



Group Annual Report 2013



Group Annual Report 2013

edding Aktiengesellschaft

Bookkoppel 7
22926 Ahrensburg, Germany
Tel. +49 (0) 41 02 / 808-0
Fax +49 (0) 41 02 / 808-204

Internet www.edding.com
Email investor@edding.de



1-47

Contents

Key figures for the Group	4
Executive Bodies	5
Supervisory Board's Report.....	6
Corporate Governance Report.....	9
Group Management Report.....	14
Basis of the Group	14
Business activities.....	14
Organisational structure	16
Employees.....	19
Corporate Social Responsibility.....	20
Other functions	22
Management system.....	24
Economic report	27
Overall economic and industry-specific conditions.....	27
Development of business segments	29
Results of operations of the edding Group.....	36
Net assets and financial position of the edding Group	40
Performance of Group companies	42
Opportunities and risk report.....	46
Opportunities report	46
Risk report	49
Other reporting	55
Remuneration report	55
Information relating to takeovers.....	56
Report on post-balance sheet date events.....	57
Outlook	59
Consolidated Financial Statements	62
Consolidated statement of financial position.....	62
Consolidated income statement.....	64
Consolidated statement of comprehensive income	65
Consolidated statement of cash flows	66
Statement of changes in equity	67
Group structure.....	68
Notes to the Consolidated Financial Statements	69
Segment reporting	69
Development of fixed assets	70
Basis of presentation.....	74
Scope of consolidation	75
Consolidation principles.....	76
Currency conversion.....	77
Accounting policies.....	78
Adjustment of previous year's figures.....	87
Notes to the consolidated statement of financial position	90
Notes to the consolidated income statement.....	102
Other disclosures.....	108
Auditors' report.....	127
Responsibility statement	128

Key figures for the Group

(Figures are in € '000, unless stated otherwise)

edding Group	2013	2012 ¹	2011	2010	2009
Results of operations					
Profit after tax	8,585	3,641	2,171	5,010	2,175
as % of equity (return on equity)	21.8 %	10.1 %	6.1 %	14.3 %	7.0 %
Profit before tax	11,618	6,991	6,550	8,151	4,163
EBIT	9,380	7,271	7,717	8,680	4,836
as % of sales revenue	7.6 %	6.2 %	6.9 %	7.9 %	4.9 %
Sales revenue	123,211	117,036	111,467	109,296	99,453
Change	5.3 %	5.0 %	2.0 %	9.9 %	-12.7 %
Share of foreign business	59.4 %	59.3 %	58.5 %	59.4 %	56.6 %
Gross profit ²	75,208	72,141	66,442	65,517	57,278
as % of total output	60.8 %	61.3 %	59.5 %	59.6 %	57.4 %
Employee benefits expense	32,532	31,317	27,485	28,930	25,957
as % of sales revenue	26.4 %	26.8 %	24.7 %	26.5 %	26.1 %
Employees (annual average)	632	634	573	563	566
Net assets and financial position					
Total assets	81,630	79,470	81,893	74,982	70,530
Change	2.7 %	-3.0 %	9.2 %	6.3 %	-5.6 %
Equity	39,303	35,886	35,362	35,024	31,115
as % of total assets	48.1 %	45.2 %	43.2 %	46.7 %	44.1 %
Non-current liabilities	20,383	21,722	22,894	19,130	19,741
Current liabilities	21,944	21,862	23,637	20,828	19,674
Non-current assets	24,156	23,948	26,004	24,947	24,154
as % of equity	61.5 %	66.7 %	73.5 %	71.2 %	77.6 %
Current assets	57,474	55,522	55,889	50,035	46,376
of which inventories (31 December)	27,862	25,994	23,566	18,122	12,745
Annual average of inventories	27,284	24,949	21,170	15,722	14,792
as % of sales revenue	22.1 %	21.3 %	19.0 %	14.4 %	14.9 %

edding AG	2013	2012	2011	2010	2009
Profit after tax	2,602	1,899	2,240	2,709	4,103
Profit before tax	5,289	4,422	6,713	5,282	6,043
Number of shares					
Ordinary shares	600,000	600,000	600,000	600,000	600,000
Preference shares	473,219	473,219	473,219	473,219	473,219
Earnings per share	2.42 €	1.77 €	2.09 €	2.52 €	3.82 €
Dividends					
Ordinary shares	1.71 €	1.71 €	1.71 €	1.71 €	1.00 €
Preference shares	1.75 €	1.75 €	1.75 €	1.75 €	1.02 €
Share price on 31 December	47.12 €	47.00 €	42.21 €	44.50 €	33.50 €

¹ Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.
² excl. other operating income

Executive Bodies

Supervisory Board

Member	Position
Rüdiger Kallenberg, Rellingen Banker	Chairman
Chehab Wahby, Bruchsal Businessman	Deputy Chairman
Anja Keihani, Hannover Businesswoman	Employees' Representative
Dr. Sabine Friedrich-Renken, Hamburg Lawyer	Substitute member
Karl Sieveking, Hamburg Auditor, lawyer specialising in tax law	Substitute member

The Members of the Supervisory Board hold no other seat in any other statutory supervisory boards or comparable supervisory bodies of commercial enterprises.

Management Board

Member	Position
Per Ledermann, Ahrensburg Businessman	Chairman / Chief Executive Officer
Sönke Gooss, Rosengarten Businessman	Chief Financial Officer
Thorsten Streppelhoff, Hamburg Engineer	Chief Operating Officer

The Members of the Management Board hold no seat in any statutory supervisory boards or comparable supervisory bodies of commercial enterprises.

Supervisory Board's Report

Dear Shareholders,

Today, we present to you the report on the financial year 2013.

The trends in the individual business segments and markets are explained in detail in the Management Board's Group Management Report.

In the year under review, the Supervisory Board was regularly and comprehensively informed about the situation of the edding Group and its current operations at five Supervisory Board meetings. All of the members of the Supervisory Board attended the meetings.

In addition to the meetings, the Supervisory Board, and in particular its chairman, was also in close contact with the Management Board of edding AG between the meeting dates.

Through regular reports, both written and verbal, by the Management Board on the results of operations, assets and financial position, the corporate strategy, risk management, personnel planning and other subjects of general importance, the Supervisory Board was informed at all times on the current state of the business. Information on the key financial indicators was provided through monthly written reports.

In addition, the Supervisory Board received detailed quarterly reports on the trends in the individual Group companies as well as estimates of future opportunities and risks.

Irrespective of the reporting on the operative business, the Supervisory Board was, where necessary on an ad hoc basis or otherwise on a monthly or quarterly basis, provided with reports from the internal control system on the key risks of the Group, the probability of them occurring, their financial effects and their treatment or prevention.

On the basis of these reports, the Supervisory Board was able to satisfy itself that the internal control system is effectively integrated in the day-to-day work processes and that the occurrence of material risks can be detected at an early stage.

The Supervisory Board is not aware of any actions through which individuals from the Management Board, the members of the Supervisory Board, employees or third parties have gained unjustified or unlawful benefits.

Besides the activities as Supervisory Board, no business relations existed between the members of the Supervisory Board and the company in the year under review.

At each Supervisory Board meeting in 2013 there was an agenda item that was devoted to the report on risk management.

The various meetings focused on the following issues:

In January 2013 the developments in the South American business were dealt with. Owing to the unclear political and economic conditions in Argentina, in particular the constant import restrictions, the option of closing down production and outsourcing the company's operating business activities to neighbouring countries was discussed. As this would also involve significant specific risks, the Management Board's recommendation of taking more moderate measures to reduce the risks whilst maintaining the Argentine business was noted and approved.

In April, the Supervisory Board discussed the annual financial statements for 2012 and adopted them in accordance with the German Stock Corporation Act (AktG) and approved the Consolidated Financial Statements. It approved the dividend recommendation by the Management Board and signed the Supervisory Board report.

The main topic at the meeting in June after the Annual General Meeting was the restructuring of the logistics for the Writing and Marking segment. The Management Board reported on the plan to transfer the logistics operation currently run by the company itself at the Ahrensburg site to a service provider at another location.

The strategy meeting was held in September. It was stated that the strategy for the Writing and Marking segment was continuing to prove successful both in terms of internationalisation and with regard to expansion of the dealer network that mainly supplies private customers. Transfer of the brand to new fields of application such as spray cans and printer cartridges was also progressing positively. In the Visual Communication business segment, the re-orientation towards electronic media was leading to a noticeable improvement in performance. In this respect, no corrections with regard to the strategy were necessary.

At its meeting in December 2013, the Supervisory Board noted the mid-term plan for the next three years prepared by the Management Board within the framework of the adopted strategy with approval.

Furthermore, following a corresponding resolution by the Annual General Meeting, it appointed the auditing company Ebner Stolz GmbH & Co. KG, Hamburg, as the legal successor to Ebner Stolz Mönning Bachem GmbH & Co. KG, Hamburg, to audit the financial statements for financial year 2013, agreed the auditors' fee and defined the focal audit areas.

The auditors issued unqualified audit opinions on the annual financial statements and the management report of edding AG on 11 March 2014 as well as on the annual financial statements and the management report of the edding Group on 17 April 2014. Upon receipt of the audit reports for edding AG and the edding Group, the Management Board immediately sent them to all the members of the Supervisory Board for inspection, together with the proposal for the appropriation of the net retained profits.

At the Supervisory Board meeting on 28 April 2014, the annual financial statements and the management report of edding AG as well as the annual financial statements and the management report of the edding Group were discussed in detail in the presence of the Group auditors. The Supervisory Board accepted the result of the audit of the financial statements for edding AG and the Management Board's proposal for the appropriation of profits without raising any objections and approved the annual financial statements of edding AG for the financial year 2013. They are therefore deemed to have been approved in accordance with section 172 of the German Stock Corporation Act (AktG). The Supervisory Board noted with approval the Consolidated Financial Statements and the Group Management Report of edding AG.

The Supervisory Board of edding has received an auditor's declaration of independence stating their independence within the meaning of subsection 7.2.1 of the German Corporate Governance Code. This declaration confirms that no professional, financial or other relationships exist between the auditor, its executive bodies and head auditors, on the one hand, and the enterprise and the members of its executive bodies, on the other, that could call its independence into question.

The Supervisory Board would like to thank all members of staff and the Management Board for their dedicated efforts, which made the success of the past financial year possible.

Ahrensburg, 28 April 2014

The Supervisory Board

Rüdiger Kallenberg
Chairman

Chehab Wahby
Deputy Chairman

Anja Keihani
Employees' Representative

Corporate Governance Report

pursuant to subsection 3.10 of the German Corporate Governance Code (DCGK)

1. Declaration pursuant to section 161 (1) sentence 1 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of edding AG state the following:

edding AG is committed to the responsible management and supervision of the company with the aim of creating value. Both the transparency of the company's principles and the traceability of its continuous development are designed to ensure that the confidence of customers, business partners and shareholders is created, maintained and strengthened.

Therefore, edding AG welcomes the German Corporate Governance Code and the values which are expressed in it. The vast majority of the standards and recommendations formulated in this code have been and are met.

edding AG has complied with the recommendations of the "Government Commission German Corporate Governance Code" (DCGK) as amended on 13 May 2013 since this version has been in force with the following exceptions and will continue to do so in the next year under review:

Subsection 2.3.2 DCGK

The appointment of a representative to exercise shareholder voting rights in accordance with instructions is not necessary, as the shares with voting rights are almost exclusively in family possession and are not widely dispersed. Should the preference shareholders be assigned an express voting right at the Annual General Meeting, the company shall ensure that a representative is appointed to exercise the voting right in accordance with instructions, who can also be reached at the Annual General Meeting.

Subsection 3.10 DCGK

The Corporate Governance Report is printed in the annual report of edding Aktiengesellschaft, whereas the declaration of conformity with the Corporate Governance Code and the Declaration on Corporate Governance pursuant to section 289a of the German Commercial Code (HGB) are published on the website of edding AG.

Subsection 4.1.5 und 5.1.2 DCGK

In terms of the composition of the Management Board and when filling managerial positions in the enterprise, given the specific nature of the company a certain amount of flexibility is needed when filling the said positions, which is preferable to a fixed ratio or a schematised procedure. The main criterion when making the personnel decisions in question is therefore the professional aptitude and qualifications of the candidate and not their gender. In addition, the aspect of diversity is taken into consideration when filling the positions.

Subsection 4.2.4 DCGK

The total remuneration of the members of the Management Board is disclosed in the Consolidated Financial Statements and compared with the previous year's figures. At the company's Annual General Meeting in 2011, it was decided to dispense with the disclosure of any other information required pursuant to the Law on the Disclosure of Management Board Remuneration for a period of five years.

Subsection 4.2.5 DCGK

The disclosure of individualised Management Board remuneration is dispensed with insofar as the company is exempt from such disclosure of Management Board remuneration by resolution of the Annual General Meeting (cf. subsection 4.2.4. DCGK). The company publishes a remuneration report pursuant to section 315 (2) No. 4 of the German Commercial Code (HGB) in the Group Management Report of the annual report.

Subsection 5.1.2 und 5.4.1 DCGK

The company declines to set a general age limit for members of the Supervisory and Management Boards, as it wishes to avoid valuable experience being lost.

Subsection 5.3 DCGK

As the Supervisory Board only consists of three members, no committees are formed.

Subsection 5.4.1 und 5.4.2 DCGK

In 2012 the Supervisory Board specified general objectives regarding its composition which are based on the company-specific situation, the company's international orientation, the avoidance of possible conflicts of interest and which also take into account aspects of diversity. At the same time, however, a certain amount of flexibility is to be ensured in future as regards the appointment of suitably qualified Supervisory Board members, which is preferable to schematised inclusion of the diversity criterion. For this reason the application of gender-specific ratios is avoided. Furthermore, the appointment of a minimum number of independent Supervisory Board members as defined by subsection 5.4.2 DCGK shall also be waived; instead, as a rule, all Supervisory Board members are to be regarded as independent.

Subsection 5.4.6 DCGK

The Supervisory Board considered the payment of performance-based remuneration to members of the Supervisory Board in the past and rejected it at that time, also with effect for the future. The total remuneration of members of the Supervisory Board is disclosed in the Consolidated Financial Statements and is regularly decided by resolution of the Annual General Meeting. The breakdown of the total remuneration of the Supervisory Board between its individual members is laid down in the company's articles of association and can be found there.

Subsection 6.3 DCGK

Supervisory and Management Board members and persons closely related to them fulfil the disclosure requirements incumbent upon them also with respect to transactions with company shares within the legal scope of section 15a of the German Securities Trading Act (“Directors’ Dealings”). The company also publishes such disclosures within the legal scope of section 15a of the German Securities Trading Act (WpHG). In addition, information on share ownership of members of the Supervisory and Management Boards is published in the annual report to the extent stipulated for relations with related parties pursuant to IAS 24.9 (Consolidated Financial Statements) and as required for disclosures pursuant to section 160 (1) No. 8 of the German Stock Corporation Act (AktG) in conjunction with section 21 et seq. of the German Securities Trading Act (annual report for individual financial statements). The latter information relates to voting rights held directly or indirectly and not to share ownership.

Subsection 7.1.2 DCGK

Primarily for reasons of cost, the Consolidated Financial Statements cannot be made publicly accessible within 90 days, nor can any interim reports be made publicly accessible within 45 days of the end of the financial year. The annual financial statements are, however, submitted to the German Electronic Federal Gazette (Elektronischer Bundesanzeiger) within four months of the end of the financial year, pursuant to section 325 (4) of the German Commercial Code and additionally published on the website; furthermore, the customary, possibly provisional key figures are published within 90 days by press release.

Ahrensburg, 7 February 2014

Management Board and
Supervisory Board of edding AG

2. Report on the objectives regarding the composition of the Supervisory Board of edding AG pursuant to subsection 5.4.1 of the German Corporate Governance Code (DCGK)

The composition of the Supervisory Board of edding AG takes into account the size of the company, the company-specific situation, the company's international activities and the ordinary shareholders with voting rights.

The Supervisory Board normally comprises a minimum of three members, as prescribed by section 95 of the German Stock Corporation Act (AktG).

In accordance with the regulations of the German One-Third Employee Participation Act, one member of the Supervisory Board is selected from the company's workforce.

The other two members of the Supervisory Board, who are determined by the shareholders' representatives, should demonstrate the necessary qualities and skills and be able to handle the duties as demanded by the regulations of the articles of association, the purpose of the company and the rules of the German Stock Corporation Act.

The members of the Supervisory Board should not hold positions on the executive boards of the company's customers, suppliers, finance providers or other business partners and should not maintain a personal or business relationship with the Management Board of edding AG which could constitute a conflict of interest. The Supervisory Board must be notified if a member performs an advisory function vis-à-vis the above group in order to allow the possibility of conflicts of interest to be examined.

As a rule, first-degree relatives, spouses and siblings should not be appointed to the Supervisory Board if a corresponding family member simultaneously belongs to the Management Board.

In terms of know-how and experience, one member of the Supervisory Board should specialise in accounting and finance whilst another member should specialise in marketing and sales.

As regards selection, the regulations of the General Act on Equal Treatment (AGG) as last amended also apply. A general age limit for members of the Supervisory Board and a gender ratio are not prescribed.

The composition of the Supervisory Board and its number of members are to be reviewed regularly if the scope of the company's business activities, the object of the company or the shareholder structure are subject to fundamental changes.

Proposals from the Supervisory Board as to its composition should be issued to the Annual General Meeting as the responsible election body on the basis of these objectives.

The Supervisory Board shall regularly review these objectives and, where necessary, shall adapt and update the stipulations therein.

These objectives are published each year in the Corporate Governance Report in the annual report.

Ahrensburg, 10 May 2012

Supervisory Board of edding AG

The aforementioned objectives still apply and are implemented in this form. The Supervisory Board reviews any adjustments to the objectives on a regular basis.

Ahrensburg, 28 April 2014

Supervisory Board of edding AG

3. Declaration on Corporate Governance pursuant to section 289a of the German Commercial Code (HGB)

The Declaration on Corporate Governance pursuant to section 289a of the German Commercial Code (HGB) was published on the edding Aktiengesellschaft website in the Investor Relations area at <http://www.edding.com/de/unternehmen/investor-relations/berichte-und-kennzahlen/erklaerung-zur-unternehmensfuehrung/>.

Group Management Report

Basis of the Group

Business activities

The Group's headquarters are in Ahrensburg.

The Group's business activities are broken down into the Writing and Marking and Visual Communication business segments, under which the respective Group brands edding and Legamaster are marketed and distributed. In addition, the distribution of partner brands is carried out, which essentially serves to round off the product portfolio at the level of the individual Group companies.

Sales revenue is generated worldwide in around 100 countries, which are generally served by independent distribution partners unless edding is represented by its own sales subsidiary. Distribution to private and commercial end users is carried out exclusively via all classes of trading partners, which in addition to the traditional wholesale and retail trade also include large-scale sales formats (supermarkets, department stores, DIY stores, etc.), mail-order companies and online distribution channels.

The Writing and Marking business segment essentially comprises the edding brand and includes markers, writing utensils, printer cartridges and toners as well as spray paints. This product range is aimed at both the business-to-business sector and private end consumers. The various products are subdivided into the following categories, depending on the application and target group:

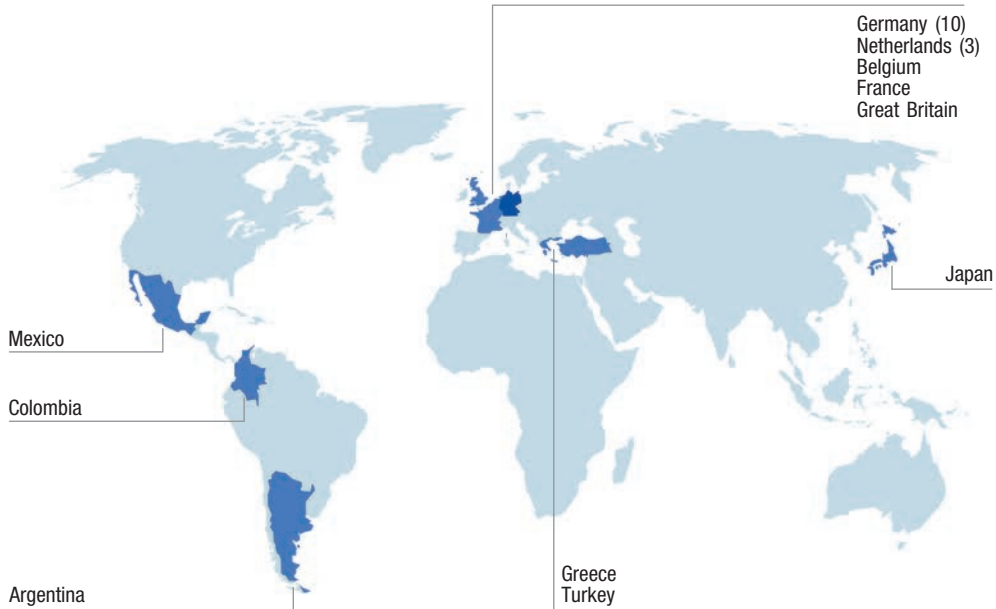
- Professional Marking
- Educating and Presenting
- Writing, Highlighting and Correcting
- Repairing and Maintaining at home
- Organising and Marking at home
- Creating and Decorating
- Colour and Play
- Printer and toner cartridges
- EcoLine

The Visual Communication business segment includes the main brand Legamaster. Here a distinction is made between two product groups. The traditional Visual Communication group comprises primarily flip charts, whiteboards, presentation boards and the corresponding accessories. The interactive range covers electronic whiteboards and e-screens (LED screens with touch technology). Sales are almost exclusively generated in the business-to-business sector.



Organisational structure

edding Group companies and holdings worldwide



A list of the subsidiaries and holdings can be found in the section “Corporate Structure” in the 2013 annual report. Essentially a distinction can be made between the following types of Group companies in the organisation structure of the edding Group, although there can also be hybrids.

- Parent company/holding function
- International distribution and business segment management companies
- Local distribution companies
- Production companies
- Purchasing companies
- Property companies

The **parent company** of the edding Group is edding AG. edding Benelux group B.V. (Netherlands) as a non-operating holding company, acts as a tax entity for the Dutch companies.

The **international distribution and business segment management companies** are responsible for the operational management of procurement, production and international sales and marketing activities for the respective business segment. The companies generate their sales revenue both with the Group’s other local distribution companies and with independent distribution partners. This function is performed by edding International GmbH for the Writing and Marking business segment and by Legamaster International B.V. (Netherlands) for the Visual Communication business segment. In addition, edding International GmbH carries out all of the main management functions for the Group’s operating companies, both nationally and internationally.

Local distribution companies exist in Germany, the Netherlands, Belgium, France, Great Britain, Greece and Turkey. The composition of the revenues by business segment differs from country to country. The distribution companies in Argentina, Colombia and Mexico also run their own marker production operation to meet local demand.

The **production company** V. D. Ledermann & Co. GmbH produces feltmarkers and fibrepens exclusively for the edding Group at its plant in Bautzen. These products are marketed world-wide. Hence, there are four production facilities in total within the Group for the Writing and Marking business segment.

The main function of edding Japan Inc. (Japan) is to procure merchandise and raw materials for production sites of the Writing and Marking business segment. In addition to this role as **purchasing company**, the expansion of distribution activities in the region is also pursued.

DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG and edding AG & Co. Grundstücksverwaltung OHG act as **property companies** for the lease financing of the business properties of edding Vertrieb GmbH (Wunstorf site) and V. D. Ledermann & Co. GmbH (Bautzen plant).

In addition, the edding Group has **shareholdings** in the following companies to promote specific joint objectives:

- PBS Network Gesellschaft für Kommunikations- und Serviceleistungen mbH acts as an IT service company for the paper, office supplies and stationery sector in Germany and to a lesser extent in some other European countries.
- Office Gold Club GmbH carries out marketing activities for the German paper, office supplies and stationery industry. Events are particularly geared towards commercial end users.
- The non-profit company Beruf und Familie Stormarn GmbH creates and secures regional services for caring for children and senior citizens in order to improve the compatibility of family and working life.



Employees

The Group had an average workforce of 632 during the year (2012: 634 employees). Therefore, the total number of employees has essentially remained stable compared to the previous year. The German workforce has increased slightly (an average of 324 employees). In the foreign companies, the average number of persons employed in the last financial year was 308, which meant that the proportion of employees in other countries in 2013 amounted to 49%.

