Group Annual Report 2015

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edding Aktiengesellschaft

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Contents

Key figures for the Group

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

edding Group	2015	2014	2013	2012	2011
Results of operations					
Profit after tax	8,549	8,312	8,585	3,641	2,171
as % of equity (return on equity)	17.0 %	18.8 %	21.8 %	10.1 %	6.1 %
Profit before tax	12,133	12,185	11,618	6,991	6,550
EBIT	12,220	11,855	9,380	7,271	7,717
as % of sales	8.8 %	9.2 %	7.6 %	6.2 %	6.9 %
Sales revenue	138,371	128,853	123,211	117,036	111,467
Change	7.4 %	4.6 %	5.3 %	5.0 %	2.0 %
Share of foreign business	59.2 %	58.4 %	59.4 %	59.3 %	58.5 %
Gross profit [1]	87,874	80,399	75,208	72,141	66,442
as % of total output	63.2 %	62.3 %	60.8 %	61.3 %	59.5 %
Employee benefi ts expense	35,394	34,206	32,532	31,317	27,485
as % of sales	25.6 %	26.5 %	26.4 %	26.8 %	24.7 %
Employees (annual average)	624	638	632	634	573
Net assets					
Total assets	98,504	90,863	81,630	79,470	81,893
Change	8.4 %	11.3 %	2.7 %	– 3.0 %	9.2 %
Equity	50,199	44,274	39,303	35,886	35,362
as % of total assets	51.0 %	48.7 %	48.1 %	45.2 %	43.2 %
Non-current liabilities	21,071	20,275	20,383	21,722	22,894
Current liabilities	27,234	26,314	21,944	21,862	23,637
Non-current assets	27,183	27,582	24,156	23,948	26,004
as % of equity	54.2 %	62.3 %	61.5 %	66.7 %	73.5 %
Current assets	71,321	63,281	57,474	55,522	55,889
of which inventories (31 December)	29,091	28,617	27,862	25,994	23,566
Annual average of inventories	29,725	29,041	27,284	24,949	21,170
as % of sales revenue	21.5 %	22.5 %	22.1 %	21.3 %	19.0 %

edding AG	2015	2014	2013	2012	2011
Profit after tax	5,370	4,658	2,602	1,899	2,240
Profit before tax	8,094	7,374	5,289	4,422	6,713
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	5.00 €	4.34 €	2.42 €	1.77 €	2.09 €
Dividends					
Ordinary shares	1.91 €	1.91 €	1.71 €	1.71 €	1.71 €
Preference shares	1.95 €	1.95 €	1.75 €	1.75 €	1.75 €
Share price on 31 December	85.00 €	64.00 €	47.12 €	47.00 €	42.21 €

[1] excl. other operating income

Executive Bodies

Supervisory Board

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

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

Letter to Shareholders

Dear Shareholders,

We are pleased to present you with the annual report for 2015. We have achieved a record result in terms of sales and EBIT for the third time in a row. This is a good reason to start by thanking all our employees, without whose commitment, the great successes of these record financial years in both business segments would not have been possible.

This time the **Visual Communication** business segment especially contributed to this trend. After only a slight increase in sales in 2014, we were able to achieve substantial double-digit rates of growth. A particularly pleasing aspect was the very high growth rates in the area of Legamaster Electronics along with a significant increase in the traditional product ranges. In the **Writing and Marking** segment we also posted gratifying, broadly based sales growth, both in relation to regional distribution and with respect to sales channels and product categories. The high point of 2015 was undoubtedly the market launch of the edding L.A.Q.U.E. nail polish range as part of our market expansion strategy. The only downside in this segment is the renewed decline in the Russian business.

In addition to operating successes, 2015 again brought us a large step further in our **strategic development**. In the Writing and Marking segment, we focused on strategy implementation. Specifically, in 2015 we largely completed the process of splitting the organisation of our international marketing and sales activities into business-to-business and business-to-customer, enabling us to concentrate on developing the opportunities in both target group segments. We also developed our Legamaster strategy further last year; where the emphasis in previous years was mainly on optimising the technical properties, we aim to gear our product portfolio even more to user benefits by integrating software solutions, especially in the interactive area. In the current financial year we shall update our balanced scorecard system for the period up to 2020 on the basis of these strategies and extend it to further functional areas.

In the area of **organisational development**, our employee survey, which we conducted worldwide for the first time in the year under review, is worth highlighting. Especially good results in the category of commitment make us proud of our employees and are certainly an explanation for our consistently good corporate success.

At the turn of 2015/2016, the founding Ledermann family took the important step of transferring large numbers of ordinary and preference shares to the second and third generations, and committed to edding's long-term future as a listed family-owned company. This means we can continue to combine under one roof the sustainability and reliability of a family business with the professionalism and transparency of a listed joint-stock company. This was a very motivating signal for us as a management board and for the employees.

Parallel to this, our market price performed very pleasingly once again. After € 64.00 at the start of the year, the price had risen by more than 30% to € 85.00 by the end of the year and is now still at a historically high level of just under € 84.00. In conjunction with a consistently high dividend, our shareholders can thus also benefit from the solid performance of the edding Group in 2015.

From a political and economic point of view we are, as a management board, looking ahead to the future with cautious optimism despite the continuing unsolved migrant crisis in Europe, and are working to achieve further on good results in 2016 and in the subsequent years. To this end, we shall continue to build on the commitment and dedication of our staff, whose work has formed the basis for our success in the last three record financial years. Once again, we would like to say a special thank you to them.

Kind regards

Per Ledermann Thorsten Streppelhoff Sönke Gooß

T. Streppelhoff *P. Ledermann* *S. Gooß*

Supervisory Board's Report

Dear Shareholders,

Today, we present to you the report on the financial year 2015. The trends in the individual business segments and markets are explained in detail in the Management Board's Report.

In 2015, we duly fulfilled the obligations incumbent upon us under the German Stock Corporation Act (AktG) and the company's articles of association. We are 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.

Each of the meetings in 2015 was attended by all the members of the Supervisory Board.

Communication with the Management Board
In the year under review, the Supervisory Board was regularly and comprehensively informed about the situation of the edding Group and its current operations. This included monthly written reports by the Management Board on the net assets, financial position and results of operations, personnel planning and other subjects of general importance. In addition, we received detailed quarterly reports on developments in the individual Group companies as well as the progress of strategy implementation.

In addition to the Supervisory Board meetings and consultations by phone concerning special business transactions, a meeting was routinely held at least once a month between the chairman of the Supervisory Board and the Management Board.

Risk management
Apart from the reports on the operating business, the Supervisory Board also received information from the internal control system, on an ad hoc basis where necessary and otherwise on a monthly basis, concerning changes in the risk situation with regard to the key risks and their treatment.

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.

Main focus of the Supervisory Board meetings in 2015
At each Supervisory Board meeting in 2015 there was an agenda item devoted to the report on risk management.

For the rest, the various meetings focused on the following issues:

In April we dealt with the annual financial statements for 2014 in the presence of the Group auditors. In preparation we received the audit reports for the annual financial statements of edding AG, the edding Group and the individual companies in good time so that we could carry out our own inspection. We approved the agenda for the Annual General Meeting and agreed to the dividend recommended by the Management Board.

We confirmed the objectives regarding the composition of the Supervisory Board of edding AG pursuant to the German Corporate Governance Code (DCGK), which have applied since 2012, for publication in the annual report.

We approved the Management Board's proposal to conclude a profit and loss transfer agreement between Legamaster GmbH and edding AG, and placed this on the agenda for the Annual General Meeting.

In June, following the Annual General Meeting, we firstly concerned ourselves with section 111 AktG and section 25 of the Introductory Act to the German Stock Corporation Act of 6 September 1965 on the equal participation of men and women in management positions within the public and private sector. The Act requires the Supervisory Board to set a binding ratio of women to men on the Supervisory Board for the first time from 30 September 2015.

We ascertained that the required ratio of at least 30% women to men on the Supervisory Board had been met. We do not plan to increase or reduce the ratio. The next election for the Supervisory Board will be held in 2017.

The target of 30% for the proportion of women represented on the Management Board has not been reached. We intend to extend the contracts of all the members of the Management Board. There is no objective company-related reason for altering the composition of the Management Board. Hence the target ratio is zero. Should any of the members of the Management Board not wish to renew their contract, we shall give priority to a woman with the same qualifications when refilling the position on the Management Board.

Another detailed discussion point was the future of the subsidiary in Japan. The business model as a purchasing company for the edding Group has essentially become outdated due to the structural changes in Japanese industry. We therefore approved the proposal by the Management Board to wind up the company from 1 January 2016.

Moreover, at the meeting the Management Board gave the first detailed presentation of the new reporting system that uses balanced scorecards. The balanced scorecard makes the strategic goals and key indicators of a company visible in a simple way. It is useful for planning and implementing strategies and has the advantage over traditional key indicator systems of mirroring company activities in a much clearer way. This also makes it an ideal management tool. Consequently, the Management Board proposed introducing it gradually across the whole Group. We dealt with the system in detail and gave our approval to its further development.

In September we submitted our offer to the chairman of the Management Board, Mr Per Ledermann, to extend his contract for a further four years from 1 January 2016.

The Strategy 2020, which was already approved in September 2014, was defined in more detail by the Management Board in respect of the individual objectives to be achieved. As part of this, it also presented the strategy for the Legamaster brand, which we noted and approved.

In December we approved the presented annual budget for 2016, which is characterised by higher expenditure for attainment of the strategic goals. In addition, we extended the management board contract with Mr Per Ledermann until 31 December 2019.

Furthermore, the Management Board informed us about the results of the employee survey in 2015, which was conducted throughout the entire Group for the first time. Fortunately, the survey shows that the new demands on employees in connection with Strategy 2020 have been positively received by the vast majority, and so we have no doubt that we will all succeed in achieving the goals that have been set.

Moreover, following the resolution passed by the Annual General Meeting, the Supervisory Board appointed auditing company Ebner Stolz GmbH & Co. KG, Hamburg to audit the financial statements for financial year 2015, agreed the auditors' fee and defined the focal audit areas.

Annual and consolidated financial statements, audit

The meeting of the Supervisory Board on the 2015 annual financial statements was held on 28 April 2016.

We were given the annual financial statements drawn up by the Management Board according to the relevant provisions for the financial reporting of German publicly listed companies and the management reports of edding AG and the edding Group as well as the certified audit reports of the auditing company Ebner Stolz GmbH & Co. KG, Hamburg.

The annual financial statements of edding AG and the edding Group, and also the combined Company and Group Management Report, were each furnished with unqualified audit opinions on 21 April 2016.

Upon receipt of the audit reports, the Management Board immediately sent them to all the members of the Supervisory Board for inspection together with the proposal for the appropriation of earnings.

The documents were discussed in detail in the presence of the auditors, who also gave us further explanations about the individual financial statements.

In addition, the audit report addressed the effectiveness of the internal control system. It was confirmed that no material weaknesses in the accounting-related internal control system or the accounting-related IT systems of the domestic companies had been identified and that the Management Board had taken the measures required under section 91 (2) AktG in an appropriate manner.

On the basis of these documents and our own inspection, we approved the results of the audit of the financial statements for edding AG and the Management Board's proposal for the appropriation of earnings without raising any objections.

Thus, we approved the annual financial statements of edding AG for the 2015 financial year and adopted them in accordance with section 172 AktG. The Supervisory Board noted with approval the Consolidated Financial Statements and the Group Management Report.

Declaration of Compliance and Declaration on Corporate Governance

Together with the Management Board, we revised the Declaration of Compliance with the Corporate Governance Code as well as the Declaration on Corporate Governance and adapted them to the new regulations. The declarations have been published on the company's website.

Annual General Meeting on 15 June 2016
At our meeting on 28 April 2016 we also approved the agenda for the Annual General Meeting. We recommended, together with the Management Board, that the auditing company Ebner Stolz GmbH & Co. KG, Hamburg, should also be appointed as auditors for the 2016 annual financial statements.

The Supervisory Board of edding has received an auditor's declaration of 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 hand, that could call the auditor's independence into question.

Thanks to the Management Board and employees
We would like to thank all members of staff and also the Management Board for their hard work and commitment to our company in the past financial year. Our thanks also go to the employees' representatives, who constructively supported our development.

The results of this work, which reached new all-time highs in many areas, are reproduced in the annual and consolidated financial statements.

Ahrensburg, 28 April 2016

The Supervisory Board

Rüdiger Kallenberg Chairman	Chehab Wahby Deputy Chairman	Anja Keihani Employees' Representative

A. Keihani *R. Kallenberg* *C. Wahby*

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 Aktiengesellschaft state the following:

edding Aktiengesellschaft 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 Aktiengesellschaft 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 Aktiengesellschaft has complied with the recommendations of the government commission "German Corporate Governance Code" (DCGK) as amended on 5 May 2015 since this version has been in force with the following exceptions and will continue to do so in the next reporting year:

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 Aktiengesellschaft.

Subsections 4.1.5 and 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 in so far 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.

Subsections 5.1.2 and 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.

Subsections 5.4.1 and 5.4.2 DCGK
The Supervisory Board specified general objectives regarding its composition, which are also based on the company-specific situation, the company's international orientation and the avoidance of possible conflicts of interest, and which 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. The company declines to set a general age limit for members of the Supervisory Board; in this respect the above-mentioned objections to a fixed age limit for Supervisory and Management Board members apply accordingly. 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.

Subsection 6.3 DCGK

Supervisory and Management Board members and persons closely related to them fulfil the disclosure requirements incumbent upon them 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 seqq. of the German Securities Trading Act (WpHG) (annual report for individual financial statements); the latter information relates to voting rights held directly or indirectly by the persons concerned.

Subsection 7.1.2 DCGK

Primarily for reasons of cost, the Consolidated Financial Statements cannot be made publicly accessible within 90 days of the end of the financial year, nor can any interim reports be made publicly accessible within 45 days of the end of the reporting period. 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 publicised on the website. Furthermore, the customary key figures, which may be provisional, are published within 90 days by press release. Similarly, the half-year financial report is published two months after the end of the reporting period; this is still well within the statutory period of three months.

Ahrensburg, 5 February 2016

Management Board and Supervisory Board
of edding Aktiengesellschaft

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 articles of association, the purpose of the company and the provisions 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 have been implemented in this form. The Supervisory Board reviews any adjustments to the objectives on a regular basis.

Ahrensburg, 28 April 2016

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/corporate-governance/erklaerung-zur-unternehmensfuehrung/.


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Combined Company and Group Management Report

This report combines the management report of edding AG and the management report of the edding Group pursuant to section 315 (3) of the German Commercial Code (HGB). The company and group management reports have been combined for the first time for the 2015 financial year. The combined report shows the development of the net assets, financial position and results of operations of edding AG and the edding Group and deals with the principal opportunities and risks as well as the expected future business performance.

Unless reference is explicitly made to edding AG, the statements and figures refer to the edding Group as a whole. The figures relating to the edding Group are based on the consolidated financial statements of edding AG prepared according to International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary requirements of German commercial law applicable under § 315a (1) of the German Commercial Code (HGB). The figures for the net assets, financial position and results of operations of edding AG, on the other hand, are based on the annual financial statements of edding AG prepared according to the requirements of German commercial law and the supplementary provisions of the German Stock Corporation Act (AktG).

Basis of the Group

Business activities

As the parent of the edding Group, edding AG is responsible for the overall business management of its subsidiaries and affiliated companies. The key management functions, finance and controlling, human resources and IT are based at edding AG. The central tasks of edding AG are strategic orientation and development of the Group as well as risk management. The company'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, partner brands are distributed, which essentially serves to round off the product portfolio at the level of the individual Group companies.

The Group's sales revenue is generated worldwide via the international distribution management companies 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 include the traditional wholesale and retail trade but also large-scale outlets (supermarkets, DIY stores, etc.), mail-order companies and online distribution channels.

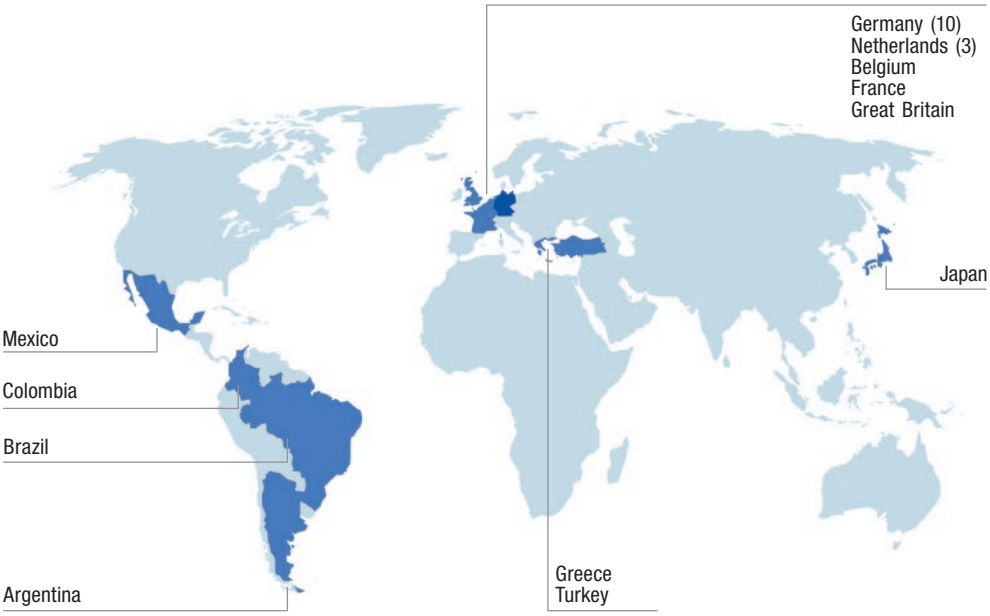
The Writing and Marking business segment essentially comprises the edding brand and includes markers, writing utensils, spray paints, printer cartridges and toners, and also nail polish (since 2015). This product range is aimed at both the business-to-business sector and private end consumers. The various 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
- Printing
- EcoLine
- Cosmetics

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 for schools and conference rooms). Sales are almost exclusively generated in the business-to-business sector.

Organisational and shareholding structure

edding Group companies and holdings worldwide



A list of the subsidiaries and holdings can be found in the section "Corporate Structure" in the 2015 annual report. Essentially a distinction can be made between the following types of Group companies in the organisational 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

edding AG is the **parent company** of the edding Group and holds direct and indirect shareholdings in the subsidiaries. As a non-operating **holding company**, edding Benelux group B.V. (Netherlands) 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 and Colombia also run their own marker production operation to meet local demand. Since the end of 2014, the distribution network of the Mexican company has been operated with the aid of an independent distribution partner and no longer via its own sales representatives. Consequently, the Mexican subsidiary will be closed down in 2016.

The production company V. D. Ledermann & Co. GmbH produces felt markers and fibre pens exclusively for the edding Group at its plant in Bautzen. These products are marketed worldwide. Hence, there have been three production facilities in the Group for the Writing and Marking segment since the middle of 2014.

The main function of edding Japan Inc. is to procure merchandise and raw materials for production sites of the Writing and Marking business segment. Besides this function as a **purchasing company**, it is involved in small-scale distribution activities in the region. These activities will be transferred to edding International GmbH from the beginning of the 2016 financial year, as managerial staff at the Japanese company are due to retire. The company will be closed in 2016.

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 GmbH 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 sector. Events are particularly geared towards commercial end users.

- The non-profit company Beruf und Familie Stormarn GmbH creates and secures regional day care services for children and senior citizens in order to promote a better balance between family and working life.

- At the end of 2014, the Group acquired a stake in the Brazilian writing utensils manufacturer Companhia de Canetas Compactor S.A. (Rio de Janeiro). We are hoping that this will strengthen our competitive position in Latin America.

Employees

The Group had an average workforce of 624 employees during the year under review. In 2014 the figure was 638, meaning a slight year-on-year decrease in total staff numbers.

The German workforce has increased and the annual average stood at 331 (previous year: 327 employees). The main focus of recruitment in 2015 was determined by the strategic restructuring and expansion of marketing and sales, which will be continued in 2016, albeit in a reduced form. In addition, staffing levels were increased in the area of "International Organisational Development, Culture and Human Resources".

On the other hand, at the companies in other countries, the workforce declined in the past financial year, with 293 employees on average compared 311 the previous year. The main reason for this decrease was the closure of production at our Mexican subsidiary in mid-2014. This meant that the proportion of employees in other countries in 2015 was down slightly on the previous year's level at 47% (2014: 49%).

edding AG had an average workforce of 66 during the year (previous year: 62 employees), meaning a slight year-on-year increase in total staff numbers. This is especially due to the extension of the Human Resources department.

The scope of the Group's in-house education and further training activities (i.e. our edding Academy) is based on the forward-looking Strategy 2020. In 2015 the focus was on expanding our activities internationally. Hence, for the first time special concepts were developed for the individual national organisations. To support internationalisation, the expansion of foreign language skills at all locations is another key factor. Last year we particularly concentrated on developing international project management expertise. This series of training measures has set new standards across the Group.

In the year under review we extended our annual employee survey to all the Group's international locations for the first time. With a participation rate of almost 90%, this strategic management and organisational development tool got off to an extremely successful start. It demonstrated that, in particular, employees' commitment and dedication is at an outstanding level across all locations. Our future vision, strategy and cultural awareness were also evaluated positively. In terms of corresponding criteria from other companies, we are therefore in a very positive position based on external comparisons.

As with the last national survey in 2014, the overall result of this first worldwide employee survey is very positive, and we are committed to maintaining this very high standard in the future. The next worldwide employee survey will be conducted in Q3 2016.

Corporate Responsibility

In spring 2015 the implementation and auditing of our CR activities at Lochem in the Netherlands was carried out successfully. Certification of the management system for occupational safety (OHSAS 18001) was also implemented there. Overall the edding Group has the following certified management systems in place as of 31 December 2015:

Company	ISO 9001 Quality Management	ISO 14001 Environmental Management	ISO 50001 Energy Management	OHSAS 18001 Occupational Health and Safety	CR agv-Certificate
edding AG	X	X	X	X	X
edding International GmbH	X	X	X	X	X
edding Vertrieb GmbH	X	X	X	X	X
Legamaster GmbH	X	X	X	X	X
V. D. Ledermann & Co. GmbH	X	X	X	X	X
Legamaster International B.V.	X	X	X (2015 new)	X (2015 new)	
edding Colombia S.A.S.	X (2014 new)				

The main focus of our CR activities was on the area of employee satisfaction, which is now being measured globally via an employee survey, as described above. The emphasis is on the compatibility of family and working life. As a shareholder and user of Beruf und Familie Stormarn GmbH, we were able once again to help some young families in 2015 and avert some childcare emergencies, which at the same time reduced absenteeism within the company. A conference room at the headquarters in Ahrensburg was converted into a crèche for this purpose and an (emergency) carer came into the office to look after the children. This enabled us to take the strain off the parents and helped to create a good balance between work and family life.

