FINANCIAL YEAR 2018

HALF-YEARLY FINANCIAL REPORT 2018

CONTENT

SUMMARY OF THE FIRST HALF OF THE 2018 FINANCIAL YEAR

TRANSFORMERS IN THE CHANGE PROCESS

THE EDAG GROUP MAKES AN IMPRESSIVE IMPACT WITH ITS STRONG PRESENCE AT THE EE CONGRESS IN LUDWIGSBURG

The industry has been giving special attention to the Automobile Electronics Congress in Ludwigsburg this year. The Congress is regarded as Germany's most important information platform for specialists working in the EE environment – one of the defining trend themes for the future development of the automobile. "Our industry is currently going through an unprecedented transformation process. The automobile's eco system is going to change permanently. And everyone in this hall today is a "transformer" in this change process," pointed out Cosimo De Carlo, CEO of the EDAG Group, in his opening address.

The EDAG Group made a strong impact in Ludwigsburg with a presentation that spotlighted the company's competencies in the fields of eDrive & battery, connectivity & user experience, comfort & passive safety, autonomous drive & active safety, vehicle electrics/electronics and mobile services & apps. One of the highlights was the Sensor Raw Data (SRD) fusion engine, presented by EDAG subsidiary BFFT. The software engine, which produces an accurate model of a vehicle's surroundings on the basis of user-defined ADAS sensors, caused a sensation among the visitors to the show. The innovative approach of BFFT's SRD fusion engine raises environment sensing in the field of autonomous driving to a new level.

During the event, the EDAG Group announced that all EE activities currently being worked on in the EDAG Group and at the BFFT subsidiary are to be bundled in the future. "As a visible signal, we will in the future be bringing together all relevant resources and skills in the major technological trends in the automotive electrics/electronics market, and establishing this as our third powerful pillar, in addition to vehicle and production plant development," announced Cosimo De Carlo when speaking at the event.

APRIL MAY

"EXCELLENT PARTNER" AWARD FOR EDAG CHINA

The EDAG Group was presented with the "Excellent Partner" award by Singulato Motors on April 27, 2018. The EDAG Engineering and Design (Shanghai) Co. team, headed by Managing Director Dr. Lars Röhrig, were awarded the prize during a gala event held in Shanghai. In a joint project with Singulato Motors, EDAG was closely involved in the development of the iS6 Electric SUV. To this end, a 60-strong team from EDAG's Chinese subsidiary provided extensive services, concentrating in particular on the vehicle body, interior/exterior and electrical/electronic systems. With this project, EDAG successfully established its position with the electric vehicle start-up Singulato Motors, demonstrating its competencies and experience in the development of complete vehicles.

"Our team's performance in this projects was absolutely outstanding," stressed Dr. Lars Röhrig. "In a very short space of time, we made a decisive contribution to the development of the new electric vehicle "iS6", providing all-round services and in this way demonstrating our skills. To have been selected to receive the "Excellent Partner" award from a total of 240 suppliers was for us a sign of very great esteem."
For EDAG, the project was a premiere in the cooperation with electric start-up Singulato. The iS6 Electric SUV is a fully electric SUV with a range of some 400 km. Special characteristics are the contro vento doors, which lend the vehicle its unique appearance. The iS6, which is due to go into production at the end of the year, is the first of a total of six planned electric cars.

"Our expertise in complete vehicle development coupled with our know-how in the fields of eMobility, autonomous driving and digitization make us an ideal partner to help startup companies like Singulato on their way to series production. We will be focusing on expanding and strengthening our presence in the emerging international markets as we have done her in China," underlined Cosimo De Carlo, EDAG Group CEO, during his visit to the Beijing Motor Show in April 2018.

JUNE

SUMMARY OF THE FIRST HALF OF THE 2018 FINANCIAL YEAR

"LIGHTHINGE+" TAKES GOLD AT THE GERMAN INNOVATION AWARDS 2018

The EDAG Group and its project partners voestalpine Additive Manufacturing Center and Simufact Engineering received the the Design Council's coveted "German Innovation Award" in gold in the category "Excellence in Business to Business / Automotive Technologies" for their additively manufactured hood hinge "LightHinge+". The award was presented to Dr. Martin Hillebrecht, Head of Competence Centre & Innovation at EDAG, and his project team, and Volker Mensing, Director of Marketing & Communications at Simufact Engineering GmbH, during a ceremony held at the German Technical Museum in Berlin.

"LightHinge+", an ultra lightweight hood hinge manufactured in a toolless, metallic additive manufacturing process, integrates an active pedestrian protection function, weighs 50% less than comparable systems, and tool/less production makes it considerably more investment-friendly for low-volume and sports car production. Created in a joint innovation project, the innovative product concept won the jury over. The current transformation process in the automotive industry is giving rise to further digitization in the product development process. "And it is precisely here that additive manufacturing can help us to speed up development and production, increasing efficiency and cost-effectiveness," explained Dr. Martin Hillebrecht, Head of Competence Centre & Innovation at EDAG.

APRIL *MAY*

NEW CUSTOMERS, MARKETS AND ORDERS IN THE FIELD OF EMOBILITY

In current discussions, attention is strongly focused on the sector's megatrends - alternative drive systems and vehicle digitization - as the main forces behind the transformation process. However, it is not just the vehicle and mobility which will be radically changing in the future - the market, too, is facing an equally significant transformation process. The substitution of the electric powertrain for the internal combustion engine gives new players the chance to establish themselves as vehicle manufacturers. The EDAG Group has already participated in this development to a considerable degree, acquiring orders for the engineering of electric vehicles for new customers and markets.

BYTON Concept Car

JUNE

SUMMARY OF THE FIRST HALF OF THE 2018 FINANCIAL YEAR

For example, EDAG is assisting BYTON, premium electric car manufacturers, with the development of their first production vehicle. The car being developed is a completely new type of electric vehicle with a wide range of functions for automated and autonomous driving. In this project, EDAG is providing a wide range of development volumes for the vehicle engineering. In addition to the interior and exterior design, EDAG is particularly involved in the development of a high tech lightweight body. This is specially geared to the requirements of an ultra-modern electric vehicle, and is being designed for large ranges. The project is being pushed and implemented by a multinational EDAG team working in parallel at facilities in China, Europe and the USA.

In addition, EDAG has been awarded a contract by VinFast Manufacturing und Trading Company Limited for the complete development of the first electric vehicle for the Vietnamese market. The startup company of the Vietnamese Vingroup plans to conquer the auto markets in Vietnam and beyond with two conventionally powered vehicle models and a fully electric city car. "We are proud that VinFast has chosen to appoint us as the overall engineering partner to work on their trendsetting electric vehicle project," stated Cosimo De Carlo, CEO of the EDAG Group. "Our all-round skills in vehicle and production plant development coupled with our expertise in the fields of eMobility, car IT and electrics/electronics inspired the confidence of our customer VinFast. Our standing as an independent engineering service provider with international experience predestines us to go new ways at high technical levels and turn innovative concepts into marketable products."

