EDAG

2018 FINANCIAL YEAR

INTERIM REPORT AS OF MARCH 31, 2018

CONTENT

SUMMARY OF THE FIRST QUARTER OF THE 2018 FINANCIAL YEAR

DIGITAL FOOTPRINT OF EDAG GROUP

At the Mobile World Congress in Barcelona, EDAG demonstrated ways in which the automotive industry can use data to develop new business segments.

The automotive industry is developing more dynamically than ever before. We are currently experiencing a time of major transformation: the electrification of drive systems, automated and self-driving vehicles, connectivity and new mobility services are all contributing to the reorientation of the automotive industry. Engineering service providers, too, must extend their digital competencies in order to ensure that their portfolios will continue to be equal to future tasks. As visible evidence of its transformation process, the EDAG Group demonstrated how digital services are able to open up and develop new business fields at the Mobile World Congress in Barcelona.

VEHICLES AS DATA SUPPLIERS FOR DIGITAL SERVICES

Today's vehicles are gigantic suppliers of information which, working in a swarm, record a constant stream of data 24 hours a day. "Apart from internal vehicle or manufacturer applications, this enormous potential remains largely untapped. Our business model proposes bringing about the industry-wide, central consolidation of this vehicle data, and then qualifying and converting it so that it is suitable for the services of automotive and non-automotive partners," explained Jürgen Vogt, EDAG Group CFO, at the recent Mobile World Congress in Barcelona. The EDAG business model centers on an analysis technique which intelligently links and interprets the huge amount of vehicle data generated, and then condenses it into marketable data packages and digital services. In the process, EDAG opens up numerous potential marketing scenarios. Vehicles can become weather stations, for example. "Thanks to the many mobile data suppliers on the road, we could provide the weather services with an unprecedented, up-to-the-minute information quality," explains Johannes Barckmann, a member of EDAG's Innovations team.

However, added value does not occur until the separate data types, for instance GPS, temperature information or documented feedback from the chassis system, are linked. The camera systems installed in the vehicles could lead to a further digital service: namely to use the images recorded to provide the mobile community with an intelligent parking system. A constantly updated record of available parking spaces in cities could be kept and passed on to drivers. The data recorded could also be of interest to insurance companies and policy holders. Driving speeds, information from distance sensors, the number of revs measured, braking maneuvers and spot-on regional weather data are intelligently combined and evaluated in this model. The driver himself decides what vehicle data to release, and on this basis, is either paid a sum of money in return, or has the benefit of lower insurance premiums.

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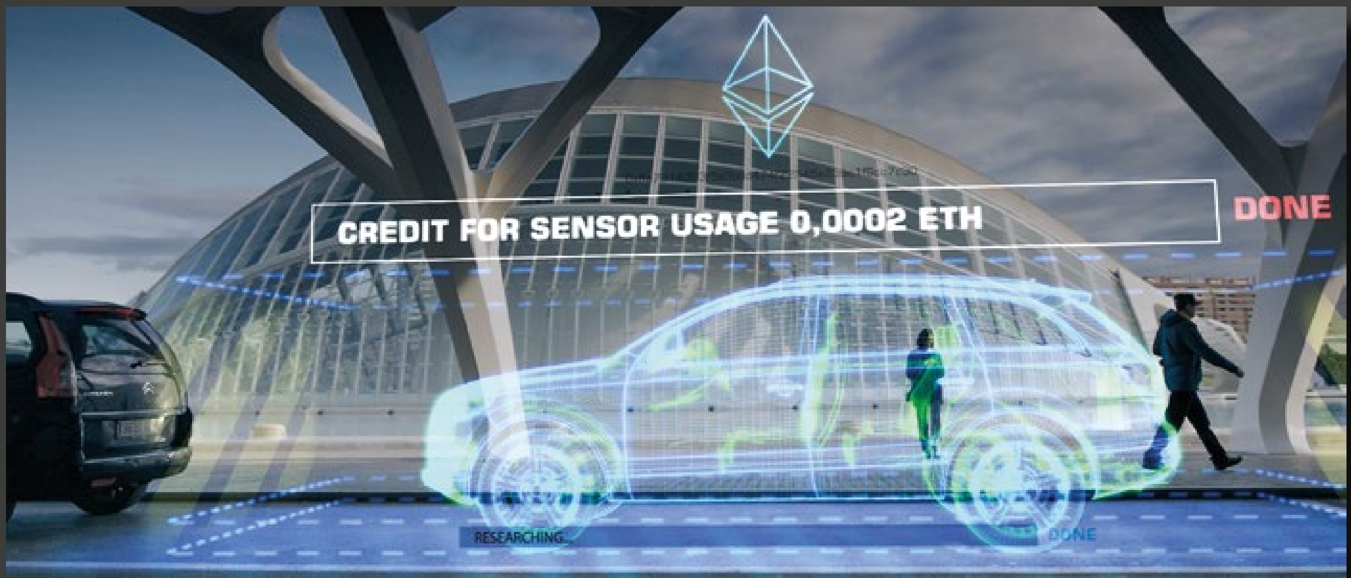
SUMMARY OF THE FIRST QUARTER OF THE 2018 FINANCIAL YEAR

INTELLIGENT DATABASE AND CLUSTER SYSTEMS



For its analysis technique, the EDAG Group has implemented and further developed intelligent database and cluster systems such as "Spark", "hadoop", "Kafka", "elastic" and "cassandra". The partners' data is saved, analyzed, contextually linked and interpreted on the service provider's servers.

The EDAG subsidiary BFFT is currently developing a system for measuring road damage for one of Germany's premium manufacturers: via the chassis sensors, the precise location of damage is detected and transmitted to a central computer, where it is permanently cataloged and evaluated. This information is continually relayed to all customer vehicles of the manufacturer, and the chassis is adjusted in anticipation of approaching road damage.

BFFT PRESENTS THE SUBJECT OF CONNECTIVITY

Connectivity has long been an accepted part of everyday life. The networked world offers more comfort, but at the same time also implies greater technical requirements: smartphones, for instance, have to be compatible with different operating systems, apps and the software of other devices - in the smart home environment for example - and work at all times. The large variety of systems and apps, which are in turn regularly modified by updates, makes the constant and valid end-to-end validation an extremely complex undertaking. To meet these tough requirements, particularly the validation of complex services, EDAG subsidiary BFFT have developed the modular automation framework "CShark". This can be used to automatically test the various components both individually and in the complete end-to-end chain. The tests can be easily managed and started using an online portal or an app. "From there, the test results can also be directly evaluated and distributed," explains Markus Fichtner, CEO of BFFT. Apart from integrating software and apps in the automation framework, BFFT also carry out the customer-specific connection of hardware components in the system developed in-house. "CShark" has been in use in series production since 2016, and is currently being implemented in the end-to-end validation of various mobile online services in the automotive industry.

"Our presentation at the Mobile World Congress documented the EDAG Group's departure into the digital world. The future-related themes of big data and connectivity are becoming essential elements of our expertise in vehicle and production plant development. As a design engineering company that is helping to define the mobile future, we aim to use our own concepts to proactively shape the transformation process," affirms Jürgen Vogt.

JANUARY FEBRUARY MARCH

SUMMARY OF THE FIRST QUARTER OF THE 2018 FINANCIAL YEAR

EDAG: TOP EMPLOYER AGAIN

EDAG successfully defended its No. 1 ranking in the Engineering category of the Top Employer competition.