We also take a holistic approach to CR and aim to raise our employees' awareness of responsibility to the local community. In September 2015 employees from various departments took part in the "Wi mook dat" event in Hamburg. On this day our colleagues were guests at the "Herz As" centre for the homeless in Hamburg. They cooked for the homeless people and served meals "restaurant-style". Furthermore, they painted a relaxation room and kitted it out with new beds and shelves and tidied up the garden area. The food, beds, paint and plants, etc. were also donated by edding. The commitment shown gave all those involved a great deal of pleasure and so we want to continue supporting the "Herz As" project. In the winter of 2015/2016 we therefore launched an appeal for donations, and lots of lovely items of winter clothing were collected that we were able to present to the homeless centre.

In the area of environmental protection, edding has been running photovoltaic systems at its locations in Bautzen and Ahrensburg for some years as well as a block heat and power plant at the Group's headquarters.

In summary, the edding Group posted the following selected environmental key performance indicators in 2015 compared with the previous year:

Energy indicators for the edding sites Ahrensburg, Bautzen and Wunstorf	2015	2014
Gas consumption [MWh]	2,760	2,466
Electricity procurement [MWh]	2,378	2,493
Electricity production through photovoltaic systems Ahrensburg, Bautzen [MWh]	178	166
Electricity production at the block heat and power plant Ahrensburg [MWh]	247	227
Self-produced power as a percentage of total consumption [%]	15	14
Electricity consumption from renewable sources [%]	100	100
Development of EcoLine	2015	2014
Increase in sales of EcoLine worldwide [%]	15	15
Increase in sales of EcoLine Germany [%]	12	21

In preparation for implementing the EU Directive on the disclosure of non-financial and diversity-related information, we already started the necessary groundwork in 2015. This involves developing an appropriate concept, integrating employees and collecting and processing the corresponding data. Simultaneously the CR section will be adjusted on our website in line with the new CR structure.


edding
highlighter
edding 25
permanent marker
EcoLine
edding 21
EcoLine
edding 28
whiteboard
EcoLine
edding 32
flipchart
EcoLine

Other functions

Production

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

In 2015 the German production facility **V. D. Ledermann & Co. GmbH in Bautzen** posted only a slight rise in output compared to the previous year with around 76 million markers (2014: 74 million). The key factor here was the continuing weak sales in 2015 of the products produced in Bautzen, especially for the Russian market. This was compensated for by the elimination of the sales-reducing non-recurring effects from the previous year, such as the reduction of large warehouse stocks at edding International GmbH and at the English subsidiary.

We achieved a further slight increase in the level of capacity utilisation at the production site of **edding Argentina S.A. (Argentina)** in San Juan in 2015 despite the uncertain political and economic situation. A new conservative president was elected in the presidential elections at the end of October. He announced far-reaching changes to the government's economic policy, including relaxing the rules on imports to Argentina.

edding Colombia S.A.S. (Colombia) was established in November 2010. In the first few years a continuous increase in capacity utilisation was observed and a positive trading result was achieved. In 2015 we continued to work on achieving the goal of stabilising and adapting production to the growing market demands. Output was roughly at the same level as in 2014.

Logistics

After edding had successfully transferred its German warehousing activities to its logistics partner HUETTEMANN in the prior year, 2015 was characterised by a drive to expand processes and know-how. Especially in regard to international shipments, the outsourcing meant changes to processes and responsibilities, which have now been optimised still further in the new cooperation between edding and its warehousing services provider.

The same applies to the shipping partners with whom edding delivers its products to customers. Relocating the warehouse from Ahrensburg to Isernhagen also required a few adjustments and refinements to the portfolio of transport providers in order to continue offering all customers the service to which they have become accustomed.

In keeping with the renewed year-on-year sales growth, the volume of activity in logistics also went up. Our warehousing provider was able to cope with the average increase in workload of 3% without any difficulty, and in so doing satisfied a key outsourcing requirement.

The two central warehouses in Isernhagen and Lochem also provide the distribution depot services for the countries and regions of Germany, Benelux, France and Italy, and ship goods directly to customers. The Group operates other self-managed warehouses of distribution companies at the subsidiaries in Greece, the UK and overseas. In Turkey logistics activities were transferred to an external warehousing provider at the beginning of 2015.

All Legamaster products from the Visual Communication segment are still stored at the Group's central warehouse in Lochem (Netherlands) and then delivered worldwide from there.

Information technology

The business processes of the edding Group are no longer conceivable without IT-supported automation solutions. The necessary efficiency of the business processes is ensured through innovative implementation projects and continuous improvement measures for optimising our IT systems.

The main challenges for the area of IT in 2015 concerned the development of a new IT strategy, which edding's Strategy 2020 defines in the form of integrated IT management processes. This concept paves the way for closer links between IT and corporate development.

The introduction of management processes in IT serves to prioritise future projects within the Group. In 2015, the resulting focus on strategic corporate projects enabled the necessary system solutions to be implemented in the areas of product data management, customer relationship management (CRM) and collaboration.

Particularly with the introduction of a CRM system by the German Legamaster distribution company, edding is integrating a new cloud-based SAP solution into its core processes and into the existing IT system landscape. The CRM system will be incorporated, as a 'software as a service' solution, into the existing group of hybrid cloud solutions for media data management and the central internet services of the edding Group.

The provision of mobile solutions within the company has gained in importance. In addition to the mobile applications from SAP, new applications have been rolled out in the company via smart phones and tablet computers. Here, edding utilises in-house developments and standard products. Overall it has consistently expanded the number of users of mobile devices. This means that the entire distribution organisation can now respond more flexibly to customers' requests regardless of the location.

On the applications side, edding is stepping up the use of the existing SAP solutions. In 2015, the existing solutions were further extended to integrate subsidiaries into the central business processes. In this respect, a key element of the project work was the integration of the subsidiaries in Turkey and Latin America into the reporting and business intelligence solutions based on the SAP business warehouse.

Hence, edding has a state-of-the-art, efficient system landscape and IT management processes and is well equipped for future business process requirements.

Research and development
The edding Group operates research and development departments at the German sites in Ahrensburg and Bautzen. Thirteen persons in all were employed in this field in financial year 2015, as in the previous year.

Total expenditure on research and development amounted to € 1.1 million in financial year 2015 (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 already initiated in this field in previous years to create closer integration of research and development. This led to the R&D departments being incorporated into edding International GmbH. edding believes this will enable it to involve the R&D department in the market-induced innovation process at an earlier stage so that development projects can be matched more closely to consumer needs.

Management system

Strategic control
As the financial holding company of the edding Group, edding AG pursues the strategic goal of sustainable value appreciation and development of the edding Group with the Writing and Marking and Visual Communication segments.

In the 2014 financial year we created a balanced scorecard system for the Writing and Marking segment. These scorecards 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 responsibility (CR). We carried out planned half-yearly target measurements for this purpose for the first time in the year under review. The current balanced scorecards are valid until 2016, and are still largely based on our previous Strategy 2012+. They include, for example, targets for sales growth outside Germany and outside our dominant product categories.

In the second half of 2015 we started developing a balanced scorecard system for the period after 2016. It will be geared even more to the targets of the current Strategy 2020 and the time horizon will accordingly extend to 2020. In addition to all the sales and marketing departments in the Writing and Marking segment, the Visual Communication segment as well as the company's internal functional areas will now also be included.

Financial control parameters
The edding Group uses various finance-related key performance indicators to control growth and profitability. In this context, the most important control parameters at Group level are sales and EBIT (earnings before interest and taxes). In our current Group strategy, long-term targets have been set that are scheduled to be reached by 2020. At the level of edding AG, the distributable net profit, which determines the short-term performance-based Management Board remuneration, is an additional parameter.

In particular, sales and earnings targets are defined for the Group within the scope of the rolling three-year plan. The most important key figure for profitability management is EBIT. EBIT development is also the most important control parameter for managing the Group companies, the achievement of which is an essential part of the short and medium-term variable remuneration for the local management. The monthly internal reporting especially deals with target attainment and variance 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 of each business segment are decisive. Alongside the Writing and Marking and Visual Communication business segments, individual subsidiaries also distribute partner brands. This area essentially serves to round off the product portfolio at the level of the individual Group companies so as 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 or margin targets for this. Partner brand sales are combined with other revenues for the purpose of the annual report. This item comprises revenue from point-of-sale displays, charging on of freight costs and small volume surcharges as well as licence revenues from the printer cartridge business.

Non-financial control parameters
The key non-financial control parameter for the edding Group is the results of the employee survey carried out each year, which are rated using a grade system. In the year under review this survey was extended to the Group's international locations for the first time. A minimum grade has been defined for the overall score of this mood barometer.

Economic report

Overall economic and industry-specific conditions

At +3.1%, global economic growth was again moderate in 2015.

In particular, growth in the emerging economies fell for the fifth year in succession. The recovery in the industrialised nations was modest and uneven. Primarily low commodities prices, especially the drop in the price of oil, as well as the gradual departure of the Fed (the US central bank) from its extremely expansionary monetary policy slowed down development.

In its January update, the IMF estimated that growth in the eurozone would be up slightly by +1.5% on the previous year's level and that Spain in particular would be one of the winners with growth of around +3.2%. Growth in Germany will remain largely constant at +1.5%, but below average. On a positive note, unemployment is set to go down further. The French economy grew by +1.1%, but the political situation remained difficult, particularly due to the Paris attacks in November 2015.

The Russian market, a key focus for us, was especially badly hit and shrank by 3.7%; this coincided with the strong depreciation of the Russian rouble.

Latin America, our second most important global region, exhibited a recessionary trend with a decline of 0.3% in 2015. The biggest economic factor here is above all Brazil, which slipped significantly into negative territory of -3.8%. The Argentine market, which is important for us, continued to be defined by political turbulence in 2015 ahead of the presidential elections in October. Victory by the business-friendly candidate Mauricio Macri in the run-off voting brought to a halt the artificial stabilisation of the Argentine peso at the end of the year, which led to a significant currency devaluation.

Japan, still an important procurement market for us, achieved slight growth of +0.6% with a stable, export-friendly currency situation.[1]

The paper, office supplies and stationery market continued to be under pressure from digitisation. Nevertheless, the German Industry Association of Paper, Office Supplies and Stationery Brands reported increased sales for three-quarters of the amalgamated 46 brand companies in the months January to September 2015 compared with the same period in 2014. Unweighted average sales growth stood at 3.6%, the result for Germany at +2.2% and exports at just under +6.0%. The association projected average sales growth of around 4.0% in 2015, but, by contrast, one in six companies reported a decline in sales revenue.

Above all, paper-based products continued to bear the brunt of increasing digitisation. In this segment, sales fell by 1% on average in the period under review.

The story was different for writing utensil manufacturers, who benefited from factors including an upsurge in popularity of drawing and painting for adults. Average sales growth in this sector was 4.7%.[2]

[1] World Economic Outlook Update, IMF, January 2016
[2] http://www.pbs-markenindustrie.de/aktuelles/buero-und-schreibwaren-hoch-im-kurs, 01.02.2016

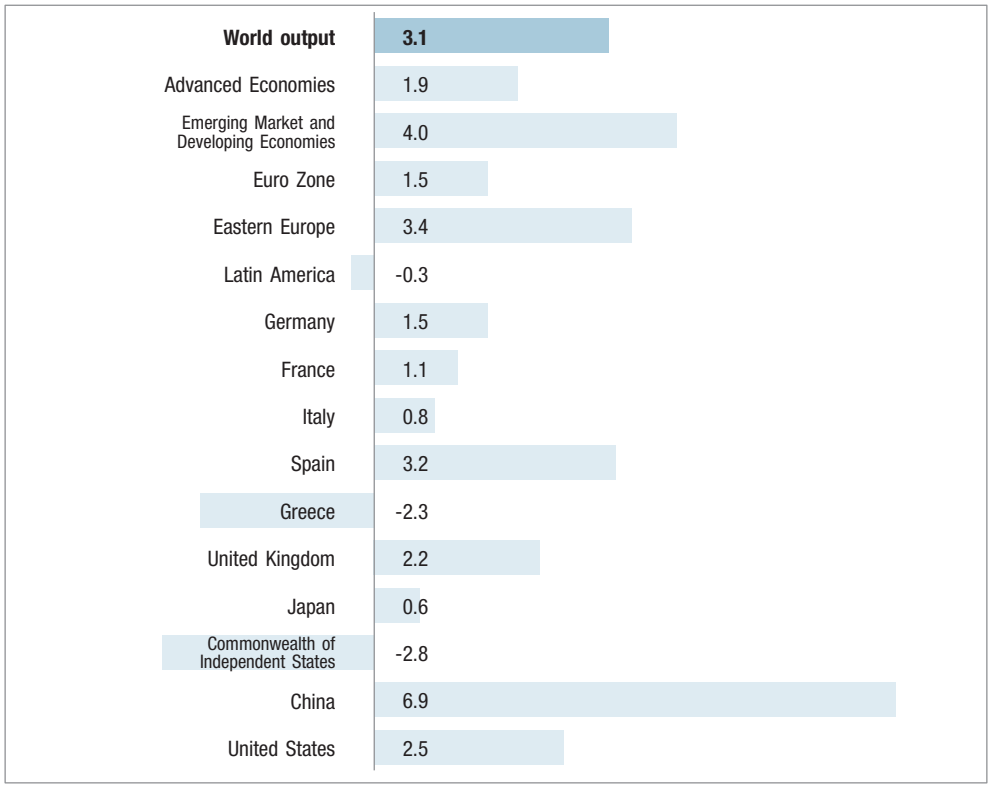
Considerable growth was posted by the market for interactive displays, in which we participate via our Legamaster brand with interactive whiteboards and e-screens. Q3 2015 was reported by the market research agency FutureSource as the all-time strongest quarter with 480,000 units sold. Growth by value of 3.8% is expected for the year as a whole. As in the past, growth was mainly driven by the Chinese and Turkish market. The market in Western Europe did not grow. However, the German market, which is important to us, developed very positively with growth of +8.4%, but was still at a lower level than the neighbouring markets. The situation in the Benelux countries was even better, where the market for interactive displays even grew by around 40%.[3]

For years now, the edding Group has taken account of the slightly stabilised, but still volatile climate by adopting a policy of 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 good economic sense, and we organise the procurement and distribution side of our operating business in such a manner that the currency risk is kept to a minimum.

Especially at times of heterogeneous market development, the effects of our long-term internationalisation strategy become apparent, thanks to which we now have the benefit of a diversified country portfolio. It is also clear that our policy of prioritising the active management of disruptive technologies by participating in areas such as interactive displays (Legamaster) or turning to new target groups and ranges (edding) is bearing fruit and can compensate for a drop in the sales of some core products.

GDP development of selected countries / regions in 2015[4]

in percent



[3] Futuresource Consulting, Quarterly Market Track World, Q3 2015
[4] World Economic Outlook, IMF, October 2015 and World Economic Outlook Update, IMF, January 2016

Development of the business segments

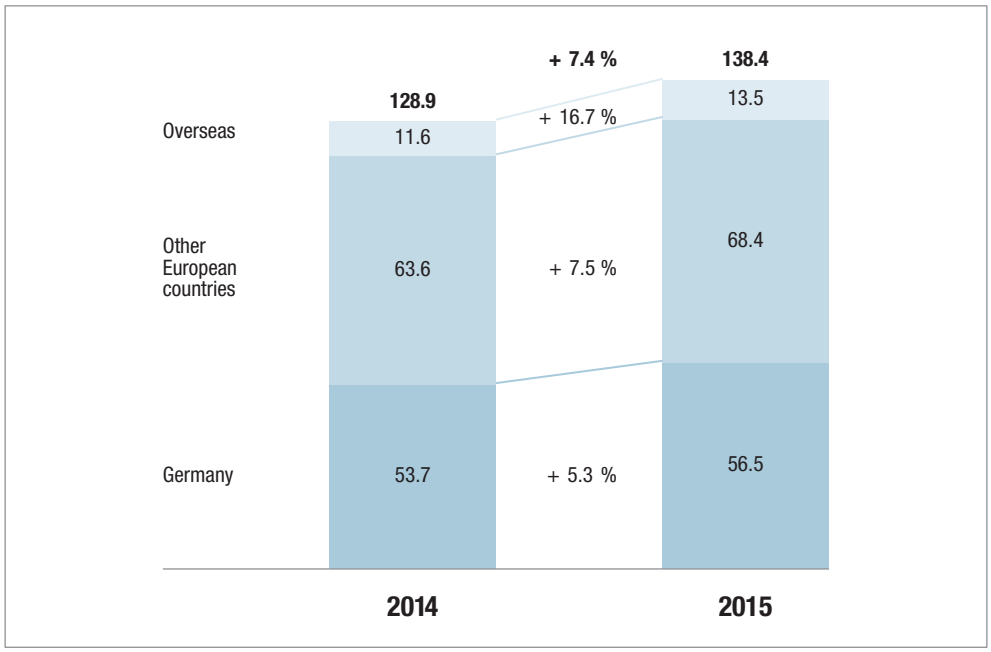
Overall, in the 2015 financial year, an increase in sales revenue of 7.4% was achieved. This growth is attributable to significant increases in both the Writing and Marking and the Visual Communication segments, while Other Office Products posted a slight decline.

	2015 € '000	2014 € '000	Change € '000	Change %
Writing and Marking				
Germany	41,233	39,512	1,721	4.4
Other European countries	46,197	43,744	2,453	5.6
Overseas	11,632	10,067	1,565	15.5
	99,062	**93,323**	**5,739**	**6.1**
Visual Communication				
Germany	13,688	12,098	1,590	13.1
Other European countries	17,617	15,344	2,273	14.8
Overseas	915	779	136	17.5
	32,220	**28,221**	**3,999**	**14.2**
Other Office Products	**7,089**	**7,309**	**– 220**	**– 3.0**
Total for the Group	**138,371**	**128,853**	**9,518**	**7.4**

Sales developed positively in all the regions shown. The percentage of sales outside Germany rose slightly to 59.2% (previous year: 58.4%) due to the higher rates of growth in the rest of Europe and overseas.

Sales revenue by region in comparison to the previous year

in € million



Writing and Marking business segment – main brand edding –

In 2015 we were able to post record sales in the Writing and Marking segment for the third time in a row with a total of € 99.1 million. It is pleasing to note that all the regions contributed to the growth of 6.1%. In contrast to the previous year, growth in our German domestic market was considerably weaker than in the rest of Europe and the overseas markets.

Nevertheless, with sales totalling € 41.2 million, Germany remained by far the strongest country, and grew by 4.4%. The implementation of our strategic priorities is now reflected in stronger sales growth in the business-to-consumer distribution channels.

Sales in the rest of Europe of € 46.2 million were once again higher than in Germany. In comparison with the previous year, we were able to increase revenues by 5.6%. Declining sales in Russia once again contrasted with significant growth in virtually all the relevant edding countries. Of particular note were the high sales increases in Turkey and the UK as well as in the Netherlands, Spain, Denmark, Hungary and France.

Overseas we were able to more than make up for the drop in sales of the previous year. With growth of 15.5% to € 11.6 million, the non-European countries again made a major contribution to the segment growth. The main driver for this positive trend was our subsidiary in Argentina, but sales in Ecuador and Saudi Arabia also developed positively. At our branch in Colombia, we once again managed to make double-digit gains in local currency under difficult general conditions, but in euros we had to contend with a decline in sales in the single digit percentage range.

Marketing and products

As in previous years, we benefited greatly from innovations in terms of the product range in Europe. Our range of permanent spray paints together with new fashionable colour and further distribution expansion, above all in Germany as well as in Denmark and Switzerland, continued the growth path of the previous year.

In addition, we were able to successfully position a further brand extension project in the German market in the spring of 2015 with the new nail polish range under the edding L.A.Q.U.E. brand. Sales from the first selective listings in the perfume stores and in high-end department stores have significantly contributed to sales growth in Germany. The positive feedback from end consumers and dealers are a testament to this concept, as is the German Design Award that we won in 2016 in the “Excellent Communications Design - Packaging” category.

We were also able to continue the success story of our new point-of-sale displays (POS shop). Here too we increased distribution and visibility once again in 2015. We were able to generate additional sales, especially in Western Europe and Turkey, through both new listings and increased sales of established products and hitherto less well-known specialist products.


edding
permanent spray

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 regions.

After a sluggish performance in 2014, Legamaster lived up to its role as the Group's growth driver with an increase in sales of 14.2% in financial year 2015.

The German business performed at a high level once again (+13.1%), but sales in the rest of Europe also grew significantly by 14.8%. In particular, this trend was driven by the established business in the Netherlands. Furthermore, a significant rise in sales was posted in the UK, to which our new distribution partner for interactive visual communication mainly contributed.

In general, the Interactive Technology product segment, which includes both electronic whiteboards and e-screens (LED screens with touch technology for schools and conference rooms), proved to be very strong once again with over 35% growth. Likewise, in our traditional business, we were able to hold our own in a challenging market environment thanks to our premium positioning, and we achieved sales growth of over 7% in this segment.

Marketing and products

The focus in 2015 was again to develop the interactive range in a market with short product life cycles. Besides continuously developing the hardware in relation to screen size, resolution and quality of make, we concentrated on integrating software solutions that create real added value for the user in terms of the respective application. Examples include the educational software "Tango Teach" and the "Flipbox Software Suite" as a conference and presentation solution for working on the e-screen in an office.

In the traditional sector, we are also continuously improving our product range in relation to size, design and quality to meet customers' needs. In 2015 our new coloured glass boards particularly stood out.

We are expecting further growth impetus from our new ranges, which we will be presenting at the beginning of 2016; the highlight is our largest e-screen with a 98 inch screen diagonal.

Other Office Products

For some years we have been rigorously converting our partner brand portfolio to brands that support the strategies of our own brands. In 2015 we ended our joint venture with the writing utensil brand Senator and therefore experienced a drop in sales of 3.0% in 2015, as per the budget.

The inclusion of a cutting and stamping range of the Fiskars brand means that from mid-2016 German specialist trade customers will be able to obtain premium products for Marking (edding), Gluing (UHU) and Cutting/Stamping (Fiskars) from the one-stop supplier edding Vertrieb GmbH.


Legamaster
Documents
Show laptop
Applications

Net assets, financial position and results of operations of the edding Group

Results of operations of the edding Group

Development of the results of operations

	2015 € '000	2014 € '000	Change € '000	Change %
Sales revenue	138,371	128,853	9,518	7.4
Changes in inventories and own work capitalised	755	294	461	156.8
Total output	**139,126**	**129,147**	**9,979**	**7.7**
Raw materials and consumables used	– 51,252	– 48,748	– 2,504	5.1
Gross profit as % of total output	**87,874** 63.2 %	**80,399** 62.3 %	**7,475**	**9.3**
Employee benefits expense as % of sale	– 35,394 25.6 %	– 34,206 26.5 %	– 1,188	3.5
Depreciation expense	– 2,507	– 2,667	160	– 6.0
Other operating income	5,694	5,657	37	0.7
Other operating expenses	– 43,447	– 37,328	– 6,119	16.4
EBIT as % of sales	**12,220** 8.8 %	**11,855** 9.2 %	**365**	**3.1**
Financial result and result from investments	– 87	330	– 417	n/a
Profit before tax	**12,133**	**12,185**	**– 52**	**– 0.4**
Income taxes	– 3,584	– 3,873	289	– 7.5
Group annual result	**8,549**	**8,312**	**237**	**2.9**
as % of sales	6.2 %	6.5 %		

Results of operations showed a slight increase in net income compared with the previous year. The significant rise in gross profit contrasts with increased employee benefits expense, significantly higher other operating expenses and a lower financial result and result from investments.