APRIL MAY

VinFast Concept Car

JUNE

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

(in € million or %)	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017 revised*	4/1/2018 – 6/30/2018	4/1/2017 – 6/30/2017 revised*
Vehicle Engineering	242.7	223.4	124.2	112.6
Production Solutions	79.2	58.7	39.3	29.2
Electrics/Electronics	75.5	75.2	37.5	34.8
Consolidation/Others	- 6.2	- 4.5	- 3.5	- 2.7
Total revenues[1]	**391.1**	**352.7**	**197.4**	**173.9**
Growth of core business:				
Vehicle Engineering	*8.6%*	*-2.6%*	*10.3%*	*-0.5%*
Production Solutions	*35.0%*	*-2.3%*	*34.6%*	*-6.6%*
Electrics/Electronics	*0.5%*	*-3.1%*	*7.7%*	*-7.5%*
Change of revenues[1]	***10.9%***	***-2.7%***	***13.5%***	***-3.1%***
Vehicle Engineering	15.7	9.7	8.9	2.4
Production Solutions	5.0	3.5	2.0	1.5
Electrics/Electronics	2.0	1.9	- 0.3	0.2
Adjusted EBIT	**22.7**	**15.1**	**10.7**	**4.1**
Vehicle Engineering	*6.5%*	*4.3%*	*7.2%*	*2.2%*
Production Solutions	*6.3%*	*6.0%*	*5.1%*	*5.0%*
Electrics/Electronics	*2.6%*	*2.6%*	*-0.7%*	*0.4%*
Adjusted EBIT margin	***5.8%***	***4.3%***	***5.4%***	***2.3%***
Profit or loss	***12.1***	**6.4**	***5.6***	***1.0***
Earnings per share (€)	0.48	0.26	0.22	0.04

[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 %)	6/30/2018	12/31/2017 revised*
Fixed assets	192.6	195.1
Net working capital	101.5	93.0
Net financial debt	- 116.1	- 103.6
Provisions	- 41.2	- 40.2
Held for sale	3.2	3.2
Equity	**140.0**	**147.5**
Balance sheet total	**444.7**	**442.5**
Equity / BS total	*31.5%*	*33.3%*
Net financial debt / Equity	*82.9%*	*70.2%*

(in € million or %)	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017 revised*	4/1/2018 – 6/30/2018	4/1/2017 – 6/30/2017 revised*
Operating cash flow	20.8	4.7	1.8	- 13.3
Investing cash flow	- 10.4	- 14.5	- 5.3	- 11.6
Free cash flow	10.4	- 9.7	- 3.6	- 24.9
Financing cash flow	- 5.0	13.3	3.4	15.8
Adjusted cash conversion rate[2]	70.4%	65.3%	70.4%	37.6%
CapEx	10.0	8.9	4.8	5.8
CapEx/Revenues	*2.6%*	*2.5%*	*2.4%*	*3.4%*

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

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

	6/30/2018	12/31/2017
Headcount end of period	8,393	8,404
Trainees as %	*5.9%*	*6.5%*

At € 391.1 million, revenue in the first half of 2018 was significantly higher than the previous year's level of € 352.7 million. In the reporting quarter just ended, revenue totaled € 197.4 million, which also represents an increase of 13.5 percent compared to the same period in the previous year (€ 173.9 million). Among the main reasons for the increase are new acquisitions from 2017 and the particularly positive revenue performance of the Production Solutions segment.

The EBIT, which was primarily adjusted for the effects from the purchase price allocations (adjusted EBIT) stood at € 22.7 million, which is above the value for the previous year (€ 15.1 million). The adjusted EBIT figure in the reporting quarter was € 10.7 million (Q2 2017: € 4.1 million); this is equivalent to an adjusted EBIT margin of 5.4 percent (Q2 2017: 2.3 percent). The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival. The unadjusted EBIT in the first six months of the year stood at € 20.0 million, compared to the previous year's value of € 12.6 million.

The headcount, including trainees, on June 30, 2018 was 8,393 employees (12/31/2017: 8,404 employees). 5,992 of these employees were employed in Germany, and 2,401 abroad and in Switzerland (12/31/2017: [Germany: 6,034; countries abroad, including Switzerland: 2,370]). 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 half of 2018, gross investments in fixed assets amounted to € 10.0 million, which was above the level of the same period in the previous year (first half of 2017: € 8.9 million). The equity ratio on the reporting date was 31.5 percent (12/31/2017: 33.3 percent).

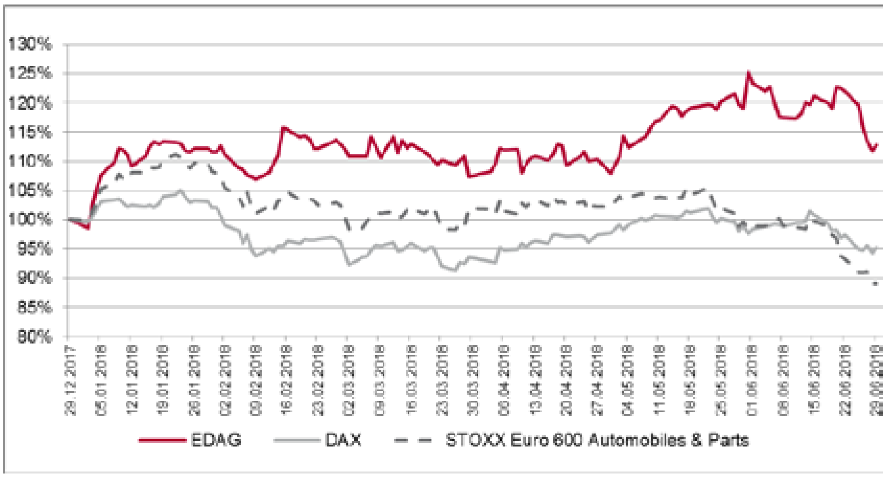
At € 116.1 million, the net financial debt is below the value on June 30, 2017 (€ 131.0 million) and above the value on December 31, 2017 (€ 103.6 million). The increase compared to December 31, 2017 is due mainly to the dividend payout in the amount of € 18.8 million.

THE EDAG SHARE

On January 2, 2018, the DAX started the first half 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, 2018. Later on, the DAX sank to its lowest level in the reporting period, namely 11,787 points on March 26, 2018. The closing price on June 29, 2018 stood at 12,306 points. The STOXX Automobiles & Parts Index fluctuated between 547 and 683 points during the same period, reaching its lowest level on the final day of the reporting 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, 2018. Following this, a positive trend was observed in the development of the share. The highest closing price in the reporting period, € 18.42, was reached on May 31, 2018. The ex dividend price was negotiated on June 6, 2018, with a drop in price of € 0.75. Payment of the dividend in the amount of € 0.75 per share was made on June 8, 2018. The price fell slightly in the subsequent period, closing at € 16.58 on June 29, 2018. The EDAG share therefore outperformed the DAX and the STOXX Automobiles & Parts Index in the reporting period. During the first half of 2018, the average XETRA trade volume was 9,424 shares a day.