EDAG Engineering GmbH received the "Top Employer" award for outstanding human resource management in Düsseldorf on February 13, 2018. For the eleventh time in a row, the independent appraisal carried out by the Top Employers Institute testified to the outstanding working conditions offered by the EDAG Group, recognizing its employee orientation this year with the first place in the "Engineers" category. "An excellent result, and one we are delighted with. A repeated acknowledgement of our quality as an employer, in which we make long-term investments. Our HR management is a decisive factor in our attractiveness to new engineering talent," stresses Harald Poeschke, COO of EDAG. The competing companies are put through a uniform validation process. Talent strategy, apprenticeships, training, development and corporate culture are all assessed. "This objective assessment is of great value to us. We are constantly improving our activities, expanding diverse training programs and numerous opportunities for employees, all of which are aligned towards our target groups. And there are striking differences between us and other competitors. Among other things, we focus our attention on work-life balance and the advancement of women," explains Birthe Kristin Kuhlenbeck, Head of Recruiting and Training.

The EDAG Group continues its growth strategy, By further expanding the company's portfolio in the future-oriented automotive fields of digitization, autonomous driving and software/app development, EDAG will continue to increase its attractiveness as an employer.

PLUGGED IN

EDAG PRESENTS ITS VISIONS FOR THE EE ARCHITECTURE OF THE FUTURE AT THE "VEHICLE ELECTRICAL SYSTEMS" CONGRESS

Due to the complexity and increasing weight of electrical systems in today's vehicles, their potential is now largely exhausted. However, megatrends such as autonomous driving and connectivity mean that demands on the sensors and customer features are likely to increase in the future. "Despite a truly spectacular display of innovations, it has not proved possible to minimize the weight and complexity of the wiring harness. What we need here is a radical change, the type of change, for instance, that the zone architecture could provide," said a speaker of a famous German premium manufacturer at the "Vehicle Electrical Systems" congress.

This is precisely where the EDAG Group's concept study "Vision2025" comes into play. Apart from the zone architecture, which could reduce the weight of the wiring harness by approx. 30%, EDAG's "Vision2025" also includes a service-oriented concept which, like today's smartphones, could facilitate the implementation of new applications and features in a vehicle throughout its entire life.

EDAG's concept study systematically divides the vehicle into different geometrical zones, instead of the domains commonly used today. The zones are interconnected via the automotive Ethernet: this permits high data rates and guarantees real time capability when using TSN.

With "Vision2025", the EDAG Group has addressed one of the most widely discussed topics in the industry. With this innovative concept, EDAG has successfully established its position as a partner capable of helping to shape the EE architecture for the vehicle of the future.

JANUARY FEBRUARY MARCH

KEY FIGURES AND EXPLANATIONS OF THE EDAG GROUP AS PER MARCH 31, 2018

(in € million or %)	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
Vehicle Engineering	118.5	110.8
Production Solutions	39.9	29.5
Electrics/Electronics	38.0	40.4
Consolidation/Others	- 2.7	- 1.8
Total revenues[1]	**193.7**	**178.8**
Growth of core business:		
Vehicle Engineering	*6.9%*	*-4.7%*
Production Solutions	*35.4%*	*2.2%*
Electrics/Electronics	*-5.8%*	*1.0%*
Change of revenues[1]	***8.3%***	***-2.1%***
Vehicle Engineering	6.8	7.2
Production Solutions	3.0	2.0
Electrics/Electronics	2.2	1.8
Others	-	-
Adjusted EBIT	**12.0**	**11.0**
Vehicle Engineering	*5.7%*	*6.5%*
Production Solutions	*7.5%*	*6.9%*
Electrics/Electronics	*5.9%*	*4.4%*
Adjusted EBIT margin	***6.2%***	***6.2%***
Profit or loss	***6.5***	**5.4**
Earnings per share (€)	0.26	0.22

[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 %)	3/31/2018	12/31/2017 revised*
Fixed assets	193.6	195.1
Net working capital	87.0	93.0
Net financial debt	- 91.5	- 103.6
Provisions	- 38.9	- 40.2
Held for sale	3.2	3.2
Equity	**153.4**	**147.5**
Balance sheet total	**425.9**	**442.5**
Equity / BS total	*36.0%*	*33.3%*
Net financial debt / Equity	*59.6%*	*70.2%*

(in € million or %)	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
Operating cash flow	19.0	18.0
Investing cash flow	- 5.1	- 2.9
Free cash flow	13.9	15.1
Financing cash flow	- 8.4	- 2.4
Adjusted cash conversion rate[2]	70.3%	81.3%
CapEx	5.2	3.0
CapEx/Sales revenues and changes in inventories	*2.7%*	*1.7%*

	3/31/2018	12/31/2017
Headcount end of period	8,364	8,404
Trainees as %	*6.0%*	*6.5%*

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

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

At € 193.7 million, revenue in the first quarter of 2018 was above the previous year's level of € 178.8 million. Among the main reasons for the increase are new acquisitions made in 2017 and the particularly positive revenue performance of the Production Solutions segment. The EBIT, which was primarily adjusted for the effects from the purchase price allocations (adjusted EBIT), stood at € 12.0 million, which was above the previous year's value of € 11.0 million. The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in an increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival. The unadjusted EBIT in the first quarter year just ended stood at € 10.7 million, compared to the previous year's value of € 9.7 million.

The headcount, including trainees, on March 31, 2018 was 8,364 employees (12/31/2017: 8,404 employees). There were slight cutbacks in capacity in a number of areas, reflecting the realignment of the personnel structure with regard to future market requirements, and therefore customer requirements.

In the first quarter of 2018, gross investments in fixed assets amounted to € 5.2 million, which was above the level of the same period in the previous year (Q1 2017: € 3.0 million). The equity ratio on the reporting date was 36.0 percent (12/31/2017: 33.3 percent).

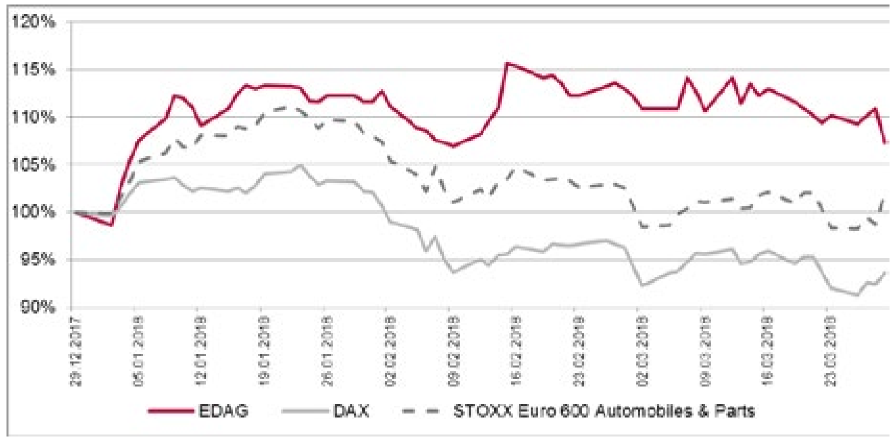
At € 91.5 million, the net financial debt is above the value on March 31, 2017 (€ 84.8 milli-on) and below the value on December 31, 2017 (€ 103.6 million). The reason for this is that the trade working capital decreased compared to December 31, 2017.

THE EDAG SHARE

On January 2, 2018, the DAX started the first quarter of the financial year with 12,897 points. The index subsequently rose to its highest closing rate of 13,559 points on the January 23. Later on, the DAX sank to its lowest level in the reporting period, namely 11,787 points on March 26. The closing rate on March 29 stood at 12,096 points. The STOXX Automobiles & Parts Index fluctuated between 604 and 683 points during the same period.

1 Price Development

On January 2, 2018, the opening price of the EDAG share in XETRA trading was € 14.82. The lowest closing price in the reporting period, € 14.50, was reached on January 2. Following this, a positive trend was observed in the development of the share. The highest closing price in the reporting period, € 17.00, was reached on February 15. The price fell slightly in the subsequent period, closing at € 15.78 on March 29. During the first quarter of 2018, the average XETRA trade volume was 11,214 shares a day.