The **sales revenue** of the edding Group was 7.4% up on the previous year at € 138.4 million. This growth is attributable to increases in both the Writing and Marking and the Visual Communication segments, while Other Office Products posted a slight decline.

At the same time, the **gross margin percentage** rose by 0.9 percentage points to 63.2%. This increase results primarily from the Writing and Marking segment. Impairments of inventories carried out in previous years in this business unit were reversed. As regards the customer mix, it is also noticeable that the increase in sales mainly results from countries with their own distribution subsidiaries, in which we cover a stage of the value chain in-house with corresponding margins through direct distribution to retailers.

The increase in **employee benefits expenses** by € 1.2 million is due to several factors. Besides the general increase in pay rates, there was a significant inflation-induced wage increase in Argentina. Lower bonuses and profit sharing payments are offset by higher one-off expenses. For example, restructuring expenses in connection with the planned closure of edding Japan Inc. (Japan) as of 31 December 2015 are included. When assessing the higher personnel expenses and the simultaneous reduction in staff numbers, it is also important to bear in mind that the job cuts in Mexico, for example, will have far less of an impact than the increase resulting from new central functions within the framework of Strategy 2020.

Other operating income was at the previous year's level. It includes a rise in exchange gains of € 1.2 million. This positive effect is offset by € 1.2 million higher exchange losses in other operating expenses. A counter-effect in income that is worthy of mention is a write-up of € 0.7 million effected in the prior year for part of a building that is now back in use.

Other operating expenses were € 6.1 million higher than the previous year. In addition to the exchange losses already mentioned, external logistics costs rose by € 1.2 million. Along with the transfer of the German logistics activities to an external service provider in the second half of 2014, logistics in Turkey have also been outsourced since the start of the year. Additionally, other operating expenses in Argentina rose markedly due to inflation. Marketing, consulting, IT and travel expenses, in particular, also went up due to the intensified activity within the scope of Strategy 2020. For example, the increased IT costs are the result of greater utilisation of external service providers in the context of IT strategy development and the further development of IT infrastructure. In the area of marketing, the introduction of the edding L.A.Q.U.E. nail polish range particularly had an impact.

At € 12.2 million, **earnings before interest and taxes (EBIT)** were 3.1% up on the previous year's figure. This equates to a slight decrease in the EBIT margin from 9.2% to 8.8%.

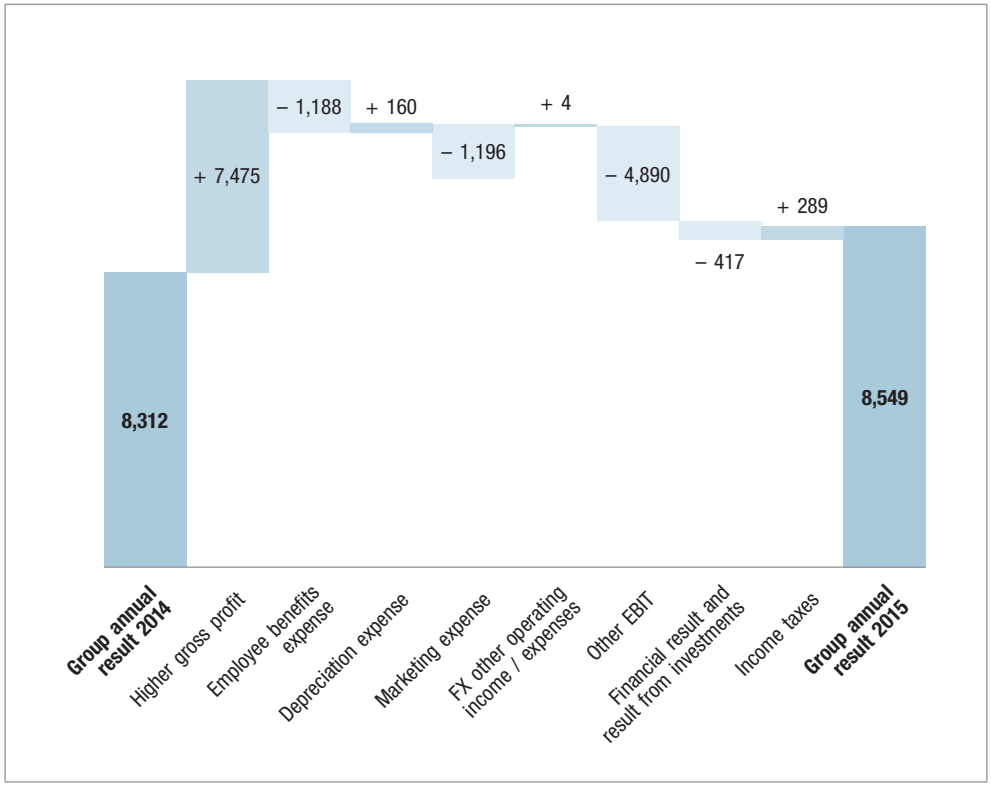
The **financial result and result from investments** fell by € 0.4 million. This is largely due to unit-linked pension commitments. In 2015 the provision amount based on actuarial reports rose only slightly, whereas the fair value of securities held by edding to cover the retirement benefit obligations increased significantly. The resultant increase in the retirement benefit obligations is disclosed under interest expenses.

Income tax expenses decreased year on year by € 0.3 million. Given the only slight decrease in the pre-tax result of the edding Group, this is mainly due to the capitalisation of deferred tax assets from loss carryforwards. Therefore, the income tax rate fell from 31.8% to 29.5%.

The Group's **profit after tax for the year** of € 8.5 million is therefore slightly up on the prior year's level, which the Management Board considers a very satisfactory result, especially in view of the numerous activities to implement Strategy 2020.

Development of Group result in 2015

€ '000



Business development compared with the outlook for 2015

In the outlook section of the 2014 annual report, we anticipated a moderate increase in sales revenue overall in both business segments for financial year 2015 and a drop in sales with partner brands. In terms of the segment result development, we forecasted that operating income (EBIT) for the Writing and Marking segment would stay the same, owing to the higher marketing expenses, and that for Visual Communication there would be a moderate increase. Thus, as expected, the EBIT remained at the previous year's level, and there was a corresponding development of net income for the year.

In the area of non-financial control parameters, we expected that the mood barometer measured by the 2015 employee survey at the German sites would produce a similarly positive result to 2014.

As the financial year progressed, this prediction was confirmed within the scope of the interim notification in mid-May 2015 and the half-year financial report for the period ended 30 June 2015. Within the scope of the interim notification in mid-November, we continued to stick to our earnings forecast, but at this point in time it became apparent that growth in the Visual Communication segment would be disproportionately high.

Net sales revenue increased by 7.4% in the year under review. The development of the Visual Communication business segment, with growth of 14.2%, contributed disproportionately to this, while revenue in the Writing and Marking segment rose by 6.1%. Earnings from Other Office Products fell by 3.0%. This is largely in line with our original forecast, although performance in the Visual Communication segment was somewhat better than expected. This was particularly attributable to a substantial increase in sales in the UK, thanks mainly to our new distribution partner for interactive visual communication.

The segment result (EBIT) for the Writing and Marking segment rose by 11.2% from € 18.2 million to € 20.2 million. Hence, our performance exceeded the forecast, essentially because of a lower increase in marketing expenses and an improved exchange rate situation. The segment result for Visual Communication of € 1.9 million was 38.3% up on the prior year's figure of € 1.4 million and was therefore higher than forecast due to sales levels.

The EBIT of the edding Group amounted to € 12.2 million and was therefore € 0.4 million or 3.1% up on the previous year's level. Annual net profit was also 2.9% higher than in the prior year, meaning that the forecast was slightly surpassed. This was in particular due to the fact that we posted lower exchange losses than anticipated at the year-end. There were also positive effects on net income due to the capitalisation of deferred tax assets.

The overall result of the first worldwide employee survey - like the score from the last national survey in 2014 - was positive, achieving the second highest ranking on the scale, and therefore within our forecast.

Net assets and financial position of the edding Group

As of 31 December 2015, the edding Group's total assets rose sharply by 8.4% from € 90.9 million in the previous year to € 98.5 million. Moreover, in the 2015 financial year, equity increased considerably from € 44.3 million to € 50.2 million. This is mainly due to the consistently high Group result, which is offset by the distribution of dividends and the development of the difference arising from the currency conversion, not affecting the income statement. With the simultaneous slight increase in the amount of short and long-term borrowed capital, the equity ratio rose year on year from 48.7% to 51.0%.

The non-current assets (€ 27.2 million) fell slightly by € 0.4 million in total compared with the prior year, mainly as a result of three opposing effects. Firstly, the carrying amount of property, plant and equipment fell in the 2015 financial year by € 1.0 million, as the amount of additions only partially compensated for the scheduled depreciation of property, plant and equipment. On the other hand, an increase in other non-current receivables and assets of € 0.6 million was posted from the fair value assessment of shares in securities-based funds held to partly cover pension commitments. Moreover, the carrying amount of other intangible assets rose by € 0.3 million due to the acquisition of new IT software in the year under review.

Investment of € 2.2 million in financial year 2015 was roughly at the same level as in the previous year. The main investments were in the areas of IT software and hardware, technical equipment and machinery and facilities for energy supply. They mainly related to the Group headquarters in Ahrensburg and to our production plant in Bautzen, and are therefore primarily attributable to the headquarters and the Writing and Marking business segment.

Current assets increased sharply by 12.7% from € 63.3 million to € 71.3 million. This trend is particularly due to the sharp rise in cash and cash equivalents by € 6.8 million resulting from the positive business performance of the edding Group.

The scope of inventories, on the other hand, increased only slightly in the year under review by € 0.5 million, mainly due to the higher inventories of our two segment management companies in Germany and the Netherlands, influenced by the positive course of business. A year-on-year increase of € 0.5 million, likewise attributable to business volume, was posted in the area of trade receivables. The increase in other receivables and assets by € 0.4 million as of 31 December 2015 was largely due to the fair value assessment of the currency derivatives held to hedge payment flows in foreign currency in the area of the Japanese yen and the US dollar.

Long-term borrowed capital rose slightly in the 2015 financial year at € 21.1 million compared with the previous year (€ 20.3 million); the long-term shares of liabilities for personnel obligations accrued in the previous year and in the year under review were largely responsible for this.

As of 31 December 2015, current liabilities totalling € 27.2 million were slightly higher than on the balance sheet date in the previous year (€ 26.3 million). Several developments need to be explained in this connection. Firstly, a rise in short-term financial liabilities by € 0.5 million to € 6.4 million was posted across the Group, in particular as a result of the local credit lines acquired by the Turkish subsidiary. Trade accounts payable also rose by € 0.4 million due to the reporting date.

Furthermore, short-term provisions grew by € 0.4 million due to the creation of restructuring provisions within the scope of the closure of our Japanese subsidiary in 2016. Set against this in the 2015 financial year was, on the other hand, the decrease in other short-term liabilities by a total of € 0.7 million, which was mainly due to the market values, which were still negative in the previous year, from currency hedging transactions for the Turkish lira as well as the decrease in provisions for marketing allowances and customer bonuses.

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

The cash flow from operating activities rose once again to € 10.2 million compared with the previous year (€ 7.2 million). The reason for this, along with a slight increase in the Group result, was, in particular, the € 2.1 million smaller increase in trade accounts receivable, the € 1.0 million smaller build-up of inventories as well as the increase in trade accounts payable by € 0.4 million, whereas in the previous year they had fallen by € 0.8 million. This contrasted with an increase in other liabilities that was € 1.8 million smaller compared with the previous year.

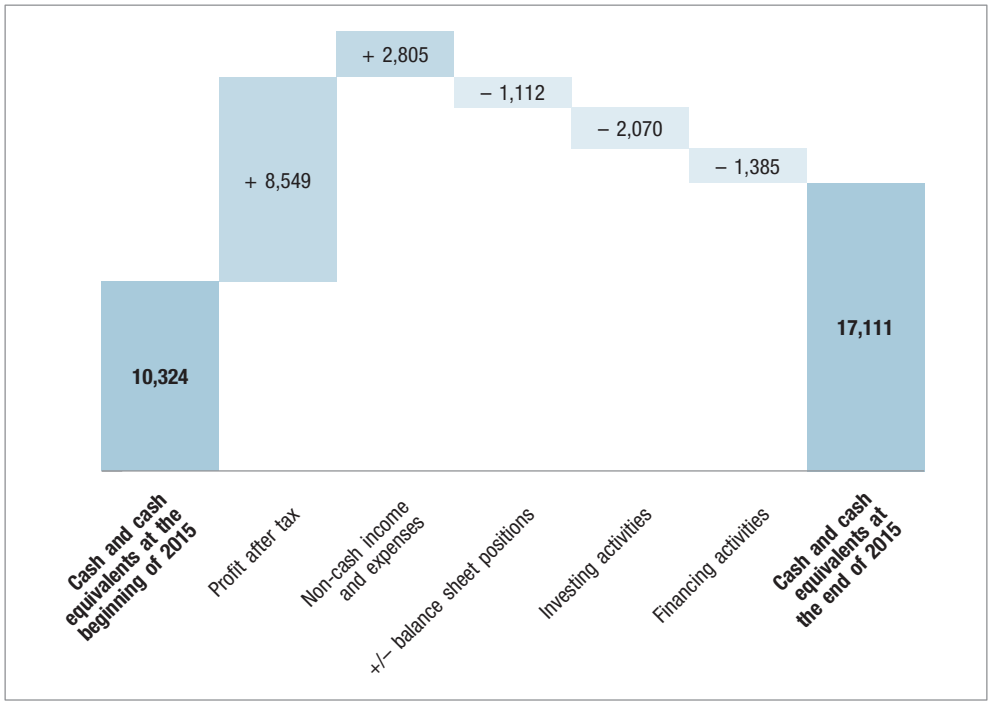
The negative cash flow from investing activities (€ 2.1 million) grew mainly due to the fact that investment in intangible assets increased by € 0.3 million in the 2015 financial year, and in particular at edding AG by € 0.2 million.

The cash flow of € -1.4 million from financing activities rose by € 1.6 million compared with the prior year (€ -3.0 million). In this connection, the financing requirements of the operating business of the foreign companies were only partially compensated by scheduled repayments of existing financial liabilities.

The Group was solvent at all times 2015. This continues to be the case in the current financial year 2016.

Change in cash and cash equivalents in 2015

in € '000



Net assets, financial position and results of operations of edding AG

Results of operations of edding AG

Development of the results of operations

The task of edding Aktiengesellschaft is the overall business management of its subsidiaries and affiliated companies. Key management functions, finance and controlling, human resources and IT are based at edding AG.

	2015 € '000	2014 € '000	Change € '000	Change %
Result from profit transfer agreements	17,976	17,138	838	4.9
Income from shareholdings	632	378	254	67.2
Write-ups / write-downs of financial assets	– 123	– 1,913	1,790	– 93.6
Write-ups / write-downs of receivables from affiliated companies / shareholdings	– 21	– 9	– 12	133.3
Result from investments	**18,464**	**15,594**	**2,870**	**18.4**
Sales revenue	4,475	4,243	232	5.5
Employee benefits expense	– 7,422	– 6,370	– 1,052	16.5
Depreciation expense	– 1,008	– 1,347	339	– 25.2
Other operating income	986	1,506	– 520	– 34.5
Other operating expenses / other taxes	– 7,042	– 5,725	– 1,317	23.0
EBIT	**8,453**	**7,901**	**552**	**7.0**
Financial result	– 432	– 584	152	– 26.0
Profit before tax	**8,021**	**7,317**	**704**	**9.6**
Income taxes	– 2,651	– 2,659	8	– 0.3
Net income	**5,370**	**4,658**	**712**	**15.3**

The results of operations of edding AG were characterised by income and expenses within the scope of the result from investments, which result primarily from profit and loss transfer agreements with edding International GmbH, Legamaster GmbH and V. D. Ledermann & Co. GmbH. The profit and loss transfer agreement with Legamaster GmbH has existed since the beginning of the reporting year.

The result from investments is broken down as follows:

	2015 € '000	2014 € '000
Profit transfers/income from participating interests		
edding International GmbH	17,385	17,351
EDDING (U.K.) LTD.	626	372
Legamaster GmbH	488	–
V.D. Ledermann & Co. GmbH	103	– 213
PBS Network GmbH	5	5
DEGESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG	1	1
	18,608	**17,516**
Write-ups		
Long-term securities	129	149
	129	**149**
Write-downs and value adjustments		
edding Argentina S.A. (shareholding)	–	– 1,736
edding Argentina S.A. (receivables)	– 3	– 9
edding Mexico S. de R.L. de C.V. (receivables)	– 18	–
edding Ofis ve Kirtasiye Ürünleri Tic. Ltd. Sti. (shareholding)	– 252	– 326
	– 273	**– 2,071**
	18,464	**15,594**

The **result from investments** improved year on year by € 2.9 million. This was mainly attributable to the reduction of write-downs and value adjustments for investments. In this connection we should especially mention edding Argentina S.A., for which no further devaluation was necessary compared to the previous year. Furthermore, the profit of Legamaster GmbH was transferred for the first time.

As far as **profit and loss transfers and income from participating interests** are concerned, the increased dividend from EDDING (U.K.) LTD. is especially worth mentioning along with the first-time profit transfer from Legamaster GmbH. A larger profit was paid to edding AG as a result. The profit transfer from V. D. Ledermann & Co. GmbH also improved, with this company now again generating an operating profit in the year under review.

Write-downs and value adjustments were reduced significantly.

The business of edding Argentina S.A. developed positively in the year under review. In local currency, price-adjusted sales growth of around 20% was generated. This led to a substantial profit following a loss in the previous year. Therefore, no depreciation of the investment was required in comparison with the prior year.

Once again the sales revenue of the Turkish distribution company was significantly improved. The pre-tax profit, however, was considerably negative. This is especially due to the increased financing requirement, and the associated higher interest expenditure, resulting from a higher sales volume combined with longer terms of payment, attributable to the customer structure. Overall we still see a large amount of uncertainty in the Turkish market due to the strong volatility of the currency, high levels of foreign public debt and high unemployment. Consequently, shares in the company had to be depreciated by around € 0.3 million.

The **sales revenue** of edding AG largely relate to licence revenues from edding International GmbH as well as intragroup charges. The increase of € 0.2 million is the result of rental income from leasing the warehouse building, which has no longer been used from the company itself since the outsourcing of logistics activities in 2014.

The higher income from investments is set against higher personnel costs, an increase in other operating expenses and lower other operating income.

In addition to the general wage increases and the slight rise in employee numbers, the increase in **employee benefits expense** can also be attributed to non-recurring personnel costs and greater expenses for retirement provisions. The latter is the result of a greater number of claims and a reduction in the actuarial interest rate used to value pension obligations.

Other operating income fell after a sharp increase in the previous year. In 2014 it included a write-up of € 0.8 million for part of a building that was back in use.

Other operating expenses were well up on the previous year's amount. This is mainly due to increased incidental personnel expenses and costs for information technology. The replacement of staff and filling of new posts at the German locations impacted on incidental personnel expenses. In addition, outside staff were brought in as a temporary measure for positions that had not yet been filled. The increased IT costs are the result of greater utilisation of external services in the context of IT strategy development and the further development of IT infrastructure.

Charges on the **financial result** were down year on year by € 0.2 million. A reduction in the sums allocated to maintain the minimum funding requirements for pension obligations had an effect.

Therefore, **profit before tax** was € 0.7 million higher than the previous year.

The tax ratio fell from 36.1% to 32.8% compared with the previous year, as the non-taxable expense from depreciation of receivables from affiliated companies and financial assets was lower. In addition, the result includes increased dividend payments, which are only included in the tax calculation to a small extent.

Hence, the Group's **profit after tax** also increased year on year by € 0.7 million to € 5.4 million, which the Management Board considers a very satisfactory result, especially in view of the numerous activities to implement Strategy 2020.

Of the net income, € 2.1 million are to be distributed to the shareholders. According to the recommendation by the Management Board, the dividend will remain unchanged from the previous year at € 1.95 per preference share and € 1.91 per ordinary share with a notional par value of € 5.00.

Business development compared with the outlook for 2015

In the outlook section of the 2014 annual report, we expected the operating result of edding AG for the 2015 financial year to be at the previous year's level, based on the assumptions regarding the Group's development, and given the increased marketing expenses and a moderate increase in sales revenue at Group level, with a corresponding effect on the earnings position of edding AG.

We stuck to this forecast in the course of the financial year.

The earnings before interest and taxes (EBIT) of edding AG were € 0.6 million or 7.0% up on the previous year's figure. This means that our forecast was slightly surpassed. In addition to the explanations already given, this resulted from the fact that we posted lower exchange losses at the end of 2015 than we had expected in the outlook in our 2014 annual report.

Net assets and financial position of edding AG

At € 64.9 million, the total assets of edding AG increased significantly by € 4.3 million as of 31 December 2015 compared with the balance sheet date in the previous year.

In terms of financial assets, the acquisitions and increases in value of the securities held to cover part of the pension obligations, on the one hand, and the depreciation carried out in the financial year of the stake in the Turkish subsidiary, on the other hand, cancelled each other out, at € 0.3 million respectively. However, as a result of the higher volume of investment compared with the prior year, the carrying amount of the entire fixed assets increased slightly by € 0.5 million in the 2015 financial year.

Investment in property, plant and equipment of € 0.9 million (previous year: € 0.8 million) was mainly attributable to IT hardware, facilities for energy supply and improvements and extensions to buildings. Additions to intangible assets of € 0.7 million (previous year: € 0.4 million) related exclusively to IT software.

As a result of the risk provisioning measure implemented at the Turkish subsidiary, the carrying amount of the stakes in affiliated companies fell slightly in the 2015 financial year. The shares in affiliated companies and the participating interests are as follows compared to the prior year:

	31/12/2015 € '000	31/12/2014 € '000
Affiliated companies		
edding International GmbH	26,466	26,466
edding Ofis ve Kirtasiye Ürünleri Tic. Ltd. Sti. (Turkey)	4,734	4,986
edding Argentina S.A. (Argentina)	2,514	2,514
V. D. Ledermann & Co. GmbH	1,534	1,534
Legamaster GmbH	700	700
EDDING (U.K.) LTD. (UK)	658	658
edding AG & Co. Grundstücksverwaltung OHG	400	400
DEGESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG	383	383
edding Colombia S.A.S. (Columbia)	258	258
edding Japan Inc. (Japan)	48	48
edding Hellas Ltd. (Greece)	–	–
edding Mexico S. de R.L. de C.V. (Mexico)	–	–
	37,695	**37,947**
Holdings		
PBS Network GmbH	52	52
Beruf und Familie Stormarn GmbH	3	3
	55	**55**
	37,750	**38,002**

In addition to the participating interests and shares in affiliated companies, edding AG maintains a branch in Wunstorf, which does not conduct any operative business operations.

