12,313 points on the last day of trading in the reporting period. The STOXX Automobiles & Parts Index fluctuated between 541 and 571 points during the same period.
On January 2, 2017, the opening price of the EDAG share in Xetra trading was € 15.70. The price subsequently rose to € 16.70 on January 19. In the following period, the price successively decreased, reaching € 14.29 on March 15, its lowest value in the reporting period. It had recovered somewhat by March 31, with the share closing at € 14.90. During the first quarter of 2017, the average Xetra trade volume was 19,310 shares a day.



Source: Comdirect

	1/1/2017 – 3/31/2017
Prices and trading volume:	
Share price on March 31 (€)[2]	14.90
Share price, high (€)[2]	16.70
Share price, low (€)[2]	14.29
Average daily trading volume (number of shares)[3]	19,310
Market capitalisation on March 31 (€ million)	372.50

[2] Closing price on Xetra

[3] On Xetra.

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

INTERIM MANAGEMENT REPORT

1 Basic Information on the Group

1.1 Business Model

Three Segments

With the parent company, EDAG Engineering Group AG, Arbon (Switzerland), the EDAG Group is one of the largest independent engineering partners to the automotive industry, and specializes in the development of vehicles, derivatives, modules and production facilities. Our special know-how, particularly at the largest subsidiary, EDAG Engineering GmbH, is in complete vehicle and module development, and in the guidance and support of customers from the initial idea through to the finished prototype. In addition, BFFT Gesellschaft für Fahrzeugtechnik mbH, one of our subsidiaries, has specialized technical knowledge in the field of electrical and electronic development. EDAG Production Solutions GmbH & Co.KG offers particular expertise in the development of production facilities and their implementation.

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

Our main focus is on the automobile and commercial vehicle industries. A closely integrated global network of some 60 facilities ensures our customers of our local presence.

Presentation of the Vehicle Engineering Segment

The Vehicle Engineering segment consists of services along the vehicle development process as well as responsibility for derivative and complete vehicles. The segment is divided into the following divisions:
Our **Body Engineering** department brings together all of our services such as package & ergonomics, body assembly as well as interior and exterior. This also includes the development of door, cover and lid systems. Further, the Body Engineering department is involved with new technologies and lightweight design, as well as commercial vehicle development and the development of car lights such as headlamps, rear and small lamps. Interface ma-

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

Presentation of the Production Solutions Segment

The Production Solutions segment – operating through the independent company EDAG Production Solutions GmbH & Co. KG ("EDAG PS"), its international subsidiaries and profit centers – is an allround engineering partner which accepts responsibility for the development and implementation of production processes at 18 sites in Germany and at international sites in South Korea, India, the Czech Republic, Russia, Hungary, Brazil, Mexico and China. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization from a single source.

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

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

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

Presentation of the Electrics/Electronics Segment

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

The **E/E Vehicle Engineering** division is responsible for function development in the course of complete vehicle or derivative projects. The range of tasks extends from the concept phase to production support. Further fields of activity include the development of new electronic architectures, and approval, drafting and control activities in the development or integration of physical vehicle electrical systems. Alternative drive systems such as electric or hybrid drives, have a significant influence on the E/E architecture and the vehicle electrical system. The E/E Vehicle Engineering department is dealing more and more with these trends. The **E/E Systems Engineering** division works on the elaboration and definition of demands on the electrical and electronic systems. It also deals with the integration of several system components (control unit, sensors, actuators) to give a whole system, and with the subsequent validation of the system with regard to function, networking and diagnosis. A further skill is the physical and functional integration of E/E systems in vehicles and their subsequent validation by means of appropriate test procedures. Due to the trend towards partially and highly automated driving, the driver assistance system department is experiencing above-average expansion.

E/E Embedded Systems develops and validates hardware and software for electronic control units, from the conceptual design, through production-ready development, to model set-up and commissioning.

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

1.2 Targets and Strategies

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

- Growth by intensifying and extending our fields of activity and customer portfolio
- Customer enthusiasm on account of our technological know-how and innovative ability
- Attractiveness as an employer
- Profitability through professional project and resource management

For a more detailed representation of the above-mentioned objectives, please see the Annual Report for 2016.

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

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the International Monetary Fund (IMF), the world economy exhibited 3.1 percent growth in the previous year (2016). In the January forecast, global growth was projected to increase by 3.4 percent in 2017. Despite numerous political risks across the globe, the IMF has revised its forecast for world economic performance, increasing it slightly to 3.5 percent. The forecast for 2018 remains unchanged,with a growth rate of 3.6 percent being projected. According to the IMF, risks may occur over the medium term, particularly due to the inward-looking policies of the new US government. These policies threaten international trade relations and the principle of economic cooperation as a whole.

Higher crude oil prices mean that considerable increases in commodity prices are expected this year, though no further significant increase is anticipated in 2018.

IMF economic experts have upwardly revised the growth forecast for Germany, where a growth rate of 1.6 percent is projected in 2017. For 2018, growth is expected to remain at 1.5 percent. Growth projections for the eurozone and China for 2017 have both been revised upward by 0.1 percentage points to 1.7 percent and 6.6 percent respectively. At 2.3 percent, the value forecast for 2017 remains unchanged.

Automotive Industry Development

Growth rates of some 3 percent are anticipated for sales of new vehicles in 2017. For a more detailed representation of the forecast for 2017, please see the Annual Report for 2016. In March 2017, there was a 10 percent increase in the number of new vehicles registered in Western Europe compared to the previous year. This was the month with the highest number of new registrations ever. This results in a cumulative result of an increase of 7 percent for the first three months of the new year. In the USA, sales of new vehicles decreased by 1 percent in the first three months compared to the same period in the previous year (passenger cars -12 percent; light trucks +6 percent). In China, on the other hand, there was an increase of 6 percent. In Russia, a growth rate of 1 percent was recorded in the first three months, though an increase of 9 percent in March represents the strongest growth in Russia since September 2012[4].