Along with other measures by our internal “edding Academy”, the main emphasis of personnel management in 2013 was on the increasing training and coaching needs in Germany and abroad. The company health management scheme was continued at the existing level.

With regard to this year’s employee survey in Germany, the positive result in the past was slightly improved on average. Satisfaction with the conditions offered by the company and the assessment of employees’ personal situation has developed well.

Measures to improve the compatibility of work and family life as part of our responsibility vis-à-vis employees – and also as a means of improving staff loyalty – were further intensified in 2013.

Corporate Social Responsibility

Once again important milestones were achieved in the area of environment, health and safety in financial year 2013.

Firstly, the already existing contingency childcare was extended in 2013 to include childcare provision at special times and in school holidays in order to further develop and promote the compatibility of family and working life. In addition, at the end of 2013, the “Nursing & Senior Citizens” network was added to the service package.

The definition of department-based targets with respect to the company’s social responsibility pursuant to ISO 26000 was almost completed in 2013. Binding CSR targets for the forthcoming years will be formulated in the first half of 2014. As in previous years, all the necessary audits for the environmental, occupational health and safety and quality management systems were conducted at the Ahrensburg, Wunstorf and Bautzen sites. In Lochem (Netherlands) the quality and environmental management systems have been established since 2006 and 2008 respectively and were also successfully audited in 2013.

Investments in environment-related measures were also continued in the last financial year. A few examples are the preparation of life cycle assessments for selected EcoLine products compared with standard products, the reintroduction of a take-back system for recycling empty markers and the continuous building refurbishment for energy efficiency. All energy consumption is now covered by renewable energy sources, and all company vehicles have been and will be continuously checked for economical and ecologically efficient consumption and thus contribute to improving environmental performance.

The sustainability of edding products also figures prominently on the agenda. For example, 71% of all permanent markers, 80% of all board markers, 63% of all ink rollers and 63% of all highlighters in the current product range are refillable. Replacement tips can also be purchased for roughly 25% of all products. With the product category EcoLine, which is based on the use of recycled and renewable materials, sales increases of around 36% or 25% were achieved in 2013 both in the German market and worldwide compared to the previous year.

In summary, the edding Group posted the following selected environmental key performance indicators in 2013 compared with the previous year:

	2013	2012
Gas consumption in Germany [MWh]	3,458	3,050
Electricity consumption in Germany [MWh]	2,568	2,595
Electricity production through photovoltaic systems in Germany [MWh]	157	176
Electricity production at Ahrensburg combined heat and power (CHP) station [MWh]	333	358
Self-produced electricity as a proportion of total consumption in Germany [%]	20.4	22.6
Proportion of electricity consumption from regenerative sources in Germany [%]	100.0	100.0
Increase in EcoLine sales revenue worldwide [%]	25.4	8.9
Increase in EcoLine sales revenue in Germany [%]	36.3	21.2



Other functions

Production

The edding Group has one production site in Germany and three abroad.

In 2013 the German production facility **V. D. Ledermann & Co. GmbH in Bautzen** achieved the best result in its history with turnover that exceeded the ambitious plan by around 10%. In 2013 output of around 83 million markers was well above the figure for the previous year of approximately 75 million units.

The stable, above-average order book levels in 2013 were fulfilled through the modest deployment of up to three additional temporary staff. In the area of injection moulding, a new silo facility for stockpiling and distributing plastic granules was put into operation in 2013 to ensure that production continues to meet the additional demand and other volume increases in Bautzen efficiently in the future.

In 2013, compared to the previous year, considerably higher capacity utilisation was achieved at the production site **edding Argentina S.A. (Argentina)** in San Juan despite the unstable political and economic situation. In addition, the import of further new production technologies from Germany was prepared in 2013, which proved to be increasingly difficult due to the tighter important restrictions imposed by the Argentine authorities.

Since the foundation of the production site **edding Mexico S. de R.L. de C.V. (Mexico)** at the end of 2008, this Central American location has helped to secure a cost advantage in the potentially very important Mexican market as well as the other Central American markets. However, the production volume again fell short of expectations in 2013 because of distribution difficulties.

edding Colombia S.A.S. (Colombia) was founded in November 2010. We ended the first two years on a positive note and, in 2013, further stabilising and adaptation of production to growing market demands ensued.

Logistics

The edding Group has a central warehouse for the Writing and Marking business segment at its headquarters in Ahrensburg, which is mainly supplied by its own production site in Bautzen, but also by external suppliers. In addition to this, at the Wunstorf site, a service provider operates a distribution warehouse specialising in small order picking for edding. The two warehouses have been amalgamated in the edding ERP system and jointly handle deliveries of edding products and partner brands to all subsidiaries and distribution partners.

Parallel to this, edding operates a central warehouse in Lochem (Netherlands) for its Visual Communication business segment, which collects all Legamaster products, stores them in the interim and ships them around the world.

Warehouses operated by distribution companies are also found at the subsidiaries in Turkey, Greece and Great Britain. Additionally, the central warehouses take on the function of distribution warehouse for Germany, the Benelux countries, Italy and France, and forward goods to customers directly.

Storage capacity at Wunstorf and particularly Ahrensburg is no longer adequate, so up to 25% of storage space had to be leased in 2013. Logistical integration of this external capacity accounts for a good 50% of our additional transported tonnage, and thus conflicts with our aims of efficiency, flexibility and environmental awareness.

In 2013 edding therefore put its entire German logistics activities out to tender. A decision was taken in December last year to expand the tried and trusted cooperation with our existing outsourcing partner at the Wunstorf site. This long-term concept will enable us to deal with future volume increases and logistics requirements for our customers in an efficient, flexible and cost-effective manner. It will be implemented in 2014.

Information technology

In 2013 the IT department was able to push ahead with the standardisation and centralisation of the Group's IT structure. For example, the integration of our British subsidiary was achieved in the second quarter of 2013. Consequently, edding now keeps almost completely uniform terminal server-based solutions at the ready for workstations in the edding Group.

The benefits of this virtual platform have also been applied since Q4/2013 in the area of mobile terminal devices for application provisioning. By concentrating on a standard technical environment for desktops and mobile devices, edding has therefore managed to achieve further administrative simplification and consolidation of the IT infrastructure simultaneously.

In the area of customer care, edding has adopted a tablet-based solution for its field sales staff to record orders in Germany and France since mid 2013.

In the SAP environment, preparations were made to implement SAP R/3 at our Turkish subsidiary. Another core project involved gearing our systems to the requirements in the standard euro payment area (SEPA). This conversion was also achieved easily and swiftly through the focus on SAP R/3 in our operational core processes.

Research and development

The edding Group operates research and development departments at the German sites in Ahrensburg and Bautzen. Eight persons in all were employed in this field in financial year 2013 (previous year: nine employees). Total expenditure on research and development amounted to € 0.7 million in financial year 2013 (previous year: € 0.9 million). This includes costs for R & D services of partner companies and depreciation of laboratory equipment, in addition to personnel expenses.

Organisational changes were initiated in this field in financial year 2013 to create closer integration of research and development. This led to the R & D departments being incorporated into the International Marketing department as of 1 January 2014 under a uniform management structure. edding believes this will enable it to involve the R & D department in the market-induced innovation process at an earlier stage.

Management system

Strategic control

The strategy 2012+ is currently relevant for the Writing and Marking business segment. At present this is being updated and supplemented with important management tools. Thus, a balanced scorecard system is currently being developed, where coordinated scorecards are defined for all marketing and distribution areas and for important back office functions. These target systems referred to as internal “dashboards” define targets for the respective regions and marketing categories; the targets include financial and non-financial parameters and have the traditional dimensions of a balanced scorecard (finance, customers, processes and development) plus the area of corporate social responsibility (CSR).

The individual dashboards are then condensed into business segment and Group dashboards, so that a hierarchy of management tools is created. From 2014 work will start on updating the strategy for the Visual Communication business segment, for which management via target systems is also envisaged.

Financial control parameters

The edding Group uses various finance-related key performance indicators to control growth and profitability.

In particular, sales and earnings targets are defined for the Group within the scope of the rolling three-year plan. The most important key figures for profitability management are EBIT and EBIT margin. A mid-term EBIT margin target was set in the Group strategy 2012+ that will be achieved from 2015 onwards according to our current plan. EBIT development is the most important control parameter for managing the Group companies, the achievement of which is an essential part of the variable remuneration for the local management. The monthly internal reporting especially deals with target attainment and deviation analyses for EBIT.

A growth indicator and essential influencing factor for the EBIT results is the development of sales. In addition to total sales, the monthly sales trend and gross profit margins per business segment are decisive. In addition to the Writing and Marking and Visual Communication business segments, there is also the distribution of partner brands. This area essentially serves to round off the product portfolio at the level of the individual Group companies to ensure an absolute importance in the respective market and/or individual channels, which is the prerequisite for expanding the Group’s brand business. Therefore, there are no strategic growth and margin targets for this. Partner brand sales are combined with other revenues for the purpose of the annual report. In addition to revenue from point-of-sale displays, the charging on of freight costs and small volume surcharges, this year saw licence revenues from the printer cartridge business recorded under this item for the first time.

Unit sales, sales revenue and margins of the corresponding product groups are analysed on a quarterly basis to manage brand-expanding projects in the Writing and Marking business segment as well as the Legamaster electronics strategy.

The Group's cash flow is reported to the Management Board as weekly status of the Group liquidity situation. While the Group plan also contains a three-year projection for cash flow, the operational liquidity management is carried out individually per Group company.

At the level of edding AG, the distributable net profit, which determines the short-term performance-based Management Board remuneration, is calculated within the scope of the plan.

Non-financial control parameters

The key non-financial control parameters for the edding Group include the results of the employee survey carried out each year at all German sites, which are rated using the German school grade system. A minimum grade has been defined for the overall score of this mood barometer. An extension of the employee survey to international locations is currently in the pipeline.

Data on edding's market share in what we consider the most important product categories of our European core markets are obtained at irregular intervals by the market research institute GfK. Target values are also defined for this, the attainment of which is, for example, relevant for the long-term performance-based Management Board remuneration.



Economic report

Overall economic and industry-specific conditions

The global economic environment appeared to have stabilised somewhat in 2013. Global activity and world trade increased in the second half of 2013. Growth was due mainly to the increased demand in the industrialised countries, which provided surprisingly positive impetus for the export activities of the emerging markets. However, with the exception of China, domestic demand in these countries was somewhat restrained.

The financial markets have also continued to stabilise, especially thanks to the falling risk premium on the government debt of ailing Euro Zone countries and the slightly relaxed monetary policy of the USA towards the end of the year.

On balance the global economy grew by 3.0%, based on 1.3% in the industrialised countries (including 1.9% for the USA) and 4.7% in the emerging economies (positively influenced by 7.7% for China). Economic growth in the Latin American economic area, a key market for us, was 2.6%.

The Euro Zone has still not returned to growth, but has instead shrunk by 0.4%. Germany posted slight growth of half a percent, but could not compensate for the problems of the Southern European member countries (including Spain -1.2% and Italy -1.8%).

Japan, still an important procurement market for edding, was able to extend its growth once again and gained 1.7%. Here too, the government provided support with a relaxed monetary policy that reversed the development of the Japanese Yen after years of strength to make it more export-friendly. Consequently, in 2013 the Japanese Yen weakened by over 25% against the Euro.¹

The market for office supplies in Europe meanwhile showed little impetus. Consequently, the members of the "Altenaer Kreis", all the leading brand-name manufacturers in this industry, failed to grow in the first ten months of 2013. The German business even recorded a decline.² The members of the German Industrial Association for Paper, Office Supplies and Stationery (PBS) reported a minus of around one percent for the first eight months.³

On average the specialist trade for paper, office supplies and stationery also had to contend with falling sales. In the over-the-counter business with private customers, turnover fell by 2.5% and direct-to-customer trading was down 1.9%.⁴

¹World Economic Outlook, IMF, October 2013 and World Economic Outlook Update, IMF, January 2014

²Press releases by the "Altenaer Kreis", November 2013

³Press releases by the German Industrial Association for Paper, Office Supplies and Stationery (PBS), September 2013

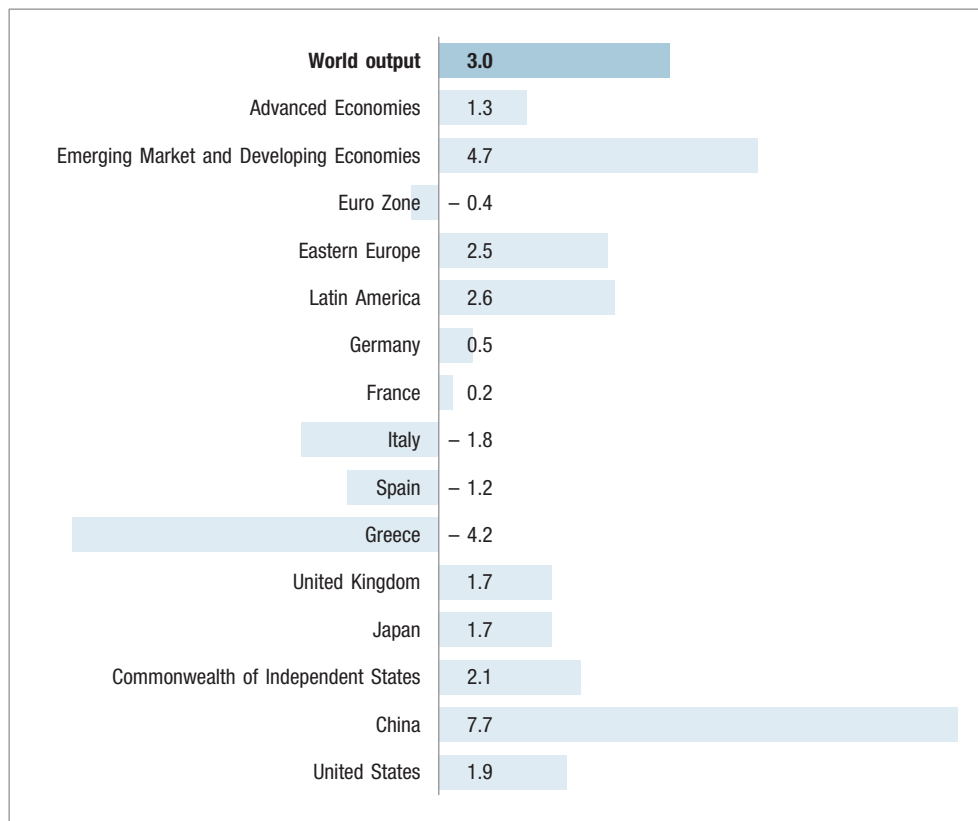
⁴<http://www.pbs-business.de/news/13128/>

In contrast with the last few years, the market for interactive solutions for visual communication also developed without any considerable momentum. A 20% decline in the number of displays sold was forecasted for Europe in 2013.⁵ It is important to bear in mind that this business is subject to large fluctuations due to large individual tenders. Overall both educational institutions and private sector enterprises are discovering the benefits of these technologies, even though the trend in Germany, where only 15% of classrooms are equipped with interactive technologies, is still in its infancy.⁶

The edding Group has been taking account of the slightly stabilised, but still volatile climate for years through risk-oriented management and progressive organisational flexibility. We utilise the possibilities of the financial markets, for example with regard to currency hedging, to an extent that makes sense from an economic point of view. In addition, at times of heterogeneous market development, the risk-reducing development of our internationalisation strategy becomes apparent, thanks to which we have the benefit of a diversified country portfolio.

GDP development of selected countries / regions in 2013⁷

Percent



⁵ Futuresource Consulting, Quarterly Market Track World, Q3 2013

⁶ Futuresource Consulting, Quarterly Market Track Germany, Q3 2013

⁷ World Economic Outlook, IMF, October 2013 und World Economic Outlook Update, IMF, January 2014

Development of business segments

Overall, in the 2013 financial year, an increase in sales revenue of 5.3% was achieved. This growth resulted from all business segments, with sales revenue in the Visual Communication business segment and in the area of Other Office Products growing disproportionately.

	2013 € '000	2012 ⁸ € '000	Change € '000	Change %
Writing and Marking				
Germany	36,308	35,168	1,140	3.2
Other European countries	40,807	41,755	– 948	– 2.3
Overseas	10,810	9,394	1,416	15.1
	87,925	86,317	1,608	1.9
Visual Communication				
Germany	11,482	10,468	1,014	9.7
Other European countries	15,453	13,498	1,955	14.5
Overseas	1,063	1,008	55	5.5
	27,998	24,974	3,024	12.1
Other Office Products	7,288	5,745	1,543	26.9
Total	123,211	117,036	6,175	5.3

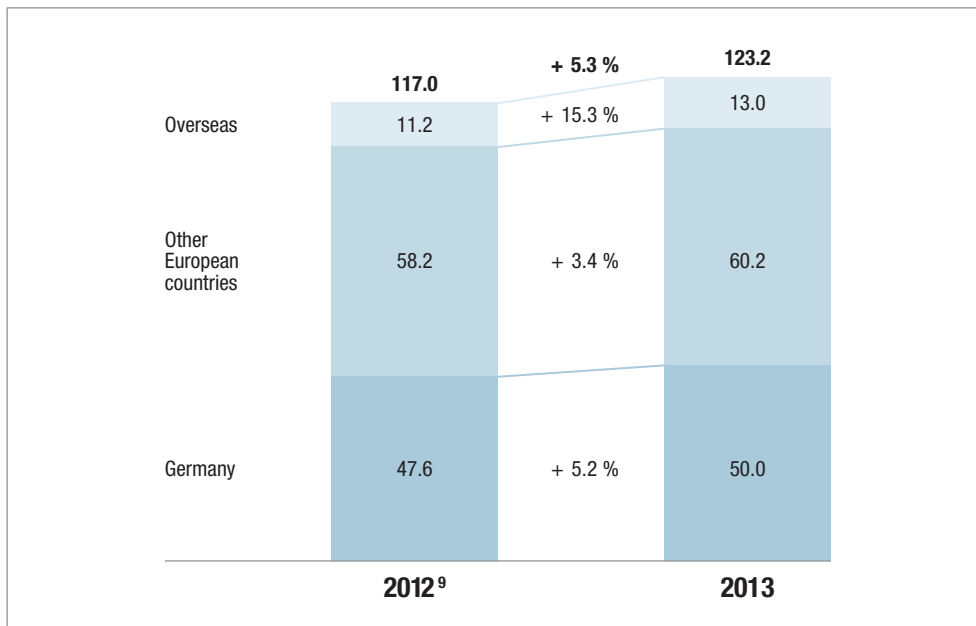
Total sales per region developed positively in 2013, although other European countries posted the smallest growth and therefore lagged behind expectations. Hence, domestic sales as a percentage of total sales remain stable at 40.6%.

⁸ Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

When divided into geographical regions, the following sales trend can be seen compared to the previous year:

Sales revenue by region in comparison to the previous year

€ million



⁹Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

Writing and Marking business segment – main brand edding –

While in 2012 all three regions in the Writing and Marking business segment were able to record growth, the trend in 2013 was much more heterogeneous. A significant increase in sales overseas contrasted with solid growth in Germany and a slight decline in revenues in the rest of the Europe.

With sales totalling € 36.3 million, Germany was once again by far the strongest country and grew by 3.2%. In our home market we achieved above-average growth, primarily with the larger local dealers in the paper, office supplies and stationery sector, large-scale business-to-consumer trading formats and drugstores and online providers. In line with the industry trend, edding's sales with smaller specialist stores, including the relevant wholesale channels, developed sideways or were even down slightly.

Sales in the rest of Europe of € 40.8 million were still well above those in Germany. However, compared to the previous year, we had to contend with a drop in sales of 2.3%. Here, the positive developments above all in Switzerland, the UK and France were not enough to fully compensate for some sharp declines in Austria and South Eastern Europe.

Overseas, edding posted double-digit growth once again, with an increase in sales of 15.1% to € 10.8 million. As in the previous year, this positive development largely came from our subsidiaries in Colombia and Argentina, who succeeded in achieving remarkable sales growth in the national currency that was above the inflation rate.



Marketing and products

In terms of product range we were able to further develop the successful new launches of 2012 and create new impetus with additional products and initiatives. Above all, our new edding permanent sprays contributed to the latter. The distribution and sales potential defined for 2013 was substantially exceeded and the feedback from the trade and consumers was overwhelmingly positive. Last but not least, this innovation was named “Product of the Year in the School/Private Demand” in January 2014 at the leading fair for the paper, office supplies and stationery industry, the Paperworld in Frankfurt.

Our successful brand-expanding project, edding printer cartridges, is also continuing to develop very favourably. Sales via our German subsidiary more than doubled compared to the previous year, and initial successes also started to emerge in the case of international distribution. In addition, revenue was generated in the licence business, which was shown for the first time as sales revenue (other revenues) in the edding Group Annual Report 2013 (see the section “Other Office Products”).

We again recorded significant growth in Great Britain. The new product range introduced in 2013, comprising writing utensils and fibrepens for the English school market, won tenders in its first year and featured in a wide range of catalogues. With well over three million units sold, we not only boosted the trading result of the local subsidiary, but also considerably increased the visibility of the edding brand amongst young consumers.

An enhanced brand presence and a significant improvement in customer orientation at point of sale in the traditional specialist trade is the essential strategic goal of our new point-of-sale displays. Based on in-depth analyses of the purchasing decision process of private customers at the shelf, we have developed a new range of edding POS displays, which have been installed at selected specialist dealers since October 2013. The initial feedback from Germany and Switzerland is promising, with a high level of acceptance amongst dealers and positive comments regarding higher sales and turnover in the stores.

Finally, in 2013 we also stepped up our focus activities in the area of marketing special markers. In the business-to-consumer areas we were, for example, able to significantly extend our cooperation with an international producer of airtight food storage products. In addition, International Distribution was able to considerably expand the listings of our special markers with the relevant direct-to-customer traders, including in the business-to-business sector.

Visual Communication business segment – main brand Legamaster

Sales in Germany and abroad are almost exclusively generated in the business-to-business sector with the main brand Legamaster. Our most important markets are the DACH (Germany, Austria and Switzerland) and the Benelux region.

After a run of unsatisfactory results in previous years, the trend was reversed in 2013 and significant sales growth of 12.1% was achieved. This was due to a strong German business (+9.7%) and a very positive trend in the rest of Europe (+14.5%) – driven in particular by Switzerland and Russia – and overseas (+5.5%).

In the Visual Communication business segment, growth is fuelled by Interactive Technology products, which include both electronic whiteboards and so-called e-screens (LED screens with touch technology).

However, traditional visual communication, with products such as flip charts, whiteboards and presentation boards, appeared stable for us in 2013, which can be considered a success in light of the continued aggressive pricing climate. Here we are continuing to focus on service and product quality, which is by no means a given in this market.

Marketing and products

2013 was a successful year, thanks mainly to the new interactive solutions launched in 2012. Especially the interactive whiteboards, which can be operated using a pen or finger, proved to be a total hit.

Our e-screens are still on a growth course. We see various markets for this product, including the Dutch market, which is a crucial for us, and Switzerland, where customers are increasingly considering e-screens instead of interactive whiteboards for new installations. The converging costs over the total life span of the two products have contributed to this, but also the large-format e-screens that are now available. We already have an e-screen in our range with an 84 inch diagonal.

We intend to develop these products further in 2014 so that we can offer the e-screens in new versions and also with ultra HD technology. For this reason, we are also expecting a positive trend this year, especially as the trade fairs at the beginning of the year went well.

Other Office Products

As in 2012, we continued to pursue our cooperation strategy, which focuses on brands that support our group brand sales as complementary products.

Sales from the licence business with printer cartridges, reported as other revenues for the first time in this financial year, were increased by around 49% compared to 2012 after the distribution of edding products was extended to other trading partners from the consumer electronics sector.

Overall these effects led to a 26.9% increase in sales in the area of Other office products compared with the previous year.