As of 31 December 2015 another increase was posted in receivables from affiliated companies. This was mainly due to higher receivables from profit and loss transfer agreements, which rose by € 0.8 million compared with the balance sheet date in the previous year, as 2015 was the first year that a profit and loss transfer agreement had been concluded between edding AG and Legamaster GmbH. Moreover, the generally good business development was reflected in the increase in cash and cash equivalents of € 2.8 million.

Equity grew in the year under review by a total of € 3.3 million, which was mainly due to the allocation to retained earnings from net income for the year 2014 pursuant to section 58 (2) of the German Stock Corporation Act (AktG). In addition, the remaining net retained profits as of 31 December 2015 exceeded the dividend distribution carried out in June 2015. The equity ratio therefore increased, despite the increased balance sheet total, from 68.8% as of the balance sheet date in the previous year to 69.4% as of 31 December 2015.

Provisions rose as of 31 December 2015 by a total of € 1.1 million to € 15.1 million, with the largest effects being posted in the area of pension provisions and in other provisions, especially for employee bonuses. The increase in trade accounts payable is, on the other hand, offset by the decrease in liabilities to banks resulting from the scheduled repayment of long-term loans.

The company was solvent at all times in 2015 and as of the balance sheet date. This continues to be the case in the current financial year 2016.

General statement by the Management Board on the net assets, financial position and results of operations of the edding Group and edding AG

The Management Board considers the business performance in 2015 to be very positive, especially taking into account the numerous activities for implementing Strategy 2020. A record result was achieved for the third time in a row at Group level in terms of sales and EBIT. Sales revenue was increased by almost € 10 million to € 138.4 million, and in the case of EBIT the figure of € 12.2 million was an improvement of € 0.3 million on the prior year. This is an excellent result that our employees in the two segments have especially made possible through their dedication and commitment.

This time the business segment Visual Communication especially contributed to this trend. After only a slight increase in sales in 2014, we were able to achieve a substantial double-digit rate of growth in this instance of 14.2%. It is particularly pleasing to see that the strong growth rates of over 35% in the Legamaster Electronics segment were complemented by a considerable increase of around 7% in the traditional ranges.

We also recorded very gratifying sales growth of 6.1% to almost € 100 million in the Writing and Marking segment. As in the previous year, this is broadly based both in relation to regional distribution and with respect to sales channels and product categories. Once again, our activities in the area of brand expansion made a positive contribution. The highlight of the year under review was the market launch of the edding L.A.Q.U.E. nail polish range. The only downside in this segment is the renewed decline in the Russian business.

Correspondingly, these developments also had a positive effect on the parent company‘s results. Hence, edding AG was able to increase its annual net profit by € 0.7 million to € 5.4 million. This meant that the previous record profit of € 5.4 million in 2008 was even surpassed by a few thousand euros.

Performance of Group companies[5]

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

Parent company
The task of **edding Aktiengesellschaft** is the overall business management of all its subsidiaries and participating interests. Key management functions, finance and controlling, human resources and IT are based at edding AG.

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, Legamaster GmbH and V. D. Ledermann & Co. GmbH and also include valuation effects on Group receivables and shares in affiliated companies. The profit and loss transfer agreement with Legamaster GmbH has existed since the beginning of the reporting year. The result from investments amounts to € 18.5 million (previous year: € 15.6 million). It mainly resulted from the reduction of depreciation and value adjustments for investments. In this connection we should especially mention edding Argentina S.A., for which no further devaluation was necessary, in contrast with the previous year. Furthermore, the profit of Legamaster GmbH was transferred for the first time.

The higher income from investments was offset by higher personnel costs, an increase in other operating expenses and lower other operating income.

The pre-tax result is € 8.0 million and therefore exceeds the previous year's figure of € 7.3 million. A net income for the year of € 5.4 million remains after tax (previous year: € 4.7 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 which a profit and loss transfer agreement exists. The profit transferred from edding Vertrieb GmbH amounted to € 5.3 million (previous year: € 4.4 million). The sales revenues of edding International GmbH increased slightly by 1%. A further substantial decline in sales in Russia was offset by the positive trend in Germany, Turkey, the UK, the Netherlands and Spain. The result was € 17.4 million and at the same level as the previous year. This was especially due to the higher profit transfers, balanced by the increased marketing and consulting costs compared to the previous year. The profit was transferred to edding AG in accordance with the profit and loss transfer agreement.

[5] The comments on the subsidiaries are based on local GAAP.

Legamaster International B.V. (Netherlands) manages the Visual Communication business segment. Sales revenue increased significantly by 17%. A high level of growth was particularly achieved in the UK, Germany, the Netherlands and Switzerland. The increase resulted from both the classic communication product group and the interactive range, with a disproportionate level of growth being generated in particular with e-screens (LED screens with touch technology). The profit of € 0.6 million is accordingly well up on the previous year's figure of € 0.4 million.

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**.

Despite having terminated a joint venture with one distribution partner at the end of 2014, **edding Vertrieb GmbH** generated a 3% increase in sales in the year under review, which was due to corresponding growth in the Writing and Marking segment. This trend was, for example, positively influenced by the successful introduction of our new edding L.A.Q.U.E. nail polish. This range will initially continue to be assigned to the Writing and Marking segment. At € 5.3 million, the profit transferred to edding International GmbH is above the 2014 level of € 4.4 million due to higher revenues.

Legamaster GmbH was able to post revenue growth of 13%, which was mainly due to the substantial growth in the area of e-screens. The profit, which was transferred to edding AG in accordance with the profit and loss transfer agreement that has existed since the start of the year, was at the same level as in the previous year at € 0.5 million, even though sales were up. This was due to the increased proportion of e-screens with a lower percentage margin compared to the prior year and higher marketing expenses as planned.

In the 2015 financial year **edding Legamaster B.V. (Netherlands)** achieved sales growth of 14%, which was based on a positive performance in the two segments. In particular, the business-to-consumer business was expanded in the Writing and Marking segment. The growth in the Visual Communication segment was based on a positive trend in the traditional range. Profit rose due to the effects of higher sales.

edding Ofis ve Kirtasiye Ürünleri Tic. Ltd. Sti. (Turkey) once again achieved significant sales growth of 19% in local currency. This is all the more pleasing given that there is continuing uncertainty in the market due, amongst other factors, to the highly volatile currency, high levels of foreign public debt and high unemployment. 84% of total revenue is generated with the Writing and Marking segment, and growth for this operating area amounted to 30%. This was the result of the intensification of existing customer relations in the area of traditional trade, which was started in the prior year. The annual result of the subsidiary was negatively affected by the devaluation of the Turkish lira versus the euro by approximately 5% compared with the average rate in the previous year. This led to added costs for the purchase of goods and to largely unrealised exchange losses from the valuation of Group liabilities. Despite this, earnings before interest and taxes (EBIT) were positive and up on the previous year's figure. The significant increase in sales in recent years has led to greater financing requirements with corresponding interest expenses, which is why earnings before tax were negative and lower than the prior year.

The turnover of **EDDING (U.K.) LTD**. rose by 7% in local currency. This is still mainly the result of the targeted expansion of the school business in the Writing and Marking segment. In addition, the British pound has appreciated against the euro by approximately 11% compared to the average value of 2014, which reduces the costs of purchasing goods for the company accordingly. Consequently, profits rose sharply once again year on year.

edding France SAS once again generated a significant sales increase of 12%, to which all business areas contributed. In this regard, the improved marketing strategy continued to have an effect, as growth resulted mainly from customers newly acquired at the end of the previous year. As costs remained virtually stable, a pre-tax result in excess of the prior year was achieved.

edding Lega International B.V.B.A. (Belgium), which belongs to the sub-group of the Dutch companies, had to contend with a decrease in turnover of 4%, which resulted from both business segments. The company's profit was nevertheless slightly above the previous year's figure. The main reason for this was lower personnel costs due to positions that were temporarily left vacant.

The economic situation in Greece remains very difficult. Sales revenues of **edding Hellas Ltd. (Greece)** were down 7% in the year under review. The concentration on Group brands and the accompanying loss of partner brand sales had an effect. Sales in the Writing and Marking and Visual Communication segments were, however, close to the level of the previous year even though the market is contracting. The structural adjustments initiated in 2014 led to the expected improvement in earnings, although the annual result was still slightly negative, as expected. Owing to the large market share overall, we are still maintaining our commitment in Greece. In the medium term, we are still not expecting the business to break even locally in the current economic climate.

The subsidiary **edding Mexico S. de R.L. de C.V. (Mexico)** will be closed in 2016 as a consequence of the structural change that has already started in 2015. In preparation, a waiver of debts was initiated internally within the Group and this had a positive impact on the result. Excluding this effect, the loss of around € 0.8 million is roughly the same as in the previous year and is impacted by largely unrealised exchange losses from the valuation of intra-group receivables, high logistics costs and very low sales. Our current distribution partner has already sold on stocks that it took over in 2014. We are expecting sales revenues in the region to rise again in 2016.

Local distribution companies with local production

The sales revenues of **edding Argentina S.A. (Argentinia)** were up 41% in local currency compared to the previous year and therefore rose considerably by around 20% after adjustment for price rises, while retaining our restrictive credit policy. This increase is due to the competitive advantages from high product availability. As a result of the significant currency devaluation that took place at the end of the year, the positive trend could not be translated into net income under IFRS. According to the deviating local accounting principles a positive annual result was, however, achieved. The new government under President Macri, which has been in office since November 2015, sent some initial positive signals to win back the trust of the markets. For example, the foreign exchange and import restrictions were lifted.

As a consequence, a considerable depreciation of the peso occurred in December 2015. We view the situation positively overall. However, it remains to be seen whether these positive indications will be permanent, as the economic, social and political situation remains fraught with large elements of uncertainty.

edding Colombia S.A.S. (Columbia) was able once again to extend its market share despite the weak economic conditions, and achieved sales growth of 11% in local currency. The Colombian peso continued to decline in value over the whole of the 2015 financial year. This had a negative effect on the company's result, particularly in the form of high unrealised exchange rate losses from the valuation of largely intra-Group liabilities. Consequently the annual result was slightly negative and below the prior year's value. The operating result before exchange rate effects was, on the other hand, positive and higher than in 2014.

Production company

The production company **V. D. Ledermann & Co. GmbH** achieved a slight increase in intra-Group revenue of 2%. The negative impact of a marked fall in sales in Russia in the year under review was compensated by the absence of revenue-reducing one-off effects in the prior year, for example by cutting high stock levels. This led to a profit of € 0.1 million in 2015 after a loss in 2014, and this profit was transferred to edding AG in accordance with the profit and loss transfer agreement.

Purchasing company with local distribution

In contrast to previous years, **edding Japan Inc. (Japan)** made a loss. This was the result of high non-recurring expenses associated with the closure of the company, which were already explained within the scope of the organisational structure.

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). The capital accounts of both companies are positive, as expected. The leasing agreement of DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG for the business premises in Wunstorf expires on 29 February 2016. As a consequence, edding AG will acquire the 2% limited partner shares from the existing external limited partner and a new general partner GmbH (company with limited liability under German law) will join the company. It will subsequently be renamed EDWU Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG and will continue to operate entirely within the edding Group.

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, listed 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 2016, 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 as the basis for our planning and budgets. We are once again budgeting for moderate growth in our core German/Austrian/Swiss markets in the Writing and Marking segment and expect above-average growth above all in Southern and Eastern Europe and in Latin America. Following substantial growth in 2015 in some areas, our expectations for Northern and Western Europe as well as Southeast Europe are somewhat more cautious. Should the general level of economic demand improve even further in the next few years, especially in the latter two markets, 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 for 2016 and the following years. A positive trend is likely to emerge for edding, especially if the political and economic 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 of note in the marker segment. Our plans for the Russian market, which has been hard hit in the last two years, anticipate a slight recovery, but one which is driven primarily by positive effects from a closer cooperation with our distribution partners. Should the overall economic climate in Russia markedly improve, this should have a positive effect on our sales revenue and results of operations.

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 still see brand-extending projects as a key area with high potential. Following the successful launch of the new edding L.A.Q.U.E. nail polish range in 2015, we are aiming to expand distribution in the core German market in 2016. Should we generate additional qualified distribution channels in this segment quicker than planned or be able to acquire initial trading partners abroad for this new concept, this will have a positive effect on our sales revenue and results of operations. Other product and concept developments are undergoing a feasibility study or being prepared for implementation. Should we complete any of these concepts earlier beyond what has already been planned, this could have a positive impact on our sales revenue and results of operations.

Opportunities through customer relationships
The close proximity to our retail and distribution customers remains a key success factor in our marketing strategy. In 2015 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 tenth time in succession. In Germany we have a successful combination of retail and end user advice, and we shall be establishing or expanding this 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. At the same time, we subject existing cooperations to a continuous performance check. After terminating two partnerships in 2014, we agreed a new partnership for 2016 with the Fiskars brand in the German market, but our plans on the sales and earnings front are modest yet. Should new attractive partnerships arise, 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. Over the last few years more and more low-cost providers have encountered financial difficulties, firstly because the realised margins were insufficient and, secondly, because more and more retail customers are getting tired of the quality problems on the product and service side. Especially the logistical performance (punctual delivery, damage-free packaging and transport) is once again a higher ranking factor. Therefore, thanks to our premium processes and our high product quality, we continue to see opportunities to win back customers who have been lost to low-cost suppliers.

Opportunities through successes in tenders for interactive media
In the market for interactive communication media there are also a large number of suppliers at the low-price and low-quality level who are hoping to cash in on this young, fast-growing and still non-transparent market. However, we have also noticed that customers are acquiring increasing expertise in this area, which is apparent in a growing orientation towards quality providers, and this will benefit us, but the expanding market per se represents a big opportunity. In most countries we are expecting the market as a whole to grow due to the increasing 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 the 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. We will be presenting a 98-inch e-screen with Ultra HD resolution (PTX-UHD) at the Integrated Systems Europe fair in Amsterdam for the first time at the beginning of 2016. On the software front, we are also extending our interactive range with the educational software “Tango Teach” and the “Flipbox Software Suite” as a conference and presentation solution for working on e-screens in offices as well as the specialist software “Tango Sports” for tactical planning and training support in sports clubs. Should we acquire more projects than planned with the help of these new products, this should have a positive effect on our revenue and results of operations.

Opportunities through new distribution partners for interactive media
In 2015, we benefited a great deal from the expansion of our international distribution capacities, especially the cooperation with our new distribution partner for digital media in the UK. In 2016, we are planning to distribute interactive products via our subsidiaries in Colombia and Argentina for the first time. The total growth we have budgeted for in 2016 from the new distribution partners is relatively modest. Should we win more market shares than planned in this respect, this should have a positive impact on our sales revenue and results of operations.


MOTIVATION
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Legamaster

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 segments 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 management 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.

Regular 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 specify the notification requirements should changes in the risk situation occur.

The risk management system was reviewed again in 2015 by the Management Board itself with the support of the internal audit department. This represents a further risk minimisation component, in addition to the assessment of the efficacy 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 SAP R/3 ERP software system, which has been used at edding for many years now, allowing for an appropriate 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 working in compliance with this target concept.

The majority of the staff 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 attend 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 circumstances 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 strategy developed in 2014 to strengthen our competitive position and the related projects were implemented successfully in 2015. Both the internal and external marketing and sales-related processes were therefore geared even more precisely to our target groups, which will further strengthen edding's market position, in the face of future challenges.

Financial market risks and financial risks

The financial market risks within the edding Group essentially comprise exchange rate and interest rate risks.

The past financial year was again marked by a high level of volatility in terms of exchange rates. At the beginning of 2015, the value of the euro against the US dollar and Japanese yen fell once again significantly, and the turnaround in interest rates in the USA in mid-December did not help to strengthen the euro. This can mainly be attributed to the fact that the ECB is still not planning to end its expansionary monetary policy stance.

The companies within the edding Group are exposed to exchange rate risks within the context of goods procurement and the resultant trade accounts payable. From the Group's point of view, the principal risks arise from the goods purchased in Japanese yen and US dollars.

Our prime motives for hedging against financial market risks are security of planning and the reduction of risk exposure in the balance sheet of our foreign companies operating in foreign currencies.

Security of planning plays a role particularly in the area of goods procurement. In previous years, we have mainly hedged purchases in Japanese yen and, since the end of 2014, to a smaller extent, purchases in US dollars. The yen hedging is shown in the consolidated financial statements as cash flow hedging accounting, and so for the most part the exchange gains and losses on account of the reporting date do not affect the income statement of the edding Group. Although the policy of the Japanese central bank is likely to lead to a further weakness in the yen in the medium term, we shall continue this exchange rate hedging policy in the next few years with a view to achieving the desired planning security.

As regards our companies operating in foreign currencies, we have implemented various measures, in some cases in prior years, to reduce their risk exposure arising from formerly high hard currency liabilities.

- In the case of the Argentine subsidiary, we made contributions in kind in the form of Argentine government bonds in 2013 and 2014, and the existing Group liabilities were largely settled with the proceeds from the sale of these bonds. Since then the local foreign currency position has largely been balanced.

- In 2014, we rescheduled the euro liabilities in the balance sheet of the Turkish subsidiary and essentially replaced them with a loan in Turkish lira. At the level of the credit-granting edding International GmbH, the resultant exchange rate risk was hedged by a forward foreign exchange transaction with matching maturity.

- In the 2016 financial year the foreign currency item of edding Colombia S.A.S. will be hedged by a non-deliverable-forward (NDF) that we already concluded in Germany in 2015 and have passed on internally within the Group.

- In addition, the companies in Argentina and Colombia have local credit lines that are partially utilised to reduce hard currency liabilities.

Our ongoing very conservative receivables management combined with the largely good to very good creditworthiness of our customers meant that there were no noteworthy bad debts in 2015.

Interest rate swaps are still available to facilitate planning for interest expenses. These interest rate swaps can be used in the event of drawing on credit lines with variable interest rates.

The measures derived from our financial risk management for minimising risk in the area of price, currency, interest rate and other risks are described in Note 36 in the consolidated financial statements.

Performance risks

As a result of implementing the logistics outsourcing project in 2014, we were able to achieve the associated targets in 2015. By selectively fine-tuning logistics processes, the efficiency and flexibility of logistics were further enhanced and performance risks were reduced significantly. In 2015 we also began to support the strategy-related measures in the business-to-business and business-to-consumer area of distribution even more efficiently from the point of view of procurement, especially by implementing an MRP (Material Requirements Planning Optimisation) project. A project for optimising the application SAP SD (sales and distribution) module is also at a very advanced stage.

Staff risks

In 2015 the organisational changes planned in 2014 were further implemented to gear the company to Strategy 2020. These structural adjustments were supported by greater emphasis on the expansion of staff development measures at international level. Thus, project management training programmes were, for example, developed and introduced internationally. The stronger focus on international project work is to follow a uniform approach in future that can be backed up by training.

In 2015 edding developed an adapted definition of its corporate culture to underpin the company's strategic orientation with an adequate set of values; this contains two essential elements for securing the market in the future:

The ability of the edding Group to cope with dynamic market demands will also be relevant in the future. To this end, it is essential for edding to promote staff loyalty and attract candidates in the labour market who can contribute a high level of innovative ability and an entrepreneurial mindset in order to position edding as an innovative market player in the future (eddipreneurs).

At the same time, it is important that employees who currently work for edding or will do so in the future, bring to the table a high level of implementation skills and process precision so as to steer innovation projects accordingly (eddiplementors).

These two corporate culture approaches were developed in 2015 and will be further entrenched in the company in 2016.

Political risks

As a result of our international corporate structure, with subsidiaries in eleven countries and distribution via partners in more than 90 countries around the globe, we are exposed to not insubstantial individual political risks. However, from a corporate point of view, the increasing internationalisation is simultaneously leading to a broader distribution of risk. Distribution in a large number of different countries, as is the policy at edding, can in itself be seen as a risk management measure. The original objective of internationalisation was growth and reduced dependence on the German market and therefore the performance of the German economy. We already achieved this objective a few years ago.

As regards the worldwide trend, the growth markets in Latin America and Southeast and Eastern Europe are of special importance to us.

The economic and political situation in Argentina relaxed considerably at the end of 2015, following the presidential elections and the victory of the business-friendly candidate Mauricio Macri. Import restrictions have now been lifted and foreign exchange restrictions for the peso have largely been abolished. As a consequence, a substantial devaluation took place in December 2015. Our competitive position in the market improved substantially with this devaluation, which we had long been expecting. Competitors who are almost exclusively dependent on imports had to implement significant price increases, whereas the costs of our own production in Argentina, in local currency, was "only" subject to further inflation. This meant that the price advantage of competitors in some core products has now changed to a price disadvantage. On the other hand, the situation cannot yet be regarded as stable in the long term, as negative economic effects may still occur in the short term in the wake of the devaluation and in the course of forming the new government, and an upturn may only have a positive impact on edding in subsequent years.

Overall, we still see ourselves as being well positioned as a result of the risk measures already undertaken in previous years. The balance sheet structure of edding Argentina S.A. is crisis-proof due to the reduction of hard currency liabilities, and at Group level the company's fixed assets have already been written down since 2013. If the situation develops positively in the long term, there will be write-back potential again in this respect.

The year-end business in Argentina in 2015 was surprisingly good, meaning that the annual result according to local accounting principles was very positive. We assume that this is largely due to a special economic situation fuelled by the devaluation. Many of our customers tried to exchange their pesos by ordering stock that would hold its value ahead of the expected devaluation. Based on our conservative receivables management policy we even turned down some orders in the fourth quarter. This meant that we occasionally lost revenue, but avoided incurring higher payment defaults. All in all the situation of the subsidiary is much more stable, but its further development is still characterised by a high degree of uncertainty and therefore remains very volatile.

Following a temporary stabilisation of the internal political situation in Turkey after the presidential elections in 2014, conditions have become very unstable again as a result of Turkey's intervention in the war with "Islamic State", the new flare-up of the conflict in the Kurdish region and the dispute with Russia over the shooting down of a Russian war plane. This reinforces the opinion we already expressed last year that there may be repeated setbacks in this region.

Examples such as the still unresolved Russia/Ukraine conflict have shown us that geopolitical risks can always occur unexpectedly and are difficult to predict. Nevertheless, we were able once again to more than compensate for the decline in the Russian business through growth in other regions. This demonstrates that our risk management policy based on the internationalisation of our business is effective. Despite this, we assume that the Russian business has reached its lowest point and that slight growth will be possible again in 2016.

Another example of positive development is Greece. Here the stabilisation of the political situation has led to a marked improvement in the result despite a drop in sales. The recent resurgence of social unrest and demonstrations has shown that we are not out of the woods yet, as an end to the austerity measures is not yet in sight. As long as these disturbances do not escalate, we expect business performance in Greece to remain positive.

