EDAG

2017 FINANCIAL YEAR

INTERIM REPORT AS OF SEPTEMBER 30, 2017

CONTENT

SUMMARY OF THE THIRD QUARTER OF THE 2017 FINANCIAL YEAR

FOR A CONGESTION-FREE FUTURE – EDAG DEVELOPS VEHICLES WITH SWARM INTELLIGENCE FOR URBAN USE

13 exhibition days, 6 engineering specialists from the fields of design, package, HMI, VR, APP development and business cases, one empty stage and one social media wall: this was the setup for presumably the first live engineering project in the history of the IAA, which the Wiesbaden-based engineering company EDAG demonstrated at this year's IAA show in Frankfurt. The aim: to develop robot vehicles with swarm intelligence which, apart from being suitable for passenger transportation, should also provide enhanced work and leisure functionalities, to make more extensive use of the potential of autonomous driving.

Throughout the entire ongoing development process, the general public were able to use the hashtag collectivio to send their ideas and wishes to the EDAG development team, and so make a collective contribution to the mobility concept. Over 1,000 ideas were received by EDAG's live engineering team via social media. The "Scrum" development method made it possible not only to note all these impulses, but also to implement them flexibly and efficiently in the short time frame offered by the show.

By the end of the IAA, the team had produced a complete, true-scale model which moved autonomously around the track at the EDAG stand, and was able to receive and carry out its first orders via voice control.

Apart from the classic design of the vehicle hardware, one of the key focal points was the development of new types of control element for voice and gesture control. For example, the entire booking process for the Collectivio during the IAA was developed via voice control. Further, the question of the cost of future mobility was also discussed in depth. The release of private data might, for instance, be one way of reducing the fare for future Collectivio users. Advertising media could then use this data to broadcast their adverts: so the reasoning of the EDAG business cases team. "With Collectivio, we are even putting forward the hypothesis that free mobility will become possible if we incorporate advertising and intelligent sponsoring into the mobility context," explained Michael Pollner from the business cases team.

In the course of the 13 exhibition days, various design studies were presented to the community, changed according to their wishes, and finalized by means of a voting process in the social web. "The community feedback clearly showed us that people want more comfort and a relaxed atmosphere in Collectivio; sporty characteristics and agility were not key requirements," according to designer Tom Hasenauer. "When designing the interior, for instance, we therefore decided in favor of a lounge-type back seat."

The exterior design of Collectivio

But how can the time spent in a self-driving vehicle be put to use if the passenger is not involved in driving it? To this end, the virtual reality (VR) team developed an entertainment system that enables passengers to put on VR glasses and experience and book trips through different landscapes – synchronized with the actual motion of the vehicle they are in. "Or they can have a friend appear as a virtual passenger, and communicate with him or her during the journey," suggests Henning Linn from the VR team.

Summing up after the IAA, the EDAG engineers concluded that the functions and applications available during autonomous driving will

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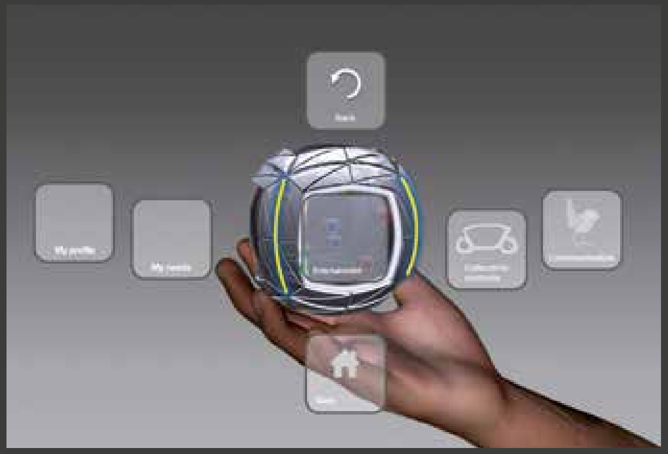
take on far greater significance. This opinion is impressively borne out by the more than 1,000 ideas sent to the EDAG development team during the exhibition.

With this project, EDAG demonstrated how, in the digital world, greater flexibility can be introduced into engineering and new impulses be linked with future technologies. Feedback received from customers and visitors to the show clearly shows that the skills presented and solutions developed reflect the spirit of the age.

The automotive world is changing, and with #collectivio, EDAG has positioned itself as an innovative, solution-oriented engineering partner.

The results of the work of the individual teams and complete white papers are shortly to be published.

Adjustable interior: can be adapted to meet the requirements of autonomous driving



Innovative augmented reality interface to monitor the Collectivio features

VR experiences for entertainment of the future

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UNRIVALLED PRESENCE ON THE BRAZILIAN MARKET EDAG DO BRASIL CELEBRATES ITS 25TH ANNIVERSARY IN SÃO BERNARDO DO CAMPO

From left to right: Jürgen Vogt; Orlando Morando, Mayor of São Bernardo do Campo; Ari do Oliveira, member of the São Bernardo do Campo city council; Martin Vollmer; Hiroyuki Minami, Secretary for Economic Development and Tourism of the city of São Bernardo do Campo.

Workforce of EDAG do Brasil with Blumenau's male choir "Liederkranz"

Celebrations were held in São Bernardo do Campo on September 28, 2017, to mark our Brazilian subsidiary's 25th anniversary. Martin Vollmer, Managing Director of EDAG do Brasil, welcomed not only EDAG CEO Jürgen Vogt and the local workforce, but also other guests including the Mayor of São Bernardo do Campo, Mr. Orlando Morando.

Long before the Brazilian market experienced its first boom, the EDAG Group had already started its activities in São Paulo, and its engineering facility there has now been in existence for 25 years. "Not only was EDAG do Brasil our first company outside of Europe, but, having now been in existence for 25 years, is the oldest international dependency within the entire EDAG Group. This successful development is due mainly to Martin Vollmer, who has headed the company since it was founded," explained Jürgen Vogt, CEO of the EDAG Group.
The EDAG Group today offers a comprehensive range of vehicle and production plant development services in São Bernardo do Campo, where there is a workforce of more than 200 employees working in the fields of styling, model and prototype construction, design and simulation.

The current success of EDAG do Brasil is the result of the continual and persistent hard work that went into building up the company, combined with a firm belief in the potential of the Brazilian market.

The company was presented with the "João Ramalho" medal of honor, during the celebrations. João Ramalho was the man who founded the city of São Bernardo do Campo in 1553. The medal was awarded in recognition of the positive contribution EDAG has made to the city's economic development.

The celebrations were held at the company's premises.

EDAG DEVELOPS DRIVER ASSISTANCE SYSTEMS OF THE FUTURE ON BEHALF OF BMW

EDAG has received one of the most important orders from BMW, to develop and secure driver assistance systems. Together with BMW, the globally active engineering service provider develops the future generation of driver assistance systems that will meet the requirements for highly automated and autonomous driving. The order also includes securing all developed assistance systems.

EDAG will open a new development site for this technology project in the 4th quarter 2018 on the Business Campus in Unterschleißheim and continue its growth in southern Germany.

EDAG CEO Jürgen Vogt is pleased about this project and points out: „EDAG and BMW maintain a long-standing and very trusting cooperation. With this project, we are taking a central technological step on the way towards an autonomous vehicle. We are proud that our development team will make a significant contribution to the future automotive world."