Source: Comdirect

2 Key Share Data

	1/1/2018 – 6/30/2018
Prices and trading volume:	
Share price on June 29 (€)[3]	16.58
Share price, high (€)[3]	18.42
Share price, low (€)[3]	14.50
Average daily trading volume (number of shares)[4]	9,424
Market capitalisation on June 29 (€ million)	414.50

[3] Closing price on Xetra

[4] On Xetra

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

INTERIM GROUP MANAGEMENT REPORT

1 Basic Information on the Group

1.1 Business Model

Three Segments

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

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

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

Presentation of the Vehicle Engineering Segment

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

Our **Body Engineering** department brings together all of our services such as package & ergonomics, body assembly as well as interior and exterior. This also includes the development of door, cover and lid systems. Further, the Body Engineering department is involved with new technologies and lightweight design, as well as commercial vehicle development and the development of car lights such as headlamps, rear and small lamps. Interface management and the management of complex module developments are taking on an increasingly significant role in the projects. Our **Vehicle Integration** department is responsible for the complete functional integration and for vehicle validation. This department employs computer-aided engineering (CAE) to carry out the early validation of products and their properties. In addition to dealing with computation and simulation, the Dimensional Management team works on the reproducibility and geometrical quality of the products. Functionality is validated and durability analyzed on the test equipment and facilities at our certified test laboratories, in readiness for start of production. This includes tests on individual components, modules, engines, motors, transmissions, and even complete vehicles. In the **Design Concepts** department, we offer a full range of styling, ideation and design services, and in our design studios we are able to realize the virtual design validation process and construct physical models for all phases of vehicle engineering. In the associated Testing and Vehicle department, we create complete test vehicles as well as sub-assemblies and vehicle bodies for the physical validation of these modules and systems. The development and production of individual vehicle conversions 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 15 sites in Germany and at international sites in South Korea, India, the Czech Republic, Russia, Hungary, Sweden, Brazil, Mexico, China and the USA. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization from a single source. The "Industrie 4.0" methods and tools are an important basis here, as well as being an effective catalyst for innovative, networked engineering, ideally synchronized with the processes first for product development and later for plant construction.

In the field of **concept engineering**, Production Solutions provides its customers with an integral approach to process planning. This means that Production Solutions provides companies with factory and production planning support – with both the implementation of new plans and with the conversion, expansion or optimization of existing systems while operation is in progress. By offering support from concept engineering to the preparation of detailed product specifications, it is possible to cover all the steps required for the production process, and to design optimum interfaces with other media, buildings and logistics. In the context of simultaneous engineering, Production Solutions favors an integrative approach, with the product development, systems planning and production simulation 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") covers the development of electrical and electronic systems for the complete vehicle. This includes in particular the growth domains eMobility, autonomous driving and digital networking both inside and outside of the car. Also included in the range of services are developments relating to comfort and safety systems. In order to provide these results, the organization encompasses the following key competencies:

The **E/E Architecture & Networks** division is responsible for the development of functions, the development of vehicle architectures beneficial to these, and the resulting networking and wiring. The range of tasks extends from the concept phase to production support. EDAG is leading the way in the development of the new architectural concepts necessary for highly networked, digitized vehicles.

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

E/E Embedded Systems develops and validates hardware and software for electronic control units, from the design, through model set-up and commissioning to production-ready development. In the process, EDAG accepts responsibility for all development activities. The skills offered here range from functional electronic development, knowledge of specific areas such as AUTOSAR or functional safety in accordance with ISO 26262 through to the know-how required to guarantee engineering quality in line with our customers' requirements.

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

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

1.2 Targets and Strategies

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

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

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

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

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

In the International Monetary Fund's (IMF) July 2018 forecast, global economic growth is projected to reach 3.9 percent both this year and next year. However, expansion is becoming less even in the different countries, and risks to the outlook are mounting.

The IMF gave an emphatic warning about the risks to the world economy posed by current trade conflicts. The possible effects of these conflicts on the markets and the willingness to invest represent the greatest threats to global expansion in the near future. The possibility of spiraling tariffs pose a serious threat to worldwide production, and could have an adverse effect on global economic performance in the medium term.

Growth projections for the USA and China, the two largest national economies, remain unchanged, with the IMF keeping its forecast for the USA's GDP growth unchanged, at 2.9 percent in 2018 and 2.7 percent in 2019. China's prospects for growth also remain at a constant 6.6 percent in 2018 and 6.4 percent in 2019.

In the eurozone, growth rates of 2.2 percent in 2018 (previously 2.4 percent) and 1.9 percent in 2019 (previously 2.0 percent) are forecast, in Germany 2.2 percent (previously 2.5 percent) and 2.1 percent (previously 2.0 percent), and in France 1.8 (previously 2.1 percent) and 1.7 percent (previously 2.0 percent). This shows that the eurozone, with its important industrial nations Germany and France, is being regarded with growing skepticism. For Spain, on the other hand, the growth rates projected in the April forecast (2.8 percent and 2.2 percent in 2019) remain unchanged.

Among the Latin American emerging markets, Brazil experienced a downturn of 0.5 percentage points in the economic forecast to 1.8 percent in 2018 due to the lingering effects of strikes and political uncertainty. At 2.5 percent, the forecast for 2019 remains unchanged. In Mexico, the April forecast for 2018 remains unchanged at 2.3 percent. As a result of trade tensions and the prolonged uncertainty surrounding the NAFTA renegotiation and the policy agenda of the new government, the forecast for 2019 has been reduced by 0.3 percentage points to 2.7 percent.

With regard to oil prices, starting from an average price of USD 52.81 a barrel in 2017, a barrel price of USD 70.2 is forecast for 2018, (IMF in April 2018: USD 62.3) and USD 69.0 for 2019 (IMF in April 2018: USD 58.2).

Automotive Industry Development

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

In June 2018, the European passenger vehicle market (EU-28 + EFTA) reported a 5.1 percent increase in sales compared to the year before. There was a growth rate of 2.8 percent over the first half of 2018, or 8.7 million new vehicle registrations.

New registrations in the first half of the year increased by 2.9 percent in Germany, by 4.7 percent in France, and by an impressive 10.1 percent in Spain. In Italy (-1.4 percent) and Great Britain (-6.3 percent), on the other hand, the number of new vehicles registered decreased. Looking further ahead, projections for 2018 anticipate growth for Germany, France, Spain and Italy. In Great Britain, on the other hand, a downturn is projected in light of Brexit and the exchange rate issue.

In Germany, electric car sales continued to level out in the first half of the year (+51 percent) compared to the dynamic growth rate of the previous year (+117 percent). At just 1.8 percent, the proportion of electric cars sold is still low (previous quarter: 2.0 percent). Domestic orders in the first half of the year are at the level of the same period in the previous year, while orders from abroad have increased by 4 percent.

In June, the US light vehicle market grew by a powerful 5.4 percent compared to the same period in the previous year. With sales of approximately 8.6 million light vehicles, the first half of 2018 saw an increase of 2.0 percent. In the light vehicle sector, sales in the car segment are down (-12 percent), while the light truck segment can report increased growth of +10 percent. In China, 11.5 million new vehicles were sold (+5.5 percent) in the first half of 2018. SUVs (+10 percent) are the market drivers here. Both Russia (+18.2 percent) and Brazil (+13.7 percent) recorded double-digit growth rates in the first half of the year, whereas Japan experienced a 2.3 percent decline in growth.

Development of the Engineering Market

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

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

Financial Performance

Development of the EDAG Group

As of June 30, 2018, orders on hand increased to € 380.7 million compared to € 340.0 million as per December 31, 2017. In the half year just ended, the EDAG Group generated incoming orders amounting to € 433.6 million which, compared to the same period in the previous year (€ 381.5 million), represents an increase of € 52.0 million.

At € 391.1 million, the revenues increased significantly by € 38.4 million or 10.9 percent compared to the same period in the previous year (first half of 2017: € 352.7 million). In the reporting quarter just ended, revenue totaled € 197.4 million, which also represents an increase of 13.5 percent compared to the same period in the previous year (€ 173.9 million). Among the main reasons for the increase are new acquisitions from 2017 and the particularly positive revenue performance of the Production Solutions segment.