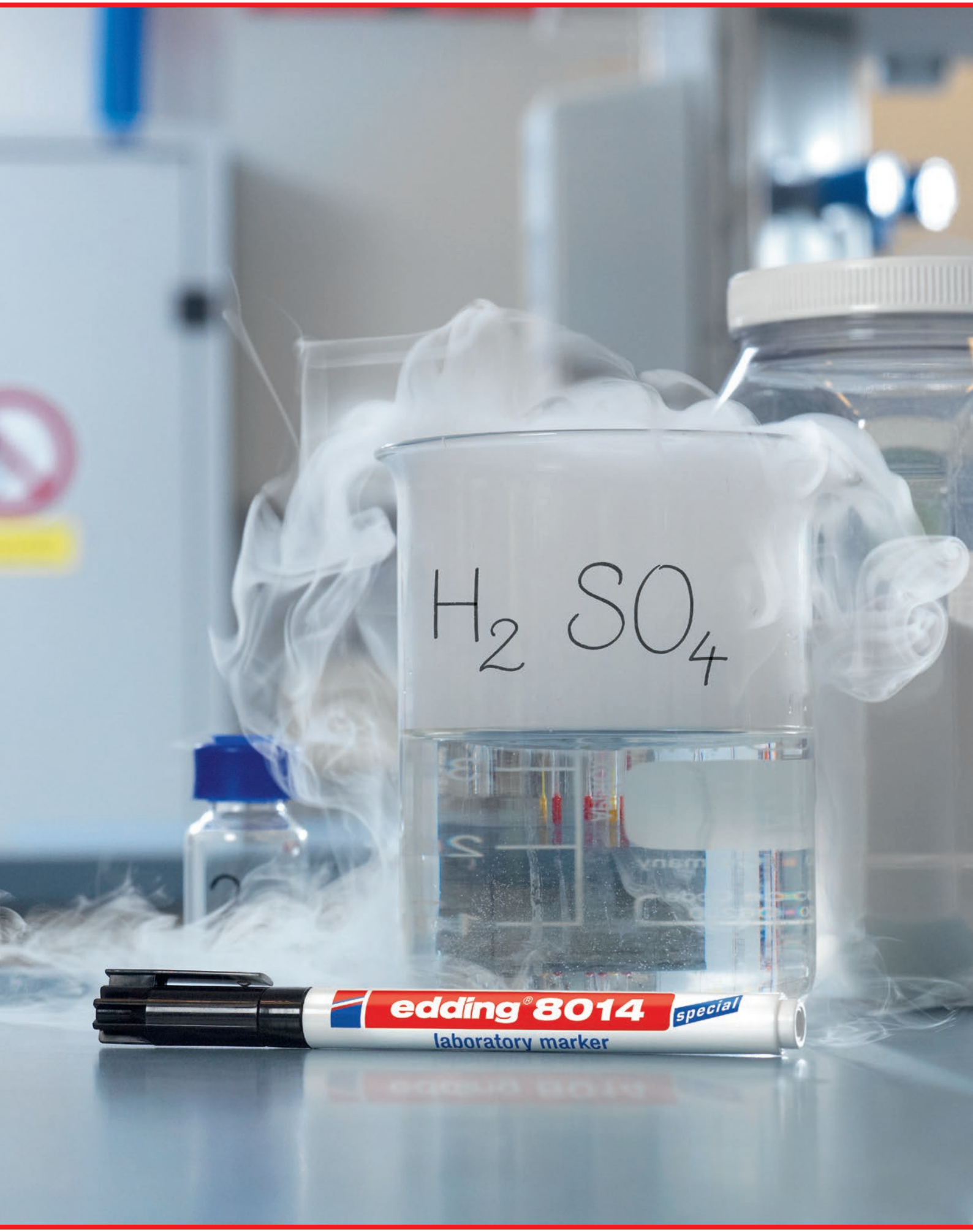
Unless exchange rates are subject to even greater turbulence as a result of new external influences, or the European economy takes a substantial turn for the worse, we continue to see no materially increased risk for the edding Group from the euro crisis, despite the new discussions about further tranches of bailout funds for Greece.

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 or 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 and standard terms and conditions by lawyers.

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.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Other Reporting

Remuneration report

Remuneration system

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 an appropriate level according to the guidelines of the Management Board Remuneration Act. Besides assessing the performance and responsibility of each individual Management Board member, the level of remuneration for management board members at comparable listed stock corporations is also taken into account.

Components of the Management Board's remuneration

The part of the remuneration that is not performance-based consists of a fixed salary and various fringe benefits, which include the continued payment of the monthly basic salary for a period of two months in the event of incapacity for work, a contribution to private health and long-term care insurance 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 either a defined benefit pension plan or 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 edding 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. They do not receive any additional remuneration for accepting directorships in Group companies.

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. Accordingly, 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 2015.

Compensation in the event of premature departure from the Management Board
The employment contract of the Management Board chairman contains a special right of termination by the 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. No other contractual provisions have been made in this area.

Remuneration of the Supervisory Board
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 for the financial year 2014. In addition, no remuneration or benefits for personally rendered services has been paid or granted to the members of the Supervisory Board. The basic remuneration of a member of the Supervisory Board is anticipated to be € 20,000 in the 2015 financial year.

Information relating to takeovers

Subscribed capital
The fully paid up share capital of edding AG amounted to € 5,366,095 as of 31 December 2015 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). If the preferred dividend has to be paid retrospectively and is not paid, or not paid in full, in any given year and is not paid in the following year in addition to the full preferred dividend for that year, preference shareholders shall be granted voting rights until the arrears have been settled. If the preferred dividend does not have to be paid retrospectively and is not paid, or not paid in full, in any given year, preference shareholders shall be granted voting rights until the preferred dividend has been paid in full in any given year. For as long as the voting rights exist the preference shares shall also be taken into account when calculating a capital majority required by law or under the company‘s articles of association.

Direct or indirect holdings
Holdings (including indirectly 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
Ms Anika Ledermann (new addition)
Mr Yannick Nicolas Ledermann
Ms Elisa Sophie Ledermann (new addition)
Mr Luis Gabriel 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
In so far 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 Annual General Meeting 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.

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/corporate-governance/erklaerung-zur-unternehmensfuehrung/.

Report on post-balance sheet date events

No 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 Combined Company and Group Management Report was prepared.

Outlook

A large number of geopolitical distortions and associated volatilities in the markets make the outlook complex and fraught with uncertainty.

The multitude of unresolved Middle East conflicts, the origins of which are not only religious but often also have their roots in structural or economic factors, result in destabilisation that is probably only in its initial stages. The situation in Ukraine also remains problematic and, despite initial rays of hope, Southern Europe is only at the beginning of a fragile recovery.

Germany is not immune from these challenges either, and the migrant issue is only one of the most pressing.

The increased growth forecast by the International Monetary Fund of +3.4% for the world and +1.7% for the eurozone as well as Germany, appears to be a relatively positive scenario in light of these problems. Whether Spain will be able to maintain its growth in 2016 depends very much on political developments, especially the undiminished autonomy aspirations of Catalonia.

Especially in view of the unresolved conflict between Iran and Saudi Arabia, a recovery of the oil price is unlikely, which is likely to mean a continued recession for Russia.

Internationally the problem child Latin America gives reason for hope. The political developments in Argentina and Venezuela, in particular, point to the beginning of a battle against corruption and anti-business policies. Nevertheless, Brazil, the engine of the region, keeps stuttering; the IMF is expecting its economy to contract significantly again in 2016 by 3.5%.[6]

Despite the generally worrying and confusing situation in the global markets, the mood in the German market is very positive overall. The Ifo Business Climate Index showed more positive expectations for industry and the wholesale trade, with only retail facing bleak prospects. However, in the retail trade with stationery and also school and office products, the Business Climate Index recorded a substantial improvement. In wholesaling, the Business Climate Index for consumer goods rose slightly. Although companies felt that the business situation was no longer quite so rosy, expectations for the next half-year were, on the other hand, characterised by a perceptibly increased sense of optimism.[7]

The members of the German Industrial Association of Paper, Office Supplies and Stationery Brands are also optimistic about 2016 and plan to increase their sales by just under 4% on average in the coming year, both domestically and in the export trade.[8]

Traditionally we only react to current economic developments on a risk-oriented basis, as our strategies are long-term rather than following short-term economic cycles. Currently our activities are focusing on the organisation and implementation of Strategy 2020.

[6] IMF, World Economic Outlook Update, January 2016
[7] ifo economic barometer 12/2015
[8] http://www.pbs-markenindustrie.de/aktuelles/buero-und-schreibwaren-hoch-im-kurs, 01.02.2016

In the area of the edding brand, we are concentrating on two main tasks. On the one hand, we aim to expand our market shares in the highly competitive business-to-business sector while, on the other hand, establishing our brand in the business-to-consumer sector. In both areas our brand strength and the portfolios developed with a precise focus on the end consumer form the basis for our work. Owing to our differing market position and the diversity of the distribution channels in the two sectors, we have decided to operate with specially selected teams for each.

Within the scope of our brand expansion, our nail polish range was successfully brought to market in May 2015 under the edding L.A.Q.U.E. sub-brand. Moreover, in 2016 a considerably extended and more attractive toner range will be launched.

2015 was also the year when we developed the Legamaster strategy. Following a detailed analysis of the fast-growing market for interactive displays and market research into our market support, the focus here was likewise on developing an end user-centred strategy.

Hence, in the next few years the key will be to gear our product portfolio even more to application benefits.

The core projects for 2016 will all form the basis for our Strategy 2020. They include operational process and system optimisation in the area of SAP to ensure the scalability of our activities as well as the “Workplace 2.0” project, which is designed to guarantee that we remain attractive in the future as an employer and can continue to achieve good results in the employee survey conducted throughout the Group for the first time in 2015.

A central task will also be the creation of a balanced scorecard 2020, with which a system of measurement and control parameters will be implemented for our strategy.

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.

After weighing up the existing opportunities and risks for our business, we are expecting a moderate decline in our operating result but with increasing sales revenue for 2016. Both segments will contribute to the increased revenue. In terms of segment results, we expect a slight increase in the Visual Communication segment due to higher revenues, whereas for Writing and Marking we anticipate a moderate decline in the segment result. In the Writing and Marking segment, 2015 was characterised by organisational restructuring in the area of distribution and marketing. In 2016 we are planning to spend considerably more on marketing and trade marketing, which will lead to this decline in the segment result. In previous years these expenses fell well short of the planned or desired level.

In our opinion, the key control parameters will develop as follows:

	2014 € m	2015 € m	2016 forecast € m
edding Group			
Sales revenue	128.9	138.4	142.0 - 149.0
EBIT	11.9	12.2	10.0 - 12.5
Result of employee survey (rated using grading system)	good	good	good
edding AG (individual financial statements)			
Net income	4.7	5.4	4.0 - 5.5

Ahrensburg, 20 April 2016

The Management Board

Per Ledermann Thorsten Streppelhoff Sönke Gooß


edding 1800
edding®
edding® 2185
Gel Roller
0.7 mm

Consolidated Financial Statements

Consolidated statement of financial position as at 31 December 2015

ASSETS	Note	31/12/2015 € '000	31/12/2014 € '000
Goodwill	9	2,754	2,754
Other intangible assets	9	975	639
Property, plant and equipment	10	13,011	13,993
Investment property	11	665	602
Shares in equity-accounted companies	12	–	3,440
Other holdings	13	3,474	147
Deferred tax assets	33	1,477	1,647
Income tax receivables	33	307	553
Trade receivables	15	88	6
Other receivables and assets	15	4,432	3,801
NON-CURRENT ASSETS		**27,183**	**27,582**
Inventories	14	29,091	28,617
Trade receivables	15	21,365	20,822
Income tax receivables	33	309	544
Other receivables and assets	15	2,176	1,777
Cash and cash equivalents	16	17,111	10,324
Prepaid expenses and deferred charges	17	1,269	1,197
CURRENT ASSETS		**71,321**	**63,281**
TOTAL ASSETS		**98,504**	**90,863**

EQUITY AND LIABILITIES	Note	31/12/2015 € '000	31/12/2014 € '000
Share capital	18	5,366	5,366
Capital reserve	18	4,246	4,246
Retained earnings and net earnings	18	44,574	38,087
Other changes in equity	18	– 4,232	– 3,763
Equity attrib. to shareholders of edding AG		**49,954**	**43,936**
Non-controlling interests	18	245	338
EQUITY		**50,199**	**44,274**
Provisions for pensions and other obligations	19	15,227	15,271
Deferred tax liabilities	33	57	70
Other non-current provisions	20	546	605
Non-current financial liabilities	21	4,005	3,836
Other non-current liabilities	22	1,236	493
NON-CURRENT LIABILITIES		**21,071**	**20,275**
Short-term provisions	20	389	22
Current financial liabilities	21	6,394	5,879
Trade payables	22	5,265	4,870
Other current liabilities	22	14,445	15,112
Income tax liabilities	33	741	431
CURRENT LIABILITIES		**27,234**	**26,314**
TOTAL EQUITY AND LIABILITIES		**98,504**	**90,863**

Consolidated income statement
for the period from 1 January to 31 December 2015

	Note	2015 € '000	2014 € '000
Sales revenue	25	138,371	128,853
Changes in inventories and own work capitalised	26	755	294
TOTAL OUTPUT		**139,126**	**129,147**
Raw materials and consumables used	27	– 51,252	– 48,748
Employee benefits expense	28	– 35,394	– 34,206
Depreciation expens	29	– 2,507	– 2,667
Other operating income	30	5,694	5,657
Other operating expenses	31	– 43,447	– 37,328
Total operating expenses		**–126,906**	**–117,292**
OPERATING RESULT (EBIT)		**12,220**	**11,855**
Result from equity-accounted companies	12	– 106	–
Result from other holding	13	5	5
Financial result	32	14	325
Financial result and result from investments		**– 87**	**330**
PROFIT BEFORE TAX		**12,133**	**12,185**
Income taxes	33	– 3,584	– 3,873
GROUP ANNUAL RESULT		**8,549**	**8,312**
of which attributable to:			
Shareholders of edding AG		8,659	8,300
Non-controlling interest		– 110	12
Earnings per ordinary share (600,000 shares)[1]	34	8.00 €	7.66 €
Earnings per preference share (473,219 shares)[1]	34	8.16 €	7.82 €

[1] Adjustment of previous year's figures. For more details see Note 8 to the Consolidated Financial Statements.

Consolidated statement of comprehensive income for the period from 1 January to 31 December 2015

	2015 € '000	2014 € '000
Group annual result	**8,549**	**8,312**
Items which are not subsequently reclassified to profit or loss		
Provisions for pensions and similar obligations		
Actuarial losses	– 133	– 1,927
Deferred taxes	30	581
Items which are subsequently reclassified to profit or loss		
Difference from currency translation	– 1,009	– 553
Cash flow hedges:		
Fair value changes recognised in other comprehensive income	637	150
Transferred to profit and loss	151	422
Deferred taxes	– 231	– 160
Other comprehensive income net of tax	**– 555**	**– 1,487**
Total comprehensive income	**7,994**	**6,825**
of which attributable to:		
Shareholders of edding AG	8,087	6,824
Non-controlling interests	– 93	1

For more details, see Note 18 to the Consolidated Financial Statements.

Consolidated statement of cash flows

Indirect method [1]

	2015 € '000	2014 € '000
Profit after tax	8,549	8,312
+ depreciation of fixed assets	2,507	2,667
– decrease in provisions for pensions	– 147	– 79
+/– other non-cash expenses / income	444	– 767
Group result adjusted for non-cash effects	**11,353**	**10,133**
+ loss / – gain from the disposal of fixed assets	48	176
– increase in inventories	– 135	– 1,178
– increase in trade receivables	– 625	– 2,683
– increase in other assets	– 964	– 367
+ increase / – decrease in trade payables	396	– 840
+ increase / – decrease in other liabilities	169	1,967
Cash flow from operating activities	**10,242**	**7,208**
+ cash receipts from the sale of intangible assets and property, plant and equipment	160	247
– cash payments for investments / + incoming payments from divestments		
property, plant and equipment	– 1,568	– 1,729
intangible assets	– 669	– 371
financial assets	7	– 7
Cash flow from investing activities	**– 2,070**	**– 1,860**
– dividend payment	– 2,069	– 1,854
+ cash receipts from borrowings	2,825	558
– cash payments for the redemption of loans	– 1,585	– 1,245
– cash payments from current financial liabilities	– 556	– 443
Cash flow from financing activities	**– 1,385**	**– 2,984**
Net change in cash and cash equivalents	6,787	2,364
+/– effect of exchange rate fluctuations	0	35
+ cash and cash equivalents at the beginning of the period	10,324	7,925
Cash and cash equivalents at the end of the period	**17,111**	**10,324**

[1] For explanations see Note 40 to the Consolidated Financial Statements

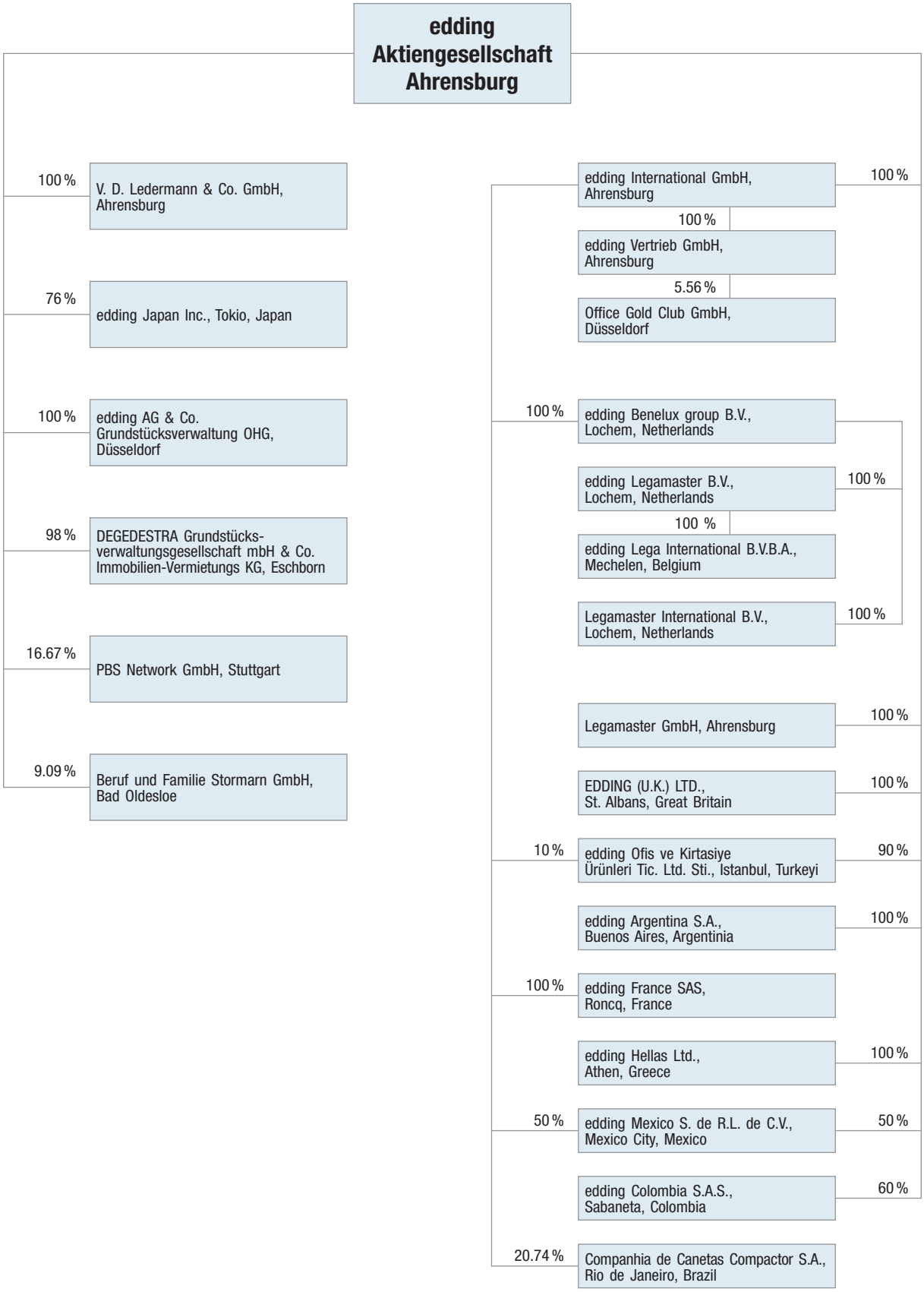
Statement of changes in equity
for the period from 1 January to 31 December 2015

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**
Balance as at 01/01/2014	**5,366**	**4,246**	**32,987**	**– 695**	**– 2,938**	**38,966**	**337**	**39,303**
Group annual result	–	–	8,300	–	–	8,300	12	**8,312**
Other comprehensive income	–	–	– 1,346	412	– 542	– 1,476	– 11	**– 1,487**
Total comprehensive income	**–**	**–**	**6,954**	**412**	**– 542**	**6,824**	**1**	**6,825**
Dividend payments	–	–	– 1,854	–	–	– 1,854	–	**– 1,854**
Balance as at 31/12/2014	**5,366**	**4,246**	**38,087**	**– 283**	**– 3,480**	**43,936**	**338**	**44,274**
Group annual result	–	–	8,659	–	–	8,659	– 110	**8,549**
Other comprehensive income	–	–	– 103	557	– 1,026	– 572	17	**– 555**
Total comprehensive income	**–**	**–**	**8,556**	**557**	**– 1,026**	**8,087**	**– 93**	**7,994**
Dividend payments	–	–	– 2,069	–	–	– 2,069	–	**– 2,069**
Balance as at 31/12/2015	**5,366**	**4,246**	**44,574**	**274**	**– 4,506**	**49,954**	**245**	**50,199**

For more details, see Note 18 to the Consolidated Financial Statements.

Group structure
as at 31 December 2015



Notes to the Consolidated Financial Statements

1 Segment reporting

	Writing and Marking € '000	Visual Communi-cation € '000	Total segments € '000	Reconci-liation € '000	**edding Group € '000**
2015					
External sales revenue	105,256	32,220	137,476	895	**138,371**
Depreciation expense	1,425	104	1,529	978	**2,507**
Segment result (EBIT)	20,241	1,916	22,157	– 9,937	**12,220**
2014					
External sales revenue	99,851	28,221	128,072	781	**128,853**
Depreciation expense	1,489	110	1,599	1,068	**2,667**
Segment result (EBIT)	18,206	1,385	19,591	– 7,736	**11,855**

For more details on segment reporting, see Note 39.