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KEY FIGURES AND EXPLANATIONS OF THE EDAG GROUP AS PER SEPTEMBER 30, 2017

(in € million or %)	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	7/1/2017 – 9/30/2017	7/1/2016 – 9/30/2016
Vehicle Engineering	333.1	338.7	110.7	109.2
Production Solutions	93.6	87.8	35.1	27.7
Electrics/Electronics	110.4	113.8	35.2	36.2
Consolidation/Others	- 7.0	- 6.8	- 2.5	- 2.3
Total sales revenues and changes in inventories	**530.0**	**533.5**	**178.6**	**170.9**
Growth of core business:				
Vehicle Engineering	*-1.7%*	*0.3%*	*1.4%*	*-2.7%*
Production Solutions	*6.6%*	*0.9%*	*26.8%*	*-3.8%*
Electrics/Electronics	*-3.0%*	*-3.2%*	*-2.8%*	*-11.4%*
Total change of sales revenues and changes in inventories	***-0.6%***	***-0.1%***	***4.6%***	***-4.4%***
Vehicle Engineering	16.0	22.0	7.2	6.9
Production Solutions	5.9	9.0	2.5	3.0
Electrics/Electronics	3.5	1.8	1.6	0.2
Others	-	- 0.3	-	- 0.1
Adjusted EBIT	**25.4**	**32.4**	**11.2**	**9.9**
Vehicle Engineering	*4.8%*	*6.5%*	*6.5%*	*6.3%*
Production Solutions	*6.3%*	*10.2%*	*7.0%*	*10.8%*
Electrics/Electronics	*3.2%*	*1.5%*	*4.5%*	*0.4%*
Adjusted EBIT margin	***4.8%***	***6.1%***	***6.3%***	***5.8%***
Profit or loss	***11.6***	**13.6**	***5.7***	***4.1***
Earnings per share (€)	0.46	0.54	0.23	0.16

(in € million or %)	9/30/2017	12/31/2016
Fixed assets	194.3	186.8
Net working capital	105.9	99.6
Net financial debt	- 119.5	- 98.1
Provisions	- 38.0	- 39.6
Held for sale	3.2	4.1
Equity	**145.9**	**152.8**
Balance sheet total	**442.3**	**430.4**
Equity / BS total	*33.0%*	*35.5%*
Net financial debt / Equity	*81.9%*	*64.2%*

(in € million or %)	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	7/1/2017 – 9/30/2017	7/1/2016 – 9/30/2016
Operating cash flow	25.4	10.3	20.7	19.3
Investing cash flow	- 21.0	- 22.0	- 6.6	- 5.6
Free cash flow	4.4	- 11.7	14.1	13.8
Financing cash flow	- 6.9	- 44.9	- 20.3	- 23.6
Adjusted cash conversion rate[1]	66.9%	53.5%	70.9%	63.3%
CapEx	14.1	22.3	5.2	5.6
CapEx/Sales revenues and changes in inventories	*2.7%*	*4.2%*	*2.9%*	*3.3%*

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

	9/30/2017	12/31/2016
Headcount end of period	8,312	8,270
Trainees as %	*6.8%*	*6.9%*

At € 530.0 million, sales revenues and changes in inventories in the first nine months of 2017 remained below the previous year's level of € 533.5 million. In the reporting quarter just ended, the sales revenues and changes in inventories totaled € 178.6 million, which represents a significant increase of 4.6 percent compared to the same period in the previous year (€ 170.9 million). Among the main reasons for the increase are new acquisitions and the particularly positive development of the Production Solutions segment. The OEMs' budgets for research and development continue at a very high level. In view of the change towards eMobility, autonomous driving and connectivity in the automotive industry, however, budgets are being re-allocated. This means that, during this phase of reorganization, delayed contract awards and increasing price pressure are being experienced across the market. As a result, the market environment of the EDAG Group during the current financial year has continued to be challenging.

The adjusted EBIT, which was primarily adjusted for the effects from the purchase price allocations, stood at € 25.4 million, which was below the value for the previous year (€ 32.4 million). Important reasons for the deviation in the results compared to the same period in the previous year were lower productivity and price pressure in the market for engineering services, but also increased settlement expenses compared to the same period in the previous year, and an increase in the cost of launching a number of projects at EDAG Mexico. The adjusted EBIT figure in the reporting quarter was € 11.2 million (Q3 2016: € 9.9 million); this is equivalent to an adjusted EBIT margin of 6.3 percent (Q3 2016: 5.8 percent), and therefore an increase of 13.4 percent. The unadjusted EBIT in the nine-month period just ended stood at € 21.9 million, compared to the previous year's value of € 27.0 million.

The headcount, including trainees, on September 30, 2017 was 8,312 employees (12/31/2016: 8,270 employees). The increase is primarily due to acquisitions in Sweden and the USA. There were staff cuts in other areas, reflecting the realignment of the personnel structure with regard to future customer requirements.

In the first three quarters of 2017, gross investments in fixed assets amounted to € 14.1 million, which was significantly below the level of the same period in the previous year (Q1-3 2016: € 22.3 million). The equity ratio on the reporting date was 33.0 percent (12/31/2016: 35.5 percent).

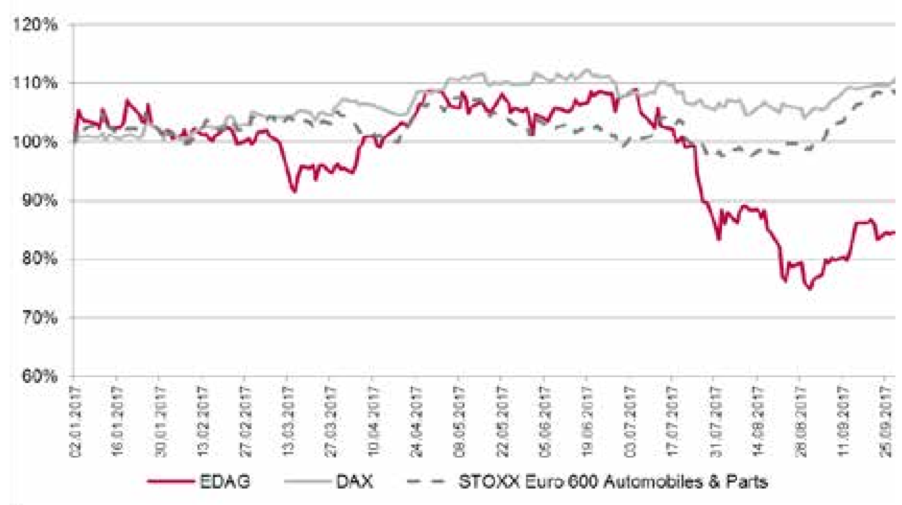
At € 119.5 million, the net financial debt is below the level recorded on September 30, 2016 (€ 131.9 million), but well above that recorded on December 31, 2016 (€ 98.1 million). There are various reasons for this: firstly an increase in trade working capital, secondly the dividend payout, which amounted to € 18.8 million, and thirdly the cash outflow of € 13.1 million for new acquisitions.

THE EDAG SHARE

On January 2, 2017, the DAX started the 2017 financial year with 11,426 points. This was also the lowest level in the reporting period. The DAX subsequently rose to 12,889 points on June 19. The closing rate on September 29 stood at 12,829 points. The STOXX Automobiles & Parts Index fluctuated between 528 and 594 points during the first three quarters of 2017.

1 Price Development

On January 2, 2017, the opening price of the EDAG share in XETRA trading was € 15.70. The highest XETRA closing price in the reporting period, € 16.99, was reached on July 5. Its lowest XETRA closing price in the reporting period was € 11.69 on August 31. It had gradually recovered by September 29, when the share closed at € 13.20. During the first three quarters of 2017, the average XETRA trade volume was 15,121 shares a day.



Source: Comdirect

2 Key Share Data

	1/1/2017 – 9/30/2017
Prices and trading volume:	
Share price on September 29 (€)[2]	13.20
Share price, high (€)[2]	16.99
Share price, low (€)[2]	11.69
Average daily trading volume (number of shares)[3]	15,121
Market capitalisation on September 29 (€ million)	330.00

[2] *Closing price on Xetra*

[3] *On Xetra*

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

INTERIM MANAGEMENT REPORT

1 Basic Information on the Group

1.1 Business Model

Three Segments

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

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

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

Presentation of the Vehicle Engineering Segment

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

Our **Body Engineering** department brings together all of our services such as package & ergonomics, body assembly as well as interior and exterior. This also includes the development of door, cover and lid systems. Further, the Body Engineering department is involved with new technologies and lightweight design, as well as commercial vehicle development and the development of car lights such as headlamps, rear and small lamps. Interface 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 – operating through the independent company EDAG Production Solutions GmbH & Co. KG ("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 17 sites in Germany and at international sites in South Korea, India, the Czech Republic, Russia, Hungary, Brazil, Mexico, China and the USA. In addition to handling the individual stages in the product creation process and all factory and production systems-related services, Production Solutions are also able to optimally plan complete factories over all fields, including cross processes, and to provide the realization from a single source. The "Industrie 4.0" methods and tools are an important basis here, as well as being an effective catalyst for innovative, networked engineering, ideally synchronized with the processes first for product development and later for plant construction.