[4] Source: VDA, market survey April 2017 (I), version: April 19, 2017 (edition No. 24)

Development of the Engineering Market

Development of the market for engineering services remains positive due to the rapid progress being made in technological vehicle development (e.g. driving assistance systems, autonomous driving, digitization and electric mobility). This type of development can involve both risks and opportunities for the engineering service market. The volume of engineering services externally awarded by the automotive OEMs and their suppliers will continue to increase in the future. For a more detailed representation of the growth rates forecast for the engineering service market, please see the Annual Report for 2016.

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

Financial Performance

Development of the EDAG Group

As of March 31, 2017, orders on hand increased to € 368.2 million compared to € 318.9 million as per December 31, 2016. In the quarter just ended, the EDAG Group generated incoming orders amounting to € 219.8 million, which compared to the same quarter in the previous year (€ 244.5 million), represents a reduction of € 24.7 million.

At € 178.1 million, the sales revenues and changes in inventories decreased by € 4.4 million or 2.4 percent compared to the same period in the previous year (Q1 2016: € 182.6 million).

Compared to the previous year, the EBIT decreased by € 1.5 million to € 9.3 million (Q1 2016: € 10.8 million) in the reporting quarter. This means that an EBIT margin of 5.2 percent was achieved (Q1 2016: 5.9 percent). Adjusted for the depreciation, amortization and impairments from the purchase price allocations of the previous financial years that were recorded in the reporting period in 2017, the adjusted EBIT figure was € 10.7 million (Q1 2016: € 12.8 million), which is equivalent to an adjusted EBIT margin of 6.0 percent (Q1 2016: 7.0 percent).

The materials and services expenses decreased by 20.7 percent to € 19.1 million. At 10.7 percent, the materials and services expenses ratio was below the level of the same period of the previous year (Q1 2016: 13.2 percent). This effect was largely due to a lower volume of engineering services being purchased. At 6.6 percent, the ratio of services expenses in relation to the sales revenues and changes in inventories is below the level of the same period in the previous year (8.8 percent). At 4.2 percent, the materials expenses ratio remained more or less at the same level as in same period of the previous year (4.4 percent).

The EDAG Group's personnel expenses increased by € 3.4 million or 2.9 percent to € 121.3 million compared to the same period in the previous year. As of March 31, 2017, the company had a workforce of 8,136 employees, including apprentices (12/31/2016: 8,270 employees). The ratio of personnel expenses in relation to sales revenues and changes in inventories, which stood at 68.1 percent, increased considerably compared with the same period in the previous year (Q1 2016: 64.6 percent). The reasons for this increase are lower productivity due to changes in market conditions, and increased employee capacity for the performance of an equivalent service, and higher severance and settlement expenses compared to the same period in the previous year.

Depreciation, amortization and impairments totaled € 6.5 million (Q1 2016: € 6.7 million). The ratio for other expenses in relation to sales revenues and changes in inventories was 14.3 percent and thus slightly below last year's level (Q1 2016: 14.7 percent).

In the quarter just ended, the financial result was € -1.6 million (Q1 2016: € -2.1 million), an increase of € 0.5 million compared with the same period in the previous year. One significant effect is a reduction in the interest expense due to the early repayment of a loan to ATON Group Finance GmbH in the amount of € 46 million in the 2016 financial year.

Development of the "Vehicle Engineering" Segment

Incoming orders amounted to € 131.0 million in the first quarter of 2017, which was 8.0 percent below the value for the same period in the previous year (Q1 2016: € 142.4 million). Sales revenues and changes in inventories decreased by 5.1 percent to € 110.4 million (Q1 2016: € 116.3 million). All in all, an EBIT of € 6.1 million was achieved for the Vehicle Engineering segment in the quarter just ended (Q1 2016: € 7.5 million). The EBIT margin amounted to 5.5 percent (Q1 2016: 6.5 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 6.3 percent (Q1 2016: 7.5 percent). The deviation in the results compared to the same period in the previous year is due to the generally difficult engineering service market environment, and in particular to a reduction in project margins in individual divisions and short time being worked at some branches.

Development of the "Production Solutions" Segment

In this segment, incoming orders amounted to € 42.9 million, slightly above the level of the same period in the previous year year (Q1 2016: € 42.3 million), which represents an increase of 1.3 percent. Sales revenues and changes in inventories increased slightly, namely by 1.4 percent, to € 29.2 million (Q1 2016: € 28.8 million). Overall, an EBIT of € 1.9 million (Q1 2016: € 2.5 million) was generated for the Production Solutions segment in the quarter just ended. Although there is also price pressure in the market in this segment, particularly in the field of implementation engineering, capacity utilization remains at a good level. At 6.8 percent, therefore, the adjusted EBIT margin is below the previous year's level (Q1 2016: 8.8 percent).

Development of the "Electrics/Electronics" Segment

Incoming orders decreased by € 14.1 million to € 52.8 million compared to the same period in the previous year (Q1 2016: € 66.9 million). Sales revenues and changes in inventories increased slightly by € 0.4 million or 1.0 percent to € 40.4 million (Q1 2016: € 40.0 million). The EBIT stood at € 1.4 million (Q1 2016: € 1.2 million). The EBIT margin amounted to 3.4 percent (Q1 2016: 3.1 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 4.4 percent (Q1 2016: 4.1 percent). The negative effects on the EBIT margin described in "Development of the EDAG Group" were felt particularly strongly in this segment.