2 Development of fixed assets (in € ’000)

2015	Acquisition costs 01/01/2015	Currency translation	Additions	Transfers	Disposals	Acquisition costs 31/12/2015
Intangible assets						
Goodwill	4,310	– 33	–	–	–	4,277
Customer bases, trademarks	5,405	–	–	–	251	5,154
Other intangible assets	5,004	– 126	302	26	–	5,206
Advance payments on intangible assets	277	–	371	– 30	55	563
	14,996	**– 159**	**673**	**– 4**	**306**	**15,200**
Property, plant and equipment						
Land, land rights and buildings including buildings on land owned by others	26,771	– 90	302	4	39	26,948
Technical equipment and machinery	24,591	– 260	464	49	366	24,478
Office and other equipment	12,716	– 233	723	–	968	12,238
Advance payments and assets under construction	97	– 13	11	– 49	1	45
	64,175	**– 596**	**1,500**	**4**	**1,374**	**63,709**
Investment property	**4,119**	**–**	**63**	**–**	**–**	**4,182**
Financial assets						
Investments accounted for using the equity method	3,440	–	–	–3,334	106	–
Other holdings	147	–	–	3,334	7	3,474
	3,587	**–**	**–**	**–**	**113**	**3,474**
Group fixed assets	**86,877**	**– 755**	**2,236**	**–**	**1,793**	**86,565**

Accumulated depreciation 01/01/2015	Currency translation	Additions	Transfers	Write-ups	Disposals	Accumulated depreciation 31/12/2015	Net carrying amounts 31/12/2015	Net carrying amounts 31/12/2014
1,556	– 33	–	–	–	–	1,523	2,754	2,754
5,405	–	–	–	–	251	5,154	–	–
4,628	– 124	291	–	–	1	4,794	412	376
14	–	–	–	–	14	–	563	263
11,603	**– 157**	**291**	**–**	**–**	**266**	**11,471**	**3,729**	**3,393**
20,725	– 90	608	–	–	26	21,217	5,731	6,046
18,339	– 190	948	–	–	228	18,868	5,609	6,252
11,071	– 201	660	–	–	952	10,578	1,660	1,645
47	– 13	–	–	–	–	34	11	50
50,182	**– 494**	**2,216**	**–**	**–**	**1,206**	**50,698**	**13,011**	**13,993**
3,517	**–**	**–**	**–**	**–**	**–**	**3,517**	**665**	**602**
–	–	106	–	–	106	–	–	3,440
–	–	–	–	–	–	–	3,474	147
–	**–**	**106**	**–**	**–**	**106**	**–**	**3,474**	**3,587**
65,302	**– 651**	**2,613**[1]	**–**	**–**	**1,578**	**65,686**	**20,879**	**21,575**

[1] Of the depreciation for the financial year specified here of € 2,613,000, € 2,507,000 are reported in the consolidated income statement under depreciation and € 106,000 in the results from in equity-accounted companies.

2014	Acquisition costs 01/01/2014	Currency translation	Additions	Transfers	Disposals	Acquisition costs 31/12/2014
Intangible assets						
Goodwil	4,329	– 19	–	–	–	4,310
Customer bases, trademarks	8,181	–	–	–	2,776	5,405
Other intangible assets	6,159	– 72	149	3	1,235	5,004
Advance payments on intangible assets	58	–	222	– 3	–	277
	18,727	**– 91**	**371**	**–**	**4,011**	**14,996**
Property, plant and equipment						
Land, land rights and buildings including buildings on land owned by others	30,931	– 52	19	– 4,119	8	26,771
Technical equipment and machinery	24,191	– 116	664	218	366	24,591
Office and other equipment	12,791	– 38	1,024	2	1,063	12,716
Advance payments and assets under construction	499	– 7	22	– 220	197	97
	68,412	**– 213**	**1,729**	**– 4,119**	**1,634**	**64,175**
Investment property	**–**	**–**	**–**	**4,119**	**–**	**4,119**
Financial assets						
Investments accounted for using the equity method	–	–	3,440	–	–	3,440
Other holdings	147	–	–	–	–	147
	147	**–**	**3,440**	**–**	**–**	**3,587**
Group fixed assets	**87,286**	**– 304**	**5,540**	**–**	**5,645**	**86,877**

Accumulated depreciation 01/01/2014	Currency translation	Additions	Transfers	Write-ups	Disposals	Accumulated depreciation 31/12/2014	Net carrying amounts 31/12/2014	Net carrying amounts 31/12/2013
1,575	– 19	–	–	–	–	1,556	2,754	2,754
8,181	–	–	–	–	2,776	5,405	–	–
5,607	– 72	297	–	–	1,204	4,628	376	552
–	–	14	–	–	–	14	263	58
15,363	**– 91**	**311**	**–**	**–**	**3,980**	**11,603**	**3,393**	**3,364**
24,317	– 54	637	–3,488	681	6	20,725	6,046	6,614
17,600	– 85	968	–	–	144	18,339	6,252	6,591
11,273	– 30	722	–	–	894	11,071	1,645	1,518
53	– 6	–	–	–	–	47	50	446
53,243	**– 175**	**2,327**	**–3,488**	**681**	**1,044**	**50,182**	**13,993**	**15,169**
–	**–**	**29**	**3,488**	**–**	**–**	**3,517**	**602**	**–**
–	–	–	–	–	–	–	3,440	–
–	–	–	–	–	–	–	147	147
–	**–**	**–**	**–**	**–**	**–**	**–**	**3,587**	**147**
68,606	**– 266**	**2,667**	**–**	**681**	**5,024**	**65,302**	**21,575**	**18,680**

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 20 April 2016, 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:

Legamaster GmbH, Ahrensburg
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 which are controlled by the edding Group in accordance with the requirements of IFRS 10 are included in the Consolidated Financial Statements as of 31 December 2015. The edding Group controls Group companies in this sense when it receives variable returns from the respective Group company through the connection with the Group company and the edding Group also has the possibility of using its decision-making power to influence the variable returns. The decision-making power over a Group company exists when the edding Group has the possibility of determining the relevant activities of the Group company on the basis of the existing rights. This condition is generally met when edding AG holds a direct or indirect majority of the voting rights in the company or has similar rights. 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 46 to the Consolidated Financial Statements. The financial year of all the companies included in the group of consolidated companies corresponds to the calendar year.

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.

As of the balance sheet date 31 December 2015, the following change was made to the scope of consolidation. Unlike the previous year, the stake in Companhia de Canetas Compactor S. A., Rio de Janeiro, Brazil, was not carried at equity as an associated company, but under other equity investment. For a detailed explanation please refer to Note 12 and Note 13.

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 within the framework of HGB purchase price allocation, 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 and liabilities in so far 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. Any remaining negative difference after examining the fair values recognized for the assets acquired and liabilities assumed as well as the counter-performance provided is recorded in the income statement with an effect on earnings. Profit and equity attributable to third parties outside of the Group are recorded under non-controlling interests.

Active companies where edding AG can have a significant influence and which are not subsidiaries or joint ventures are reported as associated companies using the equity method. Essentially a significant influence is assumed when the edding Group does not control the associate company, but has at least 20% of the voting rights, unless this assumption can be clearly disproved. Any differences contained in the valuations of the investments in associated companies are recorded using the same principles as for business combinations. In the case of the companies which are accounted for using the equity method, any material variations in valuations compared to the accounting policies of the edding Group are adjusted and taken into account when adjusting the equity component.

Joint ventures are also consolidated using the equity method.

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

6 Currency conversion

The annual financial statements of the consolidated companies prepared in foreign currencies are converted into euros 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 mainly 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.

When converting the financial statements of foreign companies accounted for using the equity method into euros the same principles are applied for adjustments to the carrying amount as for the consolidated companies.

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:

Currency area		Closing rate 31/12/2015	Closing rate 31/12/2014	Average rate 2015	Average rate 2014
Great Britain	GBP	0.74	0.79	0.72	0.81
Japan	JPY	131.66	147.06	133.52	140.53
Mexico	MXN	18.89	17.87	17.67	17.78
Turkey	TRY	3.18	2.83	3.04	2.91
Argentina	ARS	14.11	10.38	10.40	10.49
Colombia	COP	3,421.08	2,856.89	3,047.79	2,639.71
Brazil	BRL	4.26	3.26	3.70	3.11
Miscellaneous	USD	1.09	1.22	1.11	1.34

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 under other operating income and expenses.

The exchange differences attributable to long-term intra-Group 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

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 collectability 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 can deviate from the estimates. New information is taken into consideration at the time it comes to light and is recognised in profit and loss.

Intangible assets

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

Assets with a finite useful life are depreciated systematically using the straight-line method over their useful life. In principle, 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 is any indication that an asset may be impaired.

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 economic 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, in so far 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	
including investment property	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.

For factory and office buildings including investment property, depreciation is carried out over the useful life taking into account any calculated residual value, provided it is material.

Impairment

In the case of all intangible assets 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 there is a "triggering event". 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 (CGU), the depreciation is determined based on the recoverable amount of this CGU. In cases where the recoverable amount of the CGU 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 CGU is generally calculated with the aid of a discounted cash flow (DCF) method. In the financial year 2015, a pre-tax discount rate (weighted average cost of capital [WACC]) of 8.22% (previous year: 8.76%) was used. For the CGUs in Argentina, a pre-tax WACC of 8.89% was used in 2014 because of the deviating capital structure in the prior year. 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 CGU. 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 CGU. 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 CGU, 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 CGU in proportion to their carrying amounts.

When validating the values in use calculated for the CGU, the key parameters of each CGU are reviewed annually. In addition, the main assumptions applied for the DCF model are subjected to a sensitivity test in order to test the resilience of the values in use. The achievable amounts of all the CGUs tested in the edding Group were, with the exception of the CGU in Argentina, well above their respective carrying values. In the case of the exception in Argentina, fixed assets were already largely impaired in previous years and a write-up was not necessary, as the reasons for non-scheduled impairment still applied.

Therefore, the management is of the opinion that realistic changes to the material assumptions for calculating the achievable amount of the CGU of the edding Group would not lead to an impairment and the disclosure of a sensitivity analysis was waived.

The valuation allowances to be made are reported in the consolidated income statement under depreciation.

If the reasons for impairment cease to apply, 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.

Investment property

Investment property includes land and buildings which are held to generate rental revenues and/or for the purposes of value appreciation and are not used within the framework of rendering performance or for administrative purposes. These are measured at amortized cost and depreciated over the underlying useful life. The useful lives and depreciation methods correspond to those of the internally used property.

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 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 as part of the financial result under "Net result from equity-accounted companies". 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, and 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.

Derivative financial instruments

Derivative financial instruments 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.

Derivative financial instruments 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 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 likewise 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 without affecting profit or loss 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 corresponds 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 on an accrual basis. 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 recognized 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 in the EU by the balance sheet date 31 December 2015 were applied for financial year 2015. We refrained from the premature application of standards that were not yet mandatory as of 31 December 2015, with one exception. Starting with the financial year 2015, the following standards and interpretations newly published or revised by the IASB and endorsed by the European Union were mandatory for the first time or were applied by edding prematurely:

Standard / Interpretation	Content of reform / Revision	Mandatory application
New standards and interpretations		
IFRIC 21	Levies	17/06/2014 (EU)
Amendments to standards		
Miscellaneous	Annual improvements to IFRS (2011 – 2013 cycle)	01/01/2015
Miscellaneous	Annual improvements to IFRS (2010 – 2012 cycle)	01/02/2015 (EU)

The annual improvements to IFRS (2010-2012 cycle) comprise one clarification on IFRS 8 “Operating Segments”. In accordance with IFRS 8, under the 2010-2012 cycle, application of which is mandatory in the European Union as of 1 February, 2015, the disclosure of measurement of all assets and liabilities must be published in the disclosures for segment reporting if this is included in the internal reporting to the entity’s chief operating decision maker. In addition, only in this case should a reconciliation of the total of the reportable segments‘ assets to the entity‘s assets be disclosed. edding already dispensed with the separate disclosure of segment assets in accordance with IFRS 8 in the consolidated financial statements as from financial year 2015 because such a representation is not used for internal controlling purposes.

The newly applicable standards as well as the other changes to be applied for the first time had no impact on the consolidated financial statements of edding AG.

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 2015:

Standard / Interpretation	Content of reform / Revision	Mandatory application	Adoption by EU	Expected effects
New standards and interpretations				
IFRS 9	Financial instruments	01/01/2018	yes	Increased flexibility when accounting for hedging instruments; no significant effects of the new rules on the recognition of impairment losses
IFRS 14	Regulatory deferral accounts	01/01/2016	no	none
IFRS 15	Revenue from contracts with customers	01/01/2018	yes	might affect the disclosure of marketing allowances
IFRS 16	Leasing	01/01/2019	yes	The effects are currently being assessed.
Amendments to standards				
IAS 19	Defined benefit plans: employee contribution	01/07/2014	yes (17/12/2014)	none
IAS 1	Guidelines for implementing the concept of materiality	01/01/2016	yes	Various generally applicable definitions that are not relevant to the edding Group may be eliminated.
IAS 16 / 38	Clarification of acceptable depreciation methods	01/01/2016	yes	none
IAS 16 / 41	Agriculture: fruit-bearing plants	01/01/2016	yes	none
IAS 27	Equity method in separate financial statements	01/01/2016	yes	none
IFRS 10 / IFRS 12 / IAS 28	Investment entities: applying the consolidation exception	01/01/2016	yes	none
IFRS 11	Accounting for the acquisition of interests in a joint operation	01/01/2016	yes	none

Standard / Interpretation	Content of reform / Revision	Mandatory application	Adoption by EU	Expected effects
Amendments to standards (continuation)				
Miscellaneous	Annual improvements to IFRS (2012 – 2014 cycle)	01/01/2016	yes	none
IAS 12	Recognition of deferred tax assets for unrealised	01/01/2017	yes	none
IAS 7	Guidelines for implementing the concept of materiality	01/01/2017	yes	The effects are currently being assessed.
IFRS 10 / IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	deferred	deferred	Owing to the uncertainties concerning the final standard, no assessment of the effects takes place yet.

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

8 Adjustment of earnings per share

The presentation of earnings per share has been adjusted in accordance with IAS 8 in these financial statements compared to the previous disclosure and, in addition to the obligatory details regarding the earnings per ordinary share under IAS 33, earnings per preference share are now also reported. This representation was already chosen in the half-year financial statements as of 30 June, 2015. The dividends and the undistributed profits are allocated to the ordinary and preference shares. In the opinion of the company, the adjustment will lead to a more transparent and appropriate presentation of earnings per share in accordance with IAS 33.

The following table compares the earnings per share according to the new and previous calculation method as of 31 December, 2014:

	2014 reported	2014 reported
Basic / diluted earnings per ordinary share (600,000 shares)	12.30 €	7.66 €
Basic / diluted earnings per preference share (473,219 shares)	–	7.82 €

For further details as well as the corresponding information for the current reporting year, please refer to Note 34. In addition, the existing special rights of categories of shares under the law and the articles of association that have not changed compared to the previous year are explained in Note 18.

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 2015 and 2014 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 € 23,000 (previous year: € 45,000) and software amounting to € 389,000 (previous year: € 331,000).

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, the relevant parameters and the sensitivity analysis, 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, as the requirements pursuant to IAS 38 could not be met. The total research and development expenditure accrued in the 2015 financial year amounted to € 1,079,000 (previous year: € 885,000), which were fully recognised as an expense, as in the prior year.

10 Property, plant and equipment

edding AG has its headquarters on company land in the industrial area of Ahrensburg. The land is 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 € 3,000,000 (previous year: € 3,650,000).

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 € 87,000 (previous year: € 564,000).

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 € 356,000 (previous year: € 866.000).

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 2015 financial year. No property, plant or equipment were permanently shut down. A part of the warehouse building at edding AG's registered office in Ahrensburg that is no longer used by the company itself was classified as investment property in the previous year and reclassified from property, plant and equipment (see also Note 11 below).

As of 31 December 2015 there were no material contractual obligations for the acquisition of property, plant and equipment.

In the reporting year € 145,000 (previous year: € 185,000) of the government grants (Investment Subsidy Act) received were reported as deferred income. Of the deferred income, € 39,000 (previous year: € 45,000) was released to profit or loss in the 2015 financial year.

11 Investment property

A warehouse building that is no longer used by the company itself and now held for rental at edding AG's administrative headquarters and the relevant plot of land are reported under the balance sheet item "investment property". In August 2014 reclassification from property, plant and equipment was carried out with the change of use. The reconciliation of the carrying amount of the investment property can be found in the fixed assets schedule for the 2014 financial year under Note 2.

The plot of land belonging to the investment property serves as security for financial liabilities to banks (see Note 10).

In the financial year rental revenues totalling € 205,000 (previous year: € 52,000) were generated. The leasing agreement has to be classified as an operating lease in accordance with the provisions of IAS 17. The expenses for maintenance and repairs of investment property came to € 56,000 (previous year: € 82,000) in the financial year and include non-recurring expenses.

The fair value of the investment property (derived from a property valuation report) amounts to € 2,889,000 (previous year: € 2,889,000). The report was prepared in 2013 by an external expert using the gross rental method. For valuation purposes, assessors must assess factors such as the rental income that will be generated in the future and the applicable prevailing interest rates, which have a direct effect on the fair value. In the reporting year 2015 there was no significant change in the fair value, as the wear and tear essentially corresponds to the investment.

The following rental payments, excluding contractually agreed payments of ancillary costs, are expected in the next few years from the existing tenancy agreement (not terminable with due notice) under the operating lease:

	31/12/2015 € '000	31/12/2014 € '000
up to 1 year	226	205
1 – 5 years	912	908
more than 5 years	–	230
	1.138	**1.343**

12 Shares in equity-accounted companies

As of 31 December, 2014 the edding Group had disclosed shares in equity-accounted companies amounting to € 3,440,000, which were solely attributable to Companhia de Canetas Compactor S.A., Rio de Janeiro, Brazil. As of 31 December 2015, the edding Group cannot exert its significant influence any longer within the meaning of IAS 28, despite the unchanged proportion of voting rights and the filling of a Supervisory Board post. This meant that the practice of at-equity accounting had to end. As of 31 December 2015, the equity stake will therefore be disclosed, pursuant to IAS 39, as a financial asset available for sale at cost under IAS 39.46(c) (see Note 13). At the time of the reclassification, the stake was valued at € 3,334,000.

The expenditure from equity-accounted companies of € 106,000 is made up of exchange rate losses of € 808,000 and an increase in the investment value of € 702,000.

Hence, as of 31 December 2015 there were no longer any shares in equity-accounted companies. On the balance sheet date in the previous year Companhia de Canetas Compactor S.A., Rio de Janeiro, Brazil, as an associated company, was recognised as follows:

	31/12/2014 € '000
Revenue	24,734
Annual result	283
Non-current assets	14,693
Current assets	13,683
Non-current liabilities and provisions	6,396
Current liabilities and provisions	5,390
Net assets	**16,590**
Proportion of ownership interest in %	20.74
Pro rata net assets	**3,440**

13 Other financial assets and investments

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 recognized at acquisition cost on the balance sheet date in the amount of € 3.474,000 (previous year: € 147,000).

The increase of € 3,327,000 comprised € 3,334,000 resulting from the reclassification of the equity stake in Companhia de Canetas Compactor S. A., Rio de Janeiro, Brazil, from equity-accounted companies to other investments (see Note 12) and also disposals of € 7,000.

14 Inventories

Reported inventories were as follows:

	31/12/2015 € '000	31/12/2014 € '000
Raw materials and supplies	2,941	3,514
Work in progress	716	648
Finished goods and goods purchased for resale	25,434	24,455
	29,091	**28,617**

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 € 3,157,000 (previous year: € 3,496,000). 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 2015, no inventories were recognised as expense in profit or loss (previous year: € 546,000). Value adjustments reported in previous periods amounting to € 339,000 (previous year: € 123,000) were eliminated through profit or loss.

15 Trade receivables / Other receivables and assets

	31/12/2015 € '000	31/12/2014 € '000
Trade receivables	21,453	20,828
Other receivables and assets	6,608	5,578
	28,061	**26,406**
Of which with a remaining term of:		
up to 1 year	23,541	22,599
more than 1 year	4,520	3,807

Other receivables and assets were composed as follows:

	31/12/2015 € '000			31/12/2014 € '000		
	Total	of wich non-current	of wich current	Total	of wich non-current	of wich current
Asset values of insurance policies/securities-based fund for financing the company pension scheme	3,612	3,584	28	2,973	2,935	38
Derivatives	925	–	925	64	–	64
Staff loans	501	419	82	496	424	72
VAT receivables	459	53	406	463	61	402
Receivables from the sale of Olivagro S.A.	230	184	46	238	197	41
Securities	195	–	195	496	–	496
Supplier receivables	171	–	171	142	–	142
Rent deposits	166	75	91	180	94	86
Advance payments	34	–	34	35	–	35
Other	315	117	198	491	90	401
	6,608	**4,432**	**2,176**	**5,578**	**3,801**	**1,777**

For existing default and transfer risks, the receivables and other assets are recognised at the lower realisable amount, taking into account specific valuation allowances. As of 31 December 2015, bad debt provision on trade accounts receivable amounting to € 1,413,000 (previous year: € 1,453,000) existed.

As in the previous year, no bad debt provision on other receivables and assets was set up in the financial year.

As in the previous year, no significant ownership or 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:

	2015 € '000	2014 € '000
Balance as at 01/01	1,453	1,350
Additions recognised as an expense	153	353
Utilisation	– 86	– 222
Release	– 107	– 28
Balance as at 31/12	**1,413**	**1,453**

The ageing structure of trade receivables is as follows:

	31/12/2015 € '000	31/12/2014 € '000
Neither past due nor impaired	20,009	19,270
Past due, not individually impaired in the following time brackets:		
< 1 month	661	714
1 - 3 months	577	433
3 - 6 months	176	126
6 - 12 months	– 60	58
> 12 months	90	227
Total	1,444	1,558
Individually impaired receivables	–	–
Net book value	**21,453**	**20,828**

The trade accounts receivable which were overdue by 6 to 12 months but not impaired include an as yet unrecognised credit note for € 95,000, with the result that this timeframe has a negative figure overall.

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.

16 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 € 17,111,000 (previous year: € 10,324,000) mainly relates to bank deposits.

17 Prepaid expenses and deferred charges

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

18 Equity

The development of equity in the 2015 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 value of € 5.00 per share. All shares are bearer shares. The preference shares are non-voting. In accordance with article 19 of the articles of association, holders of non-voting preference shares receive a 2% higher dividend from the annual net profit than holders of ordinary shares, but at least a dividend of 4% of the proportionate amount of the capital stock attributable to each of the preference shares.

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). If the preferred dividend has to be paid retrospectively and is not paid, or not paid in full, in any given year and is not paid in the following year in addition to the full preferred dividend for that year, preference shareholders shall be granted voting rights until the arrears have been settled. If the preferred dividend does not have to be paid retrospectively and is not paid, or not paid in full, in any given year, preference shareholders shall be granted voting rights until the preferred dividend has been paid in full in any given year. For as long as the voting rights exist the preference shares shall also be taken into account when calculating a capital majority required by law or under the company‘s 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.

Non-controlling interests

Non-controlling interests exist in the subsidiaries listed below. Further information regarding the companies can be found under Note 46.