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

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

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

Presentation of the Electrics/Electronics Segment

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

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

E/E Embedded Systems develops and validates hardware and software for electronic control units, from the conceptual design, through model set-up and commissioning to production-ready development. In the process, EDAG accepts responsibility throughout all development activities. When it comes to the strategic domains derived from megatrends, this division is becoming increasingly involved in the latest trends such as autonomous driving, HMI/infotainment and electrification. The skills offered here range from functional electronic development, knowledge of specific areas such as AUTOSAR or functional safety in accordance with ISO 26262 through to the know-how required to guarantee engineering quality in line with our customers' requirements.

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

1.2 Targets and Strategies

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

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

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

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

2 Financial Report

2.1 Macroeconomic and Industry-Specific Conditions

Basic Conditions and Overall Economic Development

According to the International Monetary Fund (IMF), the world economy exhibited 3.1 percent growth in the previous year (2016). The IMF re-confirmed its April forecast for a 3.5 percent increase in global economic growth for 2017 and 3.6 percent for 2018 in July. According to the IMF's latest October forecast, global economic growth is projected to rise to 3.6 percent in 2017, and 3.7 percent in 2018. Economic activity is projected to pick up speed in all country groups except for the Middle East, and forecasts of the strength of the outlook by region have changed only modestly.

The US economy is projected to expand at 2.2 percent in 2017 and 2.3 percent in 2018. These growth forecasts reflect very supportive financial conditions and strong business and consumer confidence. The revision relative to the July forecasts made in October is due to a correction in US fiscal policy assumptions.

The IMF's economic experts expect growth in Germany to be slightly below the average for the eurozone as a whole both this year and next. According to the current forecast, Germany can expect a 2.0 percent increase in economic performance in 2017, and then a further 1.8 percent in 2018. For each year, this is 0.2 percentage point higher than the July forecast. The rates projected by the IMF for the euro area as a whole are even higher: 2.1 percent in 2017 and 1.9 percent in 2018.

In China, growth is projected to undergo a slightly greater increase (6.8 percent) in 2017 than it did in the previous year (6.7 percent). According to IMF forecasts, growth is expected to moderate to 6.5 percent in 2018.

With regard to oil prices, starting from an average price of USD 42.8 a barrel in 2016, a barrel price of USD 50.3 is forecast for 2017, (IMF in July 2017: USD 51.9) and USD 50.2 for 2018 (IMF in July 2017: USD 52.0).

Automotive Industry Development

According to the VDA (Association of the German Automotive Industry), a growth rate of some 3 percent is anticipated for sales of new vehicles in 2017. For a more detailed representation of the forecast for 2017, please see the Annual Report for 2016.

According to the VDA, there was a 2.0 percent drop in the number of new vehicles registered in Europe (EU 28 + EFTA) in September 2017 compared to the previous year, on account of a missing working day. This results in a cumulative result of an increase of 3.6 percent for the first three quarters of 2017. In September, Italy (+8 percent), Spain (+5 percent) and France (+1 percent) all gathered pace. In Germany (-3 percent) and Great Britain (-9 percent), on the other hand, the number of new vehicles registered decreased.

Nevertheless, the period January to September 2017 saw a 2 percent increase in the German passenger vehicle market, to more than 2.6 million units; what is striking here is that while registrations of new diesel vehicles were down 11 percent, there was a 116 percent increase in registrations of new electric-powered vehicles. Domestic orders have increased by 1 percent since January, and orders from abroad by 3 percent. The market environment in Germany is dynamic, as the overall economic situation, employment situation and consumer confidence all remain positive. Not least because of the changeover bonuses for older diesel models, the VDA has upped its sales forecast for 2017 by 4 percent to 3.5 million new registrations.

On account of an additional selling day in September and the need to replace the vehicles that had been destroyed in the hurricanes, the USA market reported its first growth (+6 percent) this year. In China, there was an increase of 4 percent in September (accumulated 3 percent). As compact cars are set to become subject to the full rate of VAT with effect from 2018, an anticipatory effect might be in evidence in the fourth quarter. Following a restrained start to the year in Russia, (first quarter +1 percent) the second quarter improved (+12 percent) and the third quarter proved even better (+18 percent).

Development of the Engineering Market

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

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

Financial Performance

Development of the EDAG Group

As of September 30, 2017, orders on hand increased to € 344.0 million compared to € 318.9 million as per December 31, 2016. In the nine-month period just ended, the EDAG Group generated incoming orders amounting to € 537.0 million which, compared to the same period in the previous year (€ 552.7 million), represents a reduction of € 15.7 million.

At € 530.0 million, the sales revenues and changes in inventories decreased by € 3.5 million or 0.6 percent compared to the same period in the previous year (Q1-3 2016: € 533.5 million). This is chiefly attributable to a fall in demand on the part of a German customer, which was only partially offset by international business. In the reporting quarter just ended, the sales revenues and changes in inventories totaled € 178,6 million, which represents a significant increase of 4.6 percent compared to the same period in the previous year (€ 170.9 million). Among the main reasons for the increase are new acquisitions and the particularly positive development of the Production Solutions segment.

Compared to the previous year, the EBIT in the reporting period decreased by € 5.2 million to € 21.9 million (Q1-3 2016: € 27.0 million). This means that an EBIT margin of 4.1 percent was achieved (Q1-3 2016: 5.1 percent). Important reasons for the deviation in the results compared to the same period in the previous year were fluctuating productivity due to delays in the awarding of contracts and price pressure in the market for engineering services, but also increased settlement expenses compared to the same period in the previous year, and an increase in the cost of launching a number of projects at EDAG Mexico.

Primarily adjusted for the depreciation, amortization and impairments from the purchase price allocations that were recorded in the reporting period in 2017, the adjusted EBIT figure was € 25.4 million (Q1-3 2016: € 32.4 million), which is equivalent to an adjusted EBIT margin of 4.8 percent (Q1-3 2016: 6.1 percent). The adjusted EBIT figure in the reporting quarter was € 11.2 million (Q3 2016: € 9.9 million); this is equivalent to an adjusted EBIT margin of 6.3 percent (Q3 2016: 5.8 percent), and therefore an increase of 13.4 percent.

The materials and services expenses decreased by 6.5 percent to € 66.8 million. At 12.6 percent, the materials and services expenses ratio was below the level of the same period of the previous year (Q1-3 2016: 13.4 percent). This effect was largely due to a lower volume of engineering services being purchased. At 7.9 percent, the ratio of services expenses in relation to the sales revenues and changes in inventories is below the level of the same period in the previous year (Q1-3 2016: 9.1 percent). At 4.7 percent, the materials expenses ratio remained more or less at the same level as in same period of the previous year (4.3 percent).

The EDAG Group's personnel expenses increased by € 8.4 million or 2.5 percent to € 351.6 million compared to the same period in the previous year. As of September 30, 2017, the company had a workforce of 8,312 employees, including apprentices (12/31/2016: 8,270 employees). The ratio of personnel expenses in relation to sales revenues and changes in inventories, which stood at 66.3 percent, increased considerably compared with the same period in the previous year (Q1-3 2016: 64.3 percent). The reasons for this increase are fluctuating productivity due to changes in market conditions, increased settlement expenses, and increased employee capacity for the performance of an equivalent service.

Depreciation, amortization and impairments totaled € 21.4 million (Q1-3 2016: € 20.8 million). The ratio for other expenses in relation to sales revenues and changes in inventories was 15.4 percent and thus at the level of the same period in the previous year (Q1-3 2016: 15.5 percent).

In the nine-month period just ended, the financial result was € -4.5 million (Q1-3 2016: € -6.4 million), an improvement of € 2.0 million compared with the same period in the previous year. One significant effect is a reduction in the interest expense due to the early repayment of a loan to ATON Group Finance GmbH in the amount of € 46 million in the 2016 financial year.

Development of the "Vehicle Engineering" Segment

Incoming orders amounted to € 350.5 million in the first three quarters of 2017, which was 0.4 percent below the value for the same period in the previous year (Q1-3 2016: € 351.9 million). Sales revenues and changes in inventories decreased by 1.7 percent to € 333.1 million (Q1-3 2016: € 338.7 million). All in all, an EBIT of € 13.3 million was achieved for the Vehicle Engineering segment in the nine-month period just ended (Q1-3 2016: € 18.1 million). The EBIT margin amounted to 4.0 percent (Q1-3 2016: 5.4 percent).

Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 4.8 percent (Q1-3 2016: 6.5 percent). The deviation in the results compared to the same period in the previous year is due to the generally difficult engineering service market environment, and in particular to a reduction in project margins in individual divisions and increased launching costs in the Laboratory/Testing and Body Engineering divisions at EDAG Mexico.

Development of the "Production Solutions" Segment

In this segment, incoming orders amounted to € 102.8 million, which was above the level of the same period in the previous year (Q1-3 2016: € 102.0 million) and represents an increase of 0.8 percent. Sales revenues and changes in inventories increased by 6.6 percent to € 93.6 million (Q1-3 2016: € 87.8 million). Overall, an EBIT of € 5.6 million (Q1-3 2016: € 8.8 million) was generated for the Production Solutions segment in the nine-month period just ended. The sharp increase in the sales revenues and changes in inventories is due in particular to an acquisition in the North American market and to the award of a major order in Mexico. Price pressure continues to make itself felt in Germany. This impacts the operating profit, so that despite the fact that capacity utilization remains good, the adjusted EBIT margin, at 6.3 percent, is below the value for the previous year (Q1-3 2016: 10.2 percent).

Development of the "Electrics/Electronics" Segment

Incoming orders decreased by € 14.3 million to € 95.5 million compared to the same period in the previous year (Q1-3 2016: € 109.8 million). Sales revenues and changes in inventories decreased by € 3.4 million or 3.0 percent to € 110.4 million (Q1-3 2016: € 113.8 million). The EBIT stood at € 2.3 million (Q1-3 2016: € 0.5 million). The EBIT margin amounted to 2.1 percent (Q1-3 2016: 0.5 percent). Without the effects from the purchase price allocations, this resulted in an adjusted EBIT margin of 3.2 percent (Q1-3 2016: 1.5 percent). The negative effects on the EBIT margin described in "Development of the EDAG Group" were also felt in this segment. The realignment of the segment towards future business fields led to additional work and expense in the form of additional staffing measures and to the development of new competencies. Delays and reductions in the volumes of new orders awarded, but also cuts in one of the company's main customer's current orders had a negative impact on productivity.

Cash Flows and Financial Position

Compared to December 31, 2016, the EDAG Group's statement of financial position total increased by € 11.9 million to € 442.3 million. As a result of the acquisitions in Sweden and the USA, the goodwill shown in the non-current assets increased by € 10.5 million to € 75.0 million (12/31/2016: € 64.5 million). In the current assets, the reduction of current accounts receivable and other receivables by € 37.8 million is countered by an increase in future receivables from construction contracts in the amount of € 43.7 million. Cash and cash-equivalents decreased by € 3.3 million to € 15.8 million.

On the equity, liabilities and provisions side, equity increased by € 6.9 million to € 145.9 million, and the quota is now approximately 33.0 percent (12/31/2016: 35.5 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 € 11.6 million and an increase in the profits and losses recognized directly in equity in the amount of € 1.3 million resulting from an increase in the actuarial interest rate.

Current liabilities increased by € 18.6 million to € 170.0 million. This is chiefly attributable to an increase in current financial liabilities from € 18.3 million to € 47.5 million, due to the dividend payout to the shareholders, and the cash outflow resulting from the acquisition of HRM Engineering AB, Sweden and CKGP/PW & Associates Inc., USA.

In the first three quarters of 2017, the operating cash flow was € 25.4 million (Q1-3 2016: € 10.3 million). The positive development was primarily due to a reduced effect in capital being tied up in the trade working capital compared to the same period in the previous year.

At € 14.1 million, gross investments in the reporting period were well below the previous year's level (Q1-3 2016: € 22.3 million). The ratio of gross investments in relation to sales revenues and changes in inventories was therefore 2.7 percent (Q1-3 2016: 4.2 percent).

On the reporting date, unused lines of credit in the amount of € 78.9 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 33.0 percent, the company has a sound financial basis, and was able to fulfil its payment obligations at all times throughout the reporting period.

2.3 HR Management and Development

The success of the EDAG Group as one of the leading engineering service providers in the automotive sector is inextricably linked to the skills and motivation of its employees. Behind the company's comprehensive service portfolio are people with widely differing occupations and qualifications. In addition, the EDAG Group is also characterized by the special commitment and mentality of its employees. Throughout its 48-year history, EDAG has always ensured that both young and experienced employees are offered interesting and challenging activities and projects, and are provided with the prospect of and the necessary space for personal responsibility and decision-making. And this is the primary focus of both our human resources management and development. For a more detailed representation of personnel management and development, please see the Annual Report for 2016.

On September 30, 2017 the EDAG Group employed a workforce of 8,312 employees (12/31/2016: 8,270 employees). Personnel expenses amounted to € 351.6 million in the 2017 reporting period (Q1-3 2016: € 343.2 million).

3 Forecast, Risk and Reward Report

There were no significant changes during the reporting period to the risks and rewards described in the Annual Report for 2016. For a more detailed representation of the Risk and Reward Report, please see the Annual Report for 2016. The only exception are the personnel risks. We now rate the nature of these risks as category A (2016: category B risk), again with a medium probability of occurrence.

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. The first nine months of the 2017 financial year were characterized by delays in the awarding of contracts and increased price pressure following the strategic reorganization of OEMs. For 2017 as a whole, the EDAG management still sees opportunities for increasing sales by up to 5 percent. We anticipate an increase in sales revenues at the lower end of the scale in the VE und E/E segments, and at the upper end of the scale in the PS segment. With regard to the adjusted EBIT, we anticipate a margin of approximately 4 to 6 percent. The VE segment is expected to be within this range, with the PS segment slightly above it, and the E/E segment slightly below. Due to the muted demand in the first nine months of the year, we assume that investments are well below the level of previous years. Due to the continuing sound 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	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	7/1/2017 – 9/30/2017	7/1/2016 – 9/30/2016
Profit or loss				
Sales revenues and changes in inventories	530,015	533,470	178,587	170,865
Sales revenues	529,926	533,579	178,536	170,899
Changes in inventories	89	- 109	51	- 34
Other income	13,153	11,753	5,396	3,523
Material expenses	- 66,844	- 71,466	- 25,204	- 24,697
Gross Profit	**476,324**	**473,757**	**158,779**	**149,691**
Personnel expenses	- 351,648	- 343,235	- 112,706	- 107,281
Depreciation, amortization and impairment	- 21,401	- 20,813	- 8,191	- 7,012
Other expenses	- 81,418	- 82,660	- 27,692	- 27,035
Earnings before interest and taxes (EBIT)	**21,857**	**27,049**	**10,190**	**8,363**
Result from investments accounted for using the equity method	457	- 68	168	- 27
Financial income	318	387	86	119
Financing expenses	- 5,261	- 6,767	- 1,864	- 2,242
Financial result	**- 4,486**	**- 6,448**	**- 1,610**	**- 2,150**
Earnings before taxes	**17,371**	**20,601**	**8,580**	**6,213**
Income taxes	- 5,787	- 6,971	- 2,857	- 2,112
Profit or loss	**11,584**	**13,630**	**5,723**	**4,101**

in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	7/1/2017 – 9/30/2017	7/1/2016 – 9/30/2016
Profit or loss	**11,584**	**13,630**	**5,723**	**4,101**
Other Comprehensive Income				
Reclassifiable profits/losses				
Financial assets available for sale				
Profits/losses included in equity from valuation at fair value	- 17	2	- 10	6
Deferred taxes on financial assets available for sale	5	- 1	3	- 2
Currency conversion difference				
Profits/losses included in equity from currency conversion difference	- 1,042	78	- 517	- 220
Total reclassifiable profits/losses	**- 1,055**	**79**	**- 525**	**- 216**
Not reclassifiable profits/losses				
Revaluation of net obligation from defined benefit plans				
Revaluation of net obligation from defined benefit plans before taxes	1,896	- 7,291	- 43	- 1,657
Deferred taxes on defined benefit commitments and similar obligations	- 560	2,171	15	396
Share of other comprehensive income of at-equity accounted investments, net of tax	19	- 69	-	- 17
Total not reclassifiable profits/losses	**1,355**	**- 5,189**	**- 28**	**- 1,278**
Total other comprehensive income before taxes	855	- 7,280	- 571	- 1,888
Total deferred taxes on the other comprehensive income	- 555	2,170	18	394
Total other comprehensive income	**300**	**- 5,110**	**- 553**	**- 1,494**
Total comprehensive income	**11,884**	**8,520**	**5,170**	**2,607**
From the profit or loss attributable to:				
Shareholders of the parent company	11,552	13,591	5,709	4,088
Minority shares (non-controlling interest)	32	39	14	13
Of the total comprehensive income attributable to:				
Shareholders of the parent company	11,852	8,481	5,156	2,594
Minority shares (non-controlling interest)	32	39	14	13
Earnings per share of shareholders of EDAG Group AG [diluted/basic in €]				
Earnings per share	0.46	0.54	0.23	0.16