Cash Flows and Financial Position

Compared to December 31, 2016, the EDAG Group's statement of financial position total decreased by € 10.3 million to € 440.7 million. The reduction of current accounts receivable and other receivables (€ 42.3 million) is balanced by an increase in future receivables from construction contracts in the amount of € 38.1 million. Cash and cash equivalents increased by € 12.8 million to € 31.9 million. In addition, the assets being held for sale increased by € 4.2 million, primarily due to the acquisition of a property specifically purchased with a view to resale.

On the equity, liabilities and provisions side, equity increased by € 6.2 million to € 159.0 million, and the quota is now approximately 36.1 percent (12/31/2016: 35.5 percent). This increase is primarily due to current profits in the amount of € 5.2 million, and to an increase in the profits and losses recognized directly in equity resulting from an increase in the actuarial interest rate in the amount of € 0.7 million.

Non-current liabilities and provisions increased slightly, namely by € 0.3 million, from € 126.3 million on December 31, 2016 to € 126.6 million.

Current liabilities increased by € 3.8 million to € 155.2 million; the main reason for this was an increase of € 6.9 million in the future liabilities from construction contracts.

In the first quarter of 2017, the operating cash flow was € 18.0 million (Q1 2016: € 4.0 million). The positive development was primarily due to a reduced effect in capital commitment in the trade working capital compared to the same period in the previous year.

At € 3.0 million, gross investments in the reporting period were well below the previous year's level (Q1 2016: € 7.1 million). The reason for this significant divergence is a time lag with investments. The open purchase orders in the EDAG Group, which stood at € 3.4 million on the reporting date, are consequently at a comparatively high level (3/31/2016: € 1.8 million). The ratio of gross investments in relation to the sales revenues and changes in inventories was therefore 1.7 percent (Q1 2016: 3.9 percent).

On the reporting date, unused lines of credit in the amount of € 96.0 million exist in the Group. The Executive Board regards the overall economic situation of the EDAG Group as good. With an equity ratio of 36.1 percent, the company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 HR Management and Development

The success of the EDAG Group as one of the leading engineering service providers in the automotive sector is inextricably linked to the skills and motivation of its employees. Behind the company's comprehensive service portfolio are people with widely differing occupations and qualifications. In addition, the EDAG Group is also characterized by the special commitment and mentality of its employees. Throughout its 48-year history, EDAG has always ensured that both young and experienced employees are offered interesting and challenging activities and projects, and are provided with the prospect of and the necessary space for personal responsibility and decision-making. And this is the primary focus of both our human resources management and development. For a more detailed representation of personnel management and development, please see the Annual Report for 2016.
On March 31, 2017 the EDAG Group employed a workforce of 8,136 employees (12/31/2016: 8,270 employees). Personnel expenses amounted to € 121.3 million in the 2017 reporting period (Q1 2016: € 117.9 million).

3 Forecast, Risk and Reward Report

There were no significant changes during the reporting period to the risks and rewards described in the Annual Report for 2016. For a more detailed representation of the Risk and Reward Report, please see the Annual Report for 2016.

Assuming favorable economic conditions – that the economy will continue to grow, manufacturers will maintain or expand their research and development expenditures at a high level and continue to outsource development services, and that qualified personnel are available – the EDAG Group expects positive business development. At the beginning of 2017, demands for engineering services were still only moderate. For 2017, the EDAG management sees opportunities for increasing sales by up to 5 percent, and expects the increase in the E/E and PS segments to be ahead of the increase in the VE segment. With regard to the adjusted EBIT, we anticipate a margin of approximately 6 to 8 percent. The VE segment is expected to be within this range, with the PS segment slightly above it, and the E/E segment slightly below. Because of the sustained growth, we expect investments to be above the level of previous years. Due to the continuing good financial performance, we also expect a positive development of our financial situation in the future.

4 Disclaimer

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

CONSOLIDATED INTERIM REPORT

1 Consolidated Statement of Comprehensive Income

in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
Profit or loss		
Sales revenues and changes in inventories	178,120	182,581
Sales revenues	178,109	182,651
Changes in inventories	11	- 70
Other income	3,678	3,669
Material expenses	- 19,119	- 24,097
Gross Profit	**162,679**	**162,153**
Personnel expenses	- 121,270	- 117,878
Depreciation, amortization and impairment	- 6,526	- 6,667
Other expenses	- 25,555	- 26,786
Earnings before interest and taxes (EBIT)	**9,328**	**10,822**
Result from investments accounted for using the equity method	- 17	- 20
Financial income	116	132
Financing expenses	- 1,696	- 2,218
Financial result	**- 1,597**	**- 2,106**
Earnings before taxes	**7,731**	**8,716**
Income taxes	- 2,575	- 2,743
Profit or loss	**5,156**	**5,973**

in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
Profit or loss	**5,156**	**5,973**
Other Comprehensive Income		
Reclassifiable profits/losses		
Financial assets available for sale		
Profits/losses included in equity from valuation at fair value	3	2
Deferred taxes on financial assets available for sale	- 1	- 1
Currency conversion difference		
Profits/losses included in equity from currency conversion difference	360	- 76
Total reclassifiable profits/losses	**362**	**- 75**
Not reclassifiable profits/losses		
Revaluation of net obligation from defined benefit plans		
Revaluation of net obligation from defined benefit plans before taxes	1,006	- 1,886
Deferred taxes on defined benefit commitments and similar obligations	- 298	566
Share of other comprehensive income of at-equity accounted investments, net of tax	6	**- 20**
Total not reclassifiable profits/losses	**714**	**- 1,340**
Total other comprehensive income before taxes	1,375	- 1,980
Total deferred taxes on the other comprehensive income	- 299	565
Total other comprehensive income	**1,076**	**- 1,415**
Total comprehensive income	**6,232**	**4,558**
From the profit or loss attributable to:		
Shareholders of the parent company	5,147	5,961
Minority shares (non-controlling interest)	9	12
Of the total comprehensive income attributable to:		
Shareholders of the parent company	6,223	4,546
Minority shares (non-controlling interest)	9	12
Earnings per share of shareholders of EDAG Group AG [diluted/basic in €]		
Earnings per share	0.21	0.24