Group company	Co-shareholders	31/12/2015 Share of capital		31/12/2014 Share of capital	
		%	€ '000	%	€ '000
edding Colombia S.A.S.	Local management	40	48	40	82
edding Japan Inc.	Local management	24	197	24	256
			245		**338**

The capital share corresponds to the share of voting rights. The share of Group annual result and other comprehensive income attributable to non-controlling interests as well as the share of dividends assigned to them are shown in the statement of changes in equity. The contribution to earnings from other comprehensive income attributable to non-controlling interests relates to the currency conversion. The summarised financial information on subsidiaries with material non-controlling interests is shown below.

	edding Colombia S.A.S		edding Japan Inc.	
	31/12/2015 € '000	31/12/2014 € '000	31/12/2015 € '000	31/12/2014 € '000
Sales and earnings	3,736	3,562	8,593	9,229
Expenses	3,795	3,573	8,954	9,165
Annual result – share of the edding Group	– 35	– 7	– 274	48
Annual result – share of non-controlling interests	– 24	– 4	– 87	16
Non-current assets	568	645	–	23
Current assets	3,364	3,319	1,268	1,723
Non-current liabilities and provisions	1,509	387	–	–
Current liabilities and provisions	2,304	3,370	445	682
Equity – edding Group	72	124	626	808
Equity – share of non-controlling interests	48	82	197	256
Dividend shares of non-controlling interests	–	–	–	–

The non-controlling interests do not hold any special industrial property rights. No guarantee payments have been agreed. Access to the assets of subsidiaries is not restricted. The edding Group is liable for the current account liabilities of the Colombian subsidiary up to a maximum of USD 2,000,000. The company had drawn down USD 1,453,000 from the credit facility as of 31 December 2015.

19 Provisions for pensions

edding AG and 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 € 3,584,000 (previous year: € 2,936,000) as at the balance sheet date. No plan assets are available either for the promised benefits which are not unit linked.

Company pensions are financed by funds, which are currently made up exclusively of securities, for staff and to a small extent for members of the Management Board.

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:

	31/12/2015 € '000	31/12/2014 € '000
Present value of individual commitments	11,643	12,335
Present value of unit-linked pension commitments	3,584	2,936
Defined benefit obligation = stated value	**15,227**	**15,271**

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

	2015 € '000	2014 € '000
Defined benefit obligation (DBO) 01/01	15,271	14,004
Current service cost	174	169
Interest cost	264	409
Change in value of additional liability from securities	525	– 83
Actuarial losses	133	1,927
Benefits paid	– 1,204	– 1,180
Employee contributions	64	25
Defined benefit obligation (DBO) 31/12	**15,227**	**15,271**

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

The defined benefit obligation includes cumulative actuarial losses amounting to € 4,620,000 (previous year: cumulative losses of € 4,487,000), which were recognised directly in equity. The corresponding deferred taxes are also recognised directly in equity. The change in actuarial losses results from inventory changes and the modification of interest rate and trend assumptions.

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

	31/12/2015	31/12/2014
Discount rate	2.1 % - 2.6 %	1.8 % - 2.1 %
Salary increase trend	0.0 %	0.0 %
Pension increase trend	0.0 % - 1.8 %	0.0 % - 1.8 %

As in the previous year, Prof. Dr. Klaus Heubeck's guideline tables (2005 G mortality tables) continued to be used as a 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 net pension expenses (including interest cost) are presented in the Consolidated Income Statement as employee benefits expenses as well as in the net financial result (development of the securities acquired to cover pension commitments) and comprise the following:

	2015 € '000	2014 € '000
Expense for pension rights earned in the reporting year (current service cost)	174	169
Interest cost	264	409
Net pension expenses	**438**	**578**

The current contributions for defined contribution pension schemes are reported as an expense in employee benefits expenses in the relevant financial year, and amounted to € 1,986,000 in the 2015 financial year (previous year: € 1,872,000). They mainly concern contributions to state pension insurance institutions based on statutory obligations.

A change in the above-mentioned calculation parameters by 50 basis points (discount rate) or by 25 basis points (trend in pension increases) would increase or reduce the projected benefit obligation by the following amounts:

Change in DBO	Increase / decrease	31/12/2015 € '000	31/12/2014 € '000
Discount rate	– 50 BP	609	669
	+ 50 BP	– 566	– 620
Pension increase trend	+ 25 BP	190	215
	– 25 BP	– 185	– 209

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

Change in DBO	Increase / decrease	31/12/2015 € '000	31/12/2014 € '000
Life expectancy	+ 1 year	758	792
	– 1 year	– 736	– 769

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 € 250,000 for financial year 2016.

The average weighted duration of the pension obligation is 13.0 years. The expected benefit payments in the next 10 years are shown in the following table:

	31/12/2015 € '000
Expected benefit payments	
2016	1,263
2017	1,286
2018	1,147
2019	1,120
2020	1,040
2021-2025	4,615

20 Other current and non-current provisions

Other provisions developed as follows:

	Other non-current provisions € '000	Other current provisions € '000
01/01/2014	**639**	**–**
Utilisation	– 68	–
Release	– 89	–
Currency differences	2	–
Addition	143	–
Reclassification of maturity	– 22	22
31/12/2014	**605**	**22**
Utilisation	– 111	– 2
Release	–	–
Currency differences	– 2	5
Addition	55	364
31/12/2015	**546**	**389**

The 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 2.6% (previous year: 2.1%), 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.

The short-term provisions relate in particular to restructuring provisions and warranty provisions for claims within one year. In the reporting year, restructuring expenses of € 369,000 (including currency effects; previous year: € 0) were recorded for winding-up the subsidiary edding Japan Inc. The operating activities previously carried out by the subsidiary will be taken over by edding International GmbH from 1 January 2016.

21 Current and non-current financial liabilities

The financial liabilities comprise the following:

	31/12/2015 € '000	31/12/2014 € '000
Liabilities to banks	**7,063**	**5,823**
Of which: remaining term up to 1 year	3,058	2,074
remaining term 1 - 5 years	3,505	2,749
remaining term more than 5 years	500	1,000
secured by a mortgage	3,356	4,516
Other financial liabilities	**3,336**	**3,892**
Of which: remaining term up to 1 year	3,336	3,805
remaining term 1 - 5 years	–	87
remaining term more than 5 years	–	–
secured by a mortgage	87	564

Liabilities to banks with a term of more than one year are used to finance the expansion of inventories.

As in the previous year, the other financial liabilities in the 2015 financial year include forfeited lease payments for financing a property as well as purchase price liabilities from a share acquisition.

22 Trade payables / Other current and non-current liabilities

	31/12/2015 € '000	31/12/2014 € '000
Trade payables	**5,265**	**4,870**
Of which: remaining term up to 1 year	5,265	4,870
Other liabilities	**15,681**	**15,605**
Of which: remaining term up to 1 year	14,445	15,112
remaining term 1 - 5 years	870	431
remaining term more than 5 years	366	62

Other current and non-current liabilities include accruals of € 13,572,000 (previous year: € 13,526,000). The exchange of performance has already taken place, but not been billed yet. Compared to provisions, there is a considerably higher degree of certainty with respect to the amount and time of fulfilment of the obligation. Accruals include the following main items:

	31/12/2015 € '000	31/12/2014 € '000
Customer discounts and marketing allowances	5,837	6,046
Performance-based and one-off employee remuneration	4,875	4,369
Holiday pay and time credits	969	856
Other	1,891	2,255
	13,572	**13,526**

23 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.

24 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:

	31/12/2015 € '000	31/12/2014 € '000
Leasing and rent obligations		
remaining term up to 1 year	2,192	2,223
remaining term 1 - 5 years	2,491	2,820
remaining term more than 5 years	82	82
	4,765	**5,125**

In the financial year 2015, expenses from operating lease contracts amounted to € 2,606,000 (previous year: € 2,452,000).

The edding Group expects the following minimum liabilities with the following maturities from material long-term service contracts for outsourced logistics services:

	31/12/2015 € '000	31/12/2014 € '000
Expected minimum liabilities from long-term service contracts		
up to 1 year	1,374	1,367
1 - 5 years	3,880	5,011
more than 5 years	–	–
	5,254	**6,378**

Future income from subletting as lessor due in the years 2016 to 2020 amounts to € 141,000 (previous year: € 367,000 due in the years 2015 to 2019). Future rental income which the edding Group expects as lessor from existing operating lease contracts in connection with investment property is listed under Note 11 and is not included here.

Notes to the consolidated income statement

25 Sales revenue

	2015 € '000	2014 € '000	Change € '000	Change %
Writing and Marking				
Germany	41,233	39,512	1,721	4.4
Other European countries	46,197	43,744	2,453	5.6
Overseas	11,632	10,067	1,565	15.6
	99,062	**93,323**	**5,739**	**6.1**
Visual Communication				
Germany	13,688	12,098	1,590	13.1
Other European countries	17,617	15,344	2,273	14.8
Overseas	915	779	136	17.5
	32,220	**28,221**	**3,999**	**14.2**
Other Office Products	**7,089**	**7,309**	**– 220**	**– 3.0**
Total for the Group	**138,371**	**128,853**	**9,518**	**7.4**

26 Changes in inventories and own work capitalised

As in the prior year, the item Changes in inventories and own work capitalised amounting to € 755,000 (previous year: € 294,000) does not include any development expenses, which are capitalised according to IAS 38.

27 Raw materials and consumables used

	2015 € '000	2014 € '000
Cost of raw materials, supplies and purchased goods	50,798	48,349
Costs of purchased services	454	399
	51,252	**48,748**

28 Employee benefits expense

	2015 € '000	2014 € '000
Germany	22,251	22,437
Other countries	13,143	11,769
	35,394	**34,206**

Employee benefits expenses rose year on year by around 3.5%. This increase can mainly be attributed to the increase in staff in Western Europe and the reduction of staff in countries with lower wage costs. The one-off staff costs included in the employee benefits expenses for the 2015 financial year amounted to € 1.572,000 (previous year: € 1,224,000).

Number of employees (annual average):

	2015	2014
Wage-earning staff		
Germany	51	57
Other countries	52	62
Salaried staff		
Germany	280	270
Other countries	241	249
	624	**638**

29 Depreciation expense

In the 2015 financial year, non-scheduled depreciation amounted to a total of € 63,000 (previous year: € 80,000).

30 Other operating income

	2015 € '000	2014 € '000
Exchange rate gains (including value changes from currency options)	3,012	1,806
Income from the release of provisions and accruals	1,119	1,300
Rental income	458	255
Marketing allowances	222	420
Income from the release of bad debt provisions on receivables	107	28
Earnings from cooperations	99	97
Income from power feed-in	88	118
Income from investment grants	39	45
Income from the disposal of assets	14	12
Income from the reversal of impairment losses of fixed assets	–	681
Income from the initial consolidation ("bad will") of equity-accounted companies	–	106
Other income	536	789
	5,694	**5,657**

31 Other operating expenses

	2015 € '000	2014 € '000
Advertising and marketing costs	13,979	12,783
Freight and logistics costs	6,512	5,172
Exchange rate losses (including value changes from currency options)	3,262	2,060
Auditing, legal and consultancy fees	3,135	2,044
Expenses for premises	2,650	2,886
Car fleet costs	2.105	1,963
Incidental personnel expenses	1,895	1,337
IT costs	1,659	1,042
Rental and lease expenses (buildings)	1,369	1,452
Travel expenses	1,302	1,153
Delcredere commission	870	831
Communication costs	665	652
Insurance	582	570
Changes in bad debt provision and write-off of receivables	153	353
Other expenses	3,309	3,030
	43,447	**37,328**

32 Financial result

	2015 € '000	2014 € '000
Interest and similar income	743	465
Interest and similar expenses	– 1,147	– 601
Write-up (+) / write-down (–) of securities	418	461
Financial result	**14**	**325**

33 Income taxes

	2015 € '000	2014 € '000
Actual tax expense	3,588	3,327
Deferred tax expense (+) / income (-)	– 4	546
	3,584	**3,873**

The income tax paid or owed by German and foreign Group companies is reported under the item Actual tax expense. In the 2015 financial year, income relating to prior periods totalling € 173,000 were included in the actual tax expense (previous year: expenses of € 11,000).

The income tax liabilities as at the balance sheet date of € 741,000 (previous year: € 431,000) relate to German income tax liabilities for corporation and trade tax amounting to € 329,000 (previous year: € 130,000) and foreign income tax liabilities of € 412,000 (previous year: € 301,000). As at the balance sheet date, there were long-term income tax receivables amounting to € 307,000 (previous year: € 553,000) which included advance tax payments paid abroad in addition to German corporate tax refund claims.

The tax rate for calculating deferred taxes is determined separately for each country, based on the currently valid legal situation. The tax rate applicable for the Group is 28.96% (previous year: 29.71%).

No deferred tax claims were recognised for loss carryforwards of € 1,759,000 (previous year: € 2,538,000) as well as deductible temporary differences of € 231,000 (previous year: € 250,000), which were mainly attributable to inventories. 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 or the Netherlands and can be carried forward for an unlimited period. Loss carryforwards are stated as an asset, provided it is highly probable that they will be utilised within the next three years. There were no significant tax effects from undistributed profits carried forward in subsidiaries as of the balance sheet date. The accumulated profits carried forward of all subsidiaries amounted to approximately € 3.2 million.

In the financial year 2015, deferred taxes of € -201,000 were recognised in equity (previous year: € 421,000).

Deferred tax assets and liabilities as of 31 December 2015 were attributable to the balance sheet items as shown below:

	Deferred tax assets 31/12/2015 € '000	Deferred tax assets 31/12/2014 € '000	Deferred tax liabilities 31/12/2015 € '000	Deferred tax liabilities 31/12/2014 € '000
Intangible assets	–	–	4	5
Property, plant and equipment	–	–	1,150	1,155
Other assets	56	–	407	299
Non-current assets	**56**	**–**	**1,561**	**1,459**
Inventories	401	489	–	–
Trade receivables	22	40	66	42
Other assets	–	–	181	12
Current assets	**423**	**529**	**247**	**54**
Provisions for pensions and similar obligations	2,055	2,230	–	–
Other provisions	185	47	–	–
Financial liabilities	3	15	–	–
Non-current liabilities	**2,243**	**2,292**	**–**	**–**
Current liabilities	**60**	**123**	**–**	**–**
Loss carryforwards	446	146	–	–
Sub-total	**3,228**	**3,090**	**1,808**	**1,513**
Offset	– 1,751	– 1,443	– 1,751	– 1,443
Balance according to consolidated statement of financial position	**1,477**	**1,647**	**57**	**70**

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 28.96% (previous year: 29.71%) and the actual income tax expense can be seen in the following reconciliation:

	2015 € '000	2014 € '000
Expected income tax expense	3,514	3,620
Differing tax rates	39	74
Permanent differences	– 10	62
Non-recognition or valuation adjustment of tax losses	361	227
Utilisation of non-recoverable loss carryforwards in the previous year	– 354	– 108
Value adjustment of deferred taxes from temporary differences / Utilisation of non-valued temporary differences	158	– 22
Taxes relating to other periods	– 173	11
Other differences	49	9
Reported tax income expense	**3,584**	**3,873**

In the 2015 financial year, the Argentine subsidiary was, in particular, able to utilise a loss carryforward not recognised in previous years due to its positive annual result according to the local accounting principles. In the Turkish subsidiary, deferred tax assets equivalent to € 320,000 for a loss carried forward were stated for the first time. The use of this loss carryforward is ensured by an intra-Group waiver of debts outstanding to be implemented in the first quarter of 2016. Taxes relating to other periods were mainly realised in the German companies from an income tax refund for the 2013 financial year of € 170,000.

The unrecognised annual deficits and loss carryforwards in this year mainly relate to the subsidiaries in Greece, Japan and Mexico.

34 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.

As there are no conversion or option rights, diluted earnings per share correspond to the basic earnings per share.

The earnings per share pursuant to IAS 33 were calculated as follows:

	2015 € '000	2014 € '000
Consolidated annual result attributable to shareholders of edding AG	8,659	8,300
Less preferred dividends paid in the financial year	923	828
Less ordinary share dividends paid in the financial year	1,146	1,026
Sub-total	**6,590**	**6,446**
Number of ordinary shares	600,000	600,000
Number of preference shares	473,219	473,219
Income attributable to ordinary shareholders not paid out in dividends	3,652	3,572
Income attributable to preference shareholders not paid out in dividends	2,938	2,874
Sub-total	**6,590**	**6,446**
Distributed earnings per ordinary share	1.91	1.71
Undistributed earnings per ordinary share	6.09	5.95
Basic / diluted earnings per ordinary share	**8.00**	**7.66**
Distributed earnings per preference share	1.95	1.75
Undistributed earnings per preference share	6.21	6.07
Basic / diluted earnings per preference share	**8.16**	**7.82**

The 2% dividend advantage of the preference shares compared with the ordinary shares was included in the calculation. For information on the rights of the various share categories, please refer to Note 18.

Other disclosures

35 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.

36 Objectives and methods of financial risk management

The main financial liabilities incurred by the Group, with the exception of derivative financial instruments, 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 short-term deposits which result directly from the Group's business activities.

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

The type and volume of hedging transactions are based on 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 2015 and 2014.

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. These analyses 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) and, to a lesser extent, the US dollar (USD). 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 (Argentine peso, ARS and US dollar), Great Britain (British pound, GBP), Turkey (New Turkish lira, TRY), Colombia (Colombian peso, COP) and Mexico (Mexican peso, MXN).

Exchange rate risks also exist in the edding Group from intra-Group loans.

In the financial year a forward exchange transaction was concluded for Colombian peso for the first time to hedge foreign currency risks arising from intra-Group procurement in US dollar.

The following currency derivatives are used in the edding Group to hedge and minimise foreign currency risks:

Overview of currency derivatives	Secured currency risk	Term	Nominal volume		Market value in € '000	
			31/12/15	31/12/14	31/12/15	31/12/14
Currency options – designated as cash flow hedge	Procurement in JPY	monthly until end of 2016	480 m JPY	480 m JPY	253	29
Forward exchange transactions – designated as cash flow hedge	Procurement in JPY	monthly until end of 2017	1,440 m JPY	480 m JPY	246	– 113
Currency options USD	Hedging of currency risk for procurement in USD	monthly until end of 2016	2.0 m USD	–	46	–
Forward exchange transactions USD	Hedging of currency risk for procurement in USD	monthly or quarterly until end of 2017	8.8 m USD	1.4 m USD	32	35
Forward exchange transactions TRY	Hedging of intra-group loans	March 2016	4.0 m TRY	6.0 m TRY	45	– 345
Forward exchange transactions COP/USD	Hedging of currency risk for intra-group procurement in USD	end of 2016	7,182.9 m COP	–	129	–

The currency options and the currency forwards for Japanese yen were designated as hedging instruments within the scope of cash flow hedge accounting in accordance with IAS 39 in the current financial year. The expected occurrence of the hedged cash flows is spread over the 24 months following the balance sheet date. Material effects on results through occurrence of the cash flows are not expected due to the hedging relationships which have been set up.

For the effective part of the hedge, the changes in market value of currency derivatives designated as cash flow hedges are recognised in other comprehensive income outside profit or loss and recorded in the consolidated income statement through profit and loss at the time when the planned procurement transaction takes place. The ineffective part of the change in market value is immediately recognised in the income statement.

The accumulated changes in market value from cash flow hedges recognised in other comprehensive income outside profit or loss in the 2015 financial year amounted before tax to € 386,000 (previous year: € 140,000). In the financial year 2015 before tax € 151,000 (previous year: € 331,000) were transferred from other comprehensive income to the consolidated income statement within the scope of cash flow hedging and included in the cost of materials. The income recorded in the financial year for the ineffective part of the hedge amounted to € 133,000 (previous year: expenditure amounting to € 100,000).

For the currency derivatives existing at the balance sheet date, the following table shows the sensitivity of the Group equity and the Group annual result before tax with regard to a 10% appreciation or depreciation in the respective foreign currency of the currency derivatives versus the euro or the US dollar.

Sensitivities of foreign currency derivatives	Change in equity 31/12/2015 € '000	Change in equity 31/12/2014 € '000	Change in pre-tax result 31/12/2015 € '000	Change in pre-tax result 31/12/2014 € '000
Appreciation of the euro by 10% versus foreign currency of the derivative (JPY / USD / TRY)				
Currency options JPY – designated as cash flow hedge	– 151	– 15	– 98	– 22
Forward exchange transactions JPY – designated as cash flow hedge	– 574	– 211	187	– 1
Currency options USD	– 59	–	– 83	–
Forward exchange transactions USD	– 408	– 74	– 574	– 105
Forward exchange transaction TRY	80	133	113	190
Forward exchange transaction COP/USD	138	–	195	–
Total	**– 974**	**– 167**	**– 260**	**62**
Depreciation of the euro by 10% versus foreign currency of the derivative (JPY / USD / TRY)				
Currency options JPY – designated as cash flow hedge	277	98	– 191	17
Forward exchange transactions JPY – designated as cash flow hedge	624	258	– 215	– 2
Currency options USD	121	–	171	–
Forward exchange transactions USD	657	90	924	128
Forward exchange transaction TRY	– 98	– 163	– 138	– 232
Forward exchange transaction COP/USD	– 168	–	– 238	–
Total	**1,413**	**283**	**313**	**– 89**

As a result of the designation of the existing currency options and the currency forwards for Japanese yen as cash flow hedges, the effect on the pre-tax result would be less than on equity, just like in the previous year.

The following tables show the sensitivity of the Group result before tax, 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 as of the balance sheet date and adjusts the conversion of these items as at the end of the period pursuant to a 10% change in exchange rates. Furthermore, the sensitivity of the currency derivatives not designated as cash flow hedges described above is included.

	2015 € '000	2014 € '000
Appreciation of currency used within the Group by 10%		
Turkish lira	377	344
Forward exchange transaction in Turkish lira	– 138	– 232
Colombian peso	161	203
Forward exchange transaction in USD/COP	– 238	–
Mexican peso	299	179
British pound	40	65
Argentinian peso	159	136
US dollar	60	– 51
Forward exchange transaction and currency options in USD	1,095	128
Japanese yen	– 34	– 36
	1,781	**736**

	2015 € '000	2014 € '000
Depreciation of currency used within the Group by 10%		
Turkish lira	– 377	– 344
Forward exchange transaction in Turkish lira	113	190
Colombian peso	– 161	– 203
Forward exchange transaction in USD/COP	195	–
Mexican peso	– 299	– 179
British pound	– 40	– 65
Argentinian peso	– 159	– 136
US dollar	– 60	51
Forward exchange transaction and currency options in USD	– 657	– 105
Japanese yen	34	36
	– 1,411	**– 755**

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 2015.

	2015 € '000	2014 € '000
Argentinian peso		
Appreciation by 20%	317	272
Appreciation by 40%	634	543
Depreciation by 20%	– 317	– 272
Depreciation by 40%	– 634	– 543

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 capital subject to fixed and variable interest rates.

To hedge against the interest rate risks, as at 31 December 2015 edding AG concluded one interest rate swap (previous year: two interest rate swaps) with a nominal volume totalling € 600,000 (previous year: € 1,050,000) and a maturity date on 29 December 2017. As of the balance sheet date the negative market value of the interest rate derivatives totalled € -28,000 (previous year: negative market value of € -59,000).

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 2015, the pre-tax result would have been € 6,000 higher. Equity would have increased by € 5,000. If the market interest rate level had been 100 basis points lower as of 31 December 2015, the pre-tax result would have been € 1,000 lower. Equity would have been reduced by € 1,000.