Results of operations of the edding Group

Development of the results of operations

	2013 € '000	2012 ¹⁰ € '000	Change € '000	Change %
Sales revenue	123,211	117,036	6,175	5.3
Changes in inventories and own work capitalised	457	707	– 250	– 35.4
Total output	123,668	117,743	5,925	5.0
Raw materials and consumables used	– 48,460	– 45,602	– 2,858	6.3
Gross profit as % of total output	75,208 60.8 %	72,141 61.3 %	3,067	4.3
Employee benefits expense as % of sales	– 32,532 26.4 %	– 31,317 26.8 %	– 1,215	3.9
Depreciation expense	– 2,529	– 4,230	1,701	– 40.2
Other operating income	5,060	4,383	677	15.4
Other operating expenses	– 35,827	– 33,706	– 2,121	6.3
EBIT as % of sales revenue	9,380 7.6 %	7,271 6.2 %	2,109	29.0
Financial result and result from investments	2,238	– 280	2,518	n/a
Profit before tax	11,618	6,991	4,627	66.2
Income taxes	– 3,033	– 3,350	317	– 9.5
Profit after tax as % of sales revenue	8,585 7.0 %	3,641 3.1	4,944	135.8

¹⁰ Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

The results of operations show a sharp increase in profit after tax, to which, in particular, the sales-related rise in gross profit and a positive non-recurring effect in the amount of € 2.6 million in the financial result and result from investments contributed.

The sales revenue of the edding Group was 5.3% up on the previous year at € 123.2 million. This growth resulted from all business segments, with sales revenue in the Visual Communication business segment and with Other Office Products growing disproportionately.

At the same time, the gross margin percentage fell by 0.5 percentage points to 60.8%. A change in the business segment and product mix had an impact here. Thus, as per the budget, sales in the Visual Communication business segment, and particularly the interactive range, grew disproportionately. In this segment the percentage margins are somewhat lower, given the high contribution margins per unit.

In terms of employee benefits expense, there was an increase of € 1.2 million, which was largely due to result-related higher profit sharing and bonuses.

In the previous year, unscheduled depreciation of € 1.4 million was carried out on the fixed assets of edding Argentina S. A. For this reason, depreciation in the year under review was considerably lower. The risk provision for the Argentine fixed assets remains unchanged due to the continued political and economic instability in the country. On this subject, reference is made to the risk report.

The increase in other operating income is mainly due to a rise in exchange rate gains, which are partly offset by various lower income items, for example from the release of provisions and accruals. Around € 0.3 million of realised exchange gains in connection with the reorganisation of the financing structure of edding Argentina S.A. described below will have a positive effect. Overall these gains contrast with a sharp increase in exchange rate losses in other operating expenses, and therefore, from a net perspective, there was an additional expense from currency effects of € 0.6 million compared with the previous year.

Accordingly other operating expenses rose substantially by € 2.1 million, of which € 1.7 million is due to the increase in realised and non-realised exchange losses versus the prior year. In addition, increased expenditure was incurred for external logistics costs due to a significant inflation-related increase in the prices charged by the external service provider in Argentina. Consulting expenses also rose as a result of projects connected with foreign markets and logistics projects. Moreover, some vacant positions were replaced by external experts.

At € 9.4 million, earnings before interest and taxes (EBIT) were well up on the previous year's figure due to the effects of higher sales. This corresponds to an increase in the EBIT margin from 6.2% to 7.6%.

The financial result and result from investments rose by € 2.5 million. This is due to the reorganisation of the financing structure of edding Argentina S.A. Following a capital increase through contributions in kind, in the form of Argentine government bonds, by edding AG, existing Group liabilities as the previous source of financing were largely discharged from the proceeds of the sale of these securities. To this end, edding AG acquired government bonds on the New York stock exchange, which were sold on the Buenos Aires stock exchange by edding Argentina S.A. following a contribution in kind. The difference in the respective listings between the two stock exchanges was recognised in the financial result and result from investments. As a result of this transaction, the Argentine company's exposure to a further risk of devaluation of the national currency will be minimal, as hard currency liabilities have been significantly reduced.

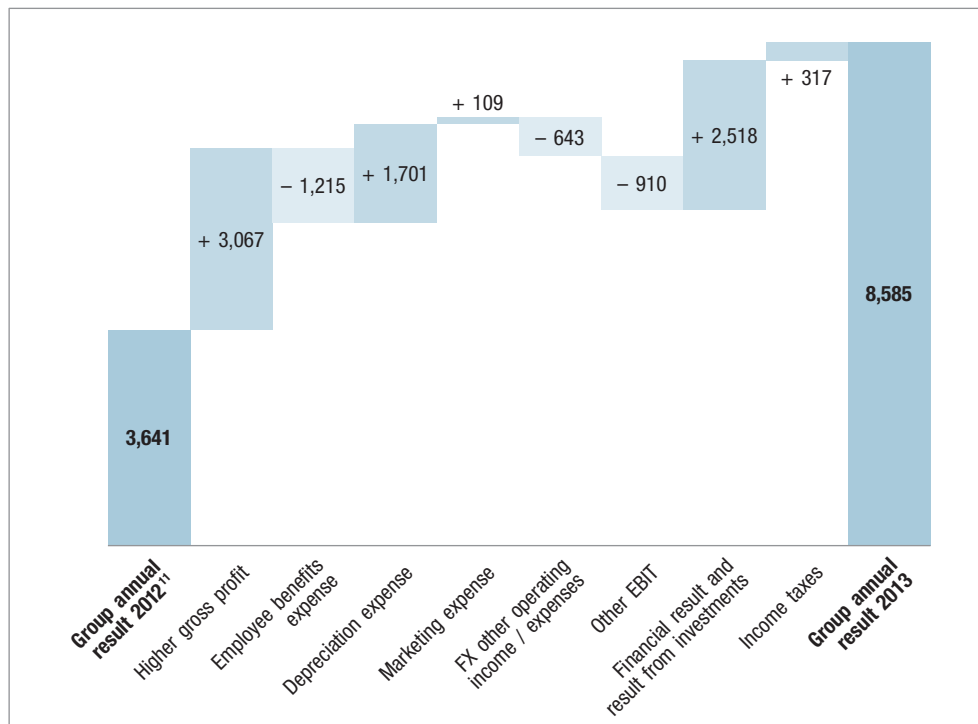
Income tax expenses fell slightly year on year, as the income within the scope of the capital consolidation is not subject to taxation.

The Group's profit after tax for the year of € 8.6 million is therefore correspondingly well up on the previous year's figure of € 3.6 million.

Overall the Management Board considers the business performance in 2013 to be positive.

Development of Group result in 2013

€ '000



¹¹ Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

Business development compared with the outlook for 2013

In the outlook section of the 2012 annual report, we expected for 2013 a modest increase in the revenues of the edding Group overall, with the Visual Communication business segment accounting for a disproportionate share of the forecasted growth. A slight rise in the operating results (EBIT) was anticipated for both segments, which was supposed to lead to a modest rise in the profit after tax of the Group as a whole.

In the half-year financial report 2013 we confirmed the forecast for revenues and results of the business segments. As regards the Group's profit after tax for financial year 2013 we expected a sharp increase in the pre-tax result due to a non-recurring effect in the financial result and result from investments, with a corresponding impact on the profit after tax.

This forecast was largely confirmed in the interim notification in mid November 2013, although the growth expectations for the Writing and Marking business segment were reduced slightly due to the weaker trend emerging in Turkey.

Net sales revenue increased by 5.3% in the year under review. The development of the Visual Communication business segment, with growth of 12.1%, contributed disproportionately to this, while revenue in the Writing and Marking segment rose by 1.9%. The development of sales revenue in the year under review is therefore virtually in line with the outlook for 2013, although the trend in the Writing and Marking segment was somewhat weaker due to the disappointing sales in Turkey. This was influenced by an adjustment of the pricing and conditions system in the traditional retail sector, which placed a temporary strain on relations with some Turkish customers.

The segment result (EBIT) was raised for the Writing and Marketing segment from € 12.4 million to € 14.3 million, and for Visual Communication from € 0.4 million to € 1.2 million. Thus, the trend was a little higher than expected within the scope of the outlook for 2013, essentially owing to the lower marketing expenditure in the Writing and Marking segment compared with the forecasts and the release of a bad debt provision for accounts receivable in the Visual Communication segment.

The profit after tax for the year is € 8.6 million and therefore considerably exceeds the previous year's figure and the expectations stated in the first outlook for 2013. This is mainly due to the positive non-recurring effect in the financial result and result from investments in the amount of € 2.6 million, as explained in connection with the results of operations.

Net assets and financial position of the edding Group

As of 31 December 2013, the edding Group's **total assets** rose by 2.7% from € 79.5 million in the previous year to € 81.6 million. Moreover, in the 2013 financial year, equity increased considerably from € 35.9 million to € 39.3 million. This is mainly due to the significant increase in the Group result, which is set against the distribution of dividends and the developments of the difference arising from currency translation and the currency hedging transactions all three being recognised directly in equity. With the simultaneous repayment of financial liabilities, this led to an increase in the equity ratio from 45.2% to 48.1%.

The non-current assets (€ 24.2 million) increased only slightly compared with the previous year. This small movement overall is attributable to two opposing effects. On the one hand, the assigned value of the mutual fund shares held in the portfolio to finance pension commitments increased considerably year on year. On the other hand, the investments made in financial year 2013 of € 1.9 million were lower than the previous year, which led to a sharp fall in the carrying amount of the tangible assets, taking into account scheduled depreciation. Major investments were made in the areas of technical equipment and machinery as well as office and other equipment, mainly at our production location in Bautzen, the company's headquarters in Ahrensburg and our Colombian subsidiary. The investments are therefore primarily attributable to the Writing and Marking business segment and the headquarters.

Current assets increased by 3.5% from € 55.5 million to € 57.5 million. This development is mainly due to an increase in inventories of € 1.9 million compared to the previous year. This substantial rise is especially due to the build-up of minimum inventory levels from Japanese suppliers within the scope of risk management, which continued in 2013, and the higher stocks of interactive products in the Visual Communication business segment, reflecting the positive business trend. In addition, the level of cash and cash equivalents rose by € 0.7 million compared to the previous year.

This was set against two further effects: firstly, trade receivables fell slightly overall, which was largely influenced by the business development of our Turkish subsidiary. In addition, there was a decrease in other assets, primarily due to a considerably lower input tax surplus as of 31 December 2013.

Non-current liabilities fell in the financial year 2013 by 6.2% from € 21.7 million to € 20.4 million. In this case, the increase in pension commitments, which is mainly influenced by the performance of the mutual fund shares described above, is more than compensated by the effects from the scheduled reduction in long-term bank loans and refinancing liabilities of property companies.

As of 31 December 2013, current liabilities totalling € 21.9 million remained at the level of the previous year's reporting date, with several opposing movements balancing each other out. The main effect in this case was the increase in other current liabilities by € 1.6 million, which stemmed from the result-related set up of provisions for employee profit sharing schemes and the recognition of negative market values from currency hedging transactions. In addition, there was an increase in the income tax liabilities of foreign Group companies. The repayment of bank liabilities due in the short term and the decrease in trade payables due to the reporting date had a balancing effect.

As in the previous year, non-current assets are fully covered by equity. Current liabilities continue to be easily covered by liquid assets and current receivables.

The cash flow from operating activities remained constant at € 7.0 million compared to the previous year (€ 7.1 million). Cash inflows due to the increase in the Group result contrasted in particular with cash outflows for the further build-up of inventories and for reducing trade payables.

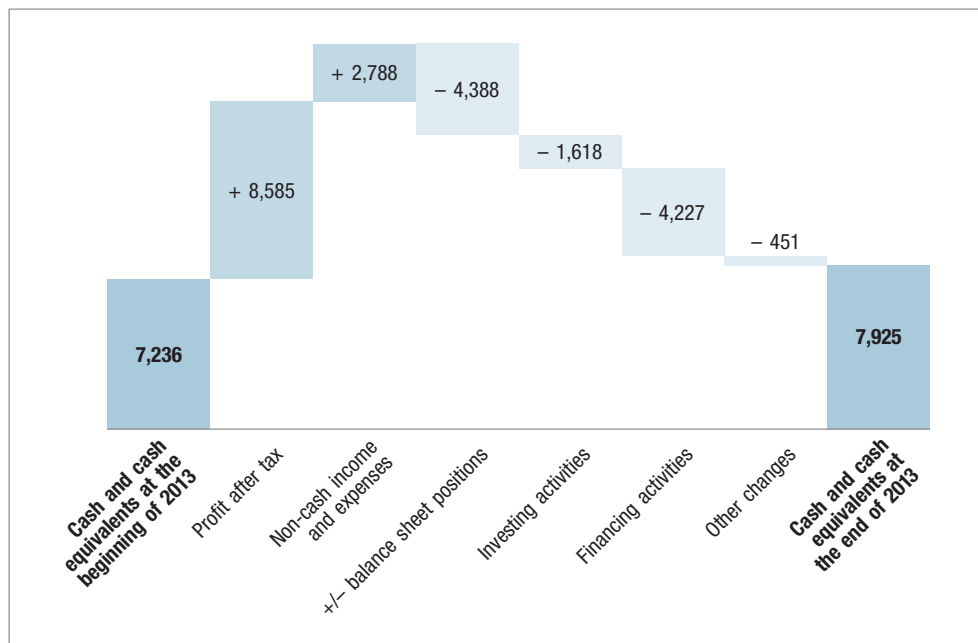
Negative cash flow from investing activities decreased to € -1.6 million, primarily because of markedly reduced investment in fixed assets in 2013. In addition, the acquisition of the previously externally held shares in the Mexican subsidiary had adversely affected the cash flow from investing activities of the previous year.

Cash flow from financing activities rose from € -5.4 million in the previous year to € -4.2 million in 2013. This development is explained by the scheduled lower repayment of existing debts compared to the previous year and, at the same time, by insignificant repayments from new loans.

The Group was solvent at all times in 2013. This continues to be the case in the current financial year 2014.

Change in cash and cash equivalents in 2013

€ '000



Performance of Group companies¹²

For the individual functions of the companies in the Group, please refer to the Organisational Structure section in the Group Management Report.

Parent company

The task of **edding AG** is to manage all of its subsidiaries and affiliated companies. This is where the key management functions and the finance, HR and IT departments are based.

The results of operations of edding AG are essentially characterised by income and expenses within the scope of the income from investments, which result primarily from profit transfer agreements with edding International GmbH and V. D. Ledermann & Co. GmbH and also include valuation effects on Group receivables and shares in affiliated companies. This income from investments amounts to € 12.3 million (previous year: € 10.5 million). The year-on-year increase of € 1.8 million is mainly based on the higher profit transfer by edding International GmbH.

The higher investment earnings are partly offset by a rise in personnel expenses compared to the previous year. This results from result-related higher profit shares and bonuses to staff and from a shift in costs from edding International GmbH.

The pre-tax result is € 5.2 million and therefore exceeds the previous year's figure of € 4.4 million. A net profit of € 2.6 million remains after tax (previous year: € 1.9 million).

Subsidiaries

International distribution and business segment management companies

edding International GmbH is responsible for international management of the Writing and Marking business segment. In addition, it carries out all of the main management functions for the Group's operating companies, both nationally and internationally.

edding International GmbH has significant shareholdings within the Group, especially in edding Vertrieb GmbH, with whom a profit transfer agreement exists. The profit transferred from edding Vertrieb GmbH amounted to € 4.3 million (previous year: € 3.9 million). Sales revenue of edding International GmbH rose by 3% year on year, with partner brand sales posting disproportionate growth due to the inclusion of a new partner brand in the French subsidiary. Growth in the Writing and Marking business segment in the German, British, Swiss and French markets was partially offset by a sharp fall in turnover in Turkey. The result was € 14.3 million, which represents an increase of € 3.1 million compared to the previous year, € 2.0 million of which was attributable to the release of allowances formed in previous years for receivables from edding Argentina S.A. Lower marketing expenses also had a positive effect on the result. Profit was transferred to edding AG in accordance with the profit transfer agreement.

¹² The comments on the subsidiaries are based on local GAAP.

Legamaster International B.V. (Netherlands) manages the Visual Communication business segment. Sales revenue rose by 16% compared to the previous year, in line with the overall trend within the Group. Growth markets especially include Germany, Switzerland, Russia and the Netherlands. The growth stems as planned from higher sales figures in the interactive range. The result was substantially increased compared to the previous year due to the higher sales revenue.

Local distribution companies

In Germany distribution for the Writing and Marking business segment, complemented by partner brands, is carried out by **edding Vertrieb GmbH**, and for the Visual Communication business segment by **Legamaster GmbH**.

In the year under review **edding Vertrieb GmbH** achieved an increase in sales of 4%, which is largely due to a positive trend in the Writing and Marking business segment. In this case, the successful launch of edding printer cartridges, for example, had an impact. In addition, from the second quarter onwards, sales were achieved with new assortments in our “Colour and Play” and “Creating and Decorating” categories as well as an extensive range of spray paints. At € 4.3 million, the profit transferred to edding International GmbH is above the 2012 level of € 3.9 million due to higher revenues.

As expected, **Legamaster GmbH** was able to generate a significant increase in sales of 12%, which was particularly due to the positive trend of the interactive segment, boosted by newly launched products such as the touchboard. Therefore, the company has generated a significantly positive result for the first time since the commencement of business operations on 1 July 2010, which represents a great success.

edding Legamaster B.V. (Netherlands) achieved sales growth of 3% in financial year 2013. Particularly in the light of a declining gross domestic product, rising unemployment and the continued restrictive spending policy in the public sector, this can be regarded as a positive sign. After several years of falling sales revenue, growth of 6% was achieved again for the first time in the Visual Communication business segment. This was due in part to increased sales of e-screens. Sales in the Writing and Marking business segment, on the other hand, were slightly down. The company’s result was at the previous year’s level.

edding Ofis ve Kirtasiye Ürünleri Tic. Ltd. Sti. (Turkey) posted a drop in sales of 5% in the national currency in the year under review, which was essentially due to the weak trend in the Writing and Marking business segment. The adjustment of the pricing and conditions system in the traditional retail sector, which placed a strain on some relationships with customers, contributed to this. In particular, wholesalers reacted by reducing their stocks significantly. In addition, the planned market entry in the interactive segment could still not be achieved despite a rise in sales in the Visual Communication business segment. On the costs side, a considerable weakening of the Turkish Lira led to higher goods purchasing costs, which could only be passed on to the market via price increases to a limited extent. Overall this led to a significant loss after a positive result had been achieved in the previous year. This business trend that fell well short of expectations led to some structural changes, which we expect to produce stable and profitable growth and a positive company result again in the mid term.

EDDING (U.K.) LTD. (Great Britain) was once again able to record an impressive increase in sales revenue of 12% in its local currency. As in the previous year, this is in essence due to the targeted further expansion of the school business in the Writing and Marking segment. However, the British Pound has devalued by approximately 4% compared to the average value of 2012, which increases the costs of purchasing goods for the company accordingly. Consequently, the profit generated was below the previous year's figure despite the increase in sales. Overall, however, the company has managed to stabilise its earnings situation over the last few years despite a sharp slump in 2007 and 2008, so that in the past financial year a dividend was paid to edding Aktiengesellschaft again.

Sales revenue of **edding France SAS (France)** rose by 14% in 2013. The growth resulted from a partner brand launched at the end of 2012 and an increase in sales in the Writing and Marking segment, and can be viewed as a very great success, given the declining markets in France due to the weak economy. The equally satisfying break-even for the year as a whole is, however, lower than the previous year's result. This is due to the establishment of the company's own field sales force in the course of the year under review, which will only have an enhancing effect on the result in the mid term.

edding Lega International B.V.B.A. (Belgium), which belongs to the sub-group of the Dutch distribution company, recorded an increase in sales revenue of 4%. A sharp increase in sales in the Visual Communication business segment more than compensated for a decline in the area of Writing and Marking. Company profits are thus higher than the previous year's level.

The Greek economy continues to be hit hard by the debt crisis. In response to the continued negative economic situation, staff numbers at **edding Hellas Ltd. (Greece)** were already cut at the end of 2012. In addition, further structural adjustments were made to the business model in order to maintain the market position in Greece. This was successful overall, although the fall in sales of 14% was somewhat higher than expected. The adjusted earnings remain negative, but the income situation improved substantially as a result of the stated activities. Overall we are not expecting the business to break even locally in the current economic climate. Owing to the high market share overall, we are still maintaining our commitment in Greece.

Local distribution companies with local production

The sales revenue of **edding Argentina S.A. (Argentina)** rose by 31% year on year in its national currency. The sales growth excluding inter-group deliveries was 36% and therefore above the unofficial inflation rate of around 30%. This constitutes an increase in the market share in light of the maximally stagnating market and can, in particular, be seen as a positive sign, given the continued tense economic and political situation. Together with tight cost management, this led to a better overall result and therefore an improvement on the previous year. The restructuring of the company's financing strategy is particularly in evidence here. Following a capital increase through contributions in kind, in the form of Argentine government bonds, by edding AG, existing Group liabilities were largely discharged from the proceeds of

the sale of these securities. As a result, the exposure of the Argentine company to any further risk of devaluation of the national currency is minimal, as hard currency liabilities have been reduced. Thus, in the year under review, exchange rate losses fell considerably year on year. Although the company's situation is much more stable in terms of the balance sheet, future development is still very volatile and will continue to be shaped by the economic and political uncertainties. On this subject, reference is made to the risk report.

edding Colombia S.A.S. (Colombia) has once again extended its market share and therefore achieved sales growth of 43% in the national currency. As expected, the company managed to improve its results significantly in the year under review and generated profits for the first time since commencing business operations in 2011.

edding Mexico S. de R.L. de C.V. (Mexico), which was established in 2008 as a joint venture with our Mexican distribution partner, was acquired in full at the start of 2012 due to the negative direction that the cooperation had taken. Since then products have been distributed through the company's own field sales force, although the search for staff has proved difficult in the long term. Sometimes work had to continue with an incomplete sales team in the year under review. In addition, it became clear that the achievable distribution would not be sufficient with the existing set-up. Combined with the taking back of products to avoid losses on bad debts, this led once again to a 2% drop in the company's sales in the national currency and to a loss that was even higher than the previous year, in the order of € 0.7 million. As a consequence it was decided at the end of the year under review to switch completely to independent sales agents working on a commission basis. By doing so, we are, on the one hand, creating a broader distribution base and, on the other, reducing the excessively high proportion of fixed costs. A positive operating result is still not expected before 2015.

Production company

The production company **V. D. Ledermann & Co. GmbH** was able to increase its intra-group sales by 11%. The correspondingly higher gross profit contrasts with smaller other income and higher intra-group charges compared with the previous year. Thus, the profit of € 0.5 million assumed by edding AG pursuant to the profit transfer agreement is slightly lower than the previous year's figure.

Purchasing company with local distribution

As in previous years, **edding Japan Inc. (Japan)** generated a positive result.

Leasing companies for commercial property

DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG and **edding AG & Co. Grundstücksverwaltung OHG** are included in the Consolidated Financial Statements on the basis of IFRS accounting standards. The property companies are managed in the legal form of partnerships (Personengesellschaften) and currently still have negative capital accounts that will be balanced within the useful life of the properties.

Opportunities and risk report

Opportunities report

Opportunities management

edding AG operates in a dynamic market environment with its two business segments. In addition to the general economic and political conditions, we are also subject to change processes in our respective industries, including the underlying consumer habits and preferences.

The pace of change has, if anything, increased over the past few years. Along with the increasing consolidation among producers and dealers/distributors, new challenges are continuously arising due to the advance of digitisation and increasing mobility of employees and end users. We look to constantly adapt our strategic orientation and our operating business processes in line with these challenges and, in so doing, to create sustained added value.

As a medium-sized, publicly quoted company, we see our main challenge as balancing continuous risk awareness and active risk management with entrepreneurial awareness of opportunities. We have sound management tools for maintaining the necessary balance with regard to both risk assessment and the assessment of opportunities.

In our target figures and budgets, and in our outlook for 2014, we have taken into consideration those opportunities – and risks – for which we regard the probability of them occurring as well over 50%. In the following sections we look at our Writing and Marking and Visual Communication business segments and describe the respective events and activities that could lead to a very positive improvement in revenues and earnings for the edding Group in the event of their occurrence.

Writing and Marking business segment

Opportunities arising from positive economic trend

We use the general economic and political conditions listed in the “Outlook” section of the annual report 2013 as the basis for our planning and budgets. We are already today expecting above-average growth in the Writing and Marking business segment in our core markets in Western Europe, Turkey and Russia and in Latin America. This planned growth in rather moderately growing markets is largely based on the acquisition of market shares compared with our competitors. Should demand recover significantly or rise more sharply again in the next few years in the markets in Southern Europe, the Benelux countries, France and Eastern Europe, this will have a positive impact on our sales revenue and results of operations.