2 Consolidated Statement of Financial Position

in € thousand	3/31/2017	12/31/2016
Assets		
Goodwill	64,534	64,521
Other intangible assets	33,079	35,053
Property, plant and equipment	69,869	71,648
Financial assets	153	158
Investments accounted for using the equity method	15,423	15,434
Non-current accounts receivable and other receivables	940	902
Deferred tax assets	1,133	1,109
Non-current assets	**185,131**	**188,825**
Inventories	2,607	1,919
Future receivables from construction contracts	124,933	86,881
Current accounts receivable and other receivables	85,055	127,309
Other financial assets	64	61
Income tax assets	2,802	2,298
Cash and cash equivalents	31,854	19,067
Assets held for sale	8,288	4,056
Current assets	**255,603**	**241,591**
Assets	**440,734**	**430,416**

in € thousand	3/31/2017	12/31/2016
Equity, liabilities and provisions		
Subscribed capital	920	920
Capital reserves	40,000	40,000
Retained earnings	128,522	123,374
Reserves from profits and losses recognized directly in equity	- 9,238	- 9,954
Currency conversion differences	- 1,218	- 1,577
Equity attributable to shareholders of the parent company	**158,986**	**152,763**
Non-controlling interests	10	1
Equity	**158,996**	**152,764**
Provisions for pensions and similar obligations	26,696	27,038
Other non-current provisions	3,081	3,030
Non-current financial liabilities	87,688	88,080
Non-current income tax liabilities	1,460	1,460
Deferred tax liabilities	7,655	6,691
Non-current liabilities and provisions	**126,580**	**126,299**
Current provisions	9,945	9,485
Current financial liabilities	29,049	29,190
Future liabilities from construction contracts	36,569	29,689
Current accounts payable and other liabilities	72,271	76,017
Income tax liabilities	7,324	6,972
Current liabilities and provisions	**155,158**	**151,353**
Equity, liabilities and provisions	**440,734**	**430,416**

3 Consolidated Cash Flow Statement

	in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
	Profit or loss	**5,156**	**5,973**
+	Income tax expenses	2,575	2,743
-	Income taxes paid	- 2,116	- 4,906
+	Financial result	1,597	2,106
+	Interest and dividend received	110	132
+/-	Depreciation and amortisation/write-ups on tangible and intangible assets	6,526	6,667
+/-	Other non-cash item expenses/income	515	- 1,733
+/-	Increase/decrease in non-current provisions	- 358	2,404
-/+	Profit/loss on the disposal of fixed assets	- 23	144
-/+	Increase/decrease in inventories	- 693	185
-/+	Increase/decrease in future receivables from construction contracts, receivables and other assets that are not attributable to investing or financing activities	1,115	1,060
+/-	Increase/decrease in current provisions	469	- 67
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	3,153	- 10,723
=	**Cash inflow/outflow from operating activities/operating cash flow**	**18,026**	**3,985**
+	Deposits from disposals of tangible fixed assets	174	127
-	Payments for investments in tangible fixed assets	- 2,412	- 5,744
+	Deposits from disposals of intangible fixed assets	-	-
-	Payments for investments in intangible fixed assets	- 628	- 1,355
+	Deposits from disposals of financial assets	7	9
-	Payments for investments in financial assets	- 1	-
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	- 21	-
-	Payments for investments in shares of fully consolidated companies/divisions	- 25	- 586
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 2,906**	**- 7,549**

	in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
-	Interest paid	- 206	- 198
+	Borrowing of financial liabilities	-	42
-	Repayment of financial liabilities	- 1,589	- 804
-	Repayment of leasing liabilities	- 651	- 457
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 2,446**	**- 1,417**
	Net Cash changes in financial funds	**12,674**	**- 4,981**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	113	- 120
+	Financial funds at the start of the period	19,067	70,654
=	**Financial funds at the end of the period [cash & cash equivalents]**	**31,854**	**65,553**
=	**Free cash flow (FCF) – equity approach**	**15,120**	**- 3,564**

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings		Currency conversion
			Legal reserves	Other retained earnings	
As per 1/1/2017	**920**	**40,000**	**-**	**123,374**	**- 1,577**
Profit or loss	-	-	-	5,147	-
Other comprehensive income	-	-	-	-	360
Total comprehensive income	**-**	**-**	**-**	**5,147**	**360**
As per 3/31/2017	**920**	**40,000**	**-**	**128,521**	**- 1,217**

in € thousand	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	NCI	Total equity
As per 1/1/2017	**- 9,870**	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Profit or loss	-	-	-	5,147	9	5,156
Other comprehensive income	708	2	6	1,076	-	1,076
Total comprehensive income	**708**	**2**	**6**	**6,223**	**9**	**6,232**
As per 3/31/2017	**- 9,162**	**- 2**	**- 74**	**158,986**	**10**	**158,996**

in € thousand	Subscribed capital	Capital reserves	Retained earnings		Currency conversion
			Legal reserves	Other retained earnings	
As per 1/1/2016	**920**	**40,000**	**-**	**123,982**	**- 2,004**
Profit or loss	-	-	-	5,961	-
Other comprehensive income	-	-	-	-	- 76
Total comprehensive income	**-**	**-**	**-**	**5,961**	**- 76**
As per 3/31/2016	**920**	**40,000**	**-**	**129,943**	**- 2,080**

in € thousand	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	NCI	Total equity
As per 1/1/2016	**- 7,706**	**- 4**	**- 25**	**155,163**	**80**	**155,243**
Profit or loss	-	-	-	5,961	12	5,973
Other comprehensive income	- 1,320	1	- 20	- 1,415	-	- 1,415
Total comprehensive income	**- 1,320**	**1**	**- 20**	**4,546**	**12**	**4,558**
As per 3/31/2016	**- 9,026**	**- 3**	**- 45**	**159,709**	**92**	**159,801**

5 Notes

5.1 General Information

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

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

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

ISIN[5]: CH0303692047
WKN[6]: A143NB
Trading symbol: ED4

[5] *International Securities Identification Number*

[6] *German securities identification number (Wertpapierkennnummer)*

The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's general meeting. Restrictions on voting rights exist to the extent that the majority shareholders ATON GmbH ("ATON") and HORUS Vermögensverwaltungs GbR ("HORUS") have entered into an agreement with the company in which they have undertaken for a period starting on the first day of trading of the shares of the company on the Frankfurt Stock Exchange (December 2, 2015) and ending on the second ordinary shareholders' meeting of the company after the first day of trading, however, at least for a period of 19 months after the first day of trading and with respect to such number of shares of the company directly or indirectly held by ATON or HORUS respectively upon settlement of the offering to exercise its voting rights in ordinary shareholders' meetings of the company only with regard to half of the persons that are eligible as members for the Board of Directors. With the voting rights notification of May 30, 2016, the announcement was made that 59.75 percent of the EDAG shares had been transferred from ATON GmbH, Munich to ATON Austria Holding GmbH, Going am Wilden Kaiser. In this context, the existing voting restriction with an identical period of validity was likewise transferred.

The financial statements of the subsidiaries included in the consolidated financial statements were prepared using uniform accounting and valuation principles as of the EDAG Group's reporting date (March, 31).

The unaudited consolidated interim report has been prepared using the euro as the reporting currency. Unless otherwise stated, all amounts are given in thousands of euros. Where percentage values and figures are given, differences of +/- € 1 thousand may occur due to rounding.

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

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

5.2 Basic Principles and Methods

Basic Accounting Principles

The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2016 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 (IFRIC) and those of the former Standing Interpretations Committee (SIC). Accordingly, this consolidated interim report of EDAG Group AG for the period ending March 31, 2017 has been prepared in accordance with IAS 34, and the scope of the report has been reduced, making it shorter than the consolidated financial statements. The requirements of all accounting standards and interpretations resolved as of March 31, 2017 and adopted in national law by the European Commission have been fulfilled.

In addition to the statement of financial position and the statement of comprehensive income (including profit or loss), the IFRS consolidated financial statement also includes additional components, namely the statement of changes in equity, the cash flow statement and the notes. The separate report on the risks of future development is included in the management report.

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

This consolidated interim report has not been subjected to an audit review in accordance with ISRE 2410.

Accounting and Valuation Principles

The following changes and accounting standards were published by the IASB, but have not yet been adopted by the EU. The application would not have any significant effect on the financial position, financial performance and cash flow of EDAG Group AG in the consolidated interim report:

- IFRS 14 (IASB publication: January 30, 2014; EU endorsement: no): regulatory deferral accounts
- IFRS 10/IAS 28 (IASB publication: September 11, 2014; EU endorsement: open): Change in sale or contribution of assets between an investor and its associate or joint venture
- IAS 12 (IASB publication: January 19, 2016; EU endorsement: Q2 2017): Change: recognition of deferred tax assets for unrealized losses
- IAS 7 (IASB publication: January 29, 2016; EU endorsement: Q2 2017): Change: disclosure initiative
- Annual improvements to IFRS standards 2014 – 2016 (IASB publication: December 8, 2016; EU endorsement: Q3 2017)

For this consolidated interim report, a discount rate of 1.83 percent has been used for pension provisions in Germany (12/31/2016: 1.72 percent). A discount rate of 0.80 percent has been used for pension provisions in Switzerland (12/31/2016: 0.80 percent). The increase in the interest rate in Germany led to an overall reduction in the pension provisions, to the applicable deferred taxes, and to the actuarial losses related to pension provisions recorded in reserves from profits and losses recognized directly in equity.

In the first quarter of 2017, the EDAG Group acquired a property for € 3.2 million. This purchase was specifically effected with a view to resale.

In accordance with the objective of financial statements set out in F.12 et seq., IAS 1.9 and IAS 8.10 et seq., IAS 34.30 was applied when determining income tax expense for the interim reporting period. Accordingly, the weighted average expected annual tax rate in the amount of 33.3 percent (12/31/2016: 37.1 percent) was used.

Otherwise, the same accounting and valuation methods and consolidation principles as were used in the 2016 consolidated financial statements for EDAG Group AG were applied when preparing the consolidated interim report and determining comparative figures for the previous year. A detailed description of these methods has been published in the Notes to the Consolidated Financial Statement in the Annual Report for 2016. This consolidated interim report should therefore be read in conjunction with the consolidated financial statement of EDAG Group AG for December 31, 2016.

Presentation of the consolidated interim report in accordance with IFRS requires competent estimates for several balance sheet items which have an effect on the basis and valuation in the statement of financial position and statement of comprehensive income. The amounts that are actually realized can deviate from these estimates. Such estimates relate to ascertaining the useful life of the property, plant and equipment 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.

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

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

5.3 Changes in the Scope of Consolidation

In the period January 1, 2017 to March 31, 2017, the group of combined or consolidated companies developed as follows:

	Switzerland	Germany	Others	Total
Fully consolidated companies				
Included as of 12/31/2016	3	9	25	37
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	1	-	1
Included as of 3/31/2017	3	8	25	36
Companies accounted for using the equity method				
Included as of 12/31/2016	-	1	-	1
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 3/31/2017	-	1	-	1
Companies included at acquisition cost				
Included as of 12/31/2016	-	2	-	2
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 3/31/2017	-	2	-	2

The companies included at acquisition cost are for the most part non-operational companies and general partners. The company accounted for using the equity method that is included is an associated company.

5.4 Currency Conversion

Currency conversion in the consolidated interim report was based on the following exchange rates:

Country	Currency 1 EUR = Nat. currency	3/31/2017 Spot rate on balance sheet date	1. quarter 2017 Average exchange rate for period	12/31/2016 Spot rate on balance sheet date	1. quarter 2016 Average exchange rate for period
Great Britain	GBP	0.8555	0.8598	0.8562	0.7701
Brazil	BRL	3.3800	3.3455	3.4305	4.3056
USA	USD	1.0691	1.0647	1.0541	1.1017
Malaysia	MYR	4.7313	4.7338	4.7287	4.6247
Hungary	HUF	307.6200	309.0676	309.8300	312.0662
India	INR	69.3965	71.2990	71.5935	74.4075
China	CNY	7.3642	7.3341	7.3202	7.2090
Mexico	MXN	20.0175	21.6312	21.7719	19.8936
Czech Republic	CZK	27.0300	27.0213	27.0210	27.0393
Switzerland	CHF	1.0696	1.0693	1.0739	1.0960
Poland	PLN	4.2265	4.3208	4.4103	4.3658
Romania	RON	4.5525	4.5210	4.5390	4.4930
Russia	RUB	60.3130	62.5198	64.3000	82.4730
Sweden	SEK	9.5322	9.5050	9.5525	9.3260
Japan	JPY	119.5500	120.9933	123.4000	127.0183
South Korea	KRW	1,194.5400	1,227.1877	1,269.3600	1,324.0719

5.5 Reconciliation of the Adjusted Operating Profit (adjusted EBIT)

In addition to the data required according to the IFRS, the segment reporting also includes a reconciliation to the adjusted earnings before interest and taxes (adjusted EBIT). Among the adjustments, initial and deconsolidation income, restructuring in the scope of the company merger and all effects from the purchase price allocations on the EBIT are shown.

in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
Earnings before interest and taxes (EBIT)	**9,328**	**10,822**
Adjustments:		
Expenses (+) from purchase price allocation	1,354	1,735
Income (-) / expenses (+) from deconsolidation	- 3	-
Income (-) from reversal of provisions	-	- 10
Expenses (+) from restructuring	-	99
Expenses (+) from the sale of real estate	-	174
Total adjustments	**1,351**	**1,998**
Adjusted earnings before interest and taxes (adjusted EBIT)	**10,679**	**12,820**

The "expenses (+) from the purchase price allocation" are stated under the amortization. The "income (-)/expenses (+) from deconsolidations" are shown in the non-operating income.

5.6 Segment Reporting

The segment reporting was prepared in accordance with IFRS 8 "Operating Segments". Individual consolidated results are reported by company divisions in conformity with the internal reporting and organizational structure of the group. The key performance indicator for the executive board at the segment level is the EBIT, as the adjusted effects are presented under "Others". Therefore at segment level, the EBIT shown is basically equal to the adjusted EBIT. The only exception to this rule are the effects of the purchase price allocation shown in the segment EBIT. The segment presentation is designed to show the profitability as well as the assets and financial situation of the individual business activities. Intercompany sales are accounted for at customary market prices and are equivalent to sales towards third parties (arm's length principle).

As at March 31, 2017, the non-current assets amounted to € 185.1 million (12/31/2016: € 188.8 million). Of these, € 1.8 million are domestic, € 166.6 million are German, and € 16.8 million are non-domestic (12/31/2016: [domestic: € 1.9 million; Germany: € 170.9 million; non-domestic: € 16.0 million]).

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

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

As an allround engineering partner, the **Production Solutions** segment (in short: "PS") is responsible for the development and implementation of production processes. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization from a single source. For more detailed descriptions of the individual departments in this segment, please see the chapter "Business Model" in the Interim Management Report.

The range of services offered by the **Electrics/Electronics** segment (in short: "E/E") includes the development of electrical and electronic systems for the comfort, driver assistance and safety functions of a vehicle, and the development of cable harnesses. These services are performed in four departments; these are described in greater detail in the chapter "Business Model" in the Interim Management Report.

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

Under **Others**, it is primarily the subsidiary Haus Kurfürst GmbH, which was sold with effect from January 1, 2017, that is presented. All the adjustments referred to in the chapter "Reconciliation of the Adjusted Operating Profit (Adjusted EBIT)" are also given here.

	1/1/2017 - 3/31/2017						
in € thousand	**Vehicle Engineering**	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total segments**	**Consolidation**	**Total Group**
Sales revenue	109,146	28,618	40,345	-	178,109	-	178,109
Sales revenue with other segments	1,219	602	15	-	1,836	- 1,836	-
Changes in inventories	13	-	- 2	-	11	-	11
Total sales revenues and changes in inventories	**110,378**	**29,220**	**40,358**	**-**	**179,956**	**- 1,836**	**178,120**
EBIT	**6,050**	**1,911**	**1,364**	**3**	**9,328**	**-**	**9,328**
EBIT margin [%]	5.5%	6.5%	3.4%	-	5.2%	n/a	5.2%
Purchase price allocation (PPA)	877	73	404	-	1,354	-	1,354
Other adjustments	-	-	-	- 3	- 3	-	- 3
Adjusted EBIT	**6,927**	**1,984**	**1,768**	**-**	**10,679**	**-**	**10,679**
Adjusted EBIT margin [%]	6.3%	6.8%	4.4%	-	5.9%	n/a	6.0%
Depreciation, amortization and impairment	- 4,485	- 781	- 1,260	-	- 6,526	-	- 6,526

in € thousand	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Others	Total segments	Consolidation	Total Group
	1/1/2016 - 3/31/2016						
Sales revenue	114,972	27,635	39,956	88	182,651	-	182,651
Sales revenue with other segments	1,407	1,180	12	36	2,635	- 2,635	-
Changes in inventories	- 75	-	5	-	- 70	-	- 70
Total sales revenues and changes in inventories	**116,304**	**28,815**	**39,973**	**124**	**185,216**	**- 2,635**	**182,581**
EBIT	**7,506**	**2,470**	**1,241**	**- 395**	**10,822**	**-**	**10,822**
EBIT margin [%]	6.5%	8.6%	3.1%	-	5.8%	n/a	5.9%
Purchase price allocation (PPA)	1,258	73	404	-	1,735	-	1,735
Other adjustments	-	-	-	263	263	-	263
Adjusted EBIT	**8,764**	**2,543**	**1,645**	**- 132**	**12,820**	**-**	**12,820**
Adjusted EBIT margin [%]	7.5%	8.8%	4.1%	-	6.9%	n/a	7.0%
Depreciation, amortization and impairment	- 4,932	- 676	- 1,059	-	- 6,667	-	- 6,667

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

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

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

Other Financial Obligations

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

in € thousand	3/31/2017	12/31/2016
Obligation from the renting of property	156,413	160,370
Obligations from miscellaneous renting and leasing contracts	8,993	8,855
Open purchase orders	3,372	4,893
Other miscellaneous financial obligations	127	167
Total	**168,905**	**174,285**

Contingent Receivables

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

5.8 Financial Instruments

Net Financial Debt/Credit

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

in € thousand	3/31/2017	12/31/2016
Non-current financial liabilities	- 87,688	- 88,080
Current financial liabilities	- 29,049	- 29,190
Securities/derivative financial instruments	64	61
Cash and cash equivalents	31,854	19,067
Net financial debt/-credit [-/+]	**- 84,819**	**- 98,142**
Equity	158,996	152,764
Net Gearing [%]	**53.3%**	**64.2%**
Liabilities due to credit institutions	- 4,682	- 6,048
Cash and cash equivalents	31,854	19,067
Net financial balance with banks	**27,172**	**13,019**

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

As of March 31, 2017, there were loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 88,572 thousand (12/31/2016: € 87,488 thousand). Of this amount, € 86,800 thousand is to be classified as non-current financing. As of March 31, 2017, there is a current loan, including interest, in the amount of € 20,726 thousand from VKE Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2016: € 20,964 thousand).

As in the previous year, the EDAG Group reported a net financial balance with credit institutions on the reporting date. This means that the liquidity situation of the EDAG Group continues to be rated as very positive.

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

	in € thousand	3/31/2017	12/31/2016
	Inventories	2,607	1,919
+	Future receivables from construction contracts	124,933	86,881
+	Current accounts receivable	70,264	115,585
-	Future liabilities from construction contracts	- 36,569	- 29,689
-	Current accounts payable	- 18,812	- 23,327
=	**Trade working capital (TWC)**	**142,423**	**151,369**
+	Non-current accounts receivable and other receivables	940	902
+	Deferred tax assets	1,133	1,109
+	Current other receivables excl. Interest-bearing receivables	14,792	11,724
+	Income tax assets	2,802	2,298
-	Non-current accounts payable and other liabilities	-	-
-	Non-current income tax liabilities	- 1,460	- 1,460
-	Deferred tax liabilities	- 7,655	- 6,691
-	Current other liabilities	- 53,460	- 52,690
-	Income tax liabilities	- 7,324	- 6,972
=	**Other working capital (OWC)**	**- 50,232**	**- 51,780**
	Net working capital (NWC)	**92,191**	**99,589**

Compared to December 31, 2016, the trade working capital decreased from € 151,369 thousand to € 142,423 thousand. The increase in future receivables from construction contracts in the amount of € 38,052 thousand was more than compensated for by a reduction of current accounts receivable and other receivables in the amount of € 42,254 thousand. Furthermore, the increase in future liabilities from construction contracts (increase: € 6,880 thousand) had a positive effect on the trade working capital.

At € -50,232 thousand, the other working capital remained more or less constant, compared to December 31, 2016 (€ -51,780 thousand).

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

The principles and methods for assessing at fair value have not changed compared to last year. Detailed explanations of the valuation principles and methods can be found in the Annual Report of EDAG Group AG for 2016.

For the most part, cash and cash equivalents, accounts receivable and other receivables have only a short time to maturity. For this reason, their book values on the reporting date are close approximations of the fair values. The fair values of other receivables and financial assets held to maturity with a remaining term of more than a year correspond to the net present values of the payments associated with the assets, taking into account the relevant interest parameters, which reflect the market and counterparty-related changes in conditions and expectations.

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

The book values and fair values of all financial instruments recorded in the consolidated financial statements are shown in the following table:

in € thousand	Valuation category as per IAS 39	Book value 3/31/2017	Valuation of balance sheet as per IAS 39				Valuation balance sheet as per IAS 17
			Amortized costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets (assets)							
Cash and cash equivalents	[LaR]	31,854	31,854	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	73,522	73,522	-	-	-	-
Future receivables from construction contracts	[LaR]	124,933	124,933	-	-	-	-
Loans	[LaR]	102	102	-	-	-	-
Assets available for sale	[AfS]	116	52	-	64	-	-
Financial liabilities (liabilities)							
Financial liabilities							
Credit institutions	[FLAC]	4,682	4,682	-	-	-	-
Other interest-bearing liabilities	[FLAC]	109,433	109,433	-	-	-	-
Liabilities from financing leases	[n.a.]	2,043	-	-	-	-	2,043
Derivative financial liabilities	[FLHfT]	579	-	-	-	579	-
Accounts payable and other liabilities in terms of IAS 32.11	[FLAC]	22,344	22,294	-	-	50	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	230,411	230,411	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	116	52	-	64	-	-
Financial Liabilities measured at Amortized Cost	[FLAC]	136,459	136,409	-	-	50	-
Financial Liabilities Held for Trading	[FLHfT]	579	-	-	-	579	-

in € thousand	Valuation category as per IAS 39	Book value 12/31/2016	Valuation of balance sheet as per IAS 39				Valuation balance sheet as per IAS 17
			Amortized costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets (assets)							
Cash and cash equivalents	[LaR]	19,067	19,067	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	118,369	118,369	-	-	-	-
Future receivables from construction contracts	[LaR]	86,881	86,881	-	-	-	-
Loans	[LaR]	106	106	-	-	-	-
Assets available for sale	[AfS]	113	52	-	61	-	-
Financial liabilities (liabilities)							
Financial liabilities							
Credit institutions	[FLAC]	6,048	6,048	-	-	-	-
Other interest-bearing liabilities	[FLAC]	108,456	108,456	-	-	-	-
Liabilities from financing leases	[n.a.]	2,400	-	-	-	-	2,400
Derivative financial liabilities	[FLHfT]	365	-	-	-	365	-
Accounts payable and other liabilities in terms of IAS 32.11		26,744	26,646	-	-	98	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	224,423	224,423	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	113	52	-	61	-	-
Financial Liabilities measured at Amortized Cost	[FLAC]	141,248	141,150	-	-	98	-
Financial Liabilities Held for Trading	[FLHfT]	365	-	-	-	365	-

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

The attributable fair values of liabilities due to credit institutions, loans and other financial liabilities are calculated as present values of the debt-related payments, based on the EDAG current yield curve valid at the time. By and large, the fair value of the financial liabilities corresponds to the book value. As at March 31, 2017 however, the fair value of the other interest-bearing liabilities [FLAC] amounted to € 110,894 thousand (12/31/2016: € 110,287 thousand), with a book value of € 109,433 thousand (12/31/2016: € 108,456 thousand). The valuation of the fair value took place according to the "Level 2" valuation category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

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

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

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

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

in € thousand	Assessed at fair value 3/31/2017			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Assets available for sale	64	-	-	64
Financial liabilities (liabilities)				
Derivative financial liabilities	-	579	-	579
Other liabilities	-	-	50	50

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

5.9 Related Parties

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

For a more detailed account of the type and extent of the business relations, please see the Annual Report of EDAG Group AG for 2016.

There is a long-term, unsecured fixed interest loan with the ATON Group Finance GmbH which is due on November 6, 2018. This loan carries an interest rate of 5 percent, and can be redeemed in part prior to maturity.

A share purchase agreement concerning the Haus Kurfürst GmbH shares was entered into by EDAG GmbH and HORUS Vermögensverwaltungs GmbH & Co. KG on December 7, 2016. HORUS Vermögensverwaltungs GmbH & Co. KG acquired 100 percent of the shares for a purchase price of € 25 thousand, with effect from January 1, 2017.

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

in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	206	202
Travel and other expenses	5	3
Rental expenses	79	74
Consulting expenses	1	-
EDAG Group with supervisory boards (EDAG GmbH & EDAG Holding GmbH)		
Work-related expenses	9	115
Travel and other expenses	1	2
Compensation costs	119	158
EDAG Group with group executive management		
Goods and services received	3	3

in € thousand	1/1/2017 – 3/31/2017	1/1/2016 – 3/31/2016
EDAG Group with ATON companies		
Goods and services rendered	7,689	7,317
Goods and services received	245	156
Interest expense	1,085	1,678
Other operating income	148	149
Other operating expenses	111	180
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	2	1
EDAG Group with associated companies		
Goods and services rendered	285	402
Goods and services received	76	1,058
Other operating income	142	172
Other operating expenses	12	12
Income from investments	- 17	- 20
EDAG Group with other related companies and persons		
Goods and services rendered	293	6
Goods and services received	-	4
Interest expense	130	213
Other operating income	8	-
Other operating expenses	1,036	1,086

5.10 Subsequent Events

No important events took place after the reporting period.

Arbon, May 10, 2017

EDAG Engineering Group AG

Jürgen Vogt, Chief Financial Officer (CFO)

Thomas Eichelmann, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors

PUBLISHING INFORMATION

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Legal Note

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

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