2 Consolidated Statement of Financial Position

in € thousand	9/30/2017	12/31/2016
Assets		
Goodwill	75,045	64,521
Other intangible assets	30,868	35,053
Property, plant and equipment	72,275	71,648
Financial assets	179	158
Investments accounted for using the equity method	15,911	15,434
Non-current accounts receivable and other receivables	974	902
Deferred tax assets	1,670	1,109
Non-current assets	**196,922**	**188,825**
Inventories	3,460	1,919
Future receivables from construction contracts	130,595	86,881
Current accounts receivable and other receivables	89,491	127,309
Other financial assets	44	61
Income tax assets	2,816	2,298
Cash and cash equivalents	15,788	19,067
Assets held for sale	3,200	4,056
Current assets	**245,394**	**241,591**
Assets	**442,316**	**430,416**

in € thousand	9/30/2017	12/31/2016
Equity, liabilities and provisions		
Subscribed capital	920	920
Capital reserves	40,000	40,000
Retained earnings	116,177	123,374
Reserves from profits and losses recognized directly in equity	- 8,611	- 9,954
Currency conversion differences	- 2,620	- 1,577
Equity attributable to shareholders of the parent company	**145,866**	**152,763**
Non-controlling interests	1	1
Equity	**145,867**	**152,764**
Provisions for pensions and similar obligations	27,061	27,038
Other non-current provisions	2,917	3,030
Non-current financial liabilities	87,771	88,080
Non-current accounts payable and other liabilities	2,269	-
Non-current income tax liabilities	1,460	1,460
Deferred tax liabilities	5,002	6,691
Non-current liabilities and provisions	**126,480**	**126,299**
Current provisions	8,085	9,485
Current financial liabilities	47,511	29,190
Future liabilities from construction contracts	35,407	29,689
Current accounts payable and other liabilities	70,537	76,017
Income tax liabilities	8,429	6,972
Current liabilities and provisions	**169,969**	**151,353**
Equity, liabilities and provisions	**442,316**	**430,416**

3 Consolidated Cash Flow Statement

	in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016
	Profit or loss	**11,584**	**13,630**
+	Income tax expenses	5,787	6,971
-	Income taxes paid	- 8,289	- 5,795
+	Financial result	4,486	6,449
+	Interest and dividend received	322	666
+/-	Impairment from revaluation at fair value less costs of disposal	1,042	-
+/-	Depreciation and amortisation/write-ups on tangible and intangible assets	20,359	20,813
+/-	Other non-cash item expenses/income	1,018	- 7,185
+/-	Increase/decrease in non-current provisions	112	8,418
-/+	Profit/loss on the disposal of fixed assets	- 1,356	542
-/+	Increase/decrease in inventories	- 1,550	- 675
-/+	Increase/decrease in future receivables from construction contracts, receivables and other assets that are not attributable to investing or financing activities	- 3,958	- 22,065
+/-	Increase/decrease in current provisions	- 1,153	- 1,320
+/-	Increase/decrease in accounts payables and other liabilities and provisions that are not attributable to investing or financing activities	- 2,977	- 10,124
=	**Cash inflow/outflow from operating activities/operating cash flow**	**25,427**	**10,325**
+	Deposits from disposals of tangible fixed assets	6,233	975
-	Payments for investments in tangible fixed assets	- 12,133	- 18,741
+	Deposits from disposals of intangible fixed assets	-	29
-	Payments for investments in intangible fixed assets	- 1,951	- 3,576
+	Deposits from disposals of financial assets	33	26
-	Payments for investments in financial assets	- 54	- 57
+/-	Deposits/Payments from disposals in shares of fully consolidated companies/divisions	- 21	-
-	Payments for investments in shares of fully consolidated companies/divisions	- 13,134	- 681
=	**Cash inflow/outflow from investing activities/investing cash flow**	**- 21,027**	**- 22,025**

	in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016
-	Payments to shareholders/partners (prior year dividend, capital repayments, other distributions)	- 18,750	- 18,782
-	Interest paid	- 757	- 4,413
+	Borrowing of financial liabilities	18,043	1,458
-	Repayment of financial liabilities	- 3,422	- 21,540
-	Repayment of leasing liabilities	- 2,032	- 1,649
=	**Cash inflow/outflow from financing activities/financing cash flow**	**- 6,918**	**- 44,926**
	Net Cash changes in financial funds	**- 2,518**	**- 56,626**
-/+	Effect of changes in currency exchange rate and other effects from changes of financial funds	- 761	104
+	Financial funds at the start of the period	19,067	70,654
=	**Financial funds at the end of the period [cash & cash equivalents]**	**15,788**	**14,132**
=	**Free cash flow (FCF) – equity approach**	**4,400**	**- 11,700**

4 Consolidated Statement of Changes in Equity

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 1/1/2017	**920**	**40,000**	**123,374**	**- 1,577**	**- 9,870**	**- 4**	**- 80**	**152,763**	**1**	**152,764**
Profit or loss	-	-	11,553	-	-	-	-	11,553	32	11,585
Other comprehensive income	-	-	-	- 1,043	1,335	- 11	19	300	-	300
Total comprehensive income	**-**	**-**	**11,553**	**- 1,043**	**1,335**	**- 11**	**19**	**11,853**	**32**	**11,885**
Dividends	-	-	- 18,750	-	-	-	-	- 18,750	- 32	- 18,782
As per 9/30/2017	**920**	**40,000**	**116,177**	**- 2,620**	**- 8,535**	**- 15**	**- 61**	**145,866**	**1**	**145,867**

in € thousand	Subscribed capital	Capital reserves	Retained earnings	Currency conversion	Revaluation from pension plans	Securities available for sale	Shares in investments accounted for using the equity method	Total equity attributable to majority shareholders	Non controlling interest	Total equity
As per 1/1/2016	**920**	**40,000**	**123,982**	**- 2,004**	**- 7,706**	**- 4**	**- 25**	**155,163**	**80**	**155,243**
Profit or loss	-	-	13,591	-	-	-	-	13,591	39	13,630
Other comprehensive income	-	-	-	78	- 5,119	1	- 69	- 5,109	-	- 5,109
Total comprehensive income	**-**	**-**	**13,591**	**78**	**- 5,119**	**1**	**- 69**	**8,482**	**39**	**8,521**
Dividends	-	-	- 18,750	-	-	-	-	- 18,750	- 32	- 18,782
As per 9/30/2016	**920**	**40,000**	**118,823**	**- 1,926**	**- 12,825**	**- 3**	**- 94**	**144,895**	**87**	**144,982**

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):

ISIN[4]:	CH0303692047
WKN[5]:	A143NB
Trading symbol:	ED4

[4] *International Securities Identification Number*

[5] *Securities identification number*

The shares are denominated in Swiss francs. The operating currency is the euro, and shares are traded in euros. The company's shares are briefed in a global certificate and deposited with Clearstream. Each company share entitles its holder to a vote at the company's general meeting. The restrictions on voting rights with the majority shareholders ATON Austria Holding GmbH, Going am Wilden Kaiser ("ATON") and HORUS, according to which restrictions were placed, under certain circumstances, on their voting rights when the members of the Board of Directors were being elected, expired on July 2, 2017. In view of this fact, ATON gained "control" of EDAG with effect from this date.

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 (September 30).

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

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

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

5.2 Basic Principles and Methods

Basic Accounting Principles

The consolidated interim report of the EDAG Group AG for the period ending September 30, 2017 has been prepared in accordance with IAS 34 "Interim financial reporting". As the scope of the consolidated interim report has been reduced, making it shorter than the consolidated financial statement, it should be read in conjunction with the consolidated financial statement for December 31, 2016. The consolidated financial statement of EDAG Group AG and its subsidiaries for December 31, 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied pursuant to Directive No. 1606/2002 of the European Parliament and Council regarding the application of international accounting standards in the EU. In addition to the International Financial Reporting Standards, the term IFRS also includes the still valid International Accounting Standards (IAS), the Interpretations of the 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 September 30, 2017 and adopted in national law by the European Commission have been fulfilled.