If the market interest rate level had been 100 basis points higher as of 31 December 2014, the pre-tax result would have been € 15,000 higher. Equity would have increased by € 10,000. If the market interest rate level had been 100 basis points lower as of 31 December 2014, the pre-tax result would have been € 2,000 lower. Equity would have been reduced by € 2,000.

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 appropriate 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 larger 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, there is a maximum default risk equivalent to the carrying amount of the corresponding financial assets.

Further information on the recoverability of financial assets is contained in Note 15.

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 maintain a balance between the continual coverage of the funding requirement and ensuring flexibility by using overdraft facilities, loans and finance leases.

The following table shows the contractually agreed interest and redemption 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 on the basis of 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.

2015	Book value 31/12/15 € '000	Cash flows 2016 Interest € '000	Cash flows 2016 Redemption € '000	Cash flows 2017-2020 Interest € '000	Cash flows 2017-2020 Redemption € '000	Cash flows 2021 et seq. Interest € '000	Cash flows 2021 et seq. Redemption € '000
Original financial liabilities							
Liabilities to banks	**7,063**	374	3,058	312	3,505	9	500
Liabilities from forfeited lease payments	**87**	–	87	–	–	–	–
Other financial debt	**3,249**	–	3,249	–	–	–	–
Trade payables	**5,265**	–	5,265	–	–	–	–
Other liabilities	**7,138**	–	7,138	–	–	–	–
Derivative financial liabilities							
Interest derivatives with negative market value	**28**	20	–	8	–	–	–
Gross outflows from currency derivatives		–	–	–	12,388	–	–
Gross inflows from currency derivatives		–	–	–	–12,234	–	–
Net outflows from currency derivatives	**173**	–	–	–	154	–	–

2014	Book value 31/12/14 € '000	Cashflows 2015 Interest € '000	Cashflows 2015 Redemption € '000	Cashflows 2016-2019 Interest € '000	Cashflows 2016-2019 Redemption € '000	Cashflows 2020 et seq. Interest € '000	Cashflows 2020 et seq. Redemption € '000
Original financial liabilities							
Liabilities to banks	**5,823**	258	2,074	296	2,749	33	1,000
Liabilities from forfeited lease payments	**564**	20	477	–	87	–	–
Other financial liabilities	**3,327**	–	3,327	–	–	–	–
Trade payables	**4,870**	–	4,870	–	–	–	–
Other liabilities	**7,608**	–	7,608	–	–	–	–
Derivative financial liabilities							
Interest derivatives with negative market value	**59**	33	–	26	–	–	–
Gross outflows from currency derivatives		–	5,539	–	–	–	–
Gross inflows from currency derivatives		–	– 5,054	–	–	–	–
Net outflows from currency derivatives	**458**	–	485	–	–	–	–

37 Additional disclosures on financial instruments

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

The following table shows carrying amounts 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[1]	31/12/2015		31/12/2014	
		Carrying amount € '000	Fair value € '000	Carrying amount € '000	Fair value € '000
Financial assets					
Loans and receivables		**39,792**	**39,792**	**32,593**	**32,593**
Trade receivables	–	21,453	21,453	20,827	20,827
Other receivables and assets (excl. derivatives)	–	1,228	1,228	1,442	1,442
Cash and cash equivalents	–	17,111	17,111	10,324	10,324
Assets measured at fair value		**1.120**	**1.120**	**560**	**560**
Financial assets held for trading purposes	1	195	195	496	496
Derivatives with positive market value with hedging relationship (cash flow hedges)	2	543	543	29	29
Derivatives with positive market value without hedging relationship held for trading purposes	2	382	382	35	35
Financial assets available for sale		**3,474**	**n.a.**	**147**	**n.a.**
Holdings	n.a.	3,474	n.a.	147	n.a.

[1] **Level 1** based on quoted prices on active markets for identical assets and liabilities.

Level 2 based on input factors which are not Level 1 prices, but can be observed for the financial instrument either directly as a price or indirectly based on prices.

Level 3 based on valuations with the aid of factors based on non-observable market data.

	Fair value hierarchy level[1]	31/12/2015 Carrying amount € '000	31/12/2015 Fair value € '000	31/12/2014 Carrying amount € '000	31/12/2014 Fair value € '000
Financial liabilities					
Other financial liabilities measured at cost		**22,803**	**23,065**	**22,192**	**22,429**
Liabilities to banks	–	7,063	7,326	5,823	6,047
Other financial debt	–	3,336	3,336	3,891	3,904
Trade payables	–	5,265	5,265	4,870	4,870
Other financial liabilities (excl. derivatives)	–	7,138	7,138	7,608	7,608
Liabilities measured at fair value through profit or loss		**– 201**	**– 201**	**517**	**517**
Derivatives with negative market value with hedging relationship (cash flow hedges)	2	– 43	– 43	113	113
Derivatives with negative market value without hedging relationship	2	– 158	– 158	404	404

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

The fair value of the financial assets held for trading is based on quoted market prices (fair value hierarchy Level 1).

The market values of fair value hierarchy Level 2 derivatives were determined based on the mark-to-market method.

[1] **Level 1** based on quoted prices on active markets for identical assets and liabilities.

Level 2 based on input factors which are not Level 1 prices, but can be observed for the financial instrument either directly as a price or indirectly based on prices.

Level 3 based on valuations with the aid of factors based on non-observable market data.

Cash and cash equivalents, trade receivables and other receivables predominantly have short remaining terms. Therefore, their carrying amounts 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 cannot be reliably determined in the absence of an active market or other information indicating a market value. These are therefore measured in compliance with IAS 39.46(c) at amortised cost.

If there are significant deviations from the reported carrying amount, 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. Calculation of fair value for comparison purposes corresponds to the fair value hierarchy Level 3. 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 and current purchase price liabilities from a purchase of shares.

Trade payables and other liabilities include liabilities with regularly short-term remaining terms, so it can be assumed that their fair values are approximately the same as the reported carrying amounts.

As in the previous year, there were no reclassifications between the fair value hierarchy levels in the financial year.

Net result from financial instruments
The net results and interest by measurement category are as follows:

2015	From interest € '000	At fair value[1] € '000	Value adjustment[1] € '000	From disposal € '000	Net result 2015 € '000
Loans and receivables	**53**	–	– 46	–	**– 46**
Argentine government bonds measured at fair value through profit or loss	**3**	–	–	167	**167**
Other financial instruments measured at fair value through profit or loss	**– 34**	283	–	–	**283**
Hedging transactions	**–**	133	–	–	**133**
Financial liabilities measured at cost	**– 568**	–	–	–	**–**
Total gain / loss from financial instruments	**– 546**	**416**	**– 46**	**167**	**537**

2014	From interest € '000	At fair value[1] € '000	Value adjustment[1] € '000	From disposal € '000	Net result 2014 € '000
Loans and receivables	**50**	–	– 325	–	**– 325**
Argentine government bonds measured at fair value through profit or loss	**3**	167	–	73	**240**
Other financial instruments measured at fair value through profit or loss	**– 104**	– 214	–	–	**– 214**
Hedging transactions	**–**	– 100	–	36	**– 64**
Financial liabilities measured at cost	**– 450**	–	–	–	**–**
Total gain / loss from financial instruments	**– 501**	**– 147**	**– 325**	**109**	**– 363**

[1] from subsequent measurement

For valuation adjustments on assets from the loans and receivables category, please refer to Note 15.

The foreign currency valuation of intra-Group receivables and payables as at the balance sheet date resulted in unrealised foreign currency losses totalling € 1.028,000 in the 2015 financial year (previous year: foreign currency income of € 135,000) in the Consolidated Income Statement even though the intercompany receivables and payables upon which the foreign currency valuation is based were eliminated in full within the consolidation process.

38 Additional disclosures on capital management

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

The equity and the borrowed capital items reported in the course of capital management of the edding Group as of 31 December 2015 compared with the prior year are shown below:

	31/12/2015 € '000	31/12/2014 € '000	Change %
Equity as % of total capital	**50,199** 66.2 %	**44,274** 63.9 %	**13.4**
Non-current financial liabilities, provisions for pensions and similar obligations	19,232	19,107	0.7
Current financial liabilities	6,394	5,879	8.8
Borrowed capital as % of total capital	**25,626** 33.8 %	**24,986** 36.1 %	**2.6**
Total capital within the meaning of capital management	**75,825**	**69,260**	**9.5**

In the case of short-term borrowed capital, there is the option of using existing bilateral short-term credit lines. As at 31 December 2015, credit agreements for a total of € 21,955,000 existed with several banks, although only € 3,585,000 was used. The borrowed capital was subject to interest on the standard market terms. There are still no specific 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.

39 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 year 2015 or the previous year.

Sales revenue is broken down by region as follows:

	2015 € '000	2014 € '000	Change € '000	Change %
Germany	56,472	53,638	2,834	5.3
Other European countries	68,369	63,626	4,743	7.5
Overseas	13,530	11,589	1,941	16.7
edding Group	**138,371**	**128,853**	**9,518**	**7.4**

In the financial year 2015 and in the previous year, no more than 10% of the sales revenue of the edding Group was generated with any one customer.

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

	2015 € '000	2014 € '000
Segment result (EBIT)	22,157	19,591
EBIT edding AG	– 9,912	– 7,691
Consolidation	– 25	– 45
EBIT edding Group	**12,220**	**11,855**
Result from investments	– 101	5
Financial result	14	325
Group result before taxes	**12,133**	**12,185**

40 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:

	2015 € '000	2014 € '000
Interest received	696	68
Interest paid	604	579
Income tax paid	3,295	3,330

41 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. They also encompass associated companies included at equity, with which, as in the previous year, no business transactions were conducted in 2015.

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, Leon Thadäus Ledermann, Per Ledermann, Anika Ledermann, Yannick Nicolas Ledermann, Elisa Sophie Ledermann and Luis Gabriel Ledermann in 2015.

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 close family members of this group of people.

The members of the Management Board and the Supervisory Board are persons in key positions, whose remuneration has to be specified separately according to different categories pursuant to IAS 24. Furthermore there are disclosure requirements for outstanding balances and liabilities vis-à-vis the persons in key positions. For the disclosures please refer to Note 43.

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

At the end of December 2015, ordinary shares were redistributed within the Ledermann family; this was carried out in three legal stages.

By way of explanation, the following table shows the current status of notifications stating that the share of voting rights of the notifying person in edding AG had exceeded or fallen below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 and 75%:

Name	Date of voting rights notification	Limit exceeded in %	Limit not reached in %
Volker Detlef Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
Susanne Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Angelika Schumacher	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Dina Alexandra Schumacher	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
David Alexander Schumacher	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Beatrix Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Julia Marie Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Jan Moritz Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Leon Thadäus Ledermann	07/01/2016	3, 5	n.a.
Per Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
Anika Ledermann	05/01/2016	3	n.a.
	07/01/2016	5, 10, 15, 20, 25	n.a.
Yannick Nicolas Ledermann	Previous years	3, 5, 10, 15, 20, 25, 30, 50, 75	n.a.
	07/01/2016	n.a.	75
Elisa Sophie Ledermann	05/01/2016	3	n.a.
	07/01/2016	5, 10	n.a.
Luis Gabriel Ledermann	07/01/2016	3, 5, 10	n.a.

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

43 Executive bodies of edding AG

The Supervisory Board is made up as follows:

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

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

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 according to the disclosures required in section 314 (1) No. 6a sentences 5 to 8 of the German Commercial Code (HGB) for the Consolidated Financial Statements. The total remuneration of the Management Board in the financial year 2015 amounted to € 1,333,000 (previous year: € 1,025,000).

Expenses for remuneration of the Management Board reported in the consolidated financial statements

The company spent € 525,000 (previous year: € 516,000) on fixed remuneration for the Management Board. Expenditure for fringe benefits amounted to € 32,000 (previous year: € 54,000) and was mainly attributable to company cars and health and long-term care insurance contributions.

€ 355,000 (previous year: € 389,000) were spent on short-term variable remuneration. The agreement on short-term bonuses contains a penalty rule that is applied in the event of an annual loss by edding AG. The expense for variable remuneration based on long-term goals amounted to € 173,000 (previous year: € 161,000). € 66,000 (previous year: € 66,000) was spent on pension schemes.

Expenses carried in the income statement for variable remuneration based on long-term goals was calculated on the basis of provisional estimates until the final bonus targets were determined and can therefore be adjusted in subsequent periods. No adjustments for previous years were made in the 2015 financial year (previous year: € 12,000). No bonuses with a long-term incentive fell due in 2014. In the 2015 financial year, a long-term bonus claim was finally determined for one member of the Management Board at € 355,000 due to the expiration of the assessment period and therefore became due for payment after deducting prepayments of € 113,000 already made. As of 31 December 2015 long-term bonus agreements existed with two Management Board members with a maximum earnable remuneration of up to € 400,000, which will fall due at the end of the 2016 financial year. In the previous year, long-term bonus agreements were agreed for three Management Board members with a maximum earnable remuneration of up to € 900,000. The long-term bonus agreements do not contain any penalty rules.

Payments for remuneration to the Management Board contained in the consolidated financial statements
The fixed remuneration and the fringe benefits were due for payment in full in 2014 and 2015. The provisions made in the previous year for the short-term variable remuneration of € 389,000 led to payments of € 389,000 in the 2015 financial year. Variable remuneration based on long-term goals of € 100,000 was paid to the Management Board in 2015, of which € 50,000 (previous year: € 0) was non-forfeitable. € 50,000 (previous year: € 113,000) related to part payments for remuneration to the Management Board based on long-term goals, which may have to be paid back.

Provisions made in the consolidated financial statements for the Management Board
The provisions made for the Management Board's long-term bonus amounted to € 368,000 as of the balance sheet date (previous year: € 295,000).

The pension provisions set up for members of the Management Board totalled € 588,000 as of 31 December 2015 (previous year: € 480,000).

Expenses and payments to former Management Board members
The remuneration for former members of the Management Board from pension commitments amounted to € 1,192,000 (previous year: € 1,166,000). The pension provisions set up for former members of the Management Board totalled € 11,624,000 as of 31 December 2015 (previous year: € 12,317,000).

Expenses and payments to the Supervisory Board
The Supervisory Board receives only fixed remuneration plus the reimbursement of expenses. In the financial year 2015, € 120,000 was spent on this (previous year: € 108,000). In the financial year 2015, € 108,000 was paid out (previous year: € 117,000).

44 Proposal on the appropriation of earnings

After the transfer of € 2,685,000 from the net income of 2015 to the other retained earnings of edding AG, net retained profits of € 2,685,000 remained.

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

€ 1.95 Dividend per preference share
with a notional par value of € 5.00

€ 1.91 Dividend per ordinary share
with a notional par value of € 5.00

The unappropriated surplus of € 616,000 that remains after distribution of the dividend is to be transferred to other retained earnings.

45 Total fees and services of the Group auditors

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

	2015 € '000	2014 € '000
Audit services	126	127
Other certification services	4	4
Tax advisory services	–	–
Other services	21	14
Total fees	**151**	**145**

46 Shareholdings

Name	Registered office	Shareholding %
Parent company		
edding AG	Ahrensburg	
Consolidated companies		
Germany		
edding International GmbH	Ahrensburg	100
edding Vertrieb GmbH	Ahrensburg	100[1]
V. D. Ledermann & Co. GmbH	Ahrensburg	100
Legamaster GmbH	Ahrensburg	100
edding AG & Co. Grundstücksverwaltung OHG	Düsseldorf	100
DEGEDESTRA Grundstücks-verwaltungsges. mbH & Co. Immobilien-Vermietungs KG	Eschborn	98
Other countries		
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, UK	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 GmbH, Stuttgart as well as 9.09% 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. edding International GmbH holds 20.74% of the shares in Companhia de Canetas Compactor S.A., Rio de Janeiro, Brazil, but a 26.1% share of voting rights in the company.

47 Declaration of compliance

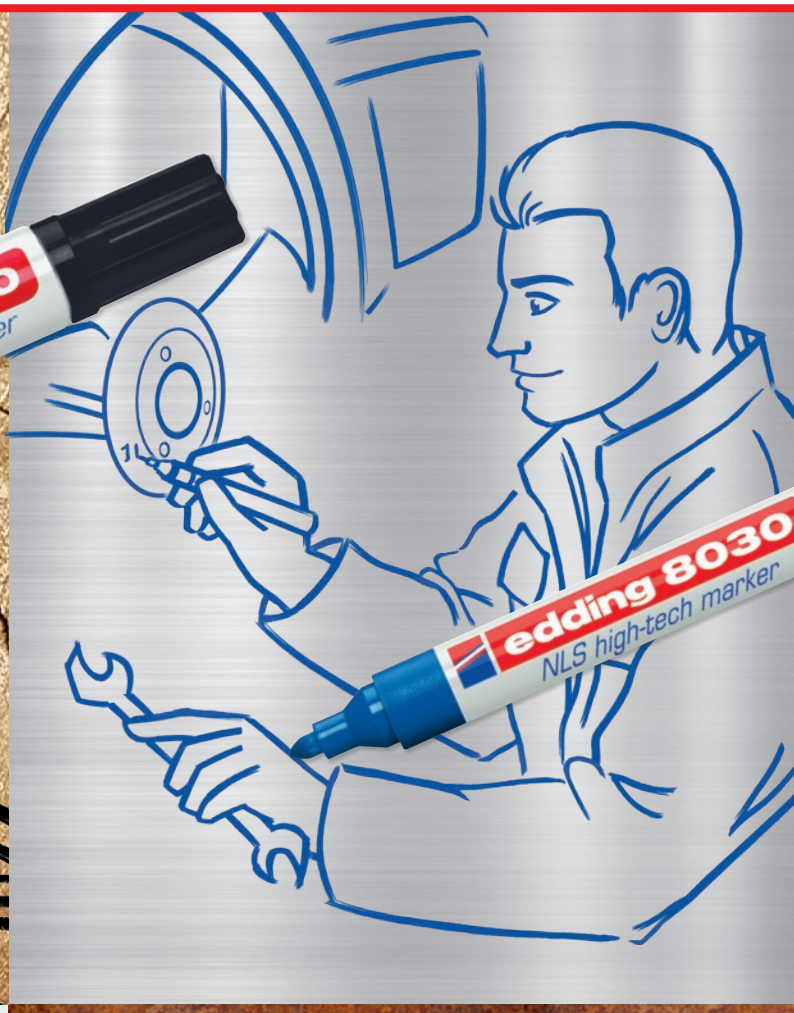
The declaration of compliance with the German Corporate Governance Code, as specified in accordance with section 161 of the German Stock Corporation Act (AktG), was issued and is published separately and as an integral part of the Declaration on Corporate Governance pursuant to section 289a of the German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

Ahrensburg, 20 April 2016

The Management Board

Per Ledermann Thorsten Streppelhoff Sönke Gooß


edding 500
permanent marker


edding 8030
NLS high-tech marker


edding 400
permanent marker


edding 950
industry painter

Auditor's Report

We have audited the consolidated financial statements prepared by edding Aktiengesellschaft, Ahrensburg, comprising the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flow and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of edding Aktiengesellschaft, for the financial year from January 1, 2015 to December 31, 2015. 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 § 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 § 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 IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to § 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, 21 April 2016

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister	Florian Riedl
Wirtschaftsprüfer	Wirtschaftsprüfer

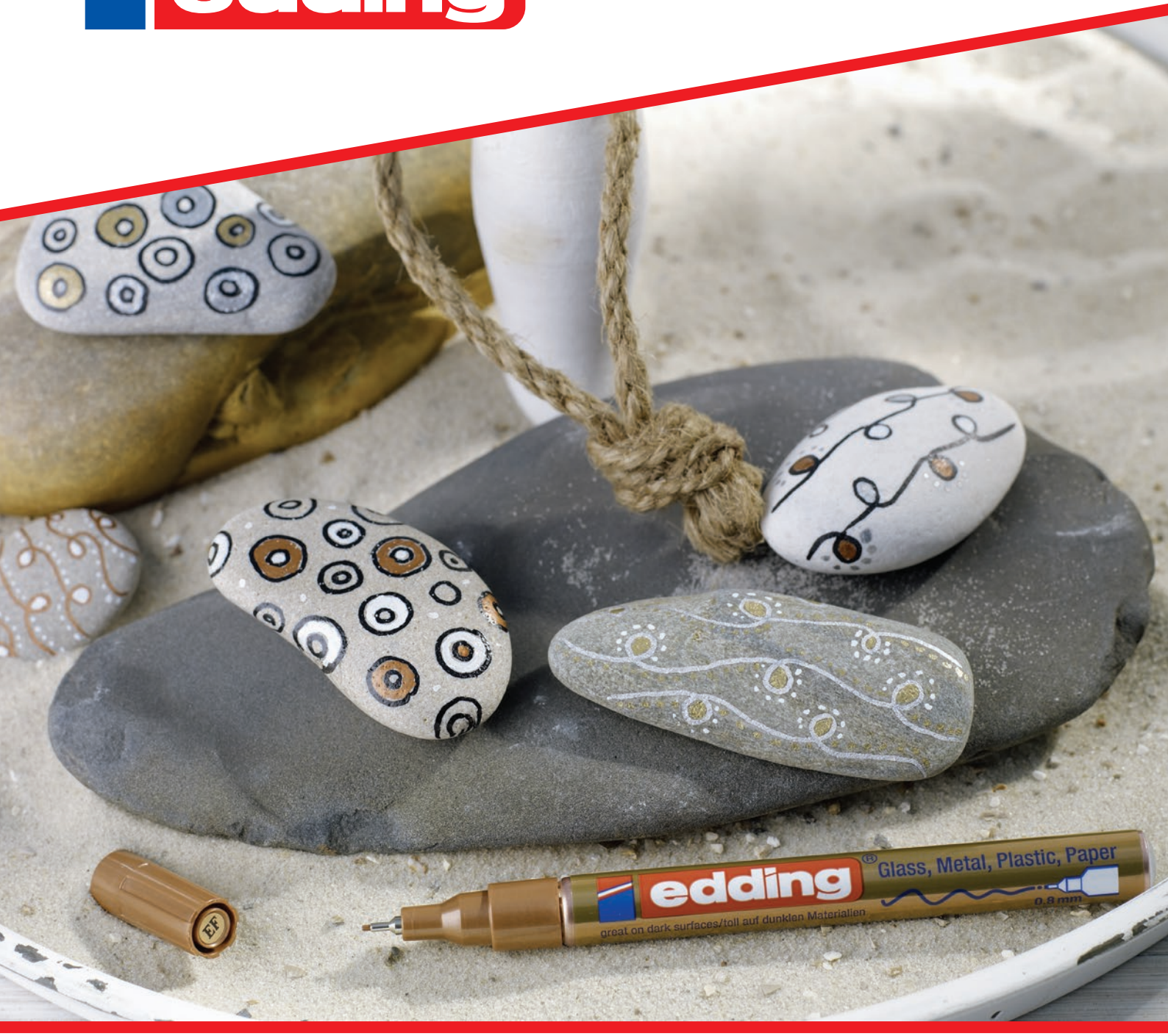
Responsibility statement

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 combined Company and Group Management Report gives a true and fair review of the business performance, including the business results and situation of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Ahrensburg, 20 April 2016

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.

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