Source: Comdirect

2 Key Share Data

	1/1/2018 – 3/31/2018
Prices and trading volume:	
Share price on March 29 (€)[3]	15.78
Share price, high (€)[3]	17.00
Share price, low (€)[3]	14.50
Average daily trading volume (number of shares)[4]	11,214
Market capitalisation on March 29 (€ million)	394.50

[3] *Closing price on Xetra*
[4] *On Xetra*

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

INTERIM GROUP MANAGEMENT REPORT

1 Basic Information on the Group

1.1 Business Model

Three Segments

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

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

Presentation of the Vehicle Engineering Segment

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

Our **Body Engineering** department brings together all of our services such as package & ergonomics, body assembly as well as interior and exterior. This also includes the development of door, cover and lid systems. Further, the Body Engineering department is involved with new technologies and lightweight design, as well as commercial vehicle development and the development of car lights such as headlamps, rear and small lamps. Interface management and the management of complex module developments are taking on an increasingly significant role in the projects. Our **Vehicle Integration** department is responsible for the complete functional integration and for vehicle validation. This department employs computer-aided engineering (CAE) to carry out the early validation of products and their properties. In addition to dealing with computation and simulation, the Dimensional Management team works on the reproducibility and geometrical quality of the products. Functionality is validated and durability analyzed on the test equipment and facilities at our certified test laboratories, in readiness for start of production. This includes tests on individual components, modules, engines, motors, transmissions, and even complete vehicles. In the **Design Concepts** department, we offer a full range of styling, ideation and design services, and in our design studios we are able to realize the virtual design validation process and construct physical models for all phases of vehicle engineering. In the associated Testing and Vehicle department, we create complete test vehicles as well as sub-assemblies and vehicle bodies for the physical validation of these modules and systems. The development and production of individual vehicle conversions 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 ("PS") – operating through the independent company EDAG PS, its international subsidiaries and profit centers – is an all-round engineering partner which accepts responsibility for the development and implementation of production processes at 16 sites in Germany and at international sites in South Korea, India, the Czech Republic, Russia, Hungary, Brazil, Mexico, China and the USA. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization from a single source. The "Industrie 4.0" methods and tools are an important basis here, as well as being an effective catalyst for innovative, networked engineering, ideally synchronized with the processes first for product development and later for plant construction.

In the field of **concept engineering**, Production Solutions provides its customers with an integral approach to process planning. This means that Production Solutions provides companies with factory and production planning support – with both the implementation of new plans and with the conversion, expansion or optimization of existing systems while operation is in progress. By offering support from concept engineering to the preparation of detailed product specifications, it is possible to cover all the steps required for the production process, and to design optimum interfaces with other media, buildings and logistics. In the context of simultaneous engineering, Production Solutions favors an integrative approach, with the product development, systems planning and production simulation 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. IT-supported sequences and methods are developed here, 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 ("E/E") 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 eMobility 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 increasingly focusing its attention on 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 model set-up and commissioning to production-ready development. In the process, EDAG accepts responsibility for all development activities. When it comes to the strategic domains derived from megatrends, this division is becoming increasingly involved in the latest trends such as autonomous driving, HMI/infotainment and electrification The skills offered here range from functional electronic development, knowledge of specific areas such as AUTOSAR or functional safety in accordance with ISO 26262 through to the know-how required to guarantee engineering quality in line with our customers' requirements.

E/E Car IT markets services and software developed in-house as products for the networked mobility industry. The division's range of services also includes development and standardization services, and networking advice for vehicle manufacturers, system suppliers and IT companies. Under the 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 five central areas, each with its own operationalizable objectives:

- Growth by intensifying and extending our global customer portfolio, particularly in the fields of eMobility, car IT, software solutions and connectivity
- Customer enthusiasm on account of our technological know-how and innovative ability
- Attractiveness as an employer
- Profitability through professional project and resource management
- Systematic expansion of activities in "best cost countries", in order to meet growing customer requirements on competitive terms

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

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

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the International Monetary Fund's (IMF) latest April 2018 outlook, the world economy exhibited 3.8 percent growth in 2017 (in the January 2018 outlook, this still stood at 3.7 percent). This was the strongest increase in growth since 2011. For the two years 2018 and 2019, the IMF in its April 2018 outlook confirmed the forecast global growth rate of 3.9 percent for each year, and also upwardly revised economic growth projections in some major industrial countries and emerging markets, including Germany and the eurozone in the same period.

The IMF now, for example, anticipates GDP growth rates of 2.9 and 2.7 percent in the USA (previously 2.7 and 2.5 respectively). In the eurozone, growth rates of 2.4 and 2.0 percent are forecast (previously 2.2 and 2.0), in Germany 2.5 and 2.0 percent (previously 2.3 and 2.0), and in Spain 2.8 and 2.2. percent (previously 2.4 and 2.1).

In the emerging market economies, Brazil in particular looks forward to higher growth rates of 2.3 and 2.5 percent (previously 1.9 and 2.1) According to IMF forecasts, China's prospects for growth remain at a constant 6.6 percent in 2018 and 6.4 percent in 2019.

For the immediate forecast period, the IMF anticipates that opportunities and risks will be broadly balanced. There is, however, a risk that some elements of the currently positive economic factors, such as the easy monetary policy, might be reversed, which could lead to a sharp tightening of financial conditions with adverse repercussions on confidence and growth. A further risk lies in the intensification of geopolitical tensions.

With regard to oil prices, starting from an average price of USD 52.81 a barrel in 2017, a barrel price of USD 62.3 is forecast for 2018, (IMF in January 2018: USD 59.9) and USD 58.2 for 2019 (IMF in January 2018: USD 56.4).

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), a global growth rate of some 3 percent is anticipated for sales of new vehicles in 2017. However, according to VDA, the forecast growth rate for 2018 is 1 percent. Zero growth is expected for the eurozone (EU-28 + EFTA) in 2018.

In March 2018, due to the fact that there were two working days less, the European passenger vehicle market (EU-28 + EFTA) reported a 5 percent decline in sales compared to the year before. Nevertheless, there was still an increase in growth of 0.6 percent, or 4.3. million new vehicle registrations, over the first quarter of 2018. This sets a new sales record, the highest value ever achieved in the first quarter of a year.

New registrations increased by 4.0 percent in Germany, by 2.9 percent in France, and by an impressive 10.5 percent in Spain. In Italy (-1.5 percent) and Great Britain (-12.4 percent), on the other hand, the number of new vehicles registered decreased.

In Germany, electric car sales leveled out in the first quarter (+70 percent) compared to the dynamic growth rate of the previous year (+117 percent). At just 2.0 percent, the proportion of electric cars sold is still low. Domestic orders have increased by 1 percent since January, and orders from abroad by 4 percent.

In March, the US light vehicle market grew by a powerful 6 percent compared to the same period in the previous year. With sales of approx. 4.1 million light vehicles (+ 2.1 percent), the first quarter of 2018 was the strongest first quarter since 2001. In the light vehicle sector, sales in the car segment are down (-11 percent), while the light truck segment can report increased growth of +10 percent. In China, 6 million new vehicles were sold (+3.7 percent) in the first quarter of 2018. SUVs (+11 percent) are the market drivers here. Both Russia (+21.7 percent) and Brazil (+14.7 percent) recorded double-digit growth rates in the first quarter, whereas Japan experienced a 2.7 percent decline in growth.

Development of the Engineering Market

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. According to an independent market analysis carried out by Lünendonk GmbH, market growth between 2018 and 2022 will, on average, be around the 4.6 percent mark.

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, 2018, orders on hand increased to € 403.0 million compared to € 340.0 million as per December 31, 2017. In the quarter just ended, the EDAG Group generated incoming orders amounting to € 256.1 million which, compared to the same period in the previous year (€ 219.8 million), represents an increase of € 36.3 million.