Compared to the previous year, the EBIT in the reporting period increased by € 7.4 million to € 20.0 million (first half of 2017: € 12.6 million). This means that an EBIT margin of 5.1 percent was achieved (first half of 2017: 3.6 percent). The main reason for the increase in earnings is a more positive market environment compared to the previous year, which is reflected in increased demand. Alongside the classic German OEMs, more and more new international customers are entering the automotive market and bringing about a sustained revival.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations that were recorded in the reporting period in 2018, the adjusted EBIT figure was € 22.7 million (first half of 2017: € 15.1 million), which is equivalent to an adjusted EBIT margin of 5.8 percent (first half of 2017: 4.3 percent). The adjusted EBIT figure in the reporting quarter was € 10.7 million (Q2 2017: € 4.1 million); this is equivalent to an adjusted EBIT margin of 5.4 percent (Q2 2017: 2.3 percent).

The materials and services expenses increased by 26.0 percent to € 53.0 million. At 13.6 percent, the materials and services expenses ratio was above the level of the same period of the previous year (first half of 2017: 11.9 percent). This effect was largely due to an increased volume of engineering services being purchased. At 9.7 percent, the ratio of service expenses in relation to the revenues is above the level of the same period in the previous year (first half of 2017: 7.1 percent). At 3.8 percent, the materials expenses ratio was below the level of the same period in the previous year (4.8 percent).

The EDAG Group's personnel expenses increased by € 14.0 million or 5.8 percent to € 252.9 million compared to the same period in the previous year. The company had an average workforce of 8,383 employees, including apprentices, in the first half of 2018 (first half of 2017: 8,151 employees). The ratio of personnel expenses, which stood at 64.7 percent, decreased compared with the same period in the previous year (first half of 2017: 67.7 percent).

Depreciation, amortization and impairments totaled € 13.7 million (first half of 2017: € 13.2 million). The ratio for other expenses in relation to revenues was 15.1 percent and thus slightly below last year's level (first half of 2017: 15.2 percent).

In the first half of 2018, the financial result was € -1.8 million (first half of 2017: € -2.9 million), an improvement of € 1.1 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 € 240.7 million in the first half of 2018, which was 2.2 percent below the value for the same period in the previous year (first half of 2017: € 246.2 million). Revenues increased by 8.6 percent to € 242.7 million (first half of 2017: € 223.4 million). All in all, an EBIT of € 14.1 million was achieved for the Vehicle Engineering segment in the half year just ended (first half of 2017: € 7.9 million). The EBIT margin amounted to 5.8 percent (first half of 2017: 3.5 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 6.5 percent (first half of 2017: 4.3 percent). The increase in earnings compared to the same period in the previous year is due to more effective project management in large-scale projects.

Development of the Production Solutions Segment

In this segment, incoming orders amounted to € 106.1 million, which was significantly above the level of the same period in the previous year (first half of 2017: € 71.4 million) and represents an increase of 48.6 percent. Revenues increased by 35.0 percent to € 79.2 million (first half of 2017: € 58.7 million). Overall, an EBIT of € 4.8 million (first half of 2017: € 3.3 million) was generated for the Production Solutions segment in the first half year just ended. The sharp increase in the revenues is due in particular to the acquisition of CKGP/PW in July 2017 and to a major order in Mexico. Price pressure has lessened to some degree in Germany. Consequently, the adjusted EBIT margin was 6.3 percent and therefore above the previous year's level (first half of 2017: 6.0 percent).

Development of the Electrics/Electronics Segment

Incoming orders increased by € 25.7 million to € 98.5 million compared to the same period in the previous year (first half of 2017: € 72.8 million). Revenue totaled € 75.5 million, a slight increase of 0.5 percent compared to the same period in the previous year (€ 75.2 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 € 1.2 million (first half of 2017: € 1.1 million). The EBIT margin amounted to 1.5 percent (first half of 2017: 1.5 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 2.6 percent (first half of 2017: 2.6 percent).

Cash Flows and Financial Position

Compared to December 31, 2017, the EDAG Group's statement of financial position total increased by € 2.2 million to € 444.7 million. The non-current assets decreased by € 3.5 million to € 194.6 million (12/31/2017: € 198.1 million), primarily as a result of the depreciation of the other intangible assets. In the current assets, the reduction of current accounts receivable by € 64.3 million is countered by an increase in contract assets in the amount of € 59.4 million. Cash and cash-equivalents increased by € 5.1 million to € 18.6 million.

On the equity, liabilities and provisions side, equity decreased by € 7.5 million to € 140.0 million, and the quota is now approximately 31.5 percent (12/31/2017: 33.3 percent). This decrease is primarily due to the dividend payout to the shareholders in the amount of € 18.8 million. The opposite effect was had above all by current profits totaling € 12.1 million.

Current liabilities and provisions increased by € 7.9 million to € 265.2 million. This is chiefly attributable to an increase in current financial liabilities in the amount of € 17.4 million. The opposite effect was had by a reduction in accounts payable in the amount of € 4.5 million and in income tax liabilities in the amount of € 4.7 million.

In the first half of 2018, the operating cash flow was € 20.8 million (first half of 2017: € 4.7 million). The increase was primarily due to the positive development in the profit for the first six months and a reduced effect in capital being tied up in the trade working capital compared to the same period in the previous year.

At € 10.0 million, gross investments in the reporting year were higher than in the previous year (first half of 2017: € 8.9 million). The ratio of gross investments in relation to revenues was therefore 2.6 percent (first half of 2017: 2.5 percent).

On the reporting date, unused lines of credit in the amount of € 49.9 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 31.5 percent, the company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 HR Management and Development

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

On June 30, 2018 the EDAG Group employed a workforce of 8,393 employees (12/31/2017: 8,404 employees). Personnel expenses amounted to € 252.9 million in the 2018 reporting period (first half of 2017: € 238.9 million).

3 Forecast, Risk and Reward Report

There were no significant changes during the reporting period to the risks and rewards described in the Annual Report for 2017. For a more detailed representation of the Risk and Reward Report, please see the Group Management Report in 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 Group Executive Management anticipates an increase in revenues of 6 to 8 percent across all segments. The VE segment will remain within this range. A stronger, double-figure growth rate is anticipated for the PS segment, whereas the E/E segment will fall short of the range mentioned. With regard to the adjusted EBIT, we continue to anticipate a margin of 5 to 7 percent, given the challenges outlined above. The VE and PS segments are expected to be within this range, with the E/E segment slightly below it. Because of the sustained growth, we expect investments to be above the level of previous years. Despite this fact, however, we still anticipate an investment rate of less than 4 percent. Due to the continuing good financial performance, we also expect a positive development of our financial situation in the future.