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

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

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

Accounting and Valuation Principles

The following changes and accounting standards were published by the IASB, and are to be used from 2017 onwards, but have not yet been adopted by the EU. The application would not have any significant effect on the financial position, financial performance and cash flow of EDAG Group AG in the consolidated interim report:

- IFRS 14 (IASB publication: January 30, 2014; EU endorsement: no): regulatory deferral accounts
- IFRS 10/IAS 28 (IASB publication: September 11, 2014; EU endorsement: open): Change in sale or contribution of assets between an investor and its associate or joint venture
- IAS 12 (IASB publication: January 19, 2016; EU endorsement: Q4 2017): Change: recognition of deferred tax assets for unrealized losses
- IAS 7 (IASB publication: January 29, 2016; EU endorsement: Q4 2017): Change: disclosure initiative
- Annual improvements to IFRS standards 2014 – 2016 (IASB publication: December 8, 2016; EU endorsement: Q4 2017)

Analysis of the effects of the accounting standards IFRS 15 "Revenue from contracts with customers", IFRS 16 "Leases" and IFRS 9 "Financial instruments", which have been published but are not yet legally required to be used, have not yet been completed. For explanations of the effects of using these accounting standards, please see the Notes to the Consolidated Financial Statement for December 31, 2016. Ongoing analysis in 2017 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.

For this consolidated interim report, a discount rate of 2.00 percent has been used for pension provisions in Germany (12/31/2016: 1.72 percent). An unchanged discount rate of 0.80 percent has been used for pension provisions in Switzerland. The increase in the interest rate in Germany led to an overall reduction in the pension provisions, to the applicable deferred taxes, and to the actuarial losses related to pension provisions recorded in reserves from profits and losses recognized directly in equity.

In the first quarter of 2017, the EDAG Group acquired a property for € 3.2 million. This purchase was specifically effected with a view to resale. Impairment costs in the amount of € 1.0 million were recognized for this property held for sale, including inventory, in the quarter just ended. Further, the property qualified as held for sale in 2016 in accordance with IFRS 5.6 was sold for a selling price of € 5.6 million in the quarter just ended. The incoming payment is shown in "Deposits from disposals of tangible fixed assets" in the consolidated cash flow statement. The sale resulted in a profit in the amount of € 1.5 million. All expenses and revenues from non-current assets held for sale are shown in the segment "Others".

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

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

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

In the period January 1, 2017 to September 30, 2017, the group of combined or consolidated companies developed as follows:

	Switzer-land	Germany	Others	Total
Fully consolidated companies				
Included as of 12/31/2016	3	9	25	37
Included for the first time in current financial year	-	-	5	5
Withdrawn in current financial year	-	1	1	2
Included as of 9/30/2017	3	8	29	40
Companies accounted for using the equity method				
Included as of 12/31/2016	-	1	-	1
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 9/30/2017	-	1	-	1
Companies included at acquisition cost				
Included as of 12/31/2016	-	2	-	2
Included for the first time in current financial year	-	-	-	-
Withdrawn in current financial year	-	-	-	-
Included as of 9/30/2017	-	2	-	2

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

Acquisition of HRM Engineering AB, Sweden and its two Subsidiaries on May 31, 2017

The purchase price allocation is provisional, as not yet concluded. It is provisional particularly with regard to the fair value of the intangible assets acquired.

The cash outflows due to the acquisition of the company are as follows:

CASH OUTFLOW DUE TO THE ACQUISITION OF THE COMPANY

in € thousand	**2017**
Outflow of cash and cash equivalents, total	6,207
Cash and cash equivalents acquired with the subsidiary	260
Actual cash outflow	5,947

The following table sets out the assets, liabilities and provisions identified for the acquisition of the company and assumed at the time of acquisition.

in € thousand	Fair values at time of acquisition
Intangible Assets	1,084
Property, plant and equipment	117
Non-current assets	**1,201**
Accounts receivable and other receivables	3,536
Other current assets	42
Cash and cash-equivalents	260
Current assets	**3,838**
TOTAL assets	**5,039**
Financial liabilities	0
Trade payables	944
Other current liabilities	1,861
Deferred tax liabilities	225
TOTAL liabilities and provisions	**3,029**
Acquired net assets	**2,011**

The fair value of the acquired amounts receivable is equal to the gross amounts.

in € thousand	**2017**
Attributable fair value of the purchase price for net assets	**7,538**
Net assets at fair value	2,011
Capitalized goodwill	**5,527**

On May 31, 2017, the EDAG Group acquired a total of 100 percent of the shares in HRM Engineering AB, which has its head office in Sweden. HRM Engineering AB for its part holds 100 percent of the shares in both Müller HRM Engineering AB, Sweden and HRM Engineering i Trestad AB, Sweden. This acquisition enabled the EDAG Group to significantly expand its market presence on the Swedish market. HRM, which has been active in Sweden since the 1980s, is already a well-established engineering partner to the Swedish automotive industry, working with Volvo and other companies. Approximately 120 employees at the Gothenburg branch offer an extensive range of services in the fields of electronics and software development, product engineering and quality engineering. Its range of business activities - particularly in the fields of Electrics/Electronics and software development - are an ideal addition to the activities of our team in Sweden.

The Swedish market is characterized by a highly dynamic development of motor vehicles and commercial vehicles, and offers good prospects for future growth. This new line-up, which expands both our competence base and team size, is therefore an important step towards achieving the growth targets we have set ourselves and further extending our good position.

The fair value of the purchase price is composed of the basic purchase price in the amount of € 6,570 thousand, € 363 thousand of which was still to be paid on the reporting date, and the net cash value of the contingent consideration in the amount of € 968 thousand. The contingent consideration in the undiscounted range from € 0 thousand to € 1,025 thousand is due to the original shareholders, when certain milestones relating to sales revenue and earnings performance are achieved. The resulting goodwill in the amount of € 5,527 thousand is not tax-deductible, and primarily consists of non-separable values for the knowledge of the employees and benefits from the expected synergies with EDAG Engineering AB, our existing subsidiary in Sweden. The goodwill has been assigned proportionally to the "Vehicle Engineering" CGU (€ 4,451 thousand) and the "Electrics/Electronics" CGU (€ 1,076 thousand). The sales revenues of HRM Engineering AB and its subsidiaries included in the consolidated statement of comprehensive income since the acquisition date amount to € 3,307 thousand, recognized loss to € 230 thousand.

Acquisition of CKGP/PW & Associates Inc., USA on July 3, 2017

The purchase price allocation is provisional, as not yet concluded. It is provisional particularly with regard to the fair value of the intangible assets acquired.

The cash outflows due to the acquisition of the company are as follows:

CASH OUTFLOW DUE TO THE ACQUISITION OF THE COMPANY

in € thousand	**2017**
Outflow of cash and cash equivalents, total	7,375
Cash and cash equivalents acquired with the subsidiary	212
Actual cash outflow	7,163

The following table sets out the assets, liabilities and provisions identified for the acquisition of the company and assumed at the time of acquisition.

in € thousand	Fair values at time of acquisition
Intangible Assets	1,084
Property, plant and equipment	119
Non-current assets	**1,203**
Accounts receivable and other receivables	3,632
Cash and cash-equivalents	212
Current assets	**3,844**
TOTAL assets	**5,047**
Trade payables	347
Other current liabilities	421
Deferred tax liabilities	406
TOTAL liabilities and provisions	**1,173**
Acquired net assets	**3,873**

The fair value of the acquired amounts receivable is equal to the gross amounts.

in € thousand	**2017**
Attributable fair value of the purchase price for net assets	**9,127**
Net assets at fair value	3,873
Capitalized goodwill	**5,254**

On July 3, 2017, the EDAG Group acquired a total of 100 percent of the shares in CKGP/PW & Associates Inc., which has its head office in the USA. The target company, which employs a workforce of approx. 68, has firmly established its position among the North American vehicle manufacturers as an engineering partner for production plants, and offers a comprehensive range of services in the fields of conveyor technology/paint shop planning, material flow and logistics planning as well as manufacturing and process engineering.