In addition, we have continued our established practice of making relatively conservative assumptions regarding the development of exchange rates. In this case, a positive trend is likely to emerge for edding, especially if the political situation in Argentina continues to normalise. In the event of the continued devaluation of the Argentine peso, our competitiveness compared to importing rivals would improve considerably, as we are the only local brand producer in the marker segment.

Opportunities through new products and marketing concepts

As a brand product company that sees its core competencies as being mainly in the areas of marketing and distribution, we are continuously working on the optimisation of our product portfolio and further penetration of our sales markets. The focus is on products and solutions that prioritise added value for our customers and end users. We increasingly see brand-expanding projects as a key potential field. We aim to build on the great successes with printer cartridges and sprays, but these are also an incentive to invest further in this area. If our innovations and product development processes generate new marketing concepts, or bring concepts that are in the pipeline to fruition, beyond what is already planned, this could have a positive effect on our sales revenue and results of operations.

Opportunities through customer relationships

The close proximity to our retail and distribution customers is a key success factor in our marketing strategy. In 2013 the sustainability of this customer policy was borne out once again in Germany, our core market, when edding was voted best manufacturer of paper, office supplies and stationery by the German specialist trade (performance barometer of the "markt intern" trade journal) for the eighth time in succession. We shall also establish or extend the successful combination of retail and end user advice established in Germany in other markets in the future. Should we be able to establish the necessary networks and contacts quicker than planned, this is likely to have a positive effect on our sales revenue and results of operations.

Opportunities through our distribution and partner network

edding has had good experiences with partner brands in the past. These are brands of manufacturers who distribute edding products in entire countries or individual distribution channels via their distribution organisations, or whose products edding in return distributes in selected countries or channels.

The distribution of these partner brands not only generates additional margins, but also frequently enables a critical mass to be reached for certain trade formats, and allows us to support and supply these more efficiently. Besides the planned growth in existing agreements, we therefore continuously check the feasibility of other similar cooperations. Should new attractive partnerships arise in this case, this would also have a positive impact on our sales revenue and results of operations.

Visual Communication business segment

The Visual Communication business segment, with its main brand Legamaster, operates in two very different product segments. On the one hand, there are traditional media such as whiteboards, flip charts and presentation boards and, on the other, digital solutions with e-screens and interactive whiteboards.

Opportunities through product and process quality in the area of traditional media

The traditional segment has been characterised by falling prices and tough competition for years. Nevertheless, specific opportunities do arise. Thus, we recognise, for example, a trend back to a greater emphasis on quality of service and efficiency in various tenders. Some retail customers have had negative experiences, particularly with inferior quality and unsatisfactory logistics services by Legamaster competitors. Thanks to our premium processes and our high product quality, we see more opportunities here to win back customers who have been lost to low-cost providers. Should we succeed, we expect a boost to our sales revenue and results of operations. Moreover, market entry opportunities will open up in additional countries through contracts with internationally operating distributors.

Opportunities through successes in tenders for interactive media

We judge that the market for interactive communication media offers considerably more opportunities. In many countries we are expecting the market as a whole to grow due to the growing market penetration as regards classrooms and conference rooms with interactive technology. Should we win more tenders than planned, this should have a positive impact on sales revenue and results of operations.

Opportunities through new interactive media products

Furthermore, over the last few years we have developed a product portfolio which, together with our efficient distribution processes, has enabled us to acquire market shares. Our product managers are working non-stop on the further development of our product range, and thanks to the extremely fast progress of digitisation, we can constantly add new technologies, such as the newly presented 4HD technology in our e-screens.

Opportunities through new distribution partners for interactive media

Besides our established markets in Germany, Austria, Switzerland and the Benelux countries, we are also actively looking for distribution partners in other countries who will launch our range of interactive solutions in other markets. This will create positive impetus for our sales revenue and results of operations.

Risk report

Risk management system

edding AG's risk management system is an integral part of all planning and reporting systems at all Group divisions and subsidiaries. All of the edding AG business units are exposed to a large number of risks, particularly due to their international orientation. For years, edding AG has been using a standardised risk management system to identify all material risks in good time. This includes the systematic identification, evaluation, control, documentation, communication and monitoring of risks. Within the scope of corporate governance, both risk control and monitoring and the internal control system (ICS) contribute to risk management. The evaluation of risks is carried out across the Group in a standardised form according to the potential damage and probability of occurrence. In addition, the risks are defined by dividing them into worst, base and best case scenarios and the arising risk expectation levels. Any provisions or valuation allowances that might result from this are outlined in the balance sheets of the respective divisions or companies.

Reporting on the Group's risk situation is currently carried out in the monthly or quarterly reports to the Management Board and the Supervisory Board. The risk reports are also discussed at Management and Supervisory Board meetings.

Direct responsibility for the early detection, control and communication of risks is defined and assigned to the so-called "risk owners", who belong to the management of the divisions and subsidiaries.

edding AG's risk policy principles, as described in the risk management handbook, and the risk indicators included in the risk documentation deal with the notification requirements should changes in the risk situation occur.

The risk management system was reviewed again in 2013 by the Management Board itself with the support of the internal audit function implemented in 2011. This represents a further risk minimisation component, in addition to the assessment of the accounting-related internal control system by external auditors as part of their audit of the annual financial statements.

Accounting-related internal control system

The Management Board has set up an internal control system for the various organisational, technical and commercial procedures within the company. A key part of this is the principle of segregation of duties, which is designed to ensure that execution (e.g. processing of purchases), recording (e.g. financial accounting) and administration (e.g. warehouse management) activities carried out within a corporate process are not in the hands of one person. This is guaranteed by the integrated ERP SAP R/3 software system, used at edding for many years now, allowing for a corresponding authorisation concept. It ensures that staff only have access to processes and data that are necessary for their work. The software also includes, as standard, a large number of integrated automatic checks to help prevent errors in the reporting and entry of accounting-relevant business transactions.

The dual-control principle also ensures that no basic operation is left unmonitored.

Target concepts and instructions exist for the various processes within the company to enable managers and external individuals to assess whether staff are conforming to this target concept in their work.

The majority of the staff working in the accounting department of edding AG have been with the company for years and are therefore very confident and experienced at dealing with routine transactions that arise in the course of edding AG's day-to-day business. Employees also regularly take part in courses and advanced training.

The active risk management system ensures that critical information and data is passed on to the Management Board directly. Ensuring that business facts are properly reported and evaluated in the balance sheet is regularly the subject of Management Board meetings.

During the year, the company also stays in close contact with the auditors to discuss new legislation and new or unusual business transactions. Problems are analysed in advance, discussed and then subjected to a joint critical evaluation with the auditors.

The accounting guidelines implemented across the Group create a uniform system of accounting standards within the Group based on IFRS. The accounting guidelines are updated once a year as required in order to take account of IFRS additions and amendments. Annual training of accounting staff at the edding subsidiaries ensures that new features of the accounting standards are implemented on time.

The Consolidated Financial Statements are prepared centrally, using certified consolidation software, by edding AG employees who have years of experience and specialist expertise in consolidation issues and IFRS accounting standards. For reporting by subsidiaries to the parent company, edding uses standardised reporting packages, which contain all the data required to produce full IFRS consolidated financial statements.

Main risks

Market risks

The strategic inventories, particularly the semi-finished and finished products from Asia, were again increased in the previous financial year. Thus, the desired inventory buffer was achieved for all the defined products in 2013. Moreover, the operating facility in Bautzen was subjected to a security check and the associated improvement measures were introduced immediately and already concluded successfully in 2013.

Financial market risks and financial risks

As is usual in the edding Group, the main currencies with which we operate our business were again economically secured with hedging transactions in the past financial year. This primarily relates to the Yen/Euro exchange rate risk from stock procurement, which was hedged to a large extent. Thanks to the conclusion of hedging transactions, the edding Group sees itself as being well prepared for the expected Japanese Yen currency fluctuations into the new year; planning certainty in terms of procurement is ensured at all times. However, devaluation of the Yen particularly at the end of the year, led to exchange rate losses from the hedging transactions concluded with the subsidiary edding International GmbH as at the balance sheet date. The hedging is recognised in the consolidated financial statements as cash flow hedge accounting, and so for the most part the exchange rate losses do not affect the 2013 income statement of the edding Group.

The exchange rate risk in Turkey has been considerably lowered through efforts to reduce the euro liabilities of our Turkish subsidiary in previous years, which had a positive effect in 2013, as expected. However, the Turkish Lira depreciated heavily in value in 2013. Particularly given the increased devaluation in the second half of 2013 and the continuing negative prospects in the Lira area, the company will look into changing the inter-group financing concept in order to further minimise the exchange rate losses within the edding Group.

The economic and political climate in Argentina was still critical in 2013. Nevertheless, in 2013 the edding Group managed to significantly reduce the exchange rate risk from the Argentine Peso caused by the unfavourable underlying situation. Existing Group liabilities were discharged to a large degree through the reorganisation of the financing structure of the Argentine subsidiary mainly implemented in the period from March to August 2013. The exchange rate losses resulting from these Group liabilities in previous years were already reduced in financial year 2013. A further noticeable reduction is expected in the future.

We continued with our very conservative receivables management, and consequently there were no noteworthy bad debts in 2013.

To exploit the currently very low interest rate level, interest rate swaps can still be used for new financing if necessary.

Performance risks

The business process reorganisation that started in 2012 in the areas of procurement management and sales planning was continued and led to a significant improvement in delivery performance. To anticipate customer and market requirements, edding again systematically examined the requirements of its customers in 2013 and developed corresponding packages of measures to meet customers' needs. These measures and/or projects will also be implemented in 2014 as a top priority.

Staff risks

The annual employee surveys produced good to very good results once again in the last financial year. edding is still perceived to be a very good employer by its own workforce, which also explains the high level of motivation of all the employees working in the edding Group. The further training measures in the edding Group developed by the Human Resources department, particularly for the customer-based business processes, were very well attended once again in 2013. With these packages of measures, edding AG will also safeguard and continuously extend the high quality of employees in the future.

Political risks

The economic and political situation in Argentina is still tense, although an initial change in direction by the government has been recognisable in recent weeks. As the foreign currency reserves of the Central Bank have reached historic lows, the devaluation pressure on the Argentine Peso (ARS) can no longer be resisted to the same extent as in recent years. Since January 2014 the Peso has lost around 20% in value. The exchange rate quotation rose accordingly from ARS/USD 6.50 to a level of ARS/USD 8.00 at times.

Thus, imports to Argentina have tended to be more expensive, which essentially affects our competitors, who import virtually only finished goods. In the last few years edding Argentina S.A., with its own production in the province of San Juan, has suffered from disproportionate levels of inflation compared to the exchange rate development. As a result the local production became less and less competitive; this effect is starting to level off again due to the devaluation. This gives us an opportunity to gain new market shares, as other suppliers have announced significant price increases. Furthermore, we have already largely built up sufficient stocks of raw materials for financial year 2014 owing to the unpredictable import restrictions. Contrary to our expectations, there were no serious production stoppages at our Argentine subsidiary on account of the import restrictions, and therefore no associated delivery backlogs to our customers in 2013.

The current policy of the Argentine government is aimed at regaining access to international financial markets, so various measures have been taken to restore trust. Hence, the Argentine government has presented a repayment plan to the creditors of old debts and, in the case of the US hedge fund NML Capital, it referred the case to the US Supreme Court, but the appeal was rejected. Compensation was announced for the expropriation of the Spanish Repsol subsidiary YPF and payment arrears from legal proceedings of a World Bank arbitral court were paid.

Furthermore, edding Argentina S.A. has no exchange rate losses to report despite the deterioration of the Peso, as its balance sheet no longer contains any sizeable outstanding foreign currency items following the securities transactions with Argentine government bonds in the year under review. These transactions were carried out essentially in the period March to August 2013 for the purposes of reorganising the financing structure of the Argentine subsidiary. Following a capital increase through contributions in kind, in the form of Argentine government bonds, existing Group liabilities as the previous source of financing were largely discharged from the proceeds of the sale of these securities. Thus, we have safeguarded ourselves against the expected devaluation that has now occurred.

Despite the capital measures carried out and the impending devaluation of the Peso, we still regard the situation in Argentina as critical because of the rising hidden inflation. The government's current measures are already having noticeable negative effects on consumer behaviour and real income of the population, and so only minimal economic growth is expected in 2014. Foreign exchange inflows from investments, on the other hand, cannot be expected, as the climate and the unreliability of the government will act as a severe deterrent.

All in all the situation of the subsidiary is much more stable in terms of the balance sheet, but its further development is still heavily shaped by the economic and political uncertainties, and remains very volatile.

A sharp devaluation of the currency also began in Turkey at the end of 2013. In addition to the general trend of withdrawing capital from the so-called emerging markets, the political situation was also cited as a reason. The government's repression of demonstrations and the encroachment upon the freedom of the internet are shattering confidence in the political stability of what is actually considered a democratic country. The strong backing for Erdogan's government in the population has in recent years been largely underpinned by economic prosperity. Presidential elections in Turkey are due to take place in 2014. We assume that the situation will stabilise again after these elections, as Turkey is sticking to its wish to join the EU.

The political and economic risks due to the debt crisis in Europe eased slightly again over the course of the year. We had already made the balance sheet structure of our Greek subsidiary crisis-proof in 2012 and were also able to further reduce receivables from Greek customers compared to the total business volume. We still consider that the Euro crisis no longer presents a significantly increased risk for the edding Group.

Legal risks and risks under company law

There are no legal disputes or indemnity claims pending against the edding Group which could have a significant effect on the net assets, financial position and results of operations of edding AG and the edding Group. Risks which could arise from faulty products or inadequate contract safeguards are limited by our comprehensive quality management system as well as the routine scrutiny of our contracts by lawyers and our standard terms and conditions.

Overall risk / Going concern risk

Taken as a whole, the edding Group's risk situation remains stable. At present there is no evidence of any risks that could threaten the company's continued existence.

Other reporting

Remuneration report

The total remuneration of the Management Board is made up of several components. There is a fixed component, a performance-based payment and payments into a direct insurance policy. The Supervisory Board sets the total remuneration of the Management Board at a reasonable level according to the guidelines of the Management Board Remuneration Act. Besides assessing the performance and responsibility of the individual Management Board member, the level of remuneration for management board members at comparable listed stock corporations is also taken into account.

The part of the remuneration that is not performance based consists of a fixed salary and various fringe benefits, the continued payment of the monthly basic salary for a period of two months in the event of incapacity for work and private use of a company car. Accident insurance and D&O insurance is taken out for the member of the Management Board with an excess of 10% or one and a half times the annual fixed salary in the event of a claim. Furthermore, the member of the Management Board receives a pension pledge through the conclusion of a direct insurance policy for the purposes of an old-age, disability and survivor's pension.

The performance-based part of the remuneration is made up of a bonus that is calculated as a percentage of the reported profit after tax of edding AG and a long-term bonus based on the contractual term of the Management Board member's employment contract. This bonus is based on an agreement on objectives between the Management Board member and the Supervisory Board. Shares in profits and bonuses may account for more than half the total remuneration. The agreement on profit sharing contains a penalty rule that is applied in the event of an annual loss by the AG.

Besides the employment contract, no other service contracts exist between the company and its subsidiaries on the one hand and the Management Board members on the other.

Since 2006, the German Commercial Code (HGB) has stipulated the individualised publication of Management Board members' remuneration, split according to components that are performance based and those which are not, as well as components with a long term effect. The required information may be omitted if the Annual General Meeting has approved this by a two thirds majority of the share capital represented at the time the resolution is adopted. Correspondingly, on 28 June 2011 the Annual General Meeting of edding AG approved the omission of this information for the annual financial statements and the consolidated financial statements for financial years 2011 to 2015 by 100% of the voting capital.

The total expenditure for the Management Board remuneration is stated in the notes to the Annual Financial Statements and to the Consolidated Financial Statements of edding AG as of 31 December 2013.

The remuneration of the Supervisory Board members is composed solely of remuneration that is not performance based, and which the Annual General Meeting of edding AG approves for each preceding financial year. In addition, the members of the Supervisory Board receive their expenses connected with their work on the Supervisory Board.

For the chairman, the remuneration amounts to three times and for the deputy chairman twice the basic remuneration approved by the Annual General Meeting. The basic remuneration for a Supervisory Board member remained unchanged and amounted to € 18,000.00 for the financial year 2012. No other remuneration or benefits for personally rendered services have been paid or granted to the members of the Supervisory Board.

Information relating to takeovers

Subscribed capital

The fully paid up share capital of edding AG amounted to € 5,366,095.00 as of 31 December 2013 and is divided into 600,000 no-par-value ordinary shares, each with a notional value of € 5.00 and 473,219 no-par-value preference shares, each with a notional value of € 5.00.

Voting right restrictions or restrictions relating to the transfer of shares

The preference shares have no voting rights.

Rights of preference shareholders

As regards the special rights of preference shareholders, we refer to the generally applicable legal provisions of section 140 (2) of the German Stock Corporation Act (AktG).

Direct or indirect holdings

Holdings (including indirect or attributed shareholdings pursuant to sections 21, 22 of the German Securities Trading Act (WpHG)) which exceed 10% of the voting rights of edding AG are held by:

Mr Volker Detlef Ledermann
Ms Susanne Ledermann
Ms Angelika Schumacher
Ms Dina Alexandra Schumacher
Mr David Alexander Schumacher
Ms Beatrix Ledermann
Ms Julia Marie Ledermann
Mr Jan Moritz Ledermann
Mr Per Ledermann
Mr Yannick Nicolas Ledermann (new addition)

Holders of shares with special rights

There are no shares with special rights except for preference shares.

Type of voting right control in the event of employee holdings

Insofar as employees have a share in edding AG, they exercise their rights of control directly.

Statutory regulations and provisions of the articles of association relating to the appointment and dismissal of Management Board members and to amendments to the articles of association

Members of the Management Board are appointed and dismissed in accordance with sections 84 and 85 of the German Stock Corporation Act (AktG). Amendments to the articles of association are made in accordance with section 133 and 179 AktG. Provisions of the company's articles of association relating to these points can be found in articles 6, 7 and 20 of the articles of association.

Powers of the Management Board to issue and buy back shares

At present, no AGM resolution exists that gives the Management Board the power to acquire the company's own shares.

Important agreements that will take effect in the event of a change of control

The employment contract of the Management Board chairman contains a special right of termination by the Management Board chairman in the event of a change of control. In the event of the justified exercise of the special right of termination, the company shall pay the Management Board chairman one-off compensation amounting to 50% of the annual fixed salary that would have been payable up to the scheduled end of the contract, but limited to the amount of an annual fixed salary.

There are no other notifiable facts.

Report on post-balance sheet date events

No major events or events with a significant impact on the results of operations, assets and financial position of the edding Group occurred from the balance sheet date until the time when the Group Management Report was prepared.

MOTIVATION



Outlook

As in previous years, it is true to say that the precision of a forecast is gradually decreasing. We observe an environment with more short-term behaviours by market players. In particular, the trade is mostly reacting directly to falls in demand with a massive rundown of stocks – a behaviour that can immediately have a major impact on our business. At the same time, the geographical markets are still very heterogeneous in their development.

Nevertheless, it can be said that the general economic conditions appear to be slightly more robust. The situation in Southern Europe is tense and especially in France the situation is increasingly worrying. So the Euro crisis is not over yet, but the more positive tendencies in Spain, and even in Greece in some respects, give cause for hope. Consequently, the International Monetary Fund (IMF) is expecting the Euro Zone to return to growth (+1.0%) in 2014 after several years of contraction, with Germany acting as the growth driver (+1.6%). The economic momentum of the USA (+2.8%) and Japan (+1.7%) will also stimulate the emerging economies (+5.1%) according to the IMF forecast.¹³

The ifo economic indicator is showing a positive trend. In the retail trade with stationery, school and office products, companies assessed both the current situation and the prospects to be significantly less unfavourable in December 2013 than in November; the business climate brightened perceptibly. In the wholesale trade too, the survey results indicated a degree of confidence amongst companies with regard to the outlook for their business.¹⁴

The German industry associations are also looking forward to 2014 with optimism.¹⁵ In the paper, office supplies and stationery sector, the view of things is somewhat more restrained. The growing digitisation in schools and offices, along with the general economic situation, poses a structural problem for the industry. All the same, the prospects with regard to the year-end business and for 2014 are now broadly positive, reports the Altenaer Kreis. In the case of the majority of brand companies there were increasing signs that the restrained sales trend is at least unlikely to weaken further over the next few months. A ray of hope is offered by strong brands that succeed in bringing the emotional experience and added value of brand products closer to people – especially in the digital age.¹⁶

On the other hand, the situation amongst the specialist retailers of our industry is looking somewhat bleak. The industry association is expecting a further drop in sales of up to three percent amongst shops selling paper, office supplies and stationery. In recent years even well managed stores could only react with a large amount of effort against migration tendencies to the internet and against reductions in pedestrian traffic at locations. On the other hand, sales in the direct-to-customer business are set to stabilise. Firms are expected to break even.¹⁷

We shall continue to deal with the structural issues by implementing our strategy. In the edding brand business, we have consistently established ourselves in areas that have minimal exposure to digitisation and a volatile economy. We now serve nine end user categories from our marketing department, some with a clear focus on the “business to consumer” sector, such as “Colour and Play” or “Creating and Decorating”.

¹³ IMF, World Economic Outlook Update, January 2014

¹⁴ ifo economic barometer 12/2013

¹⁵ Cologne Institute for Economic Research survey

¹⁶ Press release by the “Altenaer Kreis” dated 14/11/2013

¹⁷ <http://www.pbs-business.de/news/13128/>

Naturally, we follow our consumers into the relevant shopping venues and thereby open up new channels for ourselves. In addition, we are venturing into areas on the product side where our brand establishes real added value, such as in the printer cartridges and spray paints sector. We shall continue to follow this route and analyse the potential to expand our brand into other fields where edding stands for the fulfilment of consumer needs.

In the Visual Communication segment, we already heralded in the future a few years ago under the Legamaster brand. As “the end of the chalk era” is now beckoning in German schools, we are planning further growth in the interactive sector, where the Legamaster product group already boasted the highest increase in sales in 2013.

Furthermore, measures for risk provision and cost flexibilisation are also the focus of projects for 2014. We already reduced fixed costs in previous years, as well as our susceptibility to currency fluctuations. Both will be continued in 2014, for example by outsourcing the logistical activities at the Ahrensburg site.

Given the fragile economic climate, this year we have again developed alternative scenarios in the planning process, and will be able to quickly implement them, should the economy take a downturn.

At the time of preparing the Group Management Report, Group sales in 2014 were well up on the previous year. Especially the Writing and Marking business segment showed a strong sales trend in the first quarter of 2014, whereas sales in the Visual Communication business segment were still below the level of the previous year; in this case we are expecting a recovery in the further course of the year based on current tenders. After weighing up the existing opportunities and risks of the further course of business, we are expecting a modest rise in sales revenue in both business segments in the coming year 2014.

After a year of restrained spending in the area of marketing, we are planning higher expenditure again in 2014, at the level of previous years, especially in the Writing and Marking business segment. Consequently, we only expect a slight increase in operating result (EBIT edding Group) for financial year 2014. On the other hand, we are anticipating a sharp fall in the Group’s net annual profit because the result for 2013 was very positively influenced by non-recurring effects from the securities transaction with edding Argentina S.A.

In terms of the segment result development, we are expecting a more consistent result for Writing and Marking in financial year 2014 and a moderate rise in the result for Visual Communication, despite investments in personnel and marketing.