4 Disclaimer

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated Statement of Comprehensive Income

in € thousand	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017 revised*	4/1/2018 – 6/30/2018	4/1/2017 – 6/30/2017 revised*
Profit or loss				
Sales revenues and changes in inventories[1]	391,132	352,748	197,435	173,937
Sales revenues	389,981	355,469	196,500	176,045
Changes in inventories	1,151	- 2,721	935	- 2,108
Other income	7,757	7,757	4,453	4,079
Material expenses	- 53,017	- 42,065	- 27,730	- 22,621
Gross Profit	**345,872**	**318,440**	**174,158**	**155,395**
Personnel expenses	- 252,912	- 238,942	- 127,197	- 117,672
Depreciation, amortization and impairment	- 13,708	- 13,210	- 6,823	- 6,684
Net result from impairments or reversals on financial instruments	- 212	-	- 72	-
Other expenses	- 59,054	- 53,726	- 30,741	- 28,171
Earnings before interest and taxes (EBIT)	**19,986**	**12,562**	**9,325**	**2,868**
Result from investments accounted for using the equity method	495	289	379	306
Financial income	176	232	97	116
Financing expenses	- 2,474	- 3,397	- 1,367	- 1,701
Financial result	**- 1,803**	**- 2,876**	**- 891**	**- 1,279**
Earnings before taxes	**18,183**	**9,686**	**8,434**	**1,589**
Income taxes	- 6,055	- 3,228	- 2,811	- 531
Profit or loss	**12,128**	**6,458**	**5,623**	**1,058**

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

in € thousand	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017 revised*	4/1/2018 – 6/30/2018	4/1/2017 – 6/30/2017 revised*
Profit or loss	**12,128**	**6,458**	**5,623**	**1,058**
Other Comprehensive Income				
Under certain conditions reclassifiable profits/losses				
Financial assets available for sale				
Profits/losses included in equity from valuation at fair value	-	- 7	-	- 10
Deferred taxes on financial assets available for sale	-	2	-	3
Currency conversion difference				
Profits/losses included in equity from currency conversion difference	- 831	- 525	- 98	- 885
Total under certain conditions reclassifiable profits/losses	**- 831**	**- 530**	**- 98**	**- 892**
Not reclassifiable profits/losses				
Revaluation of net obligation from defined benefit plans				
Revaluation of net obligation from defined benefit plans before taxes	20	1,939	- 267	933
Deferred taxes on defined benefit plans and obligations	- 3	- 575	82	- 277
Share of other comprehensive income of at-equity accounted investments, net of tax	-	19	**- 3**	**13**
Total not reclassifiable profits/losses	**17**	**1,383**	**- 188**	**669**
Total other comprehensive income before taxes	- 811	1,426	- 368	51
Total deferred taxes on the other comprehensive income	- 3	- 573	82	- 274
Total other comprehensive income	**- 814**	**853**	**- 286**	**- 223**
Total comprehensive income	**11,314**	**7,311**	**5,337**	**835**
From the profit or loss attributable to:				
Shareholders of the parent company	12,110	6,440	5,614	1,049
Minority shares (non-controlling interest)	18	18	9	9
Of the total comprehensive income attributable to:				
Shareholders of the parent company	11,296	7,293	5,328	826
Minority shares (non-controlling interest)	18	18	9	9
Earnings per share of shareholders of EDAG Group AG [diluted and basic in €]				
Earnings per share	0.48	0.26	0.22	0.04

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

2 Consolidated Statement of Financial Position

in € thousand	6/30/2018	12/31/2017 revised*	1/1/2017 revised*
Assets			
Goodwill	74,062	74,359	64,521
Other intangible assets	28,212	31,436	35,053
Property, plant and equipment	73,742	73,003	71,648
Financial assets	175	150	158
Investments accounted for using the equity method	16,432	16,111	15,434
Non-current other financial assets	348	433	331
Non-current other non-financial assets	61	62	571
Deferred tax assets	1,548	2,513	1,109
Non-current assets	**194,580**	**198,067**	**188,825**
Inventories	5,461	3,888	9,175
Current contract assets	127,047	67,659	80,426
Current accounts receivables	76,778	141,040	115,585
Current other financial assets	2,784	2,081	2,452
Current securities, loans and financial instruments	43	43	61
Current other non-financial assets	13,412	10,993	9,607
Income tax assets	2,766	2,020	2,298
Cash and cash-equivalents	18,609	13,485	19,067
Assets held for sale	3,200	3,200	4,056
Current assets	**250,100**	**244,409**	**242,727**
Assets	**444,680**	**442,476**	**431,552**

in € thousand	6/30/2018	12/31/2017 revised*	1/1/2017 revised*
Equity, liabilities and provisions			
Subscribed capital	920	920	920
Capital reserves	40,000	40,000	40,000
Retained earnings	112,139	118,869	122,133
Reserves from profits and losses recognized directly in equity	- 9,169	- 9,201	- 9,955
Currency conversion differences	- 3,902	- 3,072	- 1,577
Equity attributable to shareholders of the parent company	**139,988**	**147,516**	**151,521**
Non-controlling interests	19	1	1
Equity	**140,007**	**147,517**	**151,522**
Provisions for pensions and similar obligations	29,817	27,606	27,038
Other non-current provisions	3,416	3,612	3,030
Non-current financial liabilities	1,460	1,158	88,080
Non-current other financial liabilities	1,193	2,243	-
Non-current income tax liabilities	-	-	1,460
Deferred tax liabilities	3,628	3,061	6,159
Non-current liabilities and provisions	**39,514**	**37,680**	**125,767**
Current provisions	7,930	8,931	9,837
Current financial liabilities	133,312	115,962	29,190
Current contract liabilities	37,266	39,290	26,999
Current accounts payable	20,239	24,745	23,327
Current other financial liabilities	4,140	3,348	3,417
Current other non-financial liabilities	55,262	53,289	54,521
Income tax liabilities	7,010	11,714	6,972
Current liabilities and provisions	**265,159**	**257,279**	**154,263**
Equity, liabilities and provisions	**444,680**	**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 – 6/30/2018	1/1/2017 – 6/30/2017 revised*
	Profit or loss	**12,128**	**6,458**
+	Income tax expenses	6,055	3,227
-	Income taxes paid	- 10,057	- 6,430
+	Financial result	1,803	2,876
+	Interest and dividend received	164	209
+/-	Depreciation and amortization/write-ups on tangible and intangible assets	13,708	13,210
+/-	Other non-cash item expenses/income	- 178	1,161
+/-	Increase/decrease in non-current provisions	2,188	- 555
-/+	Profit/loss on the disposal of fixed assets	- 147	3
-/+	Increase/decrease in inventories	- 1,948	1,758
-/+	Increase/decrease in contract assets, receivables and other assets that are not attributable to investing or financing activities	1,625	- 13,114
+/-	Increase/decrease in current provisions	- 893	1,497
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	- 3,657	- 5,577
=	**Cash inflow/outflow from operating activities/ operating cash flow**	**20,791**	**4,723**
+	Deposits from disposals of tangible fixed assets	387	424
-	Payments for investments in tangible fixed assets	- 7,957	- 7,604
-	Payments for investments in intangible fixed assets	- 2,027	- 1,277
+	Deposits from disposals of financial assets	10	19
-	Payments for investments in financial assets	- 35	- 28
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	-	- 21
-	Payments for investments in shares of fully consolidated companies/divisions	- 790	- 5,971
=	**Cash inflow/outflow from investing activities/ investing cash flow**	**- 10,412**	**- 14,458**

	in € thousand	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017 revised*
-	Payments to shareholders/partners (dividend for prior years, capital repayments, other distributions)	- 18,750	- 18,750
-	Interest paid	- 452	- 449
+	Borrowing of financial liabilities	20,757	35,684
-	Repayment of financial liabilities	- 5,304	- 1,856
-	Repayment of leasing liabilities	- 1,220	- 1,297
=	**Cash inflow/outflow from financing activities/ financing cash flow**	**- 4,969**	**13,332**
	Net Cash changes in financial funds	**5,410**	**3,597**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 286	- 852
+	Financial funds at the start of the period	13,485	19,067
=	**Financial funds at the end of the period [cash & cash equivalents]**	**18,609**	**21,812**
=	**Free cash flow (FCF) – equity approach**	**10,379**	**- 9,735**