Through this acquisition, EDAG has broadened access to the US market and expanded its range of skills in the Production Solutions segment, particularly in the fields of production planning and systems engineering, both of which are relevant to "Industrie 4.0". After the acquisition, CKGP/PW & Associates Inc. will gain access to the EDAG Group's global capacities and international customer base. In return, the EDAG Group will also profit from the excellent customer relations enjoyed by the traditional American company on the US market.

The fair value of the purchase price is composed of the basic purchase price in the amount of € 7,458 thousand, € 83 thousand of which was still to be paid on the reporting date, and the net cash value of the contingent consideration in the amount of € 1,669 thousand. The contingent consideration in the undiscounted range from € 0 thousand to € 1,905 thousand is due to the original shareholders, when certain milestones relating to sales revenue and earnings performance and employee retention are achieved. The resulting goodwill in the amount of € 5,254 thousand is not tax-deductible, and consists primarily of non-separable values for the knowledge of the employees and benefits from the expected synergies with other companies. The goodwill has been fully assigned to the "Production Solutions" CGU. The sales revenues of CKGP/PW & Associates Inc. included in the consolidated statement of comprehensive income since the acquisition date amount to € 3,650 thousand, recognized profit to € 233 thousand.

Had the HRM Group and CKGP/PW & Associates Inc. already been included with effect from January 1, the combined group sales revenues for the first three quarters of 2017 would have amounted to € 542,364 thousand, and earnings after taxes to € 12,149 thousand.

5.4 Currency Conversion

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

Country	Currency	9/30/2017	Q3 2017	12/31/2016	Q3 2016
	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	0.8818	0.8725	0.8562	0.8022
Brazil	BRL	3.7635	3.5311	3.4305	3.9642
USA	USD	1.1806	1.1132	1.0541	1.1158
Malaysia	MYR	4.9827	4.8351	4.7287	4.5578
Hungary	HUF	310.6700	308.4743	309.8300	312.1624
India	INR	77.0690	72.5875	71.5935	74.8991
China	CNY	7.8534	7.5721	7.3202	7.3432
Mexico	MXN	21.4614	20.9970	21.7719	20.4135
Czech Republic	CZK	25.9810	26.5530	27.0210	27.0361
Switzerland	CHF	1.1457	1.0946	1.0739	1.0936
Poland	PLN	4.3042	4.2648	4.4103	4.3588
Romania	RON	4.5993	4.5517	4.5390	4.4854
Russia	RUB	68.2519	64.9077	64.3000	76.3054
Sweden	SEK	9.6490	9.5826	9.5525	9.3711
Japan	JPY	132.8200	124.5624	123.4000	121.1072
South Korea	KRW	1,351.8300	1,267.0597	1,269.3600	1,296.2845

5.5 Reconciliation of the Adjusted Operating Profit (adjusted EBIT)

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

in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	7/1/2017 – 9/30/2017	7/1/2016 – 9/30/2016
Earnings before interest and taxes (EBIT)	**21,857**	**27,049**	**10,190**	**8,363**
Adjustments:				
Expenses (+) from purchase price allocation	4,280	5,244	1,548	1,754
Income (-) / expenses (+) from deconsolidation	- 3	-	-	-
Income (-) from reversal of provisions	- 191	- 240	-	- 71
Expenses (+) from additional costs from M&A transactions	-	70	-	70
Expenses (+) from restructuring	-	138	-	- 67
Income (-) from the sale of real estate	- 1,544	- 138	- 1,544	- 138
Expenses (+) from the sale of real estate	-	254	-	-
Expenses (+) from impairment of real estate	1,042	-	1,042	-
Total adjustments	**3,584**	**5,328**	**1,046**	**1,548**
Adjusted earnings before interest and taxes (adjusted EBIT)	**25,441**	**32,377**	**11,236**	**9,911**

The "expenses (+) from the purchase price allocation" and the "expenses (+) from impairment of real estate" are stated under the amortization. The "income (-) / expenses (+) from deconsolidations", "income (-) from the reversal of provisions" and "income (-) from the sale of real estate" 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 September 30, 2017, the non-current assets amounted to € 196.9 million (12/31/2016: € 188.8 million). Of these, € 1.5 million are domestic, € 166.1 million are German, and € 29.3 million are non-domestic (12/31/2016: [domestic: € 1.9 million; Germany: € 170.9 million; non-domestic: € 16.0 million]).

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

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

As an 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 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 Management Report.

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

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

in € thousand	1/1/2017 - 9/30/2017						
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Others	Total segments	Consolidation	Total Group
Sales revenues	328,868	90,809	110,249	-	529,926	-	529,926
Sales revenues with other segments	4,125	2,767	77	-	6,969	- 6,969	-
Changes in inventories	62	-	27	-	89	-	89
Total sales revenues and changes in inventories	**333,055**	**93,576**	**110,353**	**-**	**536,984**	**- 6,969**	**530,015**
EBIT	**13,303**	**5,550**	**2,308**	**696**	**21,857**	**-**	**21,857**
EBIT margin [%]	4.0%	5.9%	2.1%	n/a	4.1%	n/a	4.1%
Purchase price allocation (PPA)	2,732	336	1,212	-	4,280	-	4,280
Other adjustments	-	-	-	- 696	- 696	-	- 696
Adjusted EBIT	**16,035**	**5,886**	**3,520**	**-**	**25,441**	**-**	**25,441**
Adjusted EBIT margin [%]	4.8%	6.3%	3.2%	n/a	4.7%	n/a	4.8%
Depreciation, amortization and impairment	- 14,002	- 2,544	- 3,813	- 1,042	- 21,401	-	- 21,401

in € thousand	1/1/2016 - 9/30/2016						
	Vehicle Engineering	Production Solutions	Electrics/ Electronics	Others	Total segments	Consolidation	Total Group
Sales revenues	334,783	84,896	113,669	231	533,579	-	533,579
Sales revenues with other seg-ments	4,032	2,919	93	122	7,166	- 7,166	-
Changes in inventories	- 111	-	2	-	- 109	-	- 109
Total sales revenues and changes in inventories	**338,704**	**87,815**	**113,764**	**353**	**540,636**	**- 7,166**	**533,470**
EBIT	**18,148**	**8,756**	**545**	**- 400**	**27,049**	**-**	**27,049**
EBIT margin [%]	5.4%	10.0%	0.5%	n/a	5.0%	n/a	5.1%
Purchase price allocation (PPA)	3,814	218	1,212	-	5,244	-	5,244
Other adjustments	-	-	-	84	84	-	84
Adjusted EBIT	**21,962**	**8,974**	**1,757**	**- 316**	**32,377**	**-**	**32,377**
Adjusted EBIT margin [%]	6.5%	10.2%	1.5%	n/a	6.0%	n/a	6.1%
Depreciation, amortization and impairment	- 15,450	- 2,224	- 3,138	- 1	- 20,813	-	- 20,813

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

5.7 Contingent Liabilities/Receivables and Other Financial Obligations

Contingent Liabilities

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

Other Financial Obligations

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

in € thousand	9/30/2017	12/31/2016
Obligations from the renting of property	146,504	160,370
Obligations from miscellaneous renting and leasing contracts	9,127	8,855
Open purchase orders	1,508	4,893
Other miscellaneous financial obligations	59	167
Total	**157,198**	**174,285**

Contingent Receivables

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

5.8 Financial Instruments

Net Financial Debt/Credit

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

in € thousand	9/30/2017	12/31/2016
Non-current financial liabilities	- 87,771	- 88,080
Current financial liabilities	- 47,511	- 29,190
Securities/derivative financial instruments	44	61
Cash and cash equivalents	15,788	19,067
Net financial debt/-credit [-/+]	**- 119,450**	**- 98,142**
Equity	145,867	152,764
Net Gearing [%]	**81.9%**	**64.2%**

By resolution of the general meeting of May 31, 2017, 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 September 30, 2017, there were loan obligations to ATON Group Finance GmbH (including accrued interest) in the amount of € 90,778 thousand (12/31/2016: € 87,488 thousand). Of this amount, € 86,800 thousand is to be classified as non-current financing. As of September 30, 2017, there is a current loan, including interest, in the amount of € 20,922 thousand from VKE Versorgungskasse EDAG – Firmengruppe e.V. (12/31/2016: € 20,964 thousand).

The EDAG Group reported unused lines of credit in the amount of € 78.9 million on the reporting date (12/31/2016: € 98.4 million).

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

	in € thousand	9/30/2017	12/31/2016
	Inventories	3,460	1,919
+	Future receivables from construction contracts	130,595	86,881
+	Current accounts receivable	76,254	115,585
-	Future liabilities from construction contracts	- 35,407	- 29,689
-	Current accounts payable	- 17,437	- 23,327
=	**Trade working capital (TWC)**	**157,465**	**151,369**
+	Non-current accounts receivable and other recei-vables	974	902
+	Deferred tax assets	1,670	1,109
+	Current other receivables excl. Interest-bearing receivables	13,238	11,724
+	Income tax assets	2,816	2,298
-	Non-current accounts payable and other liabilities	- 2,269	-
-	Non-current income tax liabilities	- 1,460	- 1,460
-	Deferred tax liabilities	- 5,002	- 6,691
-	Current other liabilities	- 53,100	- 52,690
-	Income tax liabilities	- 8,429	- 6,972
=	**Other working capital (OWC)**	**- 51,562**	**- 51,780**
	Net working capital (NWC)	**105,903**	**99,589**

The trade working capital increased from € 151,369 thousand to € 157,465 thousand, compared to December 31, 2016. The decrease in current accounts receivable in the amount of € 39,331 thousand was more than compensated for by the increase in future receivables from construction contracts in the amount of € 43,714 thousand.

At € -51,562 thousand, the other working capital increased slightly, compared to December 31, 2016 (€ -51,780 thousand).

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

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

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

The fair values of other receivables 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 financial assets that are available for sale (AfS) are valued at fair value. In the case of equity interests, for which no market price is available, accounting is carried out at acquisition cost. 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 and fair values of all financial instruments recorded in the consolidated financial statements are shown in the following table.

in € thousand	Valuation category as per IAS 39	Book value 9/30/2017	Valuation balance sheet as per IAS 39				Presentation as per IAS 17/ IAS 11
			Amortized costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets (assets)							
Cash and cash equivalents	[LaR]	15,788	15,788	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	79,074	79,074	-	-	-	-
Future receivables from construction contracts	[n.a.]	130,595	-	-	-	-	130,595
Loans	[LaR]	128	128	-	-	-	-
Assets available for sale	[AfS]	96	52	-	44	-	-
Financial liabilities (liabilities)							
Financial liabilities							
Credit institutions	[FLAC]	20,894	20,894	-	-	-	-
Other interest-bearing liabilities	[FLAC]	111,702	111,702	-	-	-	-
Liabilities from financing leases	[n.a.]	2,605	-	-	-	-	2,605
Derivative financial liabilities	[FLHfT]	81	-	-	-	81	-
Accounts payable and other liabilities in terms of IAS 32.11	[FLAC]	20,848	18,190	-	-	2,658	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	94,990	94,990	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	96	52	-	44	-	-
Financial Liabilities measured at Amortized Cost	[FLAC]	153,444	150,786	-	-	2,658	-
Financial Liabilities Held for Trading	[FLHfT]	81	-	-	-	81	-

in € thousand	Valuation category as per IAS 39	Book value 12/31/2016	Valuation balance sheet as per IAS 39				Presentation as per IAS 17/ IAS 11
			Amortized costs	Acquisition costs	Fair value recognized directly in equity	Fair value through profit or loss	
Financial assets (assets)							
Cash and cash equivalents	[LaR]	19,067	19,067	-	-	-	-
Accounts receivable and other receivables in terms of IAS 32.11	[LaR]	118,369	118,369	-	-	-	-
Future receivables from construction contracts	[n.a.]	86,881	-	-	-	-	86,881
Loans	[LaR]	106	106	-	-	-	-
Assets available for sale	[AfS]	113	52	-	61	-	-
Financial liabilities (liabilities)							
Financial liabilities							
Credit institutions	[FLAC]	6,048	6,048	-	-	-	-
Other interest-bearing liabilities	[FLAC]	108,456	108,456	-	-	-	-
Liabilities from financing leases	[n.a.]	2,400	-	-	-	-	2,400
Derivative financial liabilities	[FLHfT]	365	-	-	-	365	-
Accounts payable and other liabilities in terms of IAS 32.11		26,744	26,646	-	-	98	-
Financial assets and financial liabilities, aggregated according to valuation category in accordance with IAS 39							
Loans and Receivables	[LaR]	137,542	137,542	-	-	-	-
Financial Assets Held for Trading	[FAHfT]	-	-	-	-	-	-
Available-for-Sale Financial Assets	[AfS]	113	52	-	61	-	-
Financial Liabilities measured at Amortized Cost	[FLAC]	141,248	141,150	-	-	98	-
Financial Liabilities Held for Trading	[FLHfT]	365	-	-	-	365	-

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

The attributable fair values of liabilities due to credit institutions, loans and other financial liabilities are calculated as present values of the debt-related payments, based on the EDAG current yield curve valid at the time. By and large, the fair value of the financial liabilities corresponds to the book value. As at September 30, 2017 however, the fair value of the other interest-bearing liabilities [FLAC] amounted to € 112,664 thousand (12/31/2016: € 110,287 thousand), with a book value of € 111,702 thousand (12/31/2016: € 108,456 thousand). The valuation of the fair value took place according to the "Level 2" valuation category on the basis of a discounted cash flow model. In this context, the current market rates of interest and the contractually agreed parameters were taken as the basis.

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

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

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

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

in € thousand	Assessed at fair value 9/30/2017			
	Level 1	Level 2	Level 3	Total
Financial assets (assets)				
Assets available for sale	44	-	-	44
Financial liabilities (liabilities)				
Derivative financial liabilities	-	81	-	81
Other liabilities	-	-	2,658	2,658

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

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	2017
As per 1/1/2017	**98**
Aquired in a business combination	2,637
Loss recognized in financial expenses	
Net change of fair value	18
Profit recognized in other income	
Net change of fair value	25
Cash Flows	25
Currency conversion difference	- 46
As per 9/30/2017	**2,658**

in € thousand	2016
As per 1/1/2016	**195**
Aquired in a business combination	-
Loss recognized in financial expenses	
Net change of fair value	3
Profit recognized in other income	
Net change of fair value	5
Cash Flows	95
Currency conversion difference	-
As per 9/30/2016	**98**

5.9 Related Parties

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

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

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

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

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

in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016
EDAG Group with boards of directors (EDAG Group AG & EDAG Schweiz Sub-Holding AG)		
Work-related expenses	621	615
Travel and other expenses	17	2
Rental expenses	238	278
Consulting expenses	4	24
EDAG Group with supervisory boards (EDAG GmbH & EDAG Holding GmbH)		
Work-related expenses	26	150
Travel and other expenses	1	7
Compensation costs	429	456
EDAG Group with group executive management		
Goods and services received	9	9

in € thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016
EDAG Group with ATON companies (affiliated companies)		
Goods and services rendered	25,707	20,014
Goods and services received	890	518
Interest expense	3,291	4,970
Other operating income	461	562
Other operating expenses	372	360
EDAG Group with unconsolidated subsidiaries		
Other operating expenses	2	2
EDAG Group with associated companies		
Goods and services rendered	580	1,523
Goods and services received	148	2,141
Other operating income	450	568
Other operating expenses	47	50
Other nonoperating income	1	-
Income from investments	457	- 68
EDAG Group with other related companies and persons		
Goods and services rendered	806	19
Goods and services received	7	16
Interest expense	388	637
Other operating income	28	13
Other operating expenses	3,107	3,041
Other nonoperating income	3	-

Important Changes in the Organizational Structure

In its announcement of September 5, 2017, the Board of Directors appointed Mr. Cosimo de Carlo as the new CEO of EDAG Engineering Group AG. He will assume office no later than twelve months after his appointment. CFO Jürgen Vogt will also serve as interim CEO and will be managing the business. On September 19, 2017 the Board of Directors decided to appoint Mr. Harald Poeschke to the Group Executive Management of EDAG Engineering Group AG. Mr. Poeschke is already a director (COO) of the subsidiary EDAG Engineering GmbH. This is a temporary appointment, until the next ordinary shareholders' meeting of the company.

5.10 Subsequent Events

No important events took place after the reporting period.

Arbon, November 14, 2017
EDAG Engineering Group AG

Jürgen Vogt, Chief Executive Officer (CEO)

Thomas Eichelmann, Chairman of the Board of Directors

Dr. Michael Hammes, Member of the Board of Directors

LEGAL NOTICE

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Legal Notice

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

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