Ahrensburg, 16 April 2014

The Management Board

Per Ledermann

Thorsten Streppelhoff

Sönke Gooss



edding permanent spray

edding permanent spray

Premium

- ✓ deckt schnell
- ✓ trocknet rasch
- ✓ hält dauerhaft innen & außen
- ✓ für fast alle Oberflächen

Peinture

- ✓ couvre rapidement
- ✓ sèche très vite
- ✓ durable à l'intérieur comme à l'extérieur
- ✓ pour presque toutes les surfaces

MADE IN GERMANY



Consolidated Financial Statements

Consolidated statement of financial position as at 31 December 2013

ASSETS	Note	31/12/2013 € '000	31/12/2012 ¹ € '000	01/01/2012 ¹ € '000
Goodwill	9	2,754	2,754	2,979
Other intangible assets	9	610	1,084	893
Property, plant and equipment	10	15,169	15,783	17,368
Other holdings	11	147	147	163
Deferred taxes	31	1,708	1,023	914
Income tax receivables	31	659	771	931
Trade receivables	13	14	55	32
Other receivables and assets	13	3,095	2,331	2,556
NON-CURRENT ASSETS		24,156	23,948	25,836
Inventories	12	27,862	25,994	23,566
Trade receivables	13	18,131	18,407	19,259
Income tax receivables	31	526	414	331
Other receivables and assets	13	1,956	2,467	2,955
Cash and cash equivalents	14	7,925	7,236	8,795
Prepaid expenses and deferred charges	15	1,074	1,004	983
CURRENT ASSETS		57,474	55,522	55,889
TOTAL ASSETS		81,630	79,470	81,725

¹Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

EQUITY AND LIABILITIES	Note	31/12/2013 € '000	31/12/2012 ¹ € '000	01/01/2012 ¹ € '000
Share capital	16	5,366	5,366	5,366
Capital reserves	16	4,246	4,246	4,246
Retained earnings and net earnings	16	32,987	26,631	26,119
Other changes in equity	16	– 3,633	– 735	– 323
Equity attrib, to shareholders of edding AG		38,966	35,508	34,408
Non-controlling interests	16	337	378	459
EQUITY		39,303	35,886	35,867
Provisions for pensions and other obligations	17	14,004	13,770	12,406
Other non-current provisions	18	639	536	512
Non-current financial liabilities	19	5,463	7,156	8,866
Other non-current liabilities	20	277	260	437
NON-CURRENT LIABILITIES		20,383	21,722	22,221
Current financial liabilities	19	2,054	2,733	4,588
Trade payables	20	5,907	7,133	6,431
Other current liabilities	20	13,549	11,932	11,591
Income tax liabilities	31	434	64	1,027
CURRENT LIABILITIES		21,944	21,862	23,637
TOTAL EQUITY AND LIABILITIES		81,630	79,470	81,725

¹Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

**Consolidated income statement
for the period from 1 January to 31 December 2013**

	Note	2013 € '000	2012 ¹ € '000
Sales revenue	23	123,211	117,036
Changes in inventories and own work capitalised	24	457	707
TOTAL OUTPUT		123,668	117,743
Raw materials and consumables used	25	– 48,460	– 45,602
Employee benefits expense	26	– 32,532	– 31,317
Depreciation expense	27	– 2,529	– 4,230
Other operating income	28	5,060	4,383
Other operating expenses	29	– 35,827	– 33,706
Total operating expenses		–114,288	–110,472
OPERATING RESULT (EBIT)		9,380	7,271
Result from other holdings	11	5	15
Net financial result	30	2,233	– 295
Financial result and result from investments		2,238	– 280
PROFIT BEFORE TAX		11,618	6,991
Income taxes	31	– 3,033	– 3,350
PROFIT AFTER TAX		8,585	3,641
of which attributable to:			
Shareholders of edding AG		8,546	3,698
Non-controlling interests		39	– 57
Earnings per share	32	12.86 €	4.78 €

¹Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

**Consolidated statement of comprehensive income
for the period from 1 January to 31 December 2013**

	2013 € '000	2012 ¹ € '000
Profit after tax	8,585	3,641
Items that will not subsequently be reclassified to profit or loss		
Provisions for pensions and similar obligations:		
Actuarial losses	– 478	– 1,896
Deferred taxes	142	564
Items that will subsequently be reclassified to profit or loss		
Difference from currency translation	– 2,119	– 136
Cash flow hedges:		
Fair value changes recognised in other comprehensive income	– 1,016	– 111
Reclassified to profit or loss	– 190	– 309
Deferred taxes	347	120
Other comprehensive income net of tax	– 3,314	– 1,768
Total comprehensive income	5,271	1,873
of which attributable to:		
Shareholders of edding AG	5,312	1,954
Non-controlling interests	– 41	– 81

For more details, see Note 15 to the Consolidated Financial Statements.

¹Adjustment of previous year's figures. For detailed explanations, please refer to Note 8 to the Consolidated Financial Statements.

Consolidated statement of cash flows

Indirect method¹

	2013 € '000	2012 ² € '000
Profit after tax	8,585	3,641
+ depreciation of fixed assets	2,529	4,230
+ increase / – decrease in provisions for pensions	– 102	32
+ /– other non-cash expenses / income	361	821
Cash flow	11,373	8,724
+ loss / – gain from the disposal of fixed assets	71	20
+ decrease / – increase in inventories	– 2,789	– 2,936
+ decrease / – increase in trade receivables	317	744
+ decrease / – increase in other assets	– 156	– 467
+ increase / – decrease in trade payables	– 1,226	1,264
– decrease / + increase in other liabilities	– 605	– 265
Cash flow from operating activities	6,985	7,084
+ cash receipts from the sale of intangible assets and property, plant and equipment	279	60
– cash payments from the acquisition of subsidiaries	–	– 581
– cash payments / + cash receipts for investments in property, plant and equipment	– 1,721	– 1,940
intangible assets	– 176	– 600
financial assets	–	17
Cash flow from investing activities	– 1,618	– 3,044
– dividend payment	– 1,854	– 1,854
+ cash receipts from borrowings	10	107
– cash payments for the redemption of loans	– 1,288	– 3,994
+ cash receipts / – cash payments from current financial liabilities	– 1,095	334
Cash flow from financing activities	– 4,227	– 5,407
Net change in cash and cash equivalents	– 1,140	– 1,367
+ /– effect of exchange rate fluctuations	– 451	– 192
+ cash and cash equivalents at the beginning of the period	7,236	8,795
Cash and cash equivalents at the end of the period	7,925	7,236

¹For explanations see Note 38 to the Consolidated Financial Statements

²Adjustment of previous year's figures. For detailed explanations please refer to Note 8 to the Consolidated Financial Statements.

Statement of changes in equity for the period from 1 January to 31 December 2013

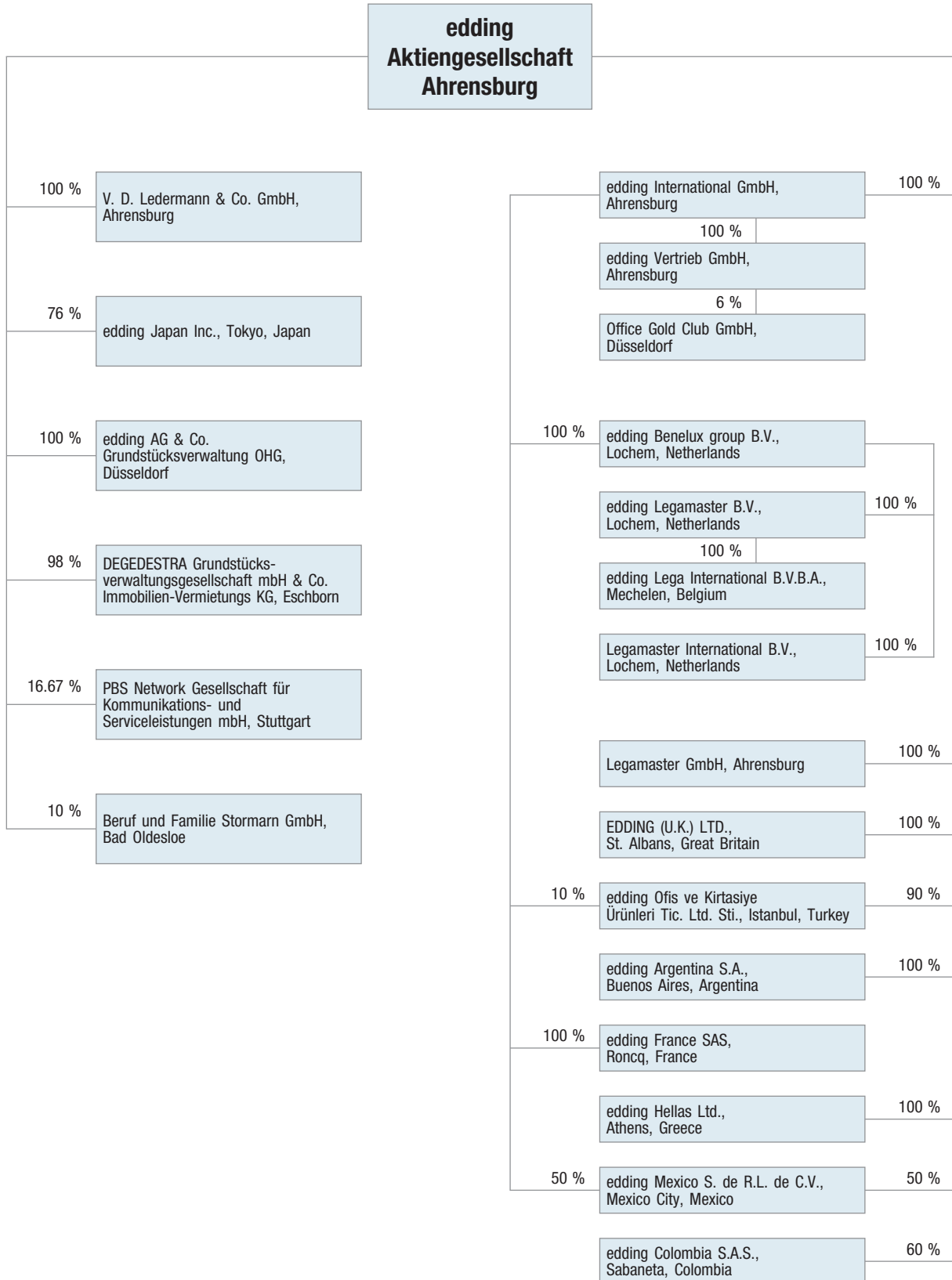
The equity of the edding Group developed as follows in the reporting year:

	Sub- scribed capital	Capital reserves	Retained earnings and net earnings	Cash flow hedge reserve	Currency trans- lation reserve	Equity attrib. to share- holders of edding AG	Non- con- trolling interests	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
01/01/2012	5,366	4,246	25,614	464	- 787	34,903	459	35,362
Adjustment of previous year's figures	-	-	505	-	-	505	-	505
As at 01/01/2012 adjusted	5,366	4,246	26,119	464	- 787	35,408	459	35,867
Profit after tax	-	-	3,698 ¹	-	-	3,698	- 57	3,641
Other comprehensive income	-	-	- 1,332 ²	- 300	- 112	- 1,744	- 24	- 1,768
Total comprehensive income	-	-	2,366	- 300	- 112	1,954	- 81	1,873
Dividend payments	-	-	- 1,854	-	-	- 1,854	-	- 1,854
As at 31/12/2012 adjusted	5,366	4,246	26,631	164	- 899	35,508	378	35,886
Profit after tax	-	-	8,546	-	-	8,546	39	8,585
Other comprehensive income	-	-	- 336	- 859	- 2,039	- 3,234	- 80	- 3,314
Total comprehensive income	-	-	8,210	- 859	- 2,039	5,312	- 41	5,271
Dividend payments	-	-	- 1,854	-	-	- 1,854	-	- 1,854
31/12/2013	5,366	4,246	32,987	- 695	- 2,938	38,966	337	39,303

For more details, see Note 16 to the Consolidated Financial Statements.

¹ Thereof adjustment of previous year's figures amounting to € 89,000
² Thereof adjustment of previous year's figures amounting to € 524,000

Group structure as at 31 December 2013



Notes to the Consolidated Financial Statements

1 Segment reporting

	Writing and Marking € '000	Visual Communication € '000	Total segments € '000	Reconciliation € '000	edding Group € '000
2013					
External sales revenue	94,607	27,998	122,605	606	123,211
Depreciation expense	1,518	118	1,636	893	2,529
Segment result (EBIT)	14,345	1,205	15,550	– 6,170	9,380
2012					
External sales revenue	91,412	24,974	116,386	650	117,036
Depreciation expense	3,087	283	3,370	860	4,230
Segment result (EBIT)	12,418	402	12,820	– 5,549	7,271

As from 2013, licence revenues from the sale of printer cartridges are reported under sales revenue instead of under other operating income, as was previously the case. Therefore the comparative values for sales revenue in the Writing and Marking segment for 2012 increased by € 537,000. Please also refer to Note 8.

For more details on segment reporting, see Note 37.

2 Development of fixed assets (in € '000)

2013	Acquisition costs 01/01/2013	Currency translation	Additions	Transfers	Disposals	Acquisition costs 31/12/2013
Intangible assets						
Goodwill	4,382	– 53	–	–	–	4,329
Customer bases, trademarks	8,181	–	–	–	–	8,181
Other intangible assets	8,980	– 199	118	–	2,740	6,159
Advance payments on intangible assets	–	–	58	–	–	58
	21,543	– 252	176	–	2,740	18,727
Property, plant and equipment						
Land, land rights and buildings including buildings on land owned by others	31,066	– 162	40	– 1	12	30,931
Technical equipment and machinery	23,874	– 288	828	126	349	24,191
Office and other equipment	13,438	– 403	486	1	731	12,791
Advance payments and assets under construction	278	– 20	367	– 126	–	499
	68,656	– 873	1,721	–	1,092	68,412
Financial assets						
Other holdings	147	–	–	–	–	147
	147	–	–	–	–	147
Group fixed assets	90,346	–1,125	1,897	–	3,832	87,286

Accumulated depreciation 01/01/2013	Currency translation	Additions	Disposals	Accumulated depreciation 31/12/2013	Net carrying amounts	
					31/12/2013	31/12/2012
1,628	– 53	–	–	1,575	2,754	2,754
8,181	–	–	–	8,181	–	–
7,896	– 192	293	2,390	5,607	552	1,084
–	–	–	–	–	58	–
17,705	– 245	293	2,390	15,363	3,364	3,838
23,868	– 160	621	12	24,317	6,614	7,198
17,241	– 231	939	349	17,600	6,591	6,633
11,691	– 364	676	730	11,273	1,518	1,747
73	– 20	–	–	53	446	205
52,873	– 775	2,236	1,091	53,243	15,169	15,783
–	–	–	–	–	147	147
–	–	–	–	–	147	147
70,578	–1,020	2,529	3,481	68,606	18,680	19,768

2012	Acquisition costs 01/01/2012	Currency translation	Additions	Transfers	Disposals	Acquisition costs 31/12/2012
Intangible assets						
Goodwill	3,579	– 32	835	–	–	4,382
Customer bases, trademarks	8,181	–	–	–	–	8,181
Other intangible assets	9,065	– 100	573	150	708	8,980
Advance payments on intangible assets	121	–	–	– 121	–	–
	20,946	– 132	1,408	29	708	21,543
Property, plant and equipment						
Land, land rights and buildings including buildings on land owned by others	31,146	– 87	32	–	25	31,066
Technical equipment and machinery	23,136	– 121	1,203	4	348	23,874
Office and other equipment	14,042	– 70	792	124	1,450	13,438
Advance payments and assets under construction	196	– 9	269	– 157	21	278
	68,520	– 287	2,296	– 29	1,844	68,656
Financial assets						
Shares in joint ventures	302	–	–	–	302	–
Other holdings	163	0	3	–	19	147
	465	0	3	–	321	147
Group fixed assets	89,931	– 419	3,707¹	–	2,873	90,346

¹With effect from 5 January 2012, the subsidiary edding Mexico S. de R.L. de C.V. was included in the consolidated accounts of the edding Group as a fully consolidated company. The goodwill totalling € 835,000 generated on initial consolidation was subjected to an impairment test pursuant to IAS 36 at the acquisition date and was impaired in full. The resulting expenses are reported under other operating income in the consolidated income statement and are offset with other contrary effects from initial consolidation. However, in the overview of the development of fixed assets, they are considered as an addition to accumulated depreciation. When this sum of € 835,000 is deducted from the depreciation amount presented here, the result will be the depreciation recorded in the consolidated income statement, amounting to € 4,230,000.

Accumulated depreciation 01/01/2012	Currency translation	Additions	Disposals	Accumulated depreciation 31/12/2012	Net carrying amounts	
					31/12/2012	31/12/2011
600	- 24	1,052	-	1,628	2,754	2,979
8,181	-	-	-	8,181	-	-
8,293	- 95	385	687	7,896	1,084	772
-	-	-	-	-	-	121
17,074	- 119	1,437	687	17,705	3,838	3,872
22,786	- 18	1,122	22	23,868	7,198	8,360
16,143	- 59	1,472	315	17,241	6,633	6,993
12,223	- 54	961	1,439	11,691	1,747	1,819
-	-	73	-	73	205	196
51,152	- 131	3,628	1,776	52,873	15,783	17,368
302	-	-	302	-	-	-
-	-	-	-	-	147	163
302	-	-	302	-	147	163
68,528	- 250	5,065¹	2,765	70,578	19,768	21,403

3 Basis of presentation

As a listed company, edding AG has prepared its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB). The standards of the International Accounting Standards Board (IASB) in London that must be applied on the balance sheet date and the interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) valid for the financial year have been taken into account.

The requirements of the applied standards have been met in full, leading to the presentation of a true and fair view of the results of operations, net assets and financial position of the edding Group.

The object of edding AG and its subsidiaries is the development, manufacture and worldwide distribution of products for writing and marking and visual communication.

The financial year of edding AG and its subsidiaries included in the Consolidated Financial Statements corresponds to the calendar year. edding AG, registered in the Commercial Register of Lübeck Local Court (Amtsgericht) under Number B 2675 AH, is based in Ahrensburg, Germany.

The Consolidated Financial Statements include the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes to the Consolidated Financial Statements. The income statement was drawn up using the total cost (nature of expense) method. In the income statement and the statement of financial position, individual items have been condensed to improve clarity; they are explained in the notes to the Consolidated Financial Statements.

The Consolidated Financial Statements are prepared in Euros. All amounts are given in thousands of Euros (€ '000) unless stated otherwise. In doing so, rounding differences may arise.

The Consolidated Financial Statements are released for publication by the Management Board on 16 April 2014, subject to approval by the Supervisory Board.

With reference to section 264 (3) HGB, the disclosure of the annual financial statements of the following German subsidiaries is dispensed with:

V. D. Ledermann & Co. GmbH, Ahrensburg
edding International GmbH, Ahrensburg
edding Vertrieb GmbH, Ahrensburg

4 Scope of consolidation

Besides edding AG, all of the German and foreign companies of which edding AG directly or indirectly holds the majority of the voting rights, or can otherwise have a controlling influence on their activities, are included in the Consolidated Financial Statements as of 31 December 2013. A controlling influence exists if edding AG has the possibility of determining the financial and business policy of a company so as to derive a benefit from its activities. When determining a controlling relationship, potential voting rights that can currently be exercised or converted are also taken into account. The financial statements of the subsidiaries are included in the Consolidated Financial Statements from the day of obtaining control to the day when the control ends.

In addition to edding AG as parent company, the scope of consolidation includes those German and foreign subsidiaries which are outlined in Note 44 to the Consolidated Financial Statements.

The remaining companies in which edding AG directly or indirectly holds less than 20% of the shares are recognised in the balance sheet as other holdings at amortised cost, as a fair value could not be reliably determined for the holdings on the balance sheet date.

In the financial year, no changes to the scope of consolidation occurred.

5 Consolidation principles

The financial statements of edding AG and the German and foreign subsidiaries are prepared according to uniform accounting and valuation methods.

For capital consolidation purposes, the option provided for in IFRS 1 was utilised, namely that of assuming the first-time consolidation selected under HGB provisions at the transition date (1 January 2004), including the valuations determined at purchase price allocation within the framework of HGB, and continuing this under IFRS – with the exception of goodwill. In accordance with the German Commercial Code (HGB), capital was consolidated using the book value method by offsetting the acquisition costs against the proportion of equity attributable to the parent company at the time of initial consolidation. The difference between the acquisition costs and proportionate equity is allocated to assets insofar as the fair value differs from the book value. Any remaining differences on the assets side are either reported as goodwill or offset against reserves.

Business combinations after the transition date are reported in accordance with IFRS 3. According to this, when consolidating the capital of subsidiaries included for the first time, the acquisition costs of the holdings are offset against the fair values of the acquired assets, assumed liabilities and contingent liabilities. Any excess of the acquisition costs over the net fair values of the acquired assets, assumed liabilities and contingent liabilities is recognised as goodwill. Profit and equity attributable to third parties outside of the Group are recorded under non-controlling interests.

Active companies, in which edding AG has a 20% to 50% share in the voting rights are reported using the equity method (associated companies). Any excess amounts contained in the carrying amounts of the investments in associated companies are recorded using the same principles.

Joint ventures are also consolidated using the equity method.

Receivables, liabilities, income and expenses as well as profits and losses resulting from intragroup transactions are eliminated within the scope of consolidation.

6 Currency conversion

The annual financial statements of the included companies prepared in foreign currencies are converted into Euro in accordance with IAS 21 using the functional currency concept. The functional currency of foreign companies is determined by the primary economic environment in which the companies primarily generate and expend cash. Within the edding Group, the functional currency is the subsidiaries' local currency. Correspondingly, the assets and liabilities in the Consolidated Financial Statements are converted at the closing rates and the income and expenses at the annual average rates.

The resultant exchange differences are recorded in equity without affecting profit or loss. Changes to these differences are shown in the statement of comprehensive income. The cumulative differences can be found in the statement of changes in equity.

If an acquisition took place before 1 January 2004, goodwill arising from this business combination is converted at the rates applicable at the time of acquisition, or otherwise at the closing rate.

The exchange rates used as a basis for currency conversion which have a major influence on the Consolidated Financial Statements developed as follows:

		Closing rate 31/12/2013	Closing rate 31/12/2012	Average rate 2013	Average rate 2012
Great Britain	GBP	0.83	0.82	0.85	0.81
Japan	JPY	144.72	113.61	127.74	103.33
Mexico	MXN	18.07	17.19	16.96	16.83
Turkey	TRY	2.96	2.36	2.52	2.33
Argentina	ARS	8.94	6.48	6.98	5.80
Colombia	COP	2,650.78	2,332.41	2,452.47	2,291.48

In the separate financial statements of the consolidated companies prepared in foreign currencies, receivables and payables are converted into local currency at the rate on the balance sheet date in accordance with IAS 21. The resultant exchange differences are recognised in profit or loss in other operating income and expenses.

The exchange differences attributable to long-term intragroup loan receivables and liabilities in foreign currency contained in separate financial statements prepared in the local currency are recognised directly in equity in the Consolidated Financial Statements in accordance with IAS 21.

7 Accounting policies

With the exception of the changes to the Consolidated Financial Statements explained in Note 8, the same accounting policies have been used for the comparative information of the previous year as for financial year 2013.

Estimates and assumptions

To prepare the Consolidated Financial Statements, a limited number of assumptions and estimates are necessary which affect the recognition, measurement and presentation of assets, liabilities, income and expenses. In doing so, all currently available information is taken into account. Basic assumptions and estimates relate to the assessment of the recoverability of intangible assets, the determination of useful economic lives, the calculation of deferred tax claims, the collectibility of receivables, the recognition and measurement of provisions and pension commitments as well as sensitivity analyses carried out in accordance with IFRS 7. The actual values may differ from the estimates. New information is taken into consideration at the time it comes to light and recognised in profit and loss.

Intangible assets

Goodwill and capitalised development costs, patents, software, licences and similar rights are reported under intangible assets.

Assets with a limited useful life are depreciated systematically using the straight-line method over their useful economic life. They are depreciated over a useful life of between three and five years. Industrial property rights and know-how for production processes of the Writing and Marking segment are systematically depreciated over a useful life of 14 years. Any decreases in value beyond this are taken into consideration through non-scheduled depreciation.

Up to 31 December 2003, goodwill was capitalised in accordance with German accounting rules at acquisition cost and systematically depreciated. The values for the goodwill reported as of 31 December 2003 were established within the scope of the transition from HGB to IFRS on 1 January 2004. The recoverability of the goodwill reported on the balance sheet is investigated at least once a year by means of an impairment test or more frequently if there are signs of a decrease in value.

The development costs for new technologies and products are capitalised as intangible assets, provided the recognition criteria of IAS 38 are met. Capitalised development costs are depreciated systematically using the straight-line method from the commencement of marketing over the expected product life cycle, which is generally four years. Research costs and development costs that cannot be capitalised are expensed in the period when they occurred.

Property, plant and equipment

Tangible assets used in the business for longer than one year are valued at acquisition or manufacturing cost less scheduled and non-scheduled depreciation. Property, plant and equipment are depreciated over their economically useful life using the straight-line method.

Financing costs are taken into consideration as part of the acquisition or construction costs in accordance with IAS 23, insofar as qualified assets exist. Maintenance and repair costs are recognised as an expense.