** 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
As per 12/31/2017 revised*	**920**	**40,000**	**118,869**	**- 3,071**	**- 9,139**
Application of IFRS 9	-	-	- 114	-	-
Application of IFRS 15	-	-	24	-	-
As per 1/1/2018 revised	**920**	**40,000**	**118,779**	**- 3,071**	**- 9,139**
Profit or loss	-	-	12,110	-	-
Other comprehensive income	-	-	-	- 831	17
Total comprehensive income	**-**	**-**	**12,110**	**- 831**	**17**
Dividends	-	-	- 18,750	-	-
As per 6/30/2018	**920**	**40,000**	**112,139**	**- 3,902**	**- 9,122**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans
As per 12/31/2016	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**
Application of IFRS 15	-	-	- 1,242	-	-
As per 1/1/2017 revised*	**920**	**40,000**	**122,132**	**- 1,577**	**- 9,870**
Profit or loss	-	-	6,441	-	-
Other comprehensive income	-	-	-	- 525	1,364
Total comprehensive income	**-**	**-**	**6,441**	**- 525**	**1,364**
Dividends	**-**	**-**	- 18,750	**-**	**-**
As per 6/30/2017 revised*	**920**	**40,000**	**109,823**	**- 2,102**	**- 8,506**

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

in € thousand	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*	**- 16**	**- 47**	**147,516**	**1**	**147,517**
Application of IFRS 9	16	-	- 98	-	- 98
Application of IFRS 15	-	-	24	-	24
As per 1/1/2018 revised	**-**	**- 47**	**147,442**	**1**	**147,443**
Profit or loss	-	-	12,110	18	12,128
Other comprehensive income	-	-	- 814	-	- 814
Total comprehensive income	**-**	**-**	**11,296**	**18**	**11,314**
Dividends	-	-	- 18,750	-	- 18,750
As per 6/30/2018	**-**	**- 47**	**139,988**	**19**	**140,007**

in € thousand	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	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Application of IFRS 15	-	-	- 1,242	-	- 1,242
As per 1/1/2017 revised*	**- 4**	**- 80**	**151,521**	**1**	**151,522**
Profit or loss	-	-	6,441	18	6,459
Other comprehensive income	- 4	19	854	-	854
Total comprehensive income	**- 4**	**19**	**7,295**	**18**	**7,313**
Dividends	**-**	**-**	- 18,750	**-**	**- 18,750**
As per 6/30/2017 revised*	**- 8**	**- 61**	**140,066**	**19**	**140,085**

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 (June 30).

The unaudited consolidated half-year financial 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 half-year financial report of the EDAG Group AG for the period ending June 30, 2018 has been prepared in accordance with IAS 34 "Interim financial reporting". As the scope of the consolidated half-year financial 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 June 30, 2018 and adopted in national law by the European Commission have been fulfilled.

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

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

The condensed consolidated financial statements and the interim group management report have been neither subjected to an audit review in accordance with ISRE 2410, nor audited in accordance with § 317 of the German Commercial Code.

New, Changed or Revised Accounting Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The accounting standard **IFRS 14**, which has been published by IASB and is required to be applied with effect from 2018, (IASB publication: January 30, 2014 - Regulatory Deferral Accounts) has not yet been adopted by the EU. The application would not have any significant effect on the financial position, financial performance and cash flow of EDAG Group AG in the consolidated half-year financial 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 half-year financial report, a discount rate of 1.85 percent has been used for pension provisions in Germany (12/31/2017: 1.85 percent). A discount rate of 0.84 percent has been used for pension provisions in Switzerland (12/31/2017: 0.80 percent).

At the beginning of 2017, one property was qualified as a non-current asset held for sale according to IFRS 5.6 and valued at its book value according to IFRS 5.15. In the subsequent valuation during the second half of 2017, a change in value was noted, as a result of which it was valued at fair value less costs to sell. The resulting impairment costs in the amount of € 1,042 thousand were already recognized in depreciation, amortization and impairments in 2017. Owing to unforeseen, unfavorable market conditions, it was not possible to sell the property within twelve months. A sales agreement was signed in the second quarter of 2018. The rights and obligations were transferred upon receipt of payment in July 2018.

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

Otherwise, with the exception of the changed accounting standards (IFRS 9, IFRS 15), the same accounting and valuation methods and consolidation principles as were used in the 2017 consolidated financial statements for EDAG Group AG were applied when preparing the consolidated half-year financial 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 half-year financial report should therefore be read in conjunction with the consolidated financial statement of EDAG Group AG for December 31, 2017.

Presentation of the consolidated half-year financial 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

On June 30, 2018, the group of combined or consolidated companies is composed as follows:

	Switzerland	**Germany**	**Other Countries**	**Total**
Fully consolidated companies	3	8	27	38
Companies accounted for using the equity method	-	1	-	1
Companies included at acquisition cost *[not included in the scope of consolidation]*	-	3	-	3

The companies included at acquisition cost (3; December 31, 2017: 2) are for the most part non-operational companies and general partners, and are not included in the scope of consolidation. The company accounted for using the equity method that is included is an associated company.

5.4 Currency Conversion

Currency conversion in the consolidated half-year financial report was based on the following exchange rates:

Country	Currency	6/30/2018	1st half year 2018	12/31/2017	1st half year 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	0.8861	0.8796	0.8872	0.8601
Brazil	BRL	4.4876	4.1411	3.9729	3.4393
USA	USD	1.1658	1.2112	1.1993	1.0825
Malaysia	MYR	4.7080	4.7685	4.8536	4.7499
Hungary	HUF	329.7700	314.0637	310.3300	309.4702
India	INR	79.8130	79.5186	76.6055	71.1244
China	CNY	7.7170	7.7114	7.8044	7.4417
Mexico	MXN	22.8817	23.0787	23.6612	21.0279
Czech Republic	CZK	26.0200	25.4946	25.5350	26.7871
Switzerland	CHF	1.1569	1.1696	1.1702	1.0764
Poland	PLN	4.3732	4.2195	4.1770	4.2685
Romania	RON	4.6631	4.6544	4.6585	4.5364
Russia	RUB	73.1582	71.9693	69.3920	62.7349
Sweden	SEK	10.4530	10.1494	9.8438	9.5954
Japan	JPY	129.0400	131.6129	135.0100	121.6587
South Korea	KRW	1,296.7200	1,303.3286	1,279.6100	1,235.5840

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 – 6/30/2018	1/1/2017 – 6/30/2017 revised	4/1/2018 – 6/30/2018	4/1/2017 – 6/30/2017 revised
Earnings before interest and taxes (EBIT)	**19,986**	**12,562**	**9,325**	**2,868**
Adjustments:				
Expenses (+) from purchase price allocation	2,703	2,732	1,327	1,378
Income (-) / expenses (+) from deconsolidation	-	- 3	-	-
Income (-) from reversal of provisions	-	- 191	-	- 191
Total adjustments	**2,703**	**2,538**	**1,327**	**1,187**
Adjusted earnings before interest and taxes (adjusted EBIT)	**22,689**	**15,100**	**10,652**	**4,055**

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

5.6 Segment Reporting

The segment reporting was prepared in accordance with IFRS 8 "Operating segments". Individual consolidated results are reported by company divisions in conformity with the internal reporting and organizational structure of the group. The key performance indicator for the 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 June 30, 2018, the non-current assets amounted to € 194.6 million (12/31/2017: € 198.1 million). Of these, € 1.2 million are domestic, € 164.8 million are German, and € 28.6 million are non-domestic (12/31/2017: [domestic: € 1.4 million; Germany: € 166.6 million; non-domestic: € 30.0 million]).