At € 193.7 million, the revenues increased by € 14.9 million or 8.3 percent compared to the same period in the previous year (Q1 2017: € 178.8 million). Among the main reasons for the increase are the new acquisitions made in 2017 and the particularly positive revenue performance of the Production Solutions segment.

Compared to the previous year, the EBIT in the reporting period increased by € 1.0 million to € 10.7 million (Q1 2017: € 9.7 million). This means that an EBIT margin of 5.5 percent was achieved (Q1 2017: 5.4 percent). The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in an increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations that were recorded in the reporting period in 2018, the adjusted EBIT figure was € 12.0 million (Q1 2017: € 11.0 million), which is equivalent to an adjusted EBIT margin of 6.2 percent (Q1 2017: 6.2 percent).

The materials and services expenses increased by 30.1 percent to € 25.3 million. At 13.1 percent, the materials and services expenses ratio was above the level of the same period in the previous year (Q1 2017: 10.9 percent). This effect was largely due to an increased volume of engineering services being purchased. At 9.1 percent, the ratio of service expenses in relation to the revenues is above the level of the same period in the previous year (Q1 2017: 6.7 percent). At 3.9 percent, the materials expenses ratio was slightly below the level of the same period in the previous year (4.2 percent).

The EDAG Group's personnel expenses increased by € 4.4 million or 3.7 percent to € 125.7 million compared to the same period in the previous year. As of March 31, 2018, the company had a workforce of 8,364 employees, including apprentices (12/31/2017: 8,404 employees). The ratio of personnel expenses, which stood at 64.9 percent, decreased considerably compared with the same period in the previous year (Q1 2017: 67.8 percent).

Depreciation, amortization and impairments totaled € 6.9 million (Q1 2017: € 6.5 million). The ratio for other expenses in relation to revenues was 14.6 percent and thus slightly above last year's level (Q1 2017: 14.3 percent).

In the first quarter of 2018, the financial result was € -0.9 million (Q1 2017: € -1.6 million), an improvement of € 0.7 million compared with the same period in the previous year. Significant effects are a reduction in the interest expense due to the early repayment of a loan to ATON Group Finance GmbH in the amount of € 26.0 million in the 2017 financial year, and an improved equity result compared with the same period in the previous year.

Development of the "Vehicle Engineering" Segment

Incoming orders amounted to € 142.7 million in the first quarter of 2018, which was 9.0 percent above the value for the same period in the previous year (Q1 2017: € 131.0 million). Revenues increased by 6.9 percent to € 118.5 million (Q1 2017: € 110.8 million). All in all, an EBIT of € 6.0 million was achieved for the Vehicle Engineering segment in the reporting quarter just ended (Q1 2017: € 6.4 million). The EBIT margin amounted to 5.0 percent (Q1 2017: 5.7 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 5.7 percent (Q1 2017: 6.5 percent). The deviation in the results compared to the same period in the previous year is due to an adjustment in the evaluation of projects.

Development of the "Production Solutions" Segment

In this segment, incoming orders amounted to € 56.6 million, which was above the level of the same period in the previous year (Q1 2017: € 42.9 million) and represents an increase of 32.0 percent. Revenues increased by 35.4 percent to € 39.9 million (Q1 2017: € 29.5 million). Overall, an EBIT of € 2.9 million (Q1 2017: € 2.0 million) was generated for the Production Solutions segment in the first quarter just ended. The sharp increase in the revenues is due in particular to the acquisition of CKGP/PW in July 2017 and to a major order in Mexico. The adjusted EBIT margin was 7.5 percent and therefore above the previous year's level (Q1 2017: 6.9 percent).

Development of the "Electrics/Electronics" Segment

Incoming orders increased by € 12.4 million to € 65.2 million compared to the same period in the previous year (Q1 2017: € 52.8 million). Revenues, on the other hand, decreased by € 2.3 million or 5.8 percent to € 38.0 million (Q1 2017: € 40.4 million). Delays in the awarding of new orders by one of the company's main customers continue to have an impact here. The EBIT stood at € 1.8 million (Q1 2017: € 1.4 million), which represents an increase. The EBIT margin amounted to 4.8 percent (Q1 2017: 3.4 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 5.9 percent (Q1 2017: 4.4 percent).

Cash Flows and Financial Position

Compared to December 31, 2017, the EDAG Group's statement of financial position total decreased by € 16.5 million to € 425.9 million. The non-current assets decreased by € 1.9 million to € 196.2 million (12/31/2017: € 198.1 million), primarily as a result of the depreciation of the other intangible assets. In the current assets, the reduction of current accounts receivable by € 73.4 million is countered by an increase in contract assets in the amount of € 50.6 million. Cash and cash-equivalents increased by € 5.5 million to € 19.0 million.

On the equity, liabilities and provisions side, equity increased by € 5.9 million to € 153.4 million, and the quota is now approximately 36.0 percent (12/31/2017: 33.3 percent). This increase is primarily due to current profits in the amount of € 6.5 million.

Current liabilities and provisions decreased by € 22.8 million to € 234.5 million. This is chiefly attributable to a decrease in current financial liabilities in the amount of € 6.6 million, in contract liabilities in the amount of € 7.2 million, in accounts payable in the amount of € 3.3 million and in income tax liabilities of € 4.7 million.

In the first quarter of 2018, the operating cash flow was € 19.0 million (Q1 2017: € 18.0 million). The positive development was primarily due to an increased effect in capital being freed up in the trade working capital compared to the same period in the previous year.

At € 5.2 million, gross investments in the reporting year were higher than in the previous year (Q1 2017: € 3.0 million). The ratio of gross investments in relation to revenues was therefore 2.7 percent (Q1 2017: 1.7 percent).

On the reporting date, unused lines of credit in the amount of € 73.8 million exist in the Group. The Group Executive Management regards the overall economic situation of the EDAG Group as good. With an equity ratio of 36.0 percent, the company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 HR Management and Development

The success of the EDAG Group as one of the leading engineering service providers in the automotive sector is inextricably linked to the skills and motivation of its employees. Behind the company's comprehensive service portfolio are people with widely differing occupations and qualifications. In addition, the EDAG Group is also characterized by the special commitment and mentality of its employees. Throughout its 49-year history, EDAG has always ensured that both young and experienced employees are offered interesting and challenging activities and projects, and are provided with the prospect of and the necessary space for personal responsibility and decision-making. And this is the primary focus of both our human resources management and development. For a more detailed representation of personnel management and development, please see the Annual Report for 2017.

On March 31, 2018 the EDAG Group employed a workforce of 8,364 employees (12/31/2017: 8,404 employees). Personnel expenses amounted to € 125.7 million in the 2018 reporting period (Q1 2017: € 121.3 million).

3 Forecast, Risk and Reward Report

There were no significant changes during the reporting period to the risks and rewards described in the Annual Report for 2017. For a more detailed representation of the Risk and Reward Report, please see the Annual Report for 2017.

Assuming favorable economic conditions – that the economy will continue to grow, manufacturers will maintain or expand their research and development expenditures at a high level and continue to outsource development services, and that qualified personnel are available – the EDAG Group expects positive business development. For 2018, the EDAG management sees opportunities for increasing revenues 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 5 to 7 percent, given the challenges outlined above. The VE and E/E segments are expected to be within this range, with the PS segment slightly above it. Because of the sustained growth, we expect investments to be above the level of previous years. Despite this fact, however, we still anticipate an investment rate of less than 4 percent. Due to the continuing good financial performance, we also expect a positive development of our financial situation in the future.

4 Disclaimer

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
Profit or loss		
Sales revenues and changes in inventories[1]	193,697	178,811
Sales revenues	193,481	179,424
Changes in inventories	216	- 613
Other income	3,304	3,678
Material expenses	- 25,287	- 19,444
Gross Profit	**171,714**	**163,045**
Personnel expenses	- 125,715	- 121,270
Depreciation, amortization and impairment	- 6,885	- 6,526
Net result from impairments or reversals on financial instruments	- 140	-
Other expenses	- 28,313	- 25,555
Earnings before interest and taxes (EBIT)	**10,661**	**9,694**
Result from investments accounted for using the equity method	116	- 17
Financial income	79	116
Financing expenses	- 1,107	- 1,696
Financial result	**- 912**	**- 1,597**
Earnings before taxes	**9,749**	**8,097**
Income taxes	- 3,244	- 2,697
Profit or loss	**6,505**	**5,400**

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

in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
Profit or loss	**6,505**	**5,400**
Other Comprehensive Income		
Under certain conditions reclassifiable profits/losses		
Financial assets available for sale		
Profits/losses included in equity from valuation at fair value	-	3
Deferred taxes on financial assets available for sale	-	- 1
Currency conversion difference		
Profits/losses included in equity from currency conversion difference	- 733	360
Total under certain conditions reclassifiable profits/losses	**- 733**	**362**
Not reclassifiable profits/losses		
Revaluation of net obligation from defined benefit plans		
Revaluation of net obligation from defined benefit plans before taxes	287	1,006
Deferred taxes on defined benefit plans and obligations	- 85	- 298
Share of other comprehensive income of at-equity accounted investments, net of tax	3	6
Total not reclassifiable profits/losses	**205**	**714**
Total other comprehensive income before taxes	- 443	1,375
Total deferred taxes on the other comprehensive income	- 85	- 299
Total other comprehensive income	**- 528**	**1,076**
Total comprehensive income	**5,977**	**6,476**
From the profit or loss attributable to:		
Shareholders of the parent company	6,496	5,391
Minority shares (non-controlling interest)	9	9
Of the total comprehensive income attributable to:		
Shareholders of the parent company	5,968	6,467
Minority shares (non-controlling interest)	9	9
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]		
Earnings per share	0.26	0.22

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

2 Consolidated Statement of Financial Position

in € thousand	3/31/2018	12/31/2017 revised*	1/1/2017 revised*
Assets			
Goodwill	73,892	74,359	64,521
Other intangible assets	29,501	31,436	35,053
Property, plant and equipment	73,808	73,003	71,648
Financial assets	147	150	158
Investments accounted for using the equity method	16,254	16,111	15,434
Non-current other financial assets	340	433	331
Non-current other non-financial assets	61	62	571
Deferred tax assets	2,190	2,513	1,109
TOTAL non-current assets	**196,193**	**198,067**	**188,825**
Inventories	4,480	3,888	9,175
Current contract assets	118,216	67,659	80,426
Current accounts receivables	67,606	141,040	115,585
Current other financial assets	2,662	2,081	2,452
Current securities, loans and financial instruments	45	43	61
Current other non-financial assets	12,773	10,993	9,607
Income tax assets	1,748	2,020	2,298
Cash and cash-equivalents	19,014	13,485	19,067
Assets held for sale	3,200	3,200	4,056
TOTAL current assets	**229,744**	**244,409**	**242,727**
TOTAL assets	**425,937**	**442,476**	**431,552**

in € thousand	3/31/2018	12/31/2017 revised*	1/1/2017 revised*
Equity, liabilities and provisions			
Subscribed capital	920	920	920
Capital reserves	40,000	40,000	40,000
Retained earnings	125,275	118,869	122,133
Reserves from profits and losses recognized directly in equity	- 8,980	- 9,201	- 9,955
Currency conversion differences	- 3,805	- 3,072	- 1,577
Equity attributable to shareholders of the parent company	**153,410**	**147,516**	**151,521**
Non-controlling interests	10	1	1
TOTAL equity	**153,420**	**147,517**	**151,522**
Provisions for pensions and similar obligations	27,743	27,606	27,038
Other non-current provisions	3,540	3,612	3,030
Non-current financial liabilities	1,212	1,158	88,080
Non-current other financial liabilities	1,707	2,243	-
Non-current income tax liabilities	-	-	1,460
Deferred tax liabilities	3,805	3,061	6,159
TOTAL non-current liabilities and provisions	**38,007**	**37,680**	**125,767**
Current provisions	7,655	8,931	9,837
Current financial liabilities	109,335	115,962	29,190
Current contract liabilities	32,134	39,290	26,999
Current accounts payable	21,495	24,745	23,327
Current other financial liabilities	4,304	3,348	3,417
Current other non-financial liabilities	52,548	53,289	54,521
Income tax liabilities	7,039	11,714	6,972
TOTAL current liabilities and provisions	**234,510**	**257,279**	**154,263**
TOTAL equity, liabilities and provisions	**425,937**	**442,476**	**431,552**

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

3 Consolidated Cash Flow Statement

	in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
	Profit or loss	**6,505**	**5,400**
+	Income tax expenses	3,244	2,697
-	Income taxes paid	- 6,664	- 2,116
+	Financial result	912	1,597
+	Interest and dividend received	73	110
+/-	Depreciation and amortization/write-ups on tangible and intangible assets	6,885	6,526
+/-	Other non-cash item expenses/income	165	515
+/-	Increase/decrease in non-current provisions	172	- 358
-/+	Profit/loss on the disposal of fixed assets	- 69	- 23
-/+	Increase/decrease in inventories	- 837	- 68
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	20,391	912
+/-	Increase/decrease in current provisions	- 1,206	793
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	- 10,549	2,041
=	**Cash inflow/outflow from operating activities/operating cash flow**	**19,022**	**18,026**
+	Deposits from disposals of tangible fixed assets	148	174
-	Payments for investments in tangible fixed assets	- 4,389	- 2,412
-	Payments for investments in intangible fixed assets	- 818	- 628
+	Deposits from disposals of financial assets	5	7
-	Payments for investments in financial assets	- 2	- 1
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	-	- 21
-	Payments for investments in shares of fully consolidated companies/divisions	- 25	- 25
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 5,081**	**- 2,906**

	in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised*
-	Interest paid	- 196	- 206
-	Repayment of financial liabilities	- 7,552	- 1,589
-	Repayment of leasing liabilities	- 618	- 651
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 8,366**	**- 2,446**
	Net Cash changes in financial funds	**5,575**	**12,674**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 46	113
+	Financial funds at the start of the period	13,485	19,067
=	**Financial funds at the end of the period [cash & cash equivalents]**	**19,014**	**31,854**
=	**Free cash flow (FCF) – equity approach**	**13,941**	**15,120**

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

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 12/31/2017 revised*	**920**	**40,000**	**118,869**	**- 3,071**	**- 9,139**	**- 16**	**- 47**	**147,516**	**1**	**147,517**
Application of IFRS 9	-	-	- 114	-	-	16	-	- 98	-	- 98
Application of IFRS 15	-	-	24	-	-	-	-	24	-	24
As per 1/1/2018 revised	**920**	**40,000**	**118,779**	**- 3,071**	**- 9,139**	**-**	**- 47**	**147,442**	**1**	**147,443**
Profit or loss	-	-	6,496	-	-	-	-	6,496	9	6,505
Other comprehensive income	-	-	-	- 733	202	-	3	- 528	-	- 528
Total comprehensive income	**-**	**-**	**6,496**	**- 733**	**202**	**-**	**3**	**5,968**	**9**	**5,977**
As per 3/31/2018	**920**	**40,000**	**125,275**	**- 3,804**	**- 8,937**	**-**	**- 44**	**153,410**	**10**	**153,420**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 12/31/2016	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Application of IFRS 15	-	-	- 1,242	-	-	-	-	- 1,242	-	- 1,242
As per 1/1/2017 revised*	**920**	**40,000**	**122,132**	**- 1,577**	**- 9,870**	**- 4**	**- 80**	**151,521**	**1**	**151,522**
Profit or loss	-	-	5,392	-	-	-	-	5,392	9	5,401
Other comprehensive income	-	-	-	359	707	2	6	1,074	-	1,074
Total comprehensive income	**-**	**-**	**5,392**	**359**	**707**	**2**	**6**	**6,466**	**9**	**6,475**
As per 3/31/2017 revised*	**920**	**40,000**	**127,524**	**- 1,218**	**- 9,163**	**- 2**	**- 74**	**157,987**	**10**	**157,997**

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

5 Selected Explanatory Notes

5.1 General Information

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

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

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

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

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

The financial statements of the subsidiaries included in the consolidated interim financial statements were prepared using uniform accounting and valuation principles as of EDAG Group AG's financial reporting date (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 may occur due to rounding.

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

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

5.2 Basic Principles and Methods

Basic Accounting Principles

The consolidated interim report of the EDAG Group AG for the period ending March 31, 2018 has been prepared in accordance with IAS 34 "Interim financial reporting". As the scope of the consolidated interim report has been reduced, making it shorter than the consolidated financial statement, it should be read in conjunction with the consolidated financial statement for December 31, 2017. The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2017 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. In addition to the International Financial Reporting Standards, the term IFRS also includes the still valid International Accounting Standards (IAS), the Interpretations of the IFRS Interpretations Committee (IFRS IC) and those of the former Standing Interpretations Committee (SIC). The requirements of all accounting standards and interpretations resolved as of March 31, 2018 and adopted in national law by the European Commission have been fulfilled.

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

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

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

New, Changed or Revised Accounting Standards

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

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

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

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

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

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

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

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

- **IFRS 9** – Financial Instruments shall be applied for the reporting period beginning on or after January 1, 2018:

  On July 24, 2014, IASB published the standard IFRS 9 "Financial Instruments", which replaces IAS 39. IFRS 9 includes amended specifications for the classification and valuation of financial assets and a new risk prevention model, which will now take expected losses into account for the calculation of the provisions for risks. In addition, the new hedge accounting provisions published in November 2013 have now been included in the final version of IFRS 9.

The EDAG Group has undertaken a complete retrospective application of the new standard, in compliance with IFRS 9.7.2.1. In conformity with the applicable transitional provisions, the figures for the previous year have not been adjusted. Application of the IFRS 9 standard did not have any material effect on the presentation of the assets, financial position and financial performance of the EDAG Group. The effects resulted from the conversion of the impairment model. The impairment model under IAS 39 was based on the incurred loss model, whereas IFRS 9 introduces the expected credit loss model. These amended valuation methods lead to an increase in the provisions for risks. No material effects resulted from the first-time adoption of the classification and valuation principles outlined in IFRS 9. The cumulative effect on earnings on January 1, 2018 amounts to € 114 thousand, and is recognized directly in consolidated equity and retained earnings. The changeover effect is equivalent to 0.1 percent of the consolidated equity.

- **IFRS 2** – Classification and valuation of share-based payment transactions (IASB publication: June 20, 2016; EU endorsement: February 26, 2018)
- **IFRS 4** – Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts (IASB publication: September 12, 2016; EU endorsement: October 9, 2017)
- Annual improvements to IFRS standards 2014 – 2016 (IASB publication: December 8, 2016; EU endorsement: February 7, 2018)
- **IFRIC 22** – Foreign Currency Transactions and Advance Consideration (IASB publication: December 8, 2016; EU endorsement March 28, 2018)
- **IAS 40** – Amendment: Classification as investment property (IASB publication: December 8, 2016; EU endorsement March 14, 2018)

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

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

in € thousand	1/1/2017	IFRS 15	1/1/2017 revised	1/1/2018	IFRS 15	IFRS 9	1/1/2018 revised
Equity, liabilities and provisions							
Equity	**152,764**	**- 1,242**	**151,522**	**147,517**	**24**	**- 98**	**147,443**
thereof Retained earnings	123,375	- 1,242	122,133	118,869	24	- 114	118,779
thereof Reserves from profits and losses recognized directly in equity	- 9,955	-	- 9,955	- 9,201	-	16	- 9,185
Non-current liabilities and provisions	**126,299**	**- 532**	**125,767**	**37,680**	**-**	**-**	**37,680**
thereof Deferred tax liabilities	6,691	- 532	6,159	3,061	-	-	3,061
Current liabilities and provisions	**151,353**	**2,910**	**154,263**	**257,279**	**-**	**-**	**257,279**
thereof Current provisions	9,485	352	9,837	8,931	-	-	8,931
thereof Future liabilities from construction contracts	29,689	- 29,689	-	-	-	-	-
thereof Current contract liabilities	-	26,999	26,999	39,290	-	-	39,290
thereof Current other non-financial liabilities	49,273	5,248	54,521	53,289	-	-	53,289
TOTAL Equity, liabilities and provisions	**430,416**	**1,136**	**431,552**	**442,746**	**24**	**- 98**	**442,402**

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

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

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

Accounting and Valuation Principles

For this consolidated interim report, a discount rate of 1.90 percent has been used for pension provisions in Germany (12/31/2017: 1.85 percent). A discount rate of 0.78 percent has been used for pension provisions in Switzerland (12/31/2017: 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 gains related to pension provisions recorded in reserves from profits and losses recognized directly in equity.

At the beginning of 2017, one property was qualified as a non-current asset held for sale according to IFRS 5.6 and valued at its book value according to IFRS 5.15. In the subsequent valuation during the second half of 2017, a change in value was noted, as a result of which it was valued at fair value less costs to sell. The resulting impairment costs in the amount of € 1,042 thousand were recognized in depreciation, amortization and impairments. Owing to unforeseen, unfavorable market conditions, it was not possible to sell the property within twelve months. However, as there are still continuing, direct and active plans to sell and intensive sales negotiations are consequently being held, the Group Executive Management assumes that the sale of the property will occur in the first half of 2018.

In accordance with the objective of financial statements set out in F.12 et seq., IAS 1.9 and IAS 8.10 et seq., IAS 34.30(c) was applied when determining income tax expense for the interim reporting period. Accordingly, the weighted average expected annual tax rate in the amount of 33.3 percent (12/31/2017: 33.3 percent) was used.

Otherwise, with the exception of the changed accounting standards (IFRS 9, IFRS 15), the same accounting and valuation methods and consolidation principles as were used in the 2017 consolidated financial statements for EDAG Group AG were applied when preparing the consolidated interim report and determining comparative figures. A detailed description of these methods has been published in the Notes to the Consolidated Financial Statement in the Annual Report for 2017. This consolidated interim report should therefore be read in conjunction with the consolidated financial statement of EDAG Group AG for December 31, 2017.

Presentation of the consolidated interim report in accordance with IFRS requires 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, and the valuation of investments and other assets or liabilities. Although adequate account is taken of existing uncertainties during valuation, actual results can still deviate from the estimates.

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

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

5.3 Changes in the Scope of Consolidation

Compared to December 31, 2017, there has been no change in the group of combined or consolidated companies, which is composed as follows:

	Switzerland	Germany	Others	Total
Fully consolidated companies	3	8	27	38
Companies accounted for using the equity method	-	1	-	1
Companies included at acquisition cost	-	2	-	2

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.

5.4 Currency Conversion

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

Country	Currency	3/31/2018	Q1 2018	12/31/2017	Q1 2017
	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	0.8749	0.8834	0.8872	0.8598
Brazil	BRL	4.0938	3.9901	3.9729	3.3455
USA	USD	1.2321	1.2294	1.1993	1.0647
Malaysia	MYR	4.7658	4.8241	4.8536	4.7338
Hungary	HUF	312.1300	311.0660	310.3300	309.0676
India	INR	80.2960	79.1566	76.6055	71.2990
China	CNY	7.7468	7.8149	7.8044	7.3341
Mexico	MXN	22.5249	23.0362	23.6612	21.6312
Czech Republic	CZK	25.4250	25.4003	25.5350	27.0213
Switzerland	CHF	1.1779	1.1650	1.1702	1.0693
Poland	PLN	4.2106	4.1793	4.1770	4.3208
Romania	RON	4.6565	4.6555	4.6585	4.5210
Russia	RUB	70.8897	69.9464	69.3920	62.5198
Sweden	SEK	10.2843	9.9731	9.8438	9.5050
Japan	JPY	131.1500	133.1351	135.0100	120.9933
South Korea	KRW	1,310.8900	1,318.1304	1,279.6100	1,227.1877

5.5 Reconciliation of the Adjusted Operating Profit (adjusted EBIT)

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

in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017 revised
Earnings before interest and taxes (EBIT)	**10,661**	**9,694**
Adjustments:		
Expenses (+) from purchase price allocation	1,376	1,354
Income (-) / expenses (+) from deconsolidation	-	- 3
Total adjustments	**1,376**	**1,351**
Adjusted earnings before interest and taxes (adjusted EBIT)	**12,037**	**11,045**

The "expenses (+) from the purchase price allocation" are stated under the amortization. The "income (-) / expenses (+) from deconsolidations" are each shown separately in the non-operating expenses and 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 Group Executive Management at segment level is the EBIT, as the adjusted effects are presented under "Others". Therefore at segment level, the EBIT shown is basically equal to the adjusted EBIT. The only exception to this rule are the effects of the purchase price allocation shown in the segment EBIT. The segment presentation is designed to show the profitability as well as the assets and financial situation of the individual business activities. Intercompany sales are accounted for at customary market prices and are equivalent to sales towards third parties (arm's length principle).

As at March 31, 2018, the non-current assets amounted to € 196.2 million (12/31/2017: € 198.1 million). Of these, € 1.3 million are domestic, € 165.8 million are German, and € 29.1 million are non-domestic (12/31/2017: [domestic: € 1.4 million; Germany: € 166.6 million; non-domestic: € 30.0 million]).

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

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

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

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

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

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

1/1/2018 - 3/31/2018							
in € thousand	**Vehicle Engineering**	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	117,271	38,327	37,883	-	193,481	-	193,481
Sales revenues with other segments	1,131	1,589	8	-	2,728	- 2,728	-
Changes in inventories	109	- 32	139	-	216	-	216
Total revenues[1]	**118,511**	**39,884**	**38,030**	**-**	**196,425**	**- 2,728**	**193,697**
EBIT	**5,962**	**2,870**	**1,829**	**-**	**10,661**	**-**	**10,661**
EBIT margin [%]	5.0%	7.2%	4.8%	n/a	5.4%	n/a	5.5%
Purchase price allocation (PPA)	831	141	404	-	1,376	-	1,376
Other adjustments	-	-	-	-	-	-	-
Adjusted EBIT	**6,793**	**3,011**	**2,233**	**-**	**12,037**	**-**	**12,037**
Adjusted EBIT margin [%]	5.7%	7.5%	5.9%	n/a	6.1%	n/a	6.2%
Depreciation, amortization and impairment	- 4,770	- 858	- 1,257	-	- 6,885	-	- 6,885
Ø Employees per segment	5,021	1,541	1,812	-	8,374		8,374

1/1/2017 - 3/31/2017 revised*							
in € thousand	**Vehicle Engineering**	**Production Solutions**	**Electrics/ Electronics**	**Others**	**Total segments**	**Consolidation**	**Total Group**
Sales revenues with third parties	110,256	28,870	40,298	-	179,424	-	179,424
Sales revenues with other segments	1,219	602	15	-	1,836	- 1,836	-
Changes in inventories	- 659	- 10	56	-	- 613	-	- 613
Total revenues[1]	**110,816**	**29,462**	**40,369**	**-**	**180,647**	**- 1,836**	**178,811**
EBIT	**6,362**	**1,951**	**1,378**	**3**	**9,694**	**-**	**9,694**
EBIT margin [%]	5.7%	6.6%	3.4%	n/a	5.4%	n/a	5.4%
Purchase price allocation (PPA)	877	73	404	-	1,354	-	1,354
Other adjustments	-	-	-	- 3	- 3	-	- 3
Adjusted EBIT	**7,239**	**2,024**	**1,782**	**-**	**11,045**	**-**	**11,045**
Adjusted EBIT margin [%]	6.5%	6.9%	4.4%	n/a	6.1%	n/a	6.2%
Depreciation, amortization and impairment	- 4,485	- 781	- 1,260	-	- 6,526	-	- 6,526
Ø Employees per segment	5,046	1,399	1,714	-	8,159		8,159

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

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

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

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

1/1/2018 – 3/31/2018								
in € thousand	**Vehicle Engineering**		**Production Solutions**		**Electrics/ Electronics**		**Total**	
Customer sales division A	20,783	18%	3,962	10%	9,525	25%	34,270	18%
Customer sales division B	2,794	2%	1,621	4%	12,541	33%	16,956	9%
Customer sales division C	3,458	3%	387	1%	1,127	3%	4,972	3%
Customer sales division D	17,559	15%	2,871	7%	3,562	9%	23,992	12%
Customer sales division E	15,718	13%	8,021	21%	697	2%	24,436	13%
Customer sales division F	58	0%	2,173	6%	114	0%	2,345	1%
Customer sales division G	2,661	2%	270	1%	682	2%	3,613	2%
Customer sales division H	502	0%	5,338	14%	-	0%	5,840	3%
Customer sales division I	8,035	7%	2,364	6%	1,695	4%	12,094	6%
Miscellaneous (OEMs and system suppliers)	45,703	39%	11,320	30%	7,940	21%	64,963	34%
Sales revenue with third parties	**117,271**	**100%**	**38,327**	**100%**	**37,883**	**100%**	**193,481**	**100%**

1/1/2017 – 3/31/2017								
in € thousand	**Vehicle Engineering**		**Production Solutions**		**Electrics/ Electronics**		**Total**	
Customer sales division A	22,218	20%	4,257	15%	8,527	21%	35,002	20%
Customer sales division B	6,427	6%	2,624	9%	15,443	38%	24,494	14%
Customer sales division C	4,501	4%	391	1%	967	2%	5,859	3%
Customer sales division D	17,835	16%	3,511	12%	4,834	12%	26,180	15%
Customer sales division E	13,644	12%	3,154	11%	1,003	2%	17,801	10%
Customer sales division F	775	1%	199	1%	531	1%	1,505	1%
Customer sales division G	4,333	4%	128	0%	677	2%	5,138	3%
Customer sales division H	790	1%	7,748	27%	258	1%	8,796	5%
Customer sales division I	5,839	5%	1,885	7%	1,507	4%	9,231	5%
Miscellaneous (OEMs and system suppliers)	33,894	31%	4,973	17%	6,551	16%	45,418	25%
Sales revenue with third parties	**110,256**	**100%**	**28,870**	**100%**	**40,298**	**100%**	**179,424**	**100%**

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

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

1/1/2018 – 3/31/2018						
in € thousand	**Vehicle Engineering**	**Production Solutions**	**Electrics/ Electronics**	**Total Segments**	**Consolidation**	**Total Group**
Period-related revenue recognition	114,562	39,285	37,078	190,925	-	190,925
Point in time revenue recognition	3,840	631	813	5,284	-	5,284
Sales revenue with other segments	- 1,131	- 1,589	- 8	- 2,728	-	- 2,728
Sales revenue with third parties	**117,271**	**38,327**	**37,883**	**193,481**	**-**	**193,481**
Sales revenue with other segments	1,131	1,589	8	2,728	- 2,728	-
Changes in inventories	109	- 32	139	216	-	216
Total revenues	**118,511**	**39,884**	**38,030**	**196,425**	**- 2,728**	**193,697**

1/1/2017 – 3/31/2017						
in € thousand	**Vehicle Engineering**	**Production Solutions**	**Electrics/ Electronics**	**Total Segments**	**Consolidation**	**Total Group**
Period-related revenue recognition	105,261	27,918	37,830	171,009	-	171,009
Point in time revenue recognition	6,214	1,554	2,483	10,251	-	10,251
Sales revenue with other segments	- 1,219	- 602	- 15	- 1,836	-	- 1,836
Sales revenue with third parties	**110,256**	**28,870**	**40,298**	**179,424**	**-**	**179,424**
Sales revenue with other segments	1,219	602	15	1,836	- 1,836	-
Changes in inventories	- 659	- 10	56	- 613	-	- 613
Total revenues	**110,816**	**29,462**	**40,369**	**180,647**	**- 1,836**	**178,811**

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

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

Other Financial Obligations

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

in € thousand	3/31/2018	12/31/2017
Obligations from the renting of property	149,446	148,060
Obligations from miscellaneous renting and leasing contracts	9,216	9,052
Open purchase orders	1,934	1,486
Other miscellaneous financial obligations	34	29
Total	**160,630**	**158,627**

Contingent Receivables

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

5.8 Financial Instruments

Net Financial Debt/Credit

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

in € thousand	3/31/2018	12/31/2017 revised
Non-current financial liabilities	- 1,212	- 1,158
Current financial liabilities	- 109,335	- 115,962
Securities/derivative financial instruments	45	43
Cash and cash equivalents	19,014	13,485
Net financial debt/-credit [-/+]	**- 91,488**	**- 103,592**
Equity	153,420	147,517
Net Gearing [%]	**59.6%**	**70.2%**

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, 2018, there were loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 62,024 thousand (12/31/2017: € 61,264 thousand), which, on account of the due date at the end of 2018 are now to be classified as current. As of March 31, 2018, there is a current loan, including interest, in the amount of € 20,874 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2017: € 20,932 thousand). The company is engaged in constructive discussions with existing and potential financial backers with regard to long-term follow-on financing. EDAG assumes that these discussions will be brought to a successful conclusion in the next few months, so that a stable corporate financing can be continued.

The EDAG Group reported unused lines of credit in the amount of € 73.8 million on the reporting date (12/31/2017: € 72.0 million).

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

	in € thousand	3/31/2018	12/31/2017 revised
	Inventories	4,480	3,888
+	Current contract assets	118,216	67,659
+	Current accounts receivable	67,606	141,040
-	Current contract liabilities	- 32,134	- 39,290
-	Current accounts payable	- 21,495	- 24,745
=	**Trade Working Capital (TWC)**	**136,673**	**148,552**
+	Non-current other financial assets	340	433
+	Non-current other non-financial assets	61	62
+	Deferred tax assets	2,190	2,513
+	Current other financial assets excl. Interest-bearing receivables	2,662	2,081
+	Current other non-financial assets	12,773	10,993
+	Income tax assets	1,748	2,020
-	Non-current other financial liabilities	- 1,707	- 2,243
-	Deferred tax liabilities	- 3,805	- 3,061
-	Current other financial liabilities	- 4,304	- 3,348
-	Current other non-financial liabilities	- 52,548	- 53,289
-	Income tax liabilities	- 7,039	- 11,714
=	**Other working capital (OWC)**	**- 49,629**	**- 55,553**
	Net working capital (NWC)	**87,044**	**92,999**

The trade working capital decreased from € 148,552 thousand to € 136,673 thousand, compared to December 31, 2017. The increase of € 50,557 thousand in current contract assets was more than compensated for by the decrease of € 73,434 thousand in current accounts receivable.

At € -49,629 thousand, the other working capital increased slightly, compared to December 31, 2017 (€ -55,553 thousand).

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

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

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

in € thousand

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

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

in € thousand	former Loans and Receivables [LaR]	No category acc. to IAS 39 [n.a.]
to Financial assets/liabilities measured at amortized cost		
12/31/2017	3,087	
Adjustments	122	
1/1/2018	3,209	
to Contract assets IFRS 15		
12/31/2017		-
Adjustments		18
1/1/2018		18

The principles and methods for assessing at fair value have not changed compared to last year. Detailed explanations of the valuation principles and methods can be found in the Annual Report of EDAG Group AG for 2017.

For the most part, cash and cash-equivalents, accounts receivable and other receivables have only a short time to maturity. For this reason, their book values on the reporting date are close approximations of the fair values.

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

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

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

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

in € thousand		3/31/2018	
	Valuation category as per IFRS 9	Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IFRS 9
Financial assets			
Cash and cash-equivalents	[AC]	19,014	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	70,608	-
Contract assets	[n.a.]	-	118,216
Loans	[AC]	95	-
Investments and securities	[FVtPL]	97	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	24,514	-
Other interest-bearing liabilities	[AC]	82,898	-
Liabilities from financing leases	[n.a.]	-	2,925
Derivative financial liabilities	[FVtPL]	211	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	24,999	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,507	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	89,717	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	97	-
Financial Liabilities measured at Amortized Cost	[AC]	132,411	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,718	-

The book values or fair values of all financial instruments recorded in the consolidated financial statements for the comparison period according to IAS 39 are shown in the following table.

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

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

The attributable fair values of liabilities due to credit institutions, loans, other financial liabilities and other interest-bearing liabilities are calculated as present values of the debt-related payments, based on the EDAG current yield curve valid at the time. By and large, the fair value of the financial liabilities corresponds to the book value. The valuation of the fair value took place according to the "Level 2" measurement category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

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

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

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

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

in € thousand	Assessed at fair value 3/31/2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	45	-	-	45
Financial liabilities				
Derivative financial liabilities	-	211	-	211
Other liabilities	-	-	2,507	2,507

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

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

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

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

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

in € thousand	2018	2017
As per 1/1/	**2,627**	**98**
Loss recognized in financial expenses		
Net change of fair value	14	2
Profit recognized in other income		
Net change of fair value	25	25
Cash Flows	25	25
Currency conversion difference	- 84	-
As per 3/31/	**2,507**	**50**

5.9 Related Parties

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

For a more detailed account of the type and extent of the business relations, please see the Annual Report of EDAG Group AG for 2017.

There are two long-term, unsecured fixed interest loans with the ATON Group Finance GmbH which are due on November 6, 2018. These loans carry an interest rate of 5 percent, and can be redeemed in part prior to maturity.

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

in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	205	206
Travel and other expenses	7	5
Rental expenses	69	79
Consulting expenses	-	1
EDAG Group with supervisory boards (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	10	9
Travel and other expenses	-	1
Compensation costs	157	119
EDAG Group with group executive management		
Goods and services received	3	3

in € thousand	1/1/2018 – 3/31/2018	1/1/2017 – 3/31/2017
EDAG Group with ATON companies (affiliated companies)		
Goods and services rendered	5,070	7,689
Goods and services received	461	245
Interest expense	760	1,085
Other operating income	146	148
Other operating expenses	98	111
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	2	2
EDAG Group with associated companies		
Goods and services rendered	192	285
Goods and services received	4	76
Other operating income	162	142
Other operating expenses	13	12
Other nonoperating income	-	-
Income from investments	116	- 17
EDAG Group with other related companies and persons		
Goods and services rendered	271	293
Goods and services received	1	-
Interest expense	130	130
Other operating income	16	8
Other operating expenses	1,007	1,036

Important Changes in the Organizational Structure

Mr. Cosimo De Carlo took up his position as CEO of EDAG Engineering Group AG with effect from April 15. Mr. Jürgen Vogt continues to serve as CFO of the company. Further, the mandate of Mr. Harald Poeschke was extended until December 31, 2018.

5.10 Subsequent Events

No important events took place after the reporting period.

Arbon, May 7, 2018

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

LEGAL NOTICE

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Legal Notice

The consolidated 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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