Gains and losses from the disposal of assets are reported under other operating income or expenses.

Scheduled depreciation is mainly based on the following useful lives:

	in years
Factory and office buildings	25
Technical equipment and machinery	6 to 13
Office and other equipment	3 to 16

If there is an indication of an impairment and the recoverable amount is lower than the amortised acquisition or construction costs, the property, plant and equipment are written down to the recoverable amount.

Impairment

In the case of all intangible assets (including capitalised development costs) and all items under property, plant and equipment, the recoverability of the carrying amount is systematically reviewed at the end of each financial year. If the recoverable amount of the asset is lower than the carrying amount, non-scheduled depreciation is carried out. The recoverable amount of the asset is the higher of the asset's fair value less costs to sell and its value in use, i.e. the present value of the estimated net cash flows from the asset.

If the asset is part of an independent cash-generating unit, the depreciation is determined based on the recoverable amount of this cash-generating unit. In cases where the recoverable amount of the cash-generating unit falls below the carrying amount, an impairment loss equal to the difference exists. For the purposes of the impairment test, the recoverable amount of the cash-generating unit is generally calculated with the aid of a discounted cash flow method. In the financial year 2013, with the exception of Argentina, a discount interest rate (weighted average cost of capital [WACC]) of 9.52% (previous year: 9.40%) was used. A WACC of 11.43% was applied for the subsidiary in Argentina due to the differing capital structure. In addition, country-specific risk premiums and growth discounts are determined.

In the process, cash flow projections are made over the estimated useful life of the asset or the cash-generating unit. The forecasts are based on the company's planning for the following three financial years, taking into account current trends, and are discounted to present value. The discount rate used takes account of the risks associated with the asset or the cash-generating unit. The determined cash flows reflect management assumptions and are backed up by external information sources. As a first step, the goodwill, assigned where applicable to a cash-generating unit, is written down by the determined impairment amount which is recognised in profit or loss. Any remaining residual amount is distributed over the other assets of the respective cash-generating unit in proportion to their carrying amounts. As the recoverable amount clearly exceeds the carrying value of the cash-generating unit, a sensitivity analysis was not carried out. The impairment loss is recognised in the consolidated income statement under depreciation expense.

If the reasons for impairment are obsolete, the impairment loss is reversed up to the amount of the acquisition or construction costs amortised by scheduled depreciation (IAS 36). The reversal of an impairment loss recognised for goodwill is not allowed.

Leasing

The classification and therefore reporting in the balance sheet is based on the assignment of economic ownership. In accordance with IAS 17, economic ownership of leased items is assigned to the lessee if the latter essentially bears all of the risks and rewards arising from the leased item which are connected with ownership (finance lease agreements). In the case of operating lease agreements, economic ownership lies with the lessor and the leasing payments are fully recognised in the lessee's income statement as an expense. By contrast, items arising from finance lease agreements are capitalised at the lower of their fair value or the present value of the minimum lease payments and depreciated over the term of the lease agreement. The lease liabilities are, on acquisition, initially recognised as liabilities at the same amount under the item financial liabilities. The finance charge (interest share) of the lease liabilities is reported over the term of the lease in the consolidated income statement.

Financial assets

If there are shares in joint ventures or associated companies, they are also recognised using the equity method. Shares are reported in the balance sheet at acquisition cost plus any changes to the Group's share in the net assets occurring after the acquisition. The Group's share in the companies' success is reported in the results for the period in "Result from associated companies and joint ventures". When applying the equity method, the edding Group ascertains whether an additional impairment loss has to be taken into account with respect to the Group's net investment.

The other holdings in non-consolidated companies reported under financial assets are classified as available for sale in accordance with IAS 39. In accordance with IAS 39, these financial instruments are recorded at fair value with changes in fair value basically being recognised in other comprehensive income. If a fair value cannot be reliably determined for the holdings on the balance sheet date, they are recognised at acquisition cost in the statement of financial position.

Financial derivatives

Financial derivatives within the meaning of IAS 39 are only of minor importance within the edding Group. They are mainly concluded in connection with corresponding underlying transactions and are used solely to reduce result volatility.

Part of the procurement of goods for the Writing and Marking business segment is carried out in the Far East. The associated exchange rate risks are partially hedged by concluding currency options and forward exchange transactions. In addition, in the edding Group, material interest rate risks are secured through interest rate swaps.

Financial derivatives are measured in accordance with IAS 39 at the time of acquisition and in subsequent periods at fair value (market value) in accordance with IFRS 13. The profit or loss resulting from the valuation is recognised immediately in profit and loss unless the derivative is designated and effective as a hedging instrument within the scope of hedge accounting. In the event of the existence of a hedging relationship in accordance with IAS 39 for the hedging of cash flows (cash flow hedge), the effective part of the change in market value of the derivative is recognised directly in equity, taking into account deferred taxes. The ineffective part is recognised in profit or loss. The effective part is also recognised in profit or loss with the realisation of the underlying transaction.

A derivative is reported as a non-current asset or non-current liability if the remaining term of the instrument is more than twelve months and it is not expected to be realised or transacted within twelve months. Otherwise derivatives are reported as current assets or current liabilities.

Inventories

Inventories of raw materials and supplies and merchandise are measured at their average acquisition cost, taking into account lower net realisable values. Unfinished and finished goods are measured at the lower of cost and net realisable values. Cost includes all costs directly attributable to the manufacturing process as well as reasonable parts of the production-related overheads. Financing costs are not taken into consideration as part of cost. The net realisable value represents the estimated selling price of the inventories less all estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables and other receivables

Trade receivables and other receivables are receivables which are not held for trading purposes. They are reported in the statement of financial position at amortised cost. Non-interest-bearing or low interest-bearing receivables with terms of more than one year are discounted. Individual bad debt provisions are only made if receivables are unrecoverable in full or in part or unrecoverability is likely, although it must be possible to determine the amount of the bad debt provision with sufficient accuracy. In addition, general bad debt provisions are created in accordance with IAS 39. Receivables in foreign currency are converted at the closing rate with exchange rate differences recognised in profit or loss.

Deferred taxes

Deferred tax assets and liabilities are recognised in accordance with IAS 12 for all temporary differences between the tax and the balance sheet amounts, on tax losses carried forward and on consolidation measures affecting income. Deferred tax assets are only recorded in the amount in which they are likely to be realisable in the future on the basis of them being offset against taxable profits. This probability must be underpinned by corresponding business plans or, if there is a history of losses, by further substantial proof. The tax rates at the time of realisation of the asset or the fulfilment of the debt which apply or are notified on the basis of the current legal situation in the individual countries are taken as a basis for measurement of deferred taxes. Deferred taxes referring to items recognised directly in equity are also recognised directly in equity.

Provisions for pensions

Provisions for pensions and similar obligations are measured on the basis of actuarial calculations according to the projected unit credit method for defined benefit pension plans, taking into account the salary and pension trend as well as fluctuation. The interest rate is based on the conditions on the respective capital market for long-term securities.

In the case of unit-linked pension plans where the assets used to cover obligations do not meet all the necessary conditions to be recognised as plan assets pursuant to IAS 19, the unit-linked plans are valued at the fair value of the underlying assets as long as the fair value does not fall below the guaranteed minimum commitments.

edding AG has recognised the actuarial gains and losses arising from defined benefit pension plans in full in other comprehensive income according to IAS 19R. The actuarial gains and losses are thus reported as a separate change in equity in the statement of comprehensive income outside the income statement. Deferred taxes are calculated on the recognised change in value of the pension provisions, which are also recorded in other comprehensive income.

Other provisions and tax provisions

Other provisions and provisions for taxes are created if a present obligation to a third party exists, it is likely that it will be claimed and the level of the expected outflow of resources can be reliably estimated. If the obligation contains an interest share, the provision is measured at present value.

If the reason for an obligation is beyond doubt, but the amount or term of the obligation has not been clearly specified, this will be shown as accruals under the other current liabilities.

Liabilities

At initial recognition, liabilities and loans are measured at fair value less the transaction costs directly connected with the borrowing.

In accordance with IAS 39, after initial recognition, liabilities and loans are measured at amortised acquisition cost, which essentially correspond to their fair values. Liabilities arising from finance lease agreements are recognised at the present value of the minimum lease payments, if this is lower.

Revenue and expense recognition

Sales revenue is recognised at the time when the service is rendered and the risk passes to the customer less any reductions such as bonuses, discounts or sales deductions. Interest income and expenses are recognised in the period in which they accrue. Dividends are collected when the legal entitlement comes into effect. Operating expenses are recognised in profit or loss when the service is utilised or at the time when they are incurred.

Government grants

Government grants are only reported in accordance with IAS 20 if there is reasonable assurance that the conditions attaching to them will be met and that the grants will be received. They are deferred and recognised in profit or loss in the periods in which the expenses that are to be compensated by the grants are accrued.

Effects of new and amended IFRSs

All of the accounting standards which had to be applied by the balance sheet date 31 December 2013 were applied for financial year 2013. We refrained from the premature application of standards that were not yet mandatory as of 31 December 2013. Starting with the financial year 2013, the following standards and interpretations newly published or revised by the IASB and endorsed by the European Union had to be applied for the first time:

Standard / Interpretation	Content of reform / revision	Mandatory application
IAS 1 ¹	Presentation of items of other comprehensive income	01/07/2012
IFRS 1 ¹	Government loans as well as severe hyperinflation and removal of fixed dates for first-time adopters	01/01/2013
IFRS 7 ¹	Disclosures: offsetting financial assets and financial liabilities	01/01/2013
IFRS 13	Fair value measurement	01/01/2013
IAS 12 ¹	Income taxes: deferred taxes – recovery of underlying assets	01/01/2013
Miscellaneous	Annual improvements to the IFRS (2009-2011 cycle)	01/01/2013
IAS 19 ¹ (IAS 19R)	Employee benefits (revised 2011)	01/01/2013
IFRIC 20	Stripping costs in the production phase of a surface mine	01/01/2013

The revised IAS 1, applicable for the first time in financial year 2013, will only lead to minor changes to the presentation of other comprehensive income. The changes require the items shown in other comprehensive income to be divided into items that will be reclassified to the consolidated income statement at a later date (so-called recycling) and items where this is not the case. The deferred taxes connected to these items must also be split. This will not have any impact on the Group result or the Group equity.

The first application of IAS 19R requires both quantitative adjustments and an extension of the disclosures in the notes to the financial statements. For the quantitative effects of the initial application of IAS 19R, please refer to Note 8 “Adjustment based on IAS 19 Employee benefits”.

The changes and amendments to the disclosures in the notes on provisions for pension commitments require the preparation of a sensitivity analysis as regards the influence of actuarial parameters on the amount of this liability for defined benefit pension plans. Furthermore, disclosures are required on the cash flows to be expected in future, employer contributions to defined benefit pension plans and the duration of the pension obligation.

¹Amendments to a standard

The net interest result of pension provisions in the edding Group will continue to be recorded in employee benefits expense once the IAS 19R has come into force. The abolition of the corridor method had no impact.

With the exception of additional disclosures in the notes, there will be no changes to the consolidated financial statements due to the first-time application of IFRS 1, IFRS 7, IFRS 13, IAS 12, IFRIC 20 or the improvements to the IFRS (2009-2011 cycle).

New and amended IFRSs not applied

The IASB and the IFRIC have approved other standards, revisions and interpretations with possible relevance for the edding Group which were not yet mandatorily applicable in the financial year 2013:

Standard / Interpretation	Content of reform / revision	Mandatory application	Adoption by the EU	Expected effects
IFRS 10/11/12	Transition guidance	01/01/2014	yes	none
IFRS 10	Consolidated financial statements	01/01/2014	yes	Minor changes and additions to the disclosures in the notes on the scope of consolidation and the shareholdings
IFRS 11	Joint arrangements	01/01/2014	yes	none
IFRS 12	Disclosures of interests in other entities	01/01/2014	yes	Minor changes and additions to the disclosures in the notes on the scope of consolidation and the shareholdings
IAS 27 ¹	Separate financial statements (revised 2011)	01/01/2014	yes	none
IAS 28 ¹	Investments in associates and joint ventures (revised 2011)	01/01/2014	yes	none
IAS 32 ¹	Presentation: offsetting financial assets and financial liabilities	01/01/2014	yes	none

¹ Changes to a standard

Standard / Interpretation	Content of reform / revision	Mandatory application	Adoption by the EU	Expected effects
IAS 36 ¹	Impairment of assets – disclosures on the recoverable amount for non-financial assets	01/01/2014	yes	none
IAS 39 ¹	Financial instruments: recognition and measurement - novation of derivatives and continuation of hedge accounting	01/01/2014	yes	none
IFRIC 21	Levies	01/01/2014	no	none
Miscellaneous	Annual improvements to IFRS (2010 – 2012 cycle)	01/07/2014	no	none
Miscellaneous	Annual improvements to IFRS (2011 – 2013 cycle)	01/07/2014	no	none
IFRS 14	Regulatory deferral accounts	01/01/2016	no	none
IFRS 9	Financial instruments	01/01/2018	no	Owing to the uncertainty regarding the final standard no evaluation of the effects has been carried out so far

The edding Group will apply the above-mentioned standards and interpretations starting from the reporting period when they become mandatorily applicable.

¹ Changes to a standard

8 Adjustment of previous year's figures

Adjustment based on IAS 19 "Employee benefits"

The comparative figures from the previous year were adjusted in the Consolidated Financial Statements as at 31 December 2013 as a result of the first-time application of IAS 19R „Employee Benefits“ as at 1 January 2013. The adjustment relates to qualifying insurance contracts of the Dutch subsidiaries, which are to be classified as defined contribution pension plans but which, based on the wording of IAS 19, which was applied up to 31 December 2012, were classified as defined benefit pension plans.

The adjustment due to the first-time application of IAS 19R was carried out retrospectively in accordance with IAS 8.19 et seq. as at 1 January 2012 against retained earnings without any impact on profit or loss and in the comprehensive income for financial year 2012. Following the retrospective adjustment, no liabilities and no plan assets from the pension plans of the Dutch subsidiaries are included in the consolidated statement of financial position of the edding Group.

€ 3,459,000 of pension commitments, corresponding plan assets of € 2,786,000 as well as attributable deferred tax assets of € 168,000 had to be removed from the balance sheet with retroactive effect from 1 January 2012.

The following table explains the adjustments of the affected balance sheet items (before offsetting) in the opening balance sheet of the adjusted previous year:

	01/01/2012 reported € '000	01/01/2012 adjusted € '000
Deferred tax assets	3,093	2,925
Equity	35,362	35,867
Pensions and similar obligations	13,079	12,406

After offsetting the deferred tax assets and liabilities, the total assets as at 1 January 2012 were reduced from € 81,893,000 to € 81,725,000.

At the end of the previous year the following adjustment effects on the affected balance sheet items (before offsetting) are to be noted:

	31/12/2012 reported € '000	31/12/2012 adjusted € '000
Deferred tax assets	3,108	2,736
Equity	34,768	35,886
Pensions and similar obligations	15,260	13,770

After offsetting the deferred tax assets and liabilities, the total assets as at 31 December 2012 were reduced from € 79,842,000 to € 79,470,000.

The following overview shows the effects from the adjustment of the previous year's figures on the relevant items of the consolidated income statement:

	2012 reported € '000	2012 adjusted € '000
Employee benefits expense	– 31,436	– 31,317
Income taxes	– 3,320	– 3,350
Profit after tax	3,552	3,641

The earnings per share of the adjusted previous year are as follows:

	2012 reported € '000	2012 adjusted € '000
Profit after tax	3,552	3,641
of which attributable to:		
Shareholders of edding AG	3,609	3,698
Non-controlling interests	– 57	– 57
Earnings per share (acc. to IAS 33, for ordinary shares)	4.64 €	4.78 €

The changes to the consolidated statement of comprehensive income for the previous year are as follows:

	2012 reported € '000	2012 adjusted € '000
Profit after tax	3,552	3,641
Provisions for pensions and similar obligations:		
Actuarial losses	– 2,594	– 1,896
Deferred taxes	738	564
Total comprehensive income	1,260	1,873
of which attributable to:		
Shareholders of edding AG	1,341	1,954
Non-controlling interests	– 81	– 81

Adjustment through reclassification of licence income

edding International GmbH generates income from the sale of compatible printer cartridges within the scope of an existing licence model. Since financial year 2013 this revenue has been reported in the area of sales revenue under Other Office Products, and no longer under other operating income. The change in reporting leads from the point of view of the company to a more accurate presentation of the net assets, financial position and results of operations, as the scale of the business has increased considerably over time.

For the consolidated income statement for the previous year, this approach resulted in a reclassification not affecting profit or loss of € 537,000 from other operating income to sales revenue. The two items for 2012 are as follows:

	2012 reported € '000	2012 adjusted € '000
Sales revenue	116,499	117,036
Other operating income	4,920	4,383

Notes to the consolidated statement of financial position

9 Intangible assets

The breakdown of the asset items summarised in the balance sheet and their development in the years 2013 and 2012 are outlined in the notes under note 2.

Other intangible assets reported in edding AG's consolidated fixed asset schedule mainly relate to industrial property rights and know-how for production processes of the Writing and Marking segment amounting to € 117,000 (previous year: € 172,000) and software amounting to € 435,000 (previous year: € 563,000).

The goodwill carrying amounts relate to the Dutch subsidiary to the sum of € 2,754,000 (previous year: € 2,754,000). The goodwill is subjected to a regular impairment test in accordance with IAS 36. The values in use of the subsidiaries represent the recoverable amounts. For a description of the procedure and the relevant parameters, please refer to Note 7 of the accounting policies.

Based on the impairment test in the current financial year, there was no need to decrease the value of the goodwill attributed to the Dutch subsidiary.

In the year under review no development expenses were capitalised (previous year: € 166,000), as the requirements pursuant to IAS 38 could not be met. For the same reason the development expenses capitalised in the previous year were retired in the reporting year. The total research and development expenditure accrued in the 2013 financial year amounted to € 734,000 (previous year: € 1,083,000), which were fully recognised (previous year: € 917,000) as an expense.

10 Property, plant and equipment

edding AG has its headquarters on company land in the industrial area of Ahrensburg. The land has been encumbered with a land charge in favour of commercial banks of € 8,181,000 (previous year: € 8,181,000). As at the balance sheet date, secured loans were valued at € 4,450,000 (previous year: € 5,250,000).

The property of DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG in Wunstorf is encumbered with land charges in favour of commercial banks of € 5,522,000 (previous year: € 5,522,000). As at the balance sheet date, the forfeited lease payments were valued at € 1,007,000 (previous year: € 1,418,000).

Land charges exist in favour of commercial banks totalling € 6,953,000 (previous year: € 6,953,000) for the property of edding AG & Co. Grundstücksverwaltung OHG in Bautzen. As at the balance sheet date, the corresponding loans were valued at € 1,347,000 (previous year: € 1,802,000).

There were no restrictions on rights of disposal for property, plant and equipment. No assets that had to be classified as “held for sale” in accordance with IFRS 5 were identified in the 2013 financial year. No property, plant or equipment were permanently shut down. As of 31 December 2013 there were no material contractual obligations for the acquisition of property, plant and equipment.

In the reporting year € 227,000 (previous year: € 282,000) of the government grants (Investment Subsidy Act) were reported as deferred income. Of the deferred income, € 60,000 (previous year: € 61,000) was released to profit or loss in the 2013 financial year.

11 Shares in joint ventures and other holdings

Holdings in non-consolidated companies are classified as “available for sale” in accordance with IAS 39 and contain non-listed equity instruments, the fair value of which could not be reliably determined in the absence of an active market or other information indicating a market value. The shares were therefore reported on the balance sheet date at acquisition cost of € 147,000 (previous year: € 147,000).

12 Inventories

Reported inventories were as follows:

	31/12/2013 € '000	31/12/2012 € '000
Raw materials and supplies	3,028	3,275
Work in progress	709	689
Finished goods and goods purchased for resale	24,125	22,030
	27,862	25,994

There are no restrictions on ownership or disposal. Likewise, no inventories were pledged as collateral for liabilities. As at the balance sheet date there were valuation allowances due to lower net realisable values of € 3,073,000 (previous year: € 2,152,000). The changes in valuation allowances are recorded in expenses for raw materials and consumables used.

Inventories are adjusted on the basis of coverage analyses and individual estimates. In the financial year 2013, inventories totalling € 921,000 (previous year: € 241,000) were recognised as expense in profit or loss. Value adjustments reported in previous periods amounting to € 0,000 (previous year: € 103,000) were eliminated through profit or loss.

13 Trade receivables / Other receivables and assets

	31/12/2013 € '000	31/12/2012 € '000
Trade receivables	18,145	18,462
Other receivables and assets	5,051	4,798
	23,196	23,260
Of which with a remaining term of:		
up to 1 year	20,087	20,874
more than 1 year	3,109	2,386

Other receivables and assets were composed as follows:

	31/12/2013 € '000			31/12/2012 € '000		
	Total	of which non- current	of which current	Total	of which non- current	of which current
Asset values of insurance policies / securities-based fund financing the company pension scheme	2,331	2,294	37	1,775	1,775	–
Tax office receivables	491	–	491	961	–	961
Staff loans	520	435	85	404	120	284
Securities	463	–	463	–	–	–
Supplier receivables	348	–	348	481	–	481
Receivables from the sale of Olivagro S.A.	241	205	36	280	243	37
Rent deposits	180	93	87	192	94	98
Derivatives	68	68	–	177	96	81
Advance payments	39	–	39	116	–	116
Bonuses from suppliers	–	–	–	95	–	95
Investment grants	–	–	–	11	–	11
Other	370	–	370	306	3	303
	5,051	3,095	1,956	4,798	2,331	2,467

In the case of existing default and transfer risks, receivables and other assets are valued at the lower realisable amount, taking into account individual bad debt provisions. As of 31 December 2013, bad debt provisions amounting to € 1,350,000 (previous year: € 1,411,000) were recorded on trade receivables.

In the case of supplier receivables, bad debt provisions on loan receivables amounting to € 206,000 were released through profit or loss in the financial year 2013 (previous year € 199,000). There are therefore no longer any bad debt provisions in place for supplier receivables (previous year: € 206,000).

No additional bad debt provisions on other receivables and assets were set up.

As in the previous year, no significant ownership and disposal restrictions exist.

There is no material concentration of default risks in the edding Group, as they are spread over a large number of contracting parties and customers.

The following overview shows the development of bad debt provisions on trade receivables:

	2013 € '000	2012 € '000
Balance as at 01/01	1,411	1,377
Additions recognised as an expense	257	227
Utilisation	– 227	– 205
Release	– 91	– 73
Consolidation effects	–	85
Balance as at 31/12	1,350	1,411

The ageing structure of trade receivables is as follows:

	31/12/2013 € '000	31/12/2012 € '000
Neither past due nor impaired	16,694	15,168
Past due, not individually impaired in the following time brackets:		
< 1 month	796	1,473
1 - 3 months	473	1,158
3 - 6 months	134	276
6 - 12 months	18	82
> 12 months	30	305
Total	1,451	3,294
Individually impaired receivables	–	–
Net book value	18,145	18,462

As regards the portfolio of trade receivables being neither past due nor impaired, there were no indications on the balance sheet date that the debtors would not be able to fulfil their payment obligations. As in the previous year, receivables whose recoverability is classified as unlikely from the point of view of the edding Group were fully impaired.

Apart from the written-down balances, no overdue claims existed for other receivables and assets as of the balance sheet date.

14 Cash and cash equivalents

Cash in hand, cheques and immediately disposable bank deposits are reported as liquid assets.

The amount shown in the consolidated statement of financial position of € 7,925,000 (previous year: € 7,236,000) mainly relates to bank deposits.

15 Prepaid expenses and deferred charges

Other prepaid expenses and deferred charges mainly contain insurance premiums, rents, marketing costs and maintenance costs paid in advance.

16 Equity

The development of equity in the 2013 financial year can be found in the statement of changes in equity.

Share capital amounted to € 5,366,000 on the balance sheet date (previous year: € 5,366,000). It is divided into 600,000 ordinary shares and 473,219 preference shares each with a notional amount of € 5.00 per share. All shares are bearer shares. The preference shares have no voting rights. The characteristics of the shares are outlined in article 19 of the articles of association.

The capital reserve includes the amounts generated over and above the nominal amount when issuing preference and ordinary shares.

The currency translation reserve is the result of currency conversion for the financial statements of foreign subsidiaries.

The retained earnings contain the results generated in the past by the companies included in the Consolidated Financial Statements, unless they have been distributed. Furthermore, some of the positive differences arising from the capital consolidation which occurred prior to the switch to IFRS are set off in the retained earnings. In addition, actuarial gains and losses from pension provisions in accordance with IAS 19 are fully recognised in equity in the retained earnings. The corresponding deferred taxes are also recognised in equity.

A cash flow hedge reserve is set up and recognised directly in equity, taking into account the occurrence of deferred tax effects. The reserve contains unrealised gains from derivatives which meet the requirements of hedge accounting in accordance with IAS 39.

In the 2011 financial year, edding AG granted the Turkish subsidiary a loan valued in Euros, which is seen as part of a net investment in the foreign operation. The resultant exchange differences have since been recognised in other comprehensive income in the Consolidated Financial Statements and therefore in equity in a reserve, in accordance with IAS 21. In line with the criteria contained in the standard, they are reclassified from equity to profit or loss in subsequent periods. The arising deferred taxes are accounted for accordingly.

The non-controlling interests of the Japanese and Colombian subsidiaries are presented in equity.

The contribution to earnings from other comprehensive income attributable to non-controlling interests relates to the currency conversion.

17 Provisions for pensions

edding AG, the German Group companies edding International GmbH, edding Vertrieb GmbH, Legamaster GmbH and V. D. Ledermann & Co. GmbH have various pension plans, the majority of which are regulated in individual and collective agreements regarding defined benefit pension schemes for members of the Management Board, managers and employees. In the case of collective pension obligations, the level of pension payment is determined by the length of service and by the future estimated salary and pension trends.

When assessing the promised benefits, they are subdivided into unit-linked and non-unit-linked commitments. The promised benefits which are not unit-linked are actuarially calculated each year using the projected unit credit method. The unit-linked pension provisions are measured at the fair value of the securities as long as the fair value does not fall below the guaranteed minimum amount. The underlying securities do not qualify as plan assets according to the criteria of IAS 19. The fair value of the securities amounted to € 2,294,000 (previous year: € 1,751,000) as at the balance sheet date.

Company pensions are financed partly by reinsurance policies for the Management Board and managing directors and by funds, currently made up exclusively of securities, for staff. The risks are countered by reviewing the pension plans on a regular basis and adjusting them accordingly when necessary. The securities portfolio is managed by a professional asset manager. The value of the securities is continuously monitored and countermeasures are initiated before the securities fall below the value calculated on the basis of the minimum rate of return.

The actuarial gains and losses from the defined benefit pension commitments are completely offset against equity without any impact on profit or loss and recognised in the consolidated statement of comprehensive income outside the consolidated income statement. The deferred taxes arising from this context are also recognised in equity.

The Group's pension commitments are subdivided into unit-linked pension plans and those which are financed by provisions as follows:

	31/12/2013 € '000	31/12/2012 € '000
Present value of individual commitments	11,710	12,019
Present value of unit-linked pension commitments	2,294	1,751
Defined benefit obligation = balance sheet liability	14,004	13,770

The present value of future pension payments overall is as follows:

	2013 € '000	2012 € '000
Defined benefit obligation (DBO) 01/01	13,770	12,494
Current service cost	154	168
Interest cost of expected pension commitment	413	552
Change in value of the additional obligation from securities	306	– 164
Transfer of accrued benefits	–	– 80
Actuarial losses	478	1,896
Benefits paid	– 1,142	– 1,117
Employee contributions	25	21
Defined benefit obligation (DBO) 31/12	14,004	13,770

The current service cost of € 30,000 (previous year: € 43,000) relate to members of the Management Board.

The defined benefit obligation includes cumulative actuarial losses amounting to € 2,561,000 (previous year: cumulative losses of € 2,083,000), which were recognised directly in equity. The corresponding deferred tax effects were also recognised directly in equity. The change in actuarial losses results in particular from the reduction of the discount rate, which is shown in the table below.

The pension commitment is calculated using actuarial methods by independent experts, taking into account the assumptions below. These calculation parameters are estimated annually:

	31/12/2013	31/12/2012
Discount rate	3.1 % - 3.6 %	3.1 % - 3.7 %
Salary increases trend	0,0 %	0,0 %
Pension increases trend	0.0 % - 1.9 %	0.0 % - 1.9 %

As in the previous year, Prof. Dr. Klaus Heubeck's guideline tables (2005 G mortality tables) will continue to be used as the basis for the calculation. In addition, the probability of fluctuation has been estimated specific to age and gender. The salary increase trend covers expected future salary increases, which are estimated on the basis of factors such as inflation, and is zero, as the non-unit-linked pension commitments solely relate to current pensions.

The funded status of the plan assets developed as follows:

	2013 € '000	2012 € '000
Balance as at 01/01	–	77
Return on plan assets	–	3
Employer contributions	–	–
Employee contributions	–	–
Transfer	–	– 80
Benefits paid	–	–
Actuarial gains	–	–
Administration costs	–	–
Balance as at 31/12	–	–

The net pension expenses (including interest cost) are presented in the Consolidated Income Statement as employee benefits expense as well as in the net financial result (development of the securities acquired to cover pension commitments) and comprise the following:

	2013 € '000	2012 € '000
Current service cost	154	168
Interest cost for expected pension commitment	413	552
Return on plan assets	–	– 3
Net pension expense	567	717

The current contributions for defined contribution pension schemes are reported as an expense in employee benefits expense in the relevant financial year, and amounted to € 1,783,000 in the 2013 financial year (previous year: € 1,626,000). They mainly concern contributions to state pension insurance institutions based on statutory obligations.

A change in the above-mentioned calculation parameters by 100 basis points (discount rate) or by 25 basis points (trend in pension increases) would increase or reduce the projected defined benefit obligation by the following amounts:

Change in the DBO	Increase/ decrease	31/12/2013 € '000
Discount rate	– 100 BP	1,186
	+ 100 BP	– 1,026
Pension increase trend	+ 25 BP	201
	– 25 BP	– 195

A change in life expectancy by 1 year would have the following effects:

Change in the DBO	Increase/ decrease	31/12/2013 € '000
Life expectancy	+ 1 year	676
	– 1 year	– 664

The sensitivities are calculated using the same actuarial methods as for the calculation of the pension commitments recorded in the consolidated statement of financial position. Because of the compound interest effect, in particular, the increase and decrease in the interest rates do not have the same absolute effect. If several assumptions change simultaneously, the cumulative effect does not necessarily correspond to the sum of the individual effects. Furthermore, a change in the projected benefit obligation is not necessarily linear to a change in the assumptions.

Employer contributions to defined benefit pension plans are expected to be € 181,000 for financial year 2014.

The average weighted duration of the pension obligation is 13.5 years. The expected benefit payments are shown in the following table:

Expected benefit payments	31/12/2013 € '000
2014	1,215
2015	1,133
2016	1,098
2017	1,059
2018	1,016
2019-2023	4,282

18 Other current and non-current provisions

The other non-current provisions developed as follows:

	Other non-current provisions € '000
01/01/2012	512
Utilisation	– 71
Release	– 15
Currency differences	3
Addition	107
31/12/2012	536
Utilisation	– 62
Release	– 3
Currency differences	– 25
Addition	193
31/12/2013	639

Other non-current provisions mainly cover provisions for anniversary payments. Anniversary commitments were actuarially calculated as “other long-term employee benefits” using the projected unit credit method with a discount rate of 3.6% (previous year: 3.7%), taking into account a salary increase of 2.0% p.a. (previous year: 2.0% p.a.) and an estimated company-specific fluctuation. The employer’s social security contributions attributable to anniversary payments are included in the assessment.

19 Current and non-current liabilities

The financial liabilities comprise the following:

	31/12/2013 € '000	31/12/2012 € '000
Liabilities to banks	6,510	8,471
Of which remaining term up to 1 year	1,611	2,322
remaining term 1 - 5 years	3,399	4,149
remaining term more than 5 years	1,500	2,000
secured by a mortgage	5,797	7,052
Other financial liabilities	1,007	1,418
Of which remaining term up to 1 year	443	411
remaining term 1 - 5 years	564	1,007
remaining term more than 5 years	–	–
secured by a mortgage	1,007	1,418

Liabilities to banks with a term of more than one year are used to finance both the operational and administrative buildings and the expansion of inventories.

As in the previous year, the other financial liabilities in the 2013 financial year merely include forfeited lease payments for financing a property.

20 Trade payables / Other current and non-current liabilities

	31/12/2013 € '000	31/12/2012 € '000
Trade payables	5,907	7,133
Of which remaining term up to 1 year	5,907	7,133
Other liabilities	13,826	12,192
Of which remaining term up to 1 year	13,549	11,932
remaining term 1 - 5 years	208	171
remaining term more than 5 years	69	89

Other current and non-current liabilities include accruals of € 11,089,000 (previous year: € 10,019,000). The exchange of services has already taken place, but not been billed yet. Essentially, these are ex-gratia payments, marketing allowances, bonuses and employee benefits. Compared to provisions, there is a considerably higher degree of certainty with respect to the amount and timing required for fulfilment of the obligation. Accruals include the following main items:

	31/12/2013 € '000	31/12/2012 € '000
Bonus allowances and marketing allowances	4,844	4,414
Performance-based and one-off employee remuneration	3,591	2,793
Holiday pay and time credits	868	903
Other	1,786	1,909
	11,089	10,019

21 Contingent liabilities and commitments

As at the balance sheet date, there were contingent liabilities arising from granted guarantees of € 244,000 (previous year: € 244,000).

There were no other contingent liabilities or commitments.

22 Other financial obligations

Other financial obligations are expenses arising from operating lease obligations for the car fleet, warehouse technology and software as well as rental obligations. The obligations are due as follows:

	31/12/2013 € '000	31/12/2012 € '000
Lease obligations		
remaining term up to 1 year	1,149	1,112
remaining term 1 - 5 years	1,134	1,506
remaining term more than 5 years	–	–
	2,283	2,618
Rent obligations		
remaining term up to 1 year	1,049	786
remaining term 1 - 5 years	1,939	2,339
remaining term more than 5 years	8	–
	2,996	3,125

In the 2013 financial year, expenses from operating lease contracts amounted to € 2,418,000 (previous year: € 2,330,000).

Future income from subletting due in the years 2014 to 2017 amounts to € 593,000 (previous year: € 818,000 due in the years 2013 to 2017).

Notes to the consolidated income statement

23 Sales revenue

	2013 € '000	2012 € '000	Change € '000	Change %
Writing and Marking				
Germany	36,308	35,168	1,140	3.2
Other European countries	40,807	41,755	– 948	– 2.3
Overseas	10,810	9,394	1,416	15.1
	87,925	86,317	1,608	1.9
Visual Communication				
Germany	11,482	10,468	1,014	9.7
Other European countries	15,453	13,498	1,955	14.5
Overseas	1,063	1,008	55	5.5
	27,998	24,974	3,024	12.1
Other Office Products	7,288	5,745	1,543	26.9
Total	123,211	117,036	6,175	5.3

24 Changes in inventories and own work capitalised

The item Changes in inventories and own work capitalised amounting to € 457,000 (previous year: € 707,000) does not include any development expenses (previous year: € 166), which are capitalised according to IAS 38.

25 Raw materials and consumables used

	2013 € '000	2012 € '000
Cost of raw materials, supplies and purchased goods	47,971	45,249
Cost of purchased services	489	353
	48,460	45,602

26 Employee benefits expense

	2013 € '000	2012 € '000
Germany	20,977	19,926
Abroad	11,555	11,391
	32,532	31,317

Staff costs rose year on year by around 3.9%. This increase is essentially due to higher result-related profit sharing and bonuses to staff. In the 2013 financial year, the one-off employee benefits included in the employee benefits expense amounted to € 680,000 (previous year: € 499,000).

Number of employees (annual average):

	2013	2012
Wage-earning staff		
Germany	62	59
Abroad	63	69
Salaried staff		
Germany	262	262
Abroad	245	244
	632	634

27 Depreciation expense

In the 2013 financial year, non-scheduled depreciation amounting to a total of € 78,000 occurred (previous year: € 1,426,000).

28 Other operating income

	2013 € '000	2012 € '000
Exchange rate gains	1,760	734
Income from the release of provisions and accruals	1,185	1,512
Income from payments in kind	431	364
Income from the release of bad debt provisions on receivables	297	73
Gains from the disposal of assets	279	15
Marketing allowances	231	490
Rental income	179	181
Earnings from cooperations	90	60
Income from power input	83	98
Income from investment grants	60	61
Income from initial consolidation ("bad will")	–	126
Other income	465	669
	5,060	4,383

29 Other operating expenses

	2013 € '000	2012 € '000
Advertising and marketing costs	12,006	12,115
Freight and logistics costs	4,557	4,462
Exchange rate losses (including value changes of currency options)	2,964	1,703
Auditing, legal and consultancy fees	2,118	1,738
Car fleet costs	2,088	1,860
Expenses for premises	1,592	1,788
Rental and lease expenses (buildings)	1,462	1,393
Incidental personnel expenses	1,454	1,395
Travel expenses	1,227	1,288
IT costs	1,007	909
Del credere commission	781	747
Communication costs	615	699
Insurance	557	539
Changes in bad debt provision and write-off of receivables	257	227
Other expenses	3,142	2,843
	35,827	33,706

30 Financial result

	2013 € '000	2012 € '000
Interest and similar income	2,937	331
Interest and similar expenses	– 1,074	– 817
Write-up (+) / write-down (–) of securities	370	191
Net financial result	2,233	– 295

The sharp increase in interest and similar income is essentially due to a positive non-recurring effect of € 2,626,000, which is the result of the restructuring of the financing of the Argentine subsidiary in financial year 2013. Following a capital increase through contributions in kind, in the form of Argentine government bonds, by edding AG, existing Group liabilities as the previous source of financing were largely discharged from the proceeds of the sale of these securities. The difference arising from the valuation of the Argentine government bonds on the Buenos Aires stock exchange, on the one hand, and the New York stock exchange, on the other, led to differing valuations at the Group companies and consequently to a gain within the scope of the capital consolidation as at 30 June 2013.

31 Income taxes

	2013 € '000	2012 € '000
Actual tax expense	3,233	2,805
Deferred tax expense (+) / income (–)	– 200	545
	3,033	3,350

The income tax paid or owed by German and foreign Group companies is reported under the item Actual tax expense. In the 2013 financial year, income relating to prior periods to the sum of € 47,000 was included in the actual tax expense (previous year: income to the sum of € 48,000).

The income tax liabilities as at the balance sheet date of € 434,000 (previous year: € 64,000) relate to German income tax liabilities for corporation and trade tax amounting to € 0,000 (previous year: € 0,000) and foreign income tax liabilities of € 434,000 (previous year: € 64,000). As at the balance sheet date there were long-term income tax receivables amounting to € 659,000 (previous year: € 771,000) which essentially comprised German corporate tax refund claims.

The tax rate for calculating deferred taxes is determined based on the currently valid legal situation for each country. The tax rate applicable for the Group is 29.71% (previous year: 29.71%).

The loss carryforwards for which no deferred tax asset was recognised amounted to € 2,024,000 as of 31 December 2013 (previous year: € 2,238,000). Loss carryforwards expire in Greece and Turkey after five years and in Argentina the upfront payment from minimum taxation expires after ten years. Loss carryforwards do not expire in Belgium and the Netherlands and can be carried forward for an unlimited period. Owing to the small amount of capitalised deferred taxes on loss carryforwards, the company assumes that they will be utilised within the next three to five years.

No deferred tax asset was recognised in the balance sheet for deductible temporary differences amounting to € 272,000 (previous year; € 489,000).

In the financial year 2013, deferred taxes of € 280,000 were recognised in equity (previous year: € 858,000).

Deferred tax assets and liabilities as of 31 December 2013 were attributable to the balance sheet items as shown below:

	Deferred tax assets 31/12/2013 € '000	Deferred tax assets 31/12/2012 € '000	Deferred tax liabilities 31/12/2013 € '000	Deferred tax liabilities 31/12/2012 € '000
Intangible assets	–	–	10	112
Property, plant and equipment	–	–	1,099	994
Other assets	2	18	76	143
Non-current assets	2	18	1,185	1,249
Inventories	373	427	–	–
Trade receivables	30	31	42	464
Current assets	403	458	42	464
Provisions for pensions and similar obligations	2,008	2,019	–	–
Other provisions	47	48	–	–
Financial liabilities	24	37	–	–
Non-current liabilities	2,079	2,104	–	–
Current liabilities	305	–	–	–
Loss carryforwards	146	156	–	–
Sub-total	2,935	2,736	1,227	1,713
Offset	– 1,227	– 1,713	– 1,227	– 1,713
Balance according to consolidated statement of financial position	1,708	1,023	–	–

Deferred tax assets and liabilities are offset in the statement of financial position, provided the requirements pursuant to IAS 12 are met.

The differences between the expected income tax expense based on edding AG's calculated tax rate of 29.71% and the actual income tax expense can be seen in the following reconciliation:

	2013 € '000	2012 € '000
Expected income tax expense	3,452	2,077
Differing tax rates	61	94
Permanent differences	– 835	– 30
Non-recognition or valuation adjustment of tax losses	693	431
Utilisation of non-recoverable loss carryforwards in the previous year	– 103	– 80
Value adjustments of deferred taxes from temporary differences/Utilisation of non-valued temporary differences	– 189	919
Taxes relating to other periods	– 47	– 96
Other differences	1	35
Reported income tax expense	3,033	3,350

32 Earnings per share

The basic (undiluted) earnings per share are calculated as a quotient from the Group result and the weighted average of the number of shares outstanding during the financial year.

Only the ordinary shares issued which remained unchanged in both financial years (600,000 shares) are included in the number of shares. As there are no conversion or option rights, diluted earnings per share do not need to be calculated.

The Group result was determined as follows:

	2013 € '000	2012 € '000
Consolidated annual result excluding non-controlling interests	8,546	3,698
Minus preferred dividend	– 828	– 828
	7,718	2,870

Number of ordinary shares: 600,000

Earnings per share	12.86 €	4.78 €
--------------------	---------	--------

Other disclosures

33 Post balance sheet date events

No significant recognisable events or non-recognisable, but disclosable events occurred from the balance sheet date until the time when publication of the Consolidated Financial Statements was approved.

34 Objectives and methods of financial risk management

The main financial liabilities used by the Group, with the exception of financial derivatives, comprise bank loans and overdraft facilities and trade payables. The main purpose of the financial liabilities is to finance the Group's business activities. On the assets side, the Group has various financial assets. They include trade receivables, granted loans as well as cash and cash equivalents and current deposits which result directly from the Group's business activities.

Furthermore, the edding Group has financial derivatives in the form of interest rate swaps, foreign currency options and forward exchange transactions. The purpose of these financial derivatives is essentially to hedge against interest rate and currency risks resulting from the Group's business operations and its sources of finance.

Hedging transactions are based on the type and volume of the relevant underlying transactions. Hedging transactions are only concluded for existing underlying transactions or planned transactions.

No other derivatives trading was carried out in the financial years 2013 and 2012.

The material risks arising from financial instruments include interest-related cash flow as well as currency, default and liquidity risks resulting from the corresponding risk variables. Management has resolved and implemented strategies and procedures for controlling individual types of risks, which are outlined below. Sensitivity analyses are prepared to assess market risks which show the effects of hypothetical changes in the relevant risk variables on profit and equity. The period effects are determined by relating the hypothetical changes in risk variables *ceteris paribus* to the volume of financial instruments held on the balance sheet date. In doing so, it is assumed that the volume held on the balance sheet date is representative of the year as a whole.

Currency risk

In their operating business, the individual Group companies mainly transact their activities in their respective functional currency. Therefore, the Group's exchange rate risk arising from its day-to-day operations is considered to be small. Some Group companies are however exposed to foreign currency risks in connection with planned payments outside their functional currency. Foreign currency risks mainly exist on the procurement side in the case of the Japanese Yen (JPY). As a hedging instrument, the Group uses currency derivatives. As a result of these hedging activities, the edding Group was not exposed to any material exchange rate risks in its operational business as at the balance sheet date.

In addition, there are still risks on the sales side through the subsidiaries in Argentina (Argentinian Peso and US Dollar), United Kingdom (British Pound), Turkey (New Turkish Lira), Colombia (Colombian Peso) and Mexico (Mexican Peso).

So far no hedging of the Turkish currency has been carried out. As a result of the increased devaluation, particularly in the second half of 2013, and the continuing negative prospects in the Lira area, the company is looking into changing the current intra-Group financing concept in order to minimise the exchange losses within the edding Group.

As of 31 December 2013, there were options totalling JPY 1.2 billion (previous year: JPY 2.16 billion) for future purchasing volume. As of the balance sheet date, currency options with a remaining term until the end of 2015 had a negative market value of € -712,000 (previous year: positive market value of € 177,000).

Key parts of the currency options were designated as hedging instruments within the scope of cash flow hedge accounting in accordance with IAS 39 in the current financial year. The cash flows expected to be secured will be spread over the following 24 months after the balance sheet date. Material effects on results through cash flows are not expected due to the hedging relationships which have been set up.

As regards the currency options which existed as of 31 December 2013, equity would have been reduced by € 435,000 based on a valuation of the currency options in the event of a 10% appreciation of the Euro against the Japanese Yen. The pre-tax profit would have been € 165,000 smaller despite the designation of the majority of the existing currency options as cash flow hedges. In the event of depreciation of the Euro to Japanese Yen exchange rate by 10%, equity would increase by € 532,000 based on a valuation of the currency options. Given the designation of the majority of the existing currency options as cash flow hedges, the pre-tax result would be only € 68,000 higher.

As regards the currency options which existed as of 31 December 2012, equity would have been reduced by € 270,000 based on a valuation of the currency options in the event of a 10% appreciation of the Euro against the Japanese Yen. The pre-tax profit would have been € 384,000 smaller despite the designation of the majority of the existing currency options as cash flow hedges. In the event of depreciation of the Euro to Japanese Yen exchange rate by 10%, equity would increase by € 515,000 based on a valuation of the currency options. Given the designation of the majority of the existing currency options as cash flow hedges, the pre-tax result would be only € 237,000 higher.

As of 31 December 2013 forward exchange transactions amounting to JPY 480 million were effected for the first time for the future purchasing volume. As at the balance sheet date, currency forwards with a remaining term until the end of 2015 had a negative market value of € -88,000.

As regards the currency forwards which existed as of 31 December 2013, equity would have been reduced by € 212,000 based on a valuation of the currency forwards in the event of a 10% appreciation of the Euro against the Japanese Yen. The pre-tax profit would have been € 98,000 larger despite the designation of the majority of the existing currency forwards as cash flow hedges. In the event of depreciation of the Euro to Japanese Yen exchange rate by 10%, equity would increase by € 259,000 based on a valuation of the currency forwards. Despite the designation of the majority of the existing currency forwards as cash flow hedges, the pre-tax result would be € 97,000 higher.

The following tables show the sensitivity of the Group result from the Group's perspective with regard to a 10% appreciation or depreciation in the respective foreign currency used in the Group versus the Euro. The sensitivity analysis only includes outstanding monetary items denominated in foreign currency and adjusts the conversion of these items as at the end of the period pursuant to a 10% change in exchange rates.

	2013 € '000	2012 € '000
Appreciation of currency used within the Group by 10%		
Turkish Lira	201	188
Colombian Peso	161	170
Mexican Peso	141	99
British Pound	73	77
Argentinian Peso	54	444
US-Dollar	43	14
Japanese Yen	– 22	– 65
	651	927

	2013 € '000	2012 € '000
Depreciation of currency used within the Group by 10%		
Turkish Lira	– 201	– 188
Colombian Peso	– 161	– 170
Mexican Peso	– 141	– 99
British Pound	– 73	– 77
Argentinian Peso	– 54	– 444
US-Dollar	– 43	– 14
Japanese Yen	22	65
	– 651	– 927

As a result of the situation in Argentina, the sensitivity of the Group result with regard to a 20% or 40% appreciation or depreciation in the Argentine peso against the Euro was also calculated for financial year 2013.

	2013 € '000	2012 € '000
Argentinian Peso		
Appreciation by 20 %	107	888
Appreciation by 40 %	214	1,777
Depreciation by 20 %	– 107	– 888
Depreciation by 40 %	– 214	– 1,777

Interest rate risk

The risk of fluctuations in market interest rates to which the edding Group is exposed mainly result from non-current financial assets and liabilities with a variable interest rate. The edding Group manages this interest expense through a combination of borrowed funds subject to fixed and variable interest rates.

To hedge against the risk of interest rate changes, edding AG concluded five (previous year: five) interest rate swaps with a nominal volume totalling € 8,650,000 (previous year: € 9,250,000) and maturity dates from 12 September 2014 to 29 December 2017. As of the balance sheet date the negative market value of the interest rate derivatives totalled € -155,000 (previous year: negative market value of € -314,000).

Interest rate risks are illustrated using sensitivity analyses in accordance with IFRS 7. They show the effects on results of hypothetical changes in market interest rates. Financial instruments with fixed interest are measured in the edding Group at amortised cost and are not subject to interest rate sensitivity within the meaning of IFRS 7. Financial liabilities with variable interest rates are hedged by the above-mentioned derivatives.

The following interest rate sensitivity applies to the interest rate derivatives:

If the market interest rate level had been 100 basis points higher as of 31 December 2013, the pre-tax result would have been € 68,000 higher. Equity would have increased by € 47,000. If the market interest rate level had been 100 basis points lower as of 31 December 2013, the pre-tax result would have been € 40,000 lower. Equity would have been reduced by € 28,000.

If the market interest rate level had been 100 basis points higher as of 31 December 2012, the pre-tax result would have been € 153,000 higher. Equity would have increased by € 107,000. If the market interest rate level had been 100 basis points lower as of 31 December 2012, the pre-tax result would have been € 77,000 lower. Equity would have been reduced by € 54,000.

Other price risk

Within the framework of presenting market risks, IFRS 7 also requires information on how hypothetical changes in risk variables affect the prices of financial instruments. Risk variables are in particular quoted market prices or indexes. As at the balance sheet date, the edding Group was not exposed to any material risks due to changes in such risk variables.

Default risk

The default risk of financial assets is provided for through allowances and provisions, taking into account existing collateral.

To reduce the default risk on customer receivables, a comprehensive receivables management system has been set up at the large Group companies, involving creditworthiness checks and credit insurance of accounts receivable in the case of major customers. In addition, the default risk for a large number of German customers (specialist dealers) is covered by central regulators.

Hedging transactions for financial risks are only carried out with banks holding an acceptable credit rating.

The default risk of the financial assets existing on the balance sheet date is considered small by management. In the case of default by a counterparty, a maximum default risk exists amounting to the carrying amount of the corresponding financial assets.

Further information on the recoverability of financial assets is contained in Note 13.

Liquidity risk

Group Accounting regularly monitors the risk of a liquidity shortage. For example, the terms of the financial assets and financial liabilities as well as expected cash flows from business activities are analysed.

The aim of the edding Group is to ensure a balance between the continual coverage of the funding requirement and to guarantee flexibility by using overdraft facilities, loans and finance leases.

The following table shows the contractually agreed interest and amortisation payments of the original financial liabilities as well as the financial derivatives of the edding Group.

It includes all instruments in the portfolio on the balance sheet date and for which payments have already been contractually agreed. Budgeted amounts for new liabilities that may arise in the future are not included. The variable interest payments arising from the financial instruments were calculated based on the last reference interest rates applicable before the balance sheet date. Financial liabilities which are repayable at any time are always assigned to the earliest time bucket.

2013	Book value	Cash flows 2014		Cash flows 2015-2018		Cash flows 2019 et seq.	
	31/12/13	Interest	Amortisation	Interest	Amortisation	Interest	Amortisation
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Original financial liabilities							
Liabilities to banks	6,510	259	1,611	379	3,399	72	1,500
Liabilities from forfeited lease payments	1,007	54	443	15	564	–	–
Trade payables	5,907	–	5,907	–	–	–	–
Other liabilities	6,363	–	6,363	–	–	–	–
Derivative financial liabilities							
Interest derivatives with negative market value	155	130	–	77	–	–	–
Gross outflows from currency derivatives		–	5,760	–	6,419	–	–
Gross inflows from currency derivatives		–	– 4,975	–	– 6,639	–	–
Net outflows from currency derivatives	867	–	785	–	– 220	–	–

2012	Book value 31/12/12 € '000	Cash flows 2013		Cash flows 2014-2017		Cash flows 2018 et seq.	
		Interest € '000	Amorti- sation € '000	Interest € '000	Amorti- sation € '000	Interest € '000	Amorti- sation € '000
Original financial liabilities							
Liabilities to banks	8,471	398	2,322	522	4,149	125	2,000
Liabilities from forfeited lease payments	1,418	86	411	69	1,007	–	–
Trade payables	7,133	–	7,133	–	–	–	–
Other liabilities	6,564	–	6,564	–	–	–	–
Derivative financial liabilities							
Interest derivatives with negative market value	314	159	–	197	–	–	–

35 Additional disclosures on financial instruments

Book values, measurement and fair values according to the relevant categories of financial instruments

The following table shows book values and fair values of the financial assets and liabilities reported in the Consolidated Financial Statements in accordance with the measurement categories pursuant to IAS 39. The fair value of a financial instrument corresponds to the amount for which an asset is exchanged or liability is settled between knowledgeable, willing and mutually independent parties.

	Fair value hierarchy level	31/12/2013		31/12/2012	
		Book value € '000	Fair value € '000	Book value € '000	Fair value € '000
Financial assets					
Loans and receivables					
Trade receivables	1	18,145	18,145	18,462	18,462
Other receivables and assets (excl. derivatives)	1	2,103	2,103	2,717	2,717
Cash and cash equivalents	1	7,925	7,925	7,236	7,236
Assets measured at fair value		68	68	177	177
Derivatives with positive market value ¹	2	68	68	177	177
Financial assets available for sale					
Holdings	n.a.	147	147	147	147
Financial liabilities					
Other financial liabilities measured at cost					
Liabilities to banks	1	6,510	6,957	8,471	8,754
Other financial liabilities	1	1,007	1,188	1,418	1,498
Trade payables	1	5,907	5,907	7,133	7,133
Other liabilities (excl. derivatives)	1	6,363	6,363	6,564	6,564
Liabilities measured at fair value through profit or loss					
Derivatives with negative market value	2	1,022	1,022	314	314

¹As at 31 December 2013 all derivatives with a positive market value were designated as cash flow hedges. As at 31 December 2012, the derivatives with a positive market value include derivatives designated as cash flow hedges with a market value of € 168,000. The remaining market value of € 9,000 relates to derivatives which are classified as "held for trading".

The market values of derivatives were determined based on the mark-to-market method.

The fair values of the other financial instruments were calculated based on the market information available on the balance sheet date and according to the following methods and premises.

Cash and cash equivalents, trade receivables and other receivables predominantly have short remaining terms. Therefore, their book values on the balance sheet date approximate the fair value.

Holdings classified as “available for sale” relate to non-listed equity instruments, the fair value of which could not be reliably determined in the absence of an active market or other information indicating a market value. These are thus measured in compliance with IAS 39.46(c) at amortised cost.

If there are significant deviations from the reported book value, the fair values of the liabilities to banks and other financial liabilities are calculated as present values of the payments associated with the debts, taking into account the current interest rate parameters. In doing so, individual creditworthiness levels are taken into consideration in the form of the creditworthiness or liquidity spreads which are customary in the market. Assuming that the credit rating is unchanged, a market value comparison is dispensed with for loans subject to variable interest due to the regular adjustment of the interest rate to the market rate. The other financial liabilities include liabilities arising from forfeited lease payments.

Trade payables and other liabilities include liabilities with regularly short-term remaining terms, so that it can be assumed that their fair values approximate the reported book values.

Net result from financial instruments

The net results and interest by measurement category are as follows:

2013	From interest	At fair value¹	Im-pairment¹	From disposal	Net result 2013
	€ '000	€ '000	€ '000	€ '000	€ '000
Loans and receivables	79	–	40	–	40
Argentine government bonds measured at fair value through profit or loss	34	31	–	2,720	2,751
Other financial instruments measured at fair value through profit or loss	– 155	150	–	–	150
Hedging transactions	–	33	–	– 233	– 200
Financial liabilities measured at cost	– 467	–	–	–	–
Total gain/loss from financial instruments	– 515	214	40	2,487	2,741

2012	From interest	At fair value¹	Im-pairment¹	From disposal	Net result 2012
	€ '000	€ '000	€ '000	€ '000	€ '000
Loans and receivables	71	–	45	–	45
Other financial instruments measured at fair value through profit or loss	– 127	– 82	–	–	– 82
Hedging transactions	–	– 582	–	253	– 329
Financial liabilities measured at cost	– 553	–	–	–	–
Total gain/loss from financial instruments	– 609	– 664	45	253	– 366

¹ from subsequent measurement

In the previous year, interest income from value-adjusted receivables from suppliers of € 21,000 was received. For valuation adjustments on assets from the loans and receivables category, please refer to Note 13.

From the foreign currency valuation of intra-Group receivables and payables as at the balance sheet date, in the 2013 financial year there were unrealised foreign currency losses totalling € 1,046,000 (previous year: € 333,000) in the Consolidated Income Statement even though the intercompany balances upon which foreign currency valuation is based were eliminated in full within the consolidation process.

36 Additional disclosures on capital management

The edding Group has a sound capital management system that allows it to pursue an expansion. In particular, attention is paid to ensuring a balanced ratio between equity and borrowed capital in the long term.

The equity and borrowed capital items reported in the course of capital management of the edding Group as of 31 December 2013 and 31 December 2012 are shown below:

	31/12/2013 TEUR	31/12/2012 TEUR	Change %
Equity	39,303	35,886	9.5
as % of total capital	64.6 %	60.3 %	
Non-current financial liabilities, provisions for pensions and similar obligations	19,467	20,926	– 7.0
Current financial liabilities	2,054	2,733	– 24.8
Borrowed capital	21,521	23,659	– 9.0
as % of total capital	35.4 %	39.7 %	
Total capital within the meaning of capital management	60,824	59,545	2.1

In the case of short-term borrowed capital, there is the option of using existing bilateral short-term credit lines. As at 31 December 2013 credit agreements existed with several banks. However, as at the previous year's reporting date, these were not used. The borrowed funds at that time had been subject to interest on the standard market terms. There were still no loan conditions that allow premature termination of the loan by the creditor in the event of the failure to adhere to certain threshold values (so-called financial covenants).

The edding Group is not subject to any capital requirements pursuant to its articles of association.

37 Disclosures on segment reporting

The Writing and Marking business segment with edding as its main brand and the Visual Communication business segment with Legamaster as its main brand are shown as operating segments in accordance with IFRS 8. Partner brands (Other Office Products) and the revenue from the licence business with printer cartridges are also assigned to the Writing and Marking segment. edding AG, as the financial holding company, does not constitute an operating segment in accordance with IFRS 8; the activities of this company are therefore reported in the reconciliation, where necessary.

No sales were generated between the segments in the financial years 2013 and 2012. In the financial year 2013 and in the previous year, no more than 10% of the sales revenue of the edding Group was generated with one customer.

The sales revenue and non-current assets (intangible assets and property, plant and equipment) are broken down by region as follows:

	Germany € '000	Other European countries € '000	Overseas € '000	edding group € '000
2013				
External sales revenue	50,045	60,225	12,941	123,211
Non-current assets	14,143	3,628	762	18,533
2012				
External sales revenue	47,587	58,225	11,224	117,036
Non-current assets	15,156	3,773	692	19,621

As a result of licence revenues from the sale of printer cartridges being reported under sales revenue from 2013 instead of under other operating income, as was previously the case, the comparative values for Germany for 2012 have increased by € 537,000. Please also refer to Note 8.

The transfer of the segment result to the pre-tax Group result is as follows:

	2013 € '000	2012 € '000
Segment result (EBIT)	15,550	12,820
EBIT edding AG	– 6,316	– 5,541
Consolidation	146	– 8
EBIT edding Group	9,380	7,271
Result from investments	5	15
Financial result	2,233	– 295
Group result before taxes	11,618	6,991

The result for the Visual Communication segment has improved due to the first-time application of IAS 19R and the accompanying amendments pursuant to Note 8. As a result of implementing the requirements of IAS 8, the comparative values for the previous financial year have also increased.

38 Disclosures on the Consolidated Statement of Cash Flows

The financial resources examined in the consolidated statement of cash flows solely comprises the statement of financial position item Cash and cash equivalents, which is composed of cash in hand, cheques and bank balances.

The consolidated statement of cash flows shows how the cash and cash equivalents of the edding Group changed as a result of cash inflows and outflows in the course of the reporting period. For this, the cash flows are subdivided into operating activities, investing activities and financing activities.

The cash inflows and outflows from operating activities are shown according to the indirect method. No significant non-cash transactions took place.

The following payment transactions are included in the cash flow from operating activities:

	2013 € '000	2012 € '000
Interest received	125	139
Interest paid	640	701
Income tax paid	2,863	3,757

In the 2012 financial year, the Group acquired 50% of the shares in edding Mexico S. de R.L. de C.V. (edding Mexico), which was previously held by our joint venture partner. For the acquisition of the shares and the separate acquisition of receivables due from edding Mexico the below total purchase price was paid:

	€ '000
Purchase price for acquisition of shares in cash	0
Purchase price for acquisition of receivables in cash	608
Total	608

The following table systematically compares the purchase price and the valuation of the acquired assets and assumed liabilities:

	€ '000
Cash and cash equivalents	27
Property, plant and equipment and intangible assets	315
Non-current receivables from current taxes	13
Inventories	370
Trade receivables	85
Other assets	227
Trade payables	– 561
Payables to shareholders	– 916
Other liabilities	– 529
Sub-total	– 969
Deferred tax receivable generated upon acquisition	134
Goodwill	835
Purchase price of all shares	0
Plus purchase price of receivables	608
Total purchase price	608

The consolidated statement of cash flows in the 2012 financial year includes the acquisitions in the cash flow from investing activities as follows:

	€ '000
Purchase price to be paid in cash	608
Minus cash and cash equivalents	27
Cash payments from the acquisition of subsidiaries	581

39 Related party disclosures

Related parties within the meaning of IAS 24 are natural persons or companies who may be influenced by edding AG, may exert influence on edding AG or who are under the influence of another related party of edding AG.

No noteworthy business activities were effected with the majority shareholder Volker Detlef Ledermann or his relatives Susanne Ledermann, Angelika Schumacher, Dina Alexandra Schumacher, David Alexander Schumacher, Beatrix Ledermann, Julia Marie Ledermann, Jan Moritz Ledermann, Per Ledermann and Yannick Nicolas Ledermann in 2013.

Likewise, companies in the edding Group have not carried out any significant reportable transactions with members of the Supervisory Board or the Management Board as individuals in key positions or with companies on whose management or supervisory board they are represented. This also applies to immediate and close family members of this group of people.

40 Notifications in accordance with section 21 (1) of the German Securities Trading Act (WpHG)

On 28 January 2014, Mr Yannick Nicolas Ledermann notified edding AG that he had exceeded the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75% of voting rights in edding AG.

In previous years, the following individuals already notified edding AG that they had exceeded the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75% of voting rights in edding AG:

Mr Volker Detlef Ledermann
Ms Susanne Ledermann
Ms Angelika Schumacher
Ms Dina Alexandra Schumacher
Mr David Alexander Schumacher
Ms Beatrix Ledermann
Ms Julia Marie Ledermann
Mr Jan Moritz Ledermann
Mr Per Ledermann

In this connection, we refer to our notices according to section 21 et seq WpHG.

The voting rights of the Ledermann family are combined in a voting rights pool unless they may be assigned pursuant to section 22 (1) sentence 1 No. 6 WpHG.

41 Executive bodies of edding AG

The Supervisory Board is made up as follows:

Member	Position
Rüdiger Kallenberg, Rellingen Banker	Chairman
Chehab Wahby, Bruchsal Businessman	Deputy Chairman
Anja Keihani, Hannover Businesswoman	Employees' Representative
Dr. Sabine Friedrich-Renken, Hamburg Lawyer	Substitute member
Karl Sieveking, Hamburg Auditor, lawyer specialising in tax law	Substitute member

The remuneration of the Supervisory Board amounted to € 108,000 (previous year: € 108,000).

The Management Board consists of following members:

Member	Position
Per Ledermann, Ahrensburg Businessman	Chairman / Chief Executive Officer
Sönke Gooss, Rosengarten Businessman	Chief Financial Officer
Thorsten Streppelhoff, Hamburg Engineer	Chief Operating Officer

The total remuneration of the Management Board in the financial year 2013 amounted to € 768,000 (previous year: € 286,000). At the Annual General Meeting of edding AG on 28 June 2011, it was decided to dispense with individualised disclosure of the Management Board remuneration in accordance with the Law on the Disclosure of Management Board Remuneration (VorstOG).

The remuneration for former members of the Management Board amounted to € 1,138,000 (previous year: € 1,108,000). The pension provisions set up for former members of the Management Board totalled € 11,693,000 as of 31 December 2013 (previous year: € 12,003,000).

42 Proposal on the appropriation of the net retained profits

After the transfer of € 748,000 from the profit after tax for 2013 to the other retained earnings of edding AG, net retained profits of € 1,854,000 remained.

The Management Board will be proposing to the Annual General Meeting to distribute the following dividends to shareholders from the net retained profits:

€ 1.75 dividend per preference share
with a notional par value of € 5.00

€ 1.71 dividend per preference share
with a notional par value of € 5.00

43 Total fees and services of the Group auditors

The total fees of the Group auditors in the financial year are broken down as follows:

	2013 € '000	2012 € '000
Audit services	120	119
Other assurance services	6	7
Tax advisory services	–	–
Other services	24	10
Total fees	150	136

Of the total fees in the financial year 2013, € 8,000 relates to services which are attributable to the previous financial year (previous year: € 0,000).

44 Shareholdings

Name	Registered office	Shareholding %
Parent company		
edding AG	Ahrensburg, Germany	
Consolidated companies		
Germany		
edding International GmbH	Ahrensburg, Germany	100
edding Vertrieb GmbH	Ahrensburg, Germany	100 ¹
V. D. Ledermann & Co. GmbH	Ahrensburg, Germany	100
Legamaster GmbH	Ahrensburg, Germany	100
edding AG & Co. Grundstücksverwaltung OHG	Düsseldorf, Germany	100
DEGEDESTRA Grundstücks- verwaltungsges. mbH & Co. Immobilien-Vermietungs KG	Eschborn, Germany	98
Abroad		
edding Benelux group B.V.	Lochem, Netherlands	100 ¹
Legamaster International B.V.	Lochem, Netherlands	100 ¹
edding Legamaster B.V.	Lochem, Netherlands	100 ¹
edding Lega International B.V.B.A.	Mechelen, Belgium	100 ¹
edding Argentina S.A.	Buenos Aires, Argentina	100
EDDING (U.K.) LTD.	St. Albans, Great Britain	100
edding France SAS	Roncq, France	100 ¹
edding Hellas Ltd.	Athens, Greece	100
edding Ofis ve Kirtasiye Ürünleri Tic. Ltd. Sti.	Istanbul, Turkey	100 ²
edding Japan Inc.	Tokyo, Japan	76
edding Colombia S.A.S.	Sabaneta, Colombia	60
edding Mexico S. de R.L. de C.V.	Mexico City, Mexico	100 ³

¹ indirectly via edding International GmbH or its affiliates

² 90% directly; 10% indirectly via edding international GmbH

³ 50% directly; 50% indirectly via edding international GmbH

edding AG holds 16.67% of the shares in PBS Network Gesellschaft für Kommunikations- und Serviceleistungen mbH, Stuttgart as well as 10% of the shares in Beruf und Familie Stormarn GmbH, Bad Oldesloe. edding Vertrieb GmbH holds 5.56% of the share capital of Office Gold Club GmbH, Düsseldorf.

45 Declaration of compliance

The declaration of compliance with the German Corporate Governance Code, as specified in accordance with section 161 of the German Stock Corporation Act (AktG), was issued and is published separately and as an integral part of the Declaration on Corporate Governance pursuant to section 289a of the German Commercial Code (HGB) in the internet at www.edding.de.

Ahrensburg, 16 April 2014

The Management Board

Per Ledermann

Thorsten Streppelhoff

Sönke Gooss

Auditors' report

We have rendered the Auditors' Report in German, which was translated as follows:

We have audited the consolidated financial statements prepared by the edding AG, comprising the consolidated balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of edding AG, for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and combined management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a par. 1 HGB are the responsibility of the parent company's board of management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a par. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 17 April 2014

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister	Florian Riedl
Auditor	Auditor

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group Management Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

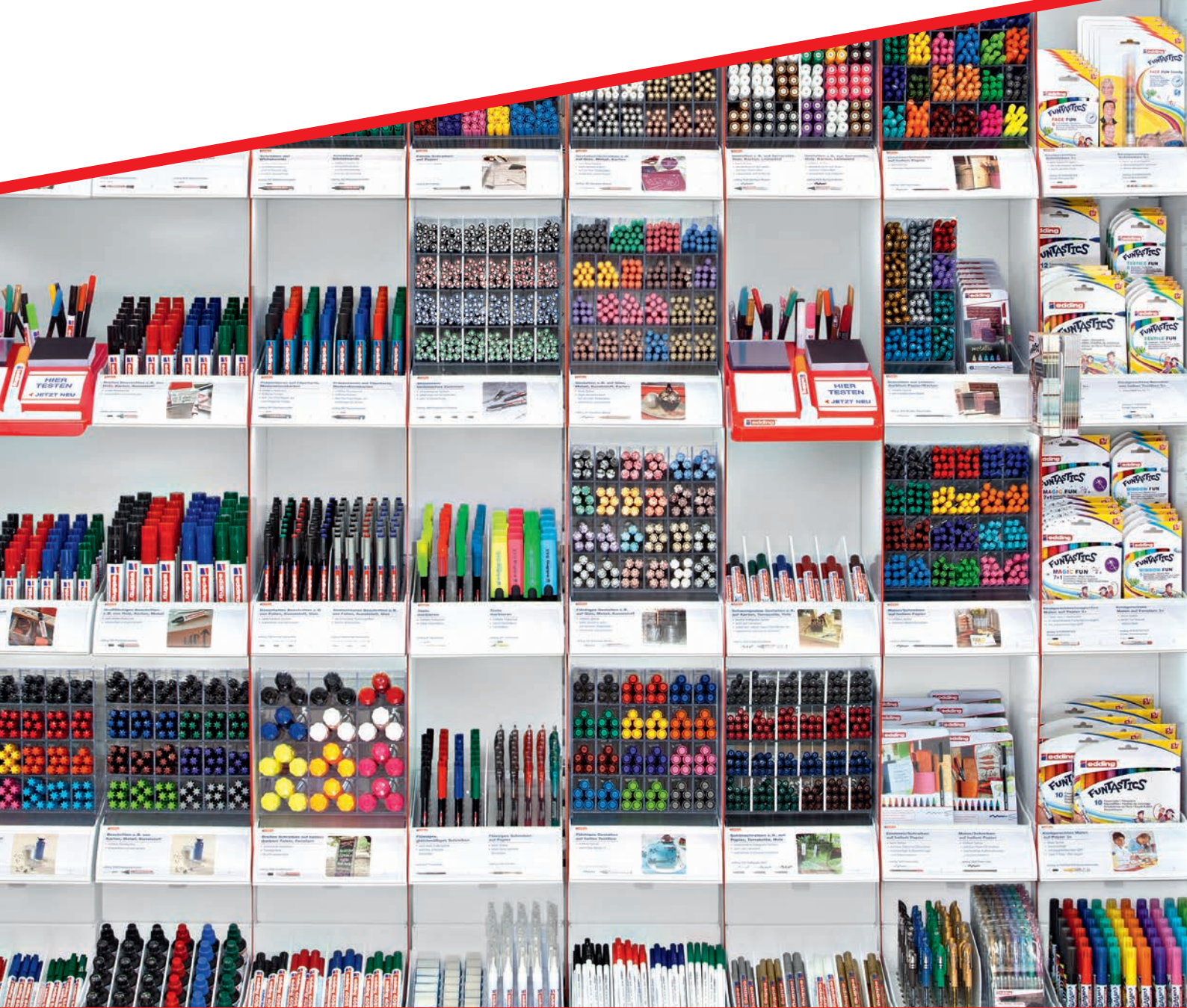
Ahrensburg, 16 April 2014

The Management Board

Per Ledermann

Thorsten Streppelhoff

Sönke Gooss



The English version of the Group Annual Report is a translation of the German original.
In the event of discrepancies, the German version shall prevail.