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

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

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

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

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

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

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

in € thousand	1/1/2018 - 6/30/2018						
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Others	Total segments	Consolidation	Total Group
Sales revenues with third parties	240,841	73,831	75,309	-	389,981	-	389,981
Sales revenues with other segments	2,175	4,015	59	-	6,249	- 6,249	-
Changes in inventories	- 346	1,370	127	-	1,151	-	1,151
Total revenues[1]	**242,670**	**79,216**	**75,495**	**-**	**397,381**	**- 6,249**	**391,132**
EBIT	**14,055**	**4,769**	**1,162**	**-**	**19,986**	**-**	**19,986**
EBIT margin [%]	5.8%	6.0%	1.5%	n/a	5.0%	n/a	5.1%
Purchase price allocation (PPA)	1,659	236	808	-	2,703	-	2,703
Other adjustments	-	-	-	-	-	-	-
Adjusted EBIT	**15,714**	**5,005**	**1,970**	**-**	**22,689**	**-**	**22,689**
Adjusted EBIT margin [%]	6.5%	6.3%	2.6%	n/a	5.7%	n/a	5.8%
Depreciation, amortization and impairment	- 9,514	- 1,638	- 2,556	-	- 13,708	-	- 13,708
Ø Employees per segment	5,006	1,557	1,820	-	8,383		8,383

in € thousand	1/1/2017 - 6/30/2017 revised*						
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Others	Total segments	Consolidation	Total Group
Sales revenues with third parties	223,215	57,281	74,974	-	355,470	-	355,470
Sales revenues with other segments	2,711	1,765	15	-	4,491	- 4,491	-
Changes in inventories	- 2,522	- 367	167	-	- 2,722	-	- 2,722
Total revenues[1]	**223,404**	**58,679**	**75,156**	**-**	**357,239**	**- 4,491**	**352,748**
EBIT	**7,895**	**3,347**	**1,126**	**194**	**12,562**	**-**	**12,562**
EBIT margin [%]	3.5%	5.7%	1.5%	n/a	3.5%	n/a	3.6%
Purchase price allocation (PPA)	1,778	146	808	-	2,732	-	2,732
Other adjustments	-	-	-	- 194	- 194	-	- 194
Adjusted EBIT	**9,673**	**3,493**	**1,934**	**-**	**15,100**	**-**	**15,100**
Adjusted EBIT margin [%]	4.3%	6.0%	2.6%	n/a	4.2%	n/a	4.3%
Depreciation, amortization and impairment	- 9,078	- 1,582	- 2,550	-	- 13,210	-	- 13,210
Ø Employees per segment	4,981	1,399	1,771	-	8,151		8,151

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

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

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

in € thousand	1/1/2018 – 6/30/2018							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	41,448	17%	9,365	13%	20,032	27%	70,845	18%
Customer sales division B	5,932	2%	2,923	4%	25,445	34%	34,300	9%
Customer sales division C	6,653	3%	785	1%	2,254	3%	9,692	2%
Customer sales division D	36,073	15%	6,092	8%	7,812	10%	49,977	13%
Customer sales division E	32,882	14%	16,957	23%	1,340	2%	51,179	13%
Customer sales division F	91	0%	4,188	6%	119	0%	4,398	1%
Customer sales division G	4,687	2%	340	0%	1,257	2%	6,284	2%
Customer sales division H	1,455	1%	11,563	16%	-	0%	13,018	3%
Customer sales division I	16,164	7%	4,690	6%	2,532	3%	23,386	6%
Miscellaneous (OEMs and system suppliers)	95,456	40%	16,928	23%	14,518	19%	126,902	33%
Sales revenue with third parties	**240,841**	**100%**	**73,831**	**100%**	**75,309**	**100%**	**389,981**	**100%**

in € thousand	1/1/2017 – 6/30/2017							
	Vehicle Engineering		Production Solutions		Electrics/ Electronics		Total	
Customer sales division A	42,054	19%	8,447	15%	16,119	21%	66,620	19%
Customer sales division B	12,452	6%	4,439	8%	29,081	39%	45,972	13%
Customer sales division C	8,628	4%	665	1%	1,965	3%	11,258	3%
Customer sales division D	39,026	17%	5,638	10%	5,988	8%	50,652	14%
Customer sales division E	31,869	14%	6,886	12%	1,997	3%	40,752	11%
Customer sales division F	1,122	1%	516	1%	1,070	1%	2,708	1%
Customer sales division G	9,858	4%	318	1%	1,296	2%	11,472	3%
Customer sales division H	1,506	1%	16,360	29%	503	1%	18,369	5%
Customer sales division I	12,076	5%	4,043	7%	2,881	4%	19,000	5%
Miscellaneous (OEMs and system suppliers)	64,624	29%	9,969	17%	14,074	19%	88,667	25%
Sales revenue with third parties	**223,215**	**100%**	**57,281**	**100%**	**74,974**	**100%**	**355,470**	**100%**

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

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

in € thousand	**1/1/2018 – 6/30/2018**					
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Total Segments**	**Consolidation**	**Total Group**
Period-related revenue recognition	235,815	76,680	74,385	386,880	-	386,880
Point in time revenue recognition	7,201	1,166	983	9,350	-	9,350
Sales revenue with other segments	- 2,175	- 4,015	- 59	- 6,249	-	- 6,249
Sales revenue with third parties	**240,841**	**73,831**	**75,309**	**389,981**	**-**	**389,981**
Sales revenue with other segments	2,175	4,015	59	6,249	- 6,249	-
Changes in inventories	- 346	1,370	127	1,151	-	1,151
Total revenues	**242,670**	**79,216**	**75,495**	**397,381**	**- 6,249**	**391,132**

in € thousand	**1/1/2017 – 6/30/2017**					
	Vehicle Engineering	**Production Solutions**	**Electrics/ Electronics**	**Total Segments**	**Consolidation**	**Total Group**
Period-related revenue recognition	210,757	55,911	70,440	337,108	-	337,108
Point in time revenue recognition	15,169	3,135	4,549	22,853	-	22,853
Sales revenue with other segments	- 2,711	- 1,765	- 15	- 4,491	-	- 4,491
Sales revenue with third parties	**223,215**	**57,281**	**74,974**	**355,470**	**-**	**355,470**
Sales revenue with other segments	2,711	1,765	15	4,491	- 4,491	-
Changes in inventories	- 2,522	- 367	167	- 2,722	-	- 2,722
Total revenues	**223,404**	**58,679**	**75,156**	**357,239**	**- 4,491**	**352,748**

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

As on the previous year's reporting date, 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	6/30/2018	12/31/2017
Obligations from the renting of property	147,887	148,060
Obligations from miscellaneous renting and leasing contracts	8,794	9,052
Open purchase orders	2,118	1,486
Other miscellaneous financial obligations	30	29
Total	**158,829**	**158,627**

Contingent Receivables

As on the previous year's reporting date, 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	6/30/2018	12/31/2017 revised
Non-current financial liabilities	- 1,460	- 1,158
Current financial liabilities	- 133,312	- 115,962
Securities/derivative financial instruments	43	43
Cash and cash equivalents	18,609	13,485
Net financial debt/-credit [-/+]	**- 116,120**	**- 103,592**
Equity	140,007	147,517
Net Gearing [%]	**82.9%**	**70.2%**

By resolution of the general meeting of June 5, 2018, EDAG Group AG effected a dividend payout of € 18,750 thousand, which corresponds to € 0.75 per share.

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 June 30, 2018, there were loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 62,793 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 June 30, 2018, there is a current loan, including interest, in the amount of € 20,942 thousand from VKE-Versorgungskasse EDAG-Firmengruppe e.V. (12/31/2017: € 20,932 thousand).

The EDAG Group reported unused lines of credit in the amount of € 49.9 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	6/30/2018	12/31/2017 revised
	Inventories	5,461	3,888
+	Current contract assets	127,047	67,659
+	Current accounts receivable	76,778	141,040
-	Current contract liabilities	- 37,266	- 39,290
-	Current accounts payable	- 20,239	- 24,745
=	**Trade Working Capital (TWC)**	**151,781**	**148,552**
+	Non-current other financial assets	348	433
+	Non-current other non-financial assets	61	62
+	Deferred tax assets	1,548	2,513
+	Current other financial assets excl. Interest-bearing receivables	2,784	2,081
+	Current other non-financial assets	13,412	10,993
+	Income tax assets	2,766	2,020
-	Non-current other financial liabilities	- 1,193	- 2,243
-	Deferred tax liabilities	- 3,628	- 3,061
-	Current other financial liabilities	- 4,140	- 3,348
-	Current other non-financial liabilities	- 55,263	- 53,289
-	Income tax liabilities	- 7,010	- 11,714
=	**Other working capital (OWC)**	**- 50,315**	**- 55,553**
	Net working capital (NWC)	**101,466**	**92,999**

The trade working capital increased from € 148,552 thousand to € 151,781 thousand, compared to December 31, 2017. The increase of € 59,388 thousand in current contract assets was more than compensated for by the decrease of € 64,262 thousand in current accounts receivable. On the equity, liabilities and provisions side, however, the current accounts payable and current contractual liabilities decreased by € 6,530 thousand in the same period.

At € -50,315 thousand, the other working capital increased compared to December 31, 2017 (€ -55,553 thousand), mainly due to the payment of income tax liabilities.

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

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

in € thousand

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

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

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

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

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

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

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

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

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

in € thousand	Valuation category as per IFRS 9	6/30/2018	
		Valuation statement of financial position as per IFRS 9	Valuation statement of financial position as per IAS 17/IFRS 15
Financial assets			
Cash and cash-equivalents	[AC]	18,609	-
Accounts receivable and other receivables in terms of IAS 32.11	[AC]	79,910	-
Contract assets	[n.a.]	-	127,047
Loans	[AC]	95	-
Investments and securities	[FVtPL]	123	-
Financial liabilities			
Financial liabilities			
Credit institutions	[AC]	47,610	-
Other interest-bearing liabilities	[AC]	83,735	-
Liabilities from financing leases	[n.a.]	-	3,199
Derivative financial liabilities	[FVtPL]	228	-
Accounts payable and other liabilities in terms of IAS 32.11	[AC]	23,415	-
Other liabilities in terms of IAS 32.11	[FVtPL]	2,157	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IFRS 9			
Financial Assets measured at Amortized Cost	[AC]	98,614	-
Financial Assets at Fair Value through Profit and Loss	[FVtPL]	123	-
Financial Liabilities measured at Amortized Cost	[AC]	154,760	-
Financial Liabilities at Fair Value through Profit and Loss	[FVtPL]	2,385	-

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

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

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

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

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

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

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

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

in € thousand	Assessed at fair value 6/30/2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities	43	-	-	43
Financial liabilities				
Derivative financial liabilities	-	228	-	228
Other liabilities	-	-	2,157	2,157

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

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

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

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

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

in € thousand	2018	2017
As per 1/1/	**2,627**	**98**
Aquired in a business combination	-	968
Loss recognized in financial expenses		
Net change of fair value	27	4
Profit recognized in other income		
Net change of fair value	- 25	- 25
Cash Flows	- 447	- 25
Currency conversion difference	- 25	11
As per 6/30/	**2,157**	**1,031**

5.9 Related Parties

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

For a more detailed account of the type and extent of the business relations, please see the the notes to the consolidated financial statement in the annual report of EDAG Group AG for 2017.

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 – 6/30/2018	1/1/2017 – 6/30/2017
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	415	417
Travel and other expenses	15	10
Rental expenses	136	159
Consulting expenses	1	3
EDAG Group with supervisory boards (EDAG Engineering GmbH & EDAG Engineering Holding GmbH)		
Work-related expenses	26	25
Travel and other expenses	-	1
Compensation costs	331	271
EDAG Group with group executive management		
Goods and services received	-	6

in € thousand	1/1/2018 – 6/30/2018	1/1/2017 – 6/30/2017
EDAG Group with ATON companies (affiliated companies)		
Goods and services rendered	13,512	15,719
Goods and services received	1,260	298
Interest expense	1,528	2,182
Other operating income	364	309
Other operating expenses	306	221
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	2	2
EDAG Group with associated companies		
Goods and services rendered	1,440	481
Goods and services received	75	125
Other operating income	325	291
Other operating expenses	26	25
Income from investments	495	289
EDAG Group with other related companies and persons		
Goods and services rendered	432	306
Interest expense	259	260
Other operating income	29	18
Other operating expenses	1,843	2,167

5.10 Subsequent Events

As a major company in the EDAG Group, EDAG Engineering GmbH, Wiesbaden, has placed a bonded loan (*Schuldscheindarlehen*) in the amount of € 120 million, with terms of between five and ten years, in order to secure strategic, long-term liquidity. The funds raised in this way are to serve as a low-cost means of refinancing existing financial liabilities on the one hand, and to secure further growth of the EDAG Group on the other.

On July 18, 2018, Mr. Thomas Eichelmann resigned from his office as Chairman of the Board of Directors with immediate effect. Dr. Philippe A. Weber, already a member of the board of directors, was elected Chairman of the Board of Directors by the Board of Directors in its meeting on July 25, 2018. Dr. Weber held the position provisionally until the extraordinary shareholders' meeting of EDAG Engineering Group AG, Arbon on August 21, 2018, which was convened by the Board of Directors within the deadlines given in the Articles of Association. At this meeting, Mr. Georg Denoke, CEO of ATON GmbH and former CFO of Linde AG, was proposed for and elected to the offices of member and Chairman of the Board of Directors and member of the nomination and compensation committee. No significant, direct effects on the assets, financial position and financial performance of the Group have been identified on account of the change in leadership.

AFFIRMATION OF THE LEGAL REPRESENTATIVE

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles for the consolidated interim financial report, the abridged consolidated financial statements convey a proper picture of the assets, financial position and financial performance of the Group, and that the interim group management report represents the company's business trends, including the financial results and the position of the Group, such that the actual conditions and the essential opportunities and risks pertaining to the anticipated development of the Group are accurately delineated.

Arbon, August 21, 2018
EDAG Engineering Group AG

Cosimo de Carlo, Chief Executive Officer (CEO)

Jürgen Vogt, Chief Financial Officer (CFO)

Harald Poeschke, Chief Operations Officer (COO)

Georg Denoke, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors

Sylvia Schorr, Member of the Board of Directors

Dr. Philippe Weber, Member of the Board of Directors

LEGAL NOTICE

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Legal Notice

The consolidated half-year